

AN ACT PROVIDING FOR THE FORMATION AND ORGANIZATION OF CORPORATIONS, DEFINING THEIR POWERS, FIXING THE DUTIES OF DIRECTORS AND OTHER OFFICERS THEREOF, DECLARING THE RIGHTS AND L...

Act No. 1459, March 09, 1906

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By authority of the United States, be it enacted by the Philippine Commission, that:

CHAPTER I.—General provisions as to corporations.

SHORT TITLE OF ACT, CORPORATION DEFINED AND HOW ORGANIZED.

SECTION 1. The short title of this Act shall be "The Corporation Law."

SEC. 2. A corporation is an artificial being created by operation of law, having the right of succession and the powers, attributes, and properties expressly authorized by law or incident to its existence.

SEC. 3. Corporations may be public or private. Public corporations are those formed or organized for the government of a portion of the state. Private corporations are those formed for some private purpose, benefit, aim, or end, as distinguished from public corporations which have for their purpose the general good, and welfare. Private corporations are divided into stock corporations and nonstock corporations. Corporations which have a capital stock divided into shares and are authorized to distribute to the holders of such shares dividends or allotments of the surplus profits on the basis of the shares held are stock corporations. All other private corporations are non-stock corporations.

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.

SEC. 5. 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. 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 by filing with the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau articles of incorporation duly executed and acknowledged before a notary public, setting forth:

- The name of the corporation ;
- The purpose for which the corporation is formed ;
- The place where the principal office of the corporation is to be established or located, which place must be within the Philippine Islands;

- The term for which it is to exist, not exceeding fifty years, except as hereinafter provided ;
- The names and residences of the incorporators;
- Unless otherwise provided by this Act, the number of directors of the corporation, not less than five nor more than eleven. The directors named in the articles of incorporation shall be the directors until their successors are elected and qualified as provided by the by-laws: Provided, however, That at any time during the existence of the corporation the number of directors may be increased to any number not exceeding fifteen or diminished to any number not less than five in the case of a nonstock corporation by the formal assent of a majority of the members at a regular or special meeting of the membership, and in the case of a stock corporation the number of directors may be increased to any number not exceeding eleven or diminished to any number not less than five by the formal assent of the stockholders of the corporation at a regular or special meeting of stockholders representing or holding a majority of the stock: And provided further, That a certificate setting out such increase or diminution in the numbers of directors of any corporation shall be duly signed and sworn to by the president, managing agent, secretary or clerk, or treasurer of such corporation and forthwith filed in the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau;
- If it be a stock corporation, the amount of its capital stock, in Philippine currency, and the number of shares into which it is divided;
- If it be a stock corporation, the amount of capital stock actually subscribed, the names and residences of the persons subscribing, the amount subscribed by each, and the sum paid by each on his subscription.

In addition to the foregoing facts, articles of incorporation of railroad, tramway, wagon road, and telegraph and telephone companies must state:

- The starting point and terminus of the railroad, tramway, wagon road, or telegraph or telephone line, its estimated length, the provinces through which it will pass, and all of its intermediate branches and connections;
- In the case of railroads or tramways, the gauge of the road, the motive power to be used and the means of applying it, and the materials to be used in the construction;
- In the case of wagon roads, the width of the road, the method of construction, and the construction material to be used;
- In the case of telegraph or telephone lines, the construction material, appliances, method of construction, and system to be used.

SEC. 7. Articles of incorporation of stock corporations, unless otherwise provided, shall be sufficient if they comply substantially with the following form :

ARTICLES OF INCORPORATION

OF THE

.....

(Here insert full name of corporation.)

Know all men by these presents:

That we, a majority of whom are residents of the Philippine Islands, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippine Islands.

And We Hereby Certify—

FIRST. That the name of said corporation shall be the (Here insert full name of corporation.)
.....

SECOND. That the purposes for which such corporation is formed are (Here insert in full the purposes of the corporation.)

THIRD. That the place where the principal office of the corporation is to be established or located is (Here insert place where principal office is to be established or located.)

.....

FOURTH. That the term for which said corporation is to exist is fifty years from and after the date of incorporation.

FIFTH. That the names and residences of the incorporators of said corporation are as follows:

NAME _____

WHOSE RESIDENCE IS AT

SIXTH. That the number of directors of said corporation shall be (Here insert number of directors, not less than five nor more than fifteen.)..... and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the by-laws are as follows, to wit:

NAME

WHOSE RESIDENCE IS AT

.....

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SEVENTH. That the capital stock of said corporation is (Here insert amount of capital stock.)..... pesos, and said capital stock is divided into.(Here insert number of shares.) shares of the par value each of (Here insert par value of each share.)..... pesos.

EIGHT. That the amount of said capital stock which has been actually subscribed is (Here insert full amount of capital subscribed.).....pesos, and the following persons have subscribed for the number of shares and amount of capital stock set out after their respective names:

Name.

Residence.

Number of shares

Amount of capital
stock subscribed.

Total

NINTH. That the following persons have paid on the shares of capital stock for which they have subscribed the amounts set out after their respective names:

Name.

Residence.

Number of shares

Amount paid
on subscription.

Total

TENTH. That.....

(Here insert name of treasurer elected by subscribers.)

has been elected by the subscribers as treasurer of the corporation to act as such until his successor is duly elected and qualified in accordance with the by-laws, and that as such treasurer he has been authorized to receive for the corporation and to receipt in its name for nil subscriptions paid in by said subscribers.

ELEVENTH. (If the corporation be a railroad, tramway, wagon road, telegraph, or telephone corporation, here insert estimated length of railroad, tramway, wagon road, telegraph or telephone line, provinces through which such line will pass, and all of its intermediate branchies and connections.)

.....

TWELFTH. (If the corporation be a railroad or tramway corporation, here insert gauge of road, motive power to

be used, means of applying such power, and materials to be used in the construction.)

.....

THIRTEENTH. (If the corporation be a wagon-road corporation, here insert width of the road, method of construction, and the construction material to be used.)

.....

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FOURTEENTH. (If the corporation be a telegraph or telephone corporation, here insert construction material, appliances, method of construction, and system to be used.)

.....

In Witness Whereof, We have hereunto set our hands and seals this day of....., A. D. 190....

..... [Seal.]

..... [Seal.]

..... [Seal.]

..... [Seal.]

..... [Seal.]

..... [Seal.]

..... [Seal.]

SIGNED AND SEALED IN THE

..... [Seal.]

PRESENCE OF

..... [Seal.]

.....

..... [Seal.]

.....

..... [Seal.]

..... [Seal.]

..... [Seal.]

..... [Seal.]

..... [Seal.]

On this.....day of....., in the year A. D. one thousand nine hundred and....., before me,
 a notary public in and fox the
, personally appeared (Here insert names of Incorporators.)
 known to me to be the persons
 whose names are subscribed and who executed the within instrument, and each of them acknowledged to me that
 he freely and voluntarily executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year last above written.

.....,
 Notary Public.

CITY OR MUNICIPALITY OF

PROVINCE OF SS.:

Philippine Island

.....
 (Here insert name of treasurer elected by subscribers.)

being duly sworn, deposes and says that on the day of, A. D. 190.... 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 pesos has been
 actually subscribed and that..... pesos has been actually paid to him for the benefit
 and to the credit of the corporation, and that at least twenty per centum of the entire capital stock has been
 subscribed and at least twenty-five per centum of the subscription has been actually paid to him for the benefit
 and to the credit of the corporation.

Subscribed and sworn to before me this..... day of....., A. D. 100....

.....

SEC. 8. The Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau
 shall be entitled to collect and receive for the filing of Articles of incorporation filed in accordance wit|i the

provisions of his Act a fee of twenty-five pesos.

SEC. 9. The Chief of the said Division of Archives, Patents, Copyrights, and Trade-Marks 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 capital stock has been sub-scribed, and that at least twenty-five per centum of the subscription has been paid to him for the benefit and to the credit of the corporation.

SEC. 10. A copy of any articles of incorporation filed with the said Division of Archives, Patents, Copyrights, and Trade-Marks in pursuance of this Act and duly certified by the chief of the said division shall be received in the courts and all other places as prima facie evidence of the facts therein stated.

SEC. 11. The Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau, on the filing of the articles of incorporation provided by this Act to be filed, shall issue to the incorporators a certificate, under the seal of his office, setting forth that such articles of "incorporation have been duly filed in his office in accordance with law; and thereupon the persons signing the articles of incorporation and their associates and successors shall constitute a body politic and corporate, under the name stated in the certificate, for the term specified in the articles of incorporation, not exceeding fifty years, unless sooner legally dissolved or unless otherwise provided in this Act.

SEC. 12. No corporation shall occupy or use any private property without the consent of the owners or prior condemnation proceedings and paying or tendering just compensation therefor, and no corporation shall occupy or use any public lands, places, roads, highways, streets, avenues, lanes, alleys, sidewalks, bridges, or any other public property whatever without first securing a franchise for such use or occupancy from the Government of the Philippine Islands: Provided, however, That street railways, tramways, electric light, power, or telephone corporations may, in the manner prescribed in Act Numbered Six hundred and sixty-seven, secure a franchise to occupy or use any public lands, places, roads, highways, streets, avenues, lanes, alleys, sidewalks, bridges, or any other public property necessary for the transaction of its business: And provided further, That street railway, tramway, telephone, telegraph, electric power or light corporations for the purpose of doing business in the city of Manila, and railroad corporations For the purpose of doing business in the Philippine Islands, may form and organize as corporations under this Act.

GENERAL POWERS OF CORPORATIONS.

SEC. 13. Every corporation has the power:

- Of succession by its corporate name for the period of time limited in the articles of incorporation and not exceeding the time prescribed by law;
- To sue and be sued in any court;
- To transact the business for which it was lawfully organized, and to exercise such powers and to perform such acts as may be reasonably necessary to accomplish the purpose for which the corporation was formed :
- To make and use a common seal and to alter the same at pleasure;
- 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 real estate 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 member of a corporation engaged in agriculture or mining and for any corporation organized for any purpose except irrigation to be in anywise interested in any other corporation engaged in agriculture or in mining. 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;

- To appoint and dismiss such subordinate officers or agents as the business or welfare of the corporation may demand, and to allow such subordinate officers and agents suitable compensation;
- To make by-laws, not inconsistent, with any existing law, for the fixing or changing of the number of its officers and directors within the limits prescribed by law, and for the transferring of its stock, the administration of its corporate affairs, the management of its business, and the care, control, and disposition of its property;
- To admit members to the corporation; if it be a stock corporation, to issue stock to stockholders and to sell stock or shares of stockholders for the payment of any indebtedness of the stockholders to the corporation;
- To enter into any obligation or contract essential to the proper administration of its corporate affairs or necessary for the proper transaction of the business or accomplishment of the purpose for which the corporation was organized.

SEC. 14. No corporation created under this Act shall possess or exercise any corporate powers except those conferred by this Act and except such as are necessary to the exercise of the powers so conferred.

SEC. 15. No corporation doing business in the Philippine Islands or receiving any grant, franchise, or concession from the Government of the Philippine Islands shall use, employ, or contract for the labor of persons claimed or alleged to be held in involuntary servitude, and any corporation violating the provisions of this section shall forfeit all charters, grants, franchises, and concessions for doing business in said Islands, and in addition shall be deemed guilty of an offense and shall be punished by a fine of twenty thousand pesos.

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 property actually received by it at a fair valuation equal to the par value of the stock or bonds so issued. No corporation shall make or declare any stock or bond dividend or any dividend whatever except from the surplus profits arising from its business, or divide or distribute its capital stock or property other than actual profits among its members or stockholders until after the payment of its debts and the termination of its existence by limitation or lawful dissolution: Provided, however, That banking, savings and loan, and trust corporations may receive deposits and issue certificates of deposit, checks, drafts, and bills of exchange and the like in the transaction of the ordinary business of banking, savings and loan, and trust corporations.

SEC. 17. No corporation shall increase or diminish its capital stock, or incur, create, or increase any bonded indebtedness unless, at a stockholders meeting regularly called for the purpose, two-thirds of the entire corporate capital stock subscribed shall favor the increase or diminution of the capital stock, or majority of the subscribed capital stock shall favor the incurring, creating, or increasing of any bonded indebtedness. Written or printed notice of the proposed increase or diminution of the capital stock or of the incurring, creating, or increasing of any bonded indebtedness and of the time and place of the stockholders' meeting at which the proposed increase or diminution of the capital stock or the incurring, creating, or increasing of any bonded indebtedness is to be considered must be addressed to each stockholder at his place of residence as shown by the books of the corporation and registered and deposited so addressed in the post-office with postage prepaid.

A certificate in duplicate must be signed by a majority of the directors of the corporation and counter signed by the chairman and secretary of the stockholders' meeting, showing compliance with the requirements of this section, the amount of the increase or diminution of the capital stock, or the bonded indebtedness to be incurred, created, or increased, the actual indebtedness to be incurred, created, or increased, the actual indebtedness of the corporation on the day of the meeting, the amount of stock represented at the meeting, and the vote authorizing the increase or diminution of the capital stock or the incurring, creating, or increasing of any bonded indebtedness. One of the duplicate certificates shall be kept on file in the office of the corporation and the other shall be filed in the office of the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau and attached by him to the original articles of incorporation. From and after the filing of the duplicate certificate with the chief of the said division the capital stock shall stand increased or diminished and the incurring, creating, or increasing of any bonded indebtedness authorized as the certificate may declare.

The Chief of the said Division of Archives, Patents, Copyrights, and Trade-Marks shall be entitled to collect the sum of twenty pesos for filing said duplicate certificate.

SEC. 18. Any corporation may amend its articles of incorporation by a majority vote of its board of directors or trustees and the vote or written, assent of two-thirds of its members, if it be a nonstock corporation, or if it be a stock corporation, by the vote or written assent of the stockholders representing at least two-thirds of the subscribed capital stock of the corporation. A copy of the articles of incorporation as amended, duly certified to be correct by the president and the secretary of the corporation and a majority of the board of directors or trustees, shall be filed in the office of the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau and attached to the original articles of incorporation, and, from the time of filing such copy of the amended articles of incorporation, the corporation shall have the same powers and it and the members or stockholders thereof shall thereafter be subject to the same liabilities as if such amendment had been embraced in the original articles of incorporation: Provided, however, That the life of said corporation shall not be extended by said amendment beyond the time fixed in the original articles: And provided, That the original articles and amended articles together shall contain all provisions required by law to be set out in the articles of incorporation: And provided further, That nothing in this section shall be construed to authorize any corporation to increase or diminish its capital stock or so as to affect any rights or actions which accrued to others between the time of filing the original articles of incorporation and the filing of the amended articles.

SEC. 20. if a corporation does not formally organize; and commence the transaction of its business or the construction of its works within two years from date of its incorporation, its corporate powers cease. The due incorporation of any corporation claiming in good faith to be a corporation under (his Act and its right to exercise corporate powers shall not be inquired into collaterally in any private suit to which the corporation may be a party, but such inquiry may be had at the suit of the Insular Government on information of the Attorney-General.

BY-LAWS.

SEC. 20. Every corporation formed under this Act must, within one month after the filing of articles of incorporation with the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau, adopt a code of by-laws for its government not inconsistent with this Act or any Act of Congress having force and effect in the Philippine Islands. For the adoption of any by-law or by-laws by the corporation the affirmative vote of the stockholders representing a majority of all of the subscribed capital stock, whether paid or unpaid, or of a majority of the members if there be no capital stock is necessary. The by-laws shall be signed by the stockholders or members voting for them and shall be kept in the principal office of the corporation, subject to the inspection of the stockholders or members during office hours, and a copy thereof, duly certified to by a majority of the directors and countersigned by the secretary of the corporation, shall be filed with the Chief of the said Division

of Archives, Patents, Copyrights, and Trade-Marks, who shall attach the same to the original articles of incorporation and collect and receive a fee of two pesos for the filing thereof.

SEC. 21. A corporation may, unless otherwise prescribed by this Act, provide in its by-laws for the time, place, and manner of calling and conducting regular or special meetings of its directors, and the time and manner of calling and conducting regular or special meetings of stockholders or members; the number of stockholders or members necessary to constitute a quorum for the transaction of business at meetings of stockholders or members; the conditions upon which members of nonstock corporations shall be entitled to vote; the mode of securing proxies of stockholders or members and voting them; the qualifications, duties, and compensation of directors, officers, and employees; the time for holding the annual election of directors and the mode and manner of giving notice thereof; the manner of election and the term of office of all officers other than directors and those elected by the directors or trustees; the penalties for violation of by-laws, not exceeding in any case the sum of two hundred pesos; in the case of stock corporations, the manner of issuing stock certificates or shares of stock; and such other matters not otherwise provided for by this Act as may be necessary for the proper or convenient transaction of the business of the corporation.

SEC. 22. The owners of a majority of the subscribed capital stock, or a majority of the members if there be no capital stock, may, at a regular or special meeting duly called for the purpose, amend or repeal any by-law or adopt new by-laws. The owners of two-thirds of the subscribed capital stock, or two-thirds of the members if there be no capital stock, may delegate to the board of directors the power to amend or repeal any by-law or to adopt new by-laws: Provided, however, That any power delegated to the board of directors to amend or repeal any by-law or to adopt new by-laws shall be considered as revoked whenever a majority of the stockholders or of the members of the corporation shall so vote at a regular or special meeting.

SEC. 23. Whenever any amendment or new by-law is adopted, such amendment or by-law shall be attached to the original by-laws in the office of the corporation and a copy thereof, duly certified to by a majority of the directors and countersigned by the secretary or clerk of the corporation, shall be filed with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau, who shall attach the same to the original articles of incorporation and original by-laws on file in his office and collect and receive the sum of two pesos for the service.

MEETINGS.

SEC. 24. The meetings of the members or stockholders of a corporation shall be held at the place where the principal office of the corporation is established or located and where practicable in the principal office of the corporation. Directors' meetings may be held at the place fixed in the by-laws.

SEC. 25. The proceedings had and the business transacted at any meeting of the stockholders or members of a corporation, if within the powers of the corporation, shall be valid even if the meeting be improperly held or called: Provided, That the stockholders or members of the corporation are present at the meeting. At any such meeting the stockholders or members of the corporation may elect officers and fill vacancies then existing, and may transact such other business of the corporation as might lawfully be transacted at a regular meeting thereof.

SEC. 26. Whenever, from any cause, there is no person authorized to call a meeting, or when the officer authorized to do so refuses, fails, or neglects to call a meeting, any judge of a Court of First Instance, on the showing of good cause therefor, may issue an order to any stockholder or member of a corporation, directing him to call a meeting of the corporation by giving the proper notice required by this Act or the by-laws; and if there be no person legally authorized to preside at such meeting, the judge of the Court of First Instance may direct the person calling the meeting to preside at the same until a majority of the members or stockholders representing a

majority of the stock present and permitted by law to be voted have chosen one of their number to act as presiding officer for the purposes of the meeting.

SEC. 27. Executors, administrators, guardians, or other persons in a position of trust and legally authorized may vote as stockholders upon stock held in their representative capacity.

DIRECTORS OF CORPORATIONS----THEIR POWERS, DUTIES. ELECTION, AND ORGANIZATION.

SEC. 28. Unless otherwise provided in this Act, the corporate powers of all corporations formed under this Act shall be exercised, all business of such corporations conducted, and all property of such corporations controlled and held by a board of not less than five nor more than eleven directors to be elected from among the holders of stock, or, where there is no stock, from the members of the corporation.

SEC. 29. At the meeting for the adoption of the original by-laws, or at such subsequent meeting as may be then determined, directors shall be elected to hold their offices for one year and until their successors are elected and qualified. Thereafter the directors of the corporation shall be elected annually by the stockholders if it be a stock corporation or by the members if it be a nonstock corporation, and if no provision is made in the by-laws for the time of election the same shall be held on the first Tuesday after the first Monday in January. Unless otherwise provided in the by-laws, two weeks' notice of the election of directors must be given by publication in some newspaper of general circulation devoted to the publication of general news at the place where the principal office of the corporation is established or located, and by written notice deposited in the post-office, postage prepaid, addressed to each stockholder, or, if there be no stockholders, then to each member, at his last known place of residence. If there be no newspaper published at the place where the principal office of the corporation is established or located, a notice of the election of directors shall be posted for a period of three weeks immediately preceding the election in at least three public places, in the place where the principal office of the corporation is established or located.

SEC. 30. Every director must own in his own right at least one share of the capital stock of the stock corporation of which he is a director, which stock shall stand in his name on the books of the corporation. Any director who ceases to be the owner of at least one share of the capital stock of a stock corporation of which he is a director shall thereby cease to be a director. Directors of all other corporations must be members thereof and at least two of the directors of all corporations organized under this Act must be residents of the Philippine Islands.

SEC. 31. At all elections of directors there must be present, either in person or by representative authorized to act by written proxy, the owners of the majority of the subscribed capital stock entitled to vote, or, if there be no capital stock, then a majority of the members entitled to vote. The elections must be by ballot, and every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing at the time fixed in the by-laws in his own name on the stock books of the corporation, and said stockholder may vote such number of shares in as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the whole number of votes cast by him shall not exceed the number of shares owned by him as shown by the books of the corporation multiplied by the whole number of directors to be elected: And provided, That no stock declared delinquent by the board of directors for unpaid subscriptions shall be voted. Members of corporations which have no capital stock may cast as many votes for one director as there are directors to be elected, or may distribute the same among any of all of the candidates. Directors receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time if for any reason no election is had or if there are not present or represented

by proxy at the meeting the owners of a majority of the subscribed capital stock entitled to vote or if there be no capital stock a majority of the members entitled to vote.

SEC. 32. If for any cause no meeting is held on the day fixed and appointed by law or by the by-laws of the corporation for holding the election of directors, a meeting may be called for that purpose either by the directors or as provided in section twenty-six; and at the meeting held in pursuance of such call the election may In: had with the same effect as if it had taken place on the day fixed by law or by the by-laws of the corporation.

SEC. 33. Immediately after election the directors of a corporation must organize by the election of a president, who must be one of their number, a secretary or clerk who shall be a resident of-the Philippine Islands and a citizen of the Philippine Islands or of the United States, and such other officers as may be provided for in the by-laws. The directors and officers so elected shall perform the duties enjoined on them by law and by the by-laws of the corporation. A majority of the directors shall constitute a quorum for the transaction of corporate business, and every decision of a majority of the quorum duly assembled as a board shall be valid as a corporate act.

SEC. 34. Directors of a corporation may be removed from office by a vote of two-thirds of the members entitled to vote, or, if the corporation be a stock corporation, by a vote of the stockholders holding or representing two-thirds of the subscribed capital stock entitled to vote: Provided, however, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors, or any of them, must be called by the secretary or clerk on order of the president or on the written demand of a majority of the members entitled to vote, or, if it be a stock corporation, on the written demand of the stockholders representing or holding at least one-half . of the shares entitled to be voted. Should the secretary or clerk fail or refuse to call the special meeting demanded or fail or refuse to give the notice, or if there is no secretary or clerk, the call for the meeting may be addressed directly to the members or stockholders by any member or stockholder of the corporation signing ' the demand. Notice of the time and place of any such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice as prescribed by section twenty-nine. In case of removal on the vote of the stockholders or the members, as the case may be. the vacancy .so created may be filled by election at the same meeting without further notice, or at any general meeting or at any special meeting called for the purpose, after giving notice as prescribed by section twenty-nine.

STOCKS AND STOCKHOLDERS.

SEC. 35. The capital stock of stock corporations shall be divided into shares for which certificates signed by the president or the vice-president, countersigned by the secretary or clerk and sealed with the seal of the corporation, shall be issued in accordance with the by-laws. Shares of stock so issued are personal property and may be transferred by delivery of the certificate indorsed by the owner or his attorney in fact or other person legally authorized to make the transfer. No transfer, however, shall be valid, except as between the parties, until the transfer is entered and noted upon the books of the corporation so as to show the names of the parties to the transaction, the date of the transfer, the number of the certificate, and the number of shares transferred.

No share of stock against which the corporation holds any unpaid claim shall be transferable on the books of the corporation.

SEC. 36. Subscribers for stock shall pay to the corporation quarterly on all unpaid subscriptions interest, from the date of subscription, at the rate of six per centum per annum unless otherwise provided in the by-laws. No certificate of stock shall be issued to a subscriber as fully paid up until the full par value thereof has been paid by

him to the corporation. Subscribed shares not fully paid up may be voted provided no subscription call or interest due on subscription is unpaid and delinquent.

CALLS FOR UNPAID SUBSCRIPTIONS AND ASSESSMENT OF STOCK.

SEC. 37. The board of directors or trustees of any stock corporation formed, organized, or existing under this Act may at any time declare due and payable to the corporation unpaid subscriptions to the capital stock and may collect the same with interest accrued thereon or such percentage of said unpaid subscriptions as it may deem necessary.

SEC. 38. The order of the board of directors declaring payable any unpaid subscriptions to the capital stock shall state what percentage of the unpaid subscription is due and payable, when, where, and to whom payable, the date of delinquency, which must be subsequent to the full term of publication of the notice of call for unpaid subscriptions and not less than thirty days nor more than sixty days from the date of the order of the board calling for the payment of unpaid subscriptions, and the date on which the delinquent stock will be sold, which must not be less than fifteen days nor more than sixty days from the date the stock becomes delinquent.

Notice of the order declaring unpaid subscriptions to the capital stock due and payable shall be given by the secretary or clerk of the corporation substantially in the following form: (Here insert name of corporation in full and location of principal office.)

Notice is hereby given that at a meeting of the board of directors held on the (Here insert date.)..... unpaid subscriptions to the capital stock of the corporation (or the percentage thereof declared due) were declared due and payable (Here insert when, to whom, and where.) All stock upon which the subscription, with interest accrued, has not been paid on (Here insert date fixed for delinquency.) will be delinquent and advertised for sale at public auction, and unless payment of the subscriptions, with interest and costs accrued, is made before sale of the stock, same will be sold on the (Here insert date fixed for sale.) to pay the amount of the subscription and accrued interest, together with the costs of advertising and expenses of sale.

.....

(Here insert signature of secretary or clerk,

.....

with location of office.)

SEC. 39. If the whole or any part of the subscription on unpaid capital stock with interest accrued is unpaid on the date of delinquency, such unpaid stock becomes subject to sale, and the secretary or clerk, unless otherwise ordered by the board of directors, must give notice of delinquency and sale substantially in the following form :

.....

(Here insert name of the corporation in full and location of principal office.)

NOTICE.

The following-described stock is delinquent for nonpayment of the unpaid subscription thereon, with interest accrued, due and payable on the (Here insert date.), in the amounts set opposite the names of the respective shareholders, as follows: (Here insert names, number of each certificate unpaid, number of shares, amount due on unpaid subscription, date from which interest is accrued.).....

Now, therefore, in accordance with law, so many shares of said stock belonging to the several owners as may be

necessary will be sold at (Here insert principal office of the corporation.)..... on the (Here insert date.)..... at (Here insert hour.) of said day, to pay the amount of the unpaid subscription thereon, together with interest, costs of advertising, and expenses of sale.

.....
(Here insert signature of secretary or clerk

.....
and location of office.)

SEC. 40. Notice of call for unpaid subscriptions must be either personally served upon each stockholder or deposited in the post-office, postage prepaid, addressed to him at his place of residence, if known, and, if not known, addressed to the place where the principal office of the corporation is situated. The notice must also be published once a week for four successive weeks in some newspaper of general circulation devoted to the publication of general news published at the place where the principal office of the corporation is established or located, and posted in some prominent place at the works of the corporation if any such there be. If there be no newspaper published at the place where the principal office of the corporation is established or located, then such notice may Be published in any newspaper of general circulation devoted to the publication of general news in the Islands.

SEC. 41. Notices of delinquency and sale nl' stock for unpaid subscriptions must be published in the newspapers specified in the section immediately preceding, and, when published in a daily newspaper, must be published in ten successive issues of said newspaper previous to the day of sale, and. when published in a weekly newspaper, must be published two weeks previous to the sale and the first publication must be fifteen days prior to the day of sale.

SEC. 42. From and after the publication of the notices of delinquency and sale of stock for unpaid subscriptions the corporation acquires jurisdiction to sell and convey all of the stock described in the notices of sale, but the corporation must sell no more of the stock mentioned in the notices than is necessary to pay the amount of the subscription due, with interest' accrued, and the expenses of advertising and the costs of sale.

SEC. 43. On the day and at the place and hour of sale specified in the notices of delinquency and sale of stock for unpaid subscriptions the secretary or clerk shall, unless otherwise ordered by the board of directors, sell or cause to be sold at public auction, to the highest bidder, for cash, so many shares of Hie stock described in the notice as may be necessary to pay the amount due on the subscription, with interest accrued, expenses of advertising, and costs of sale.

SEC. 44. The person offering at such sale to pay the unpaid subscription, with interest accrued, together with expenses of advertising and costs of sale, for the smallest number of shares or fraction of a share, shall be the highest bidder, and the stock purchased must be transferred to him on the stock books of the corporation on payment of the amount due on the unpaid subscription, together with the expense of advertising and costs of sale.

If, at the sale of the stock for unpaid subscription, no bidder offers to pay the amount due with expenses of advertising and costs of sale, the same may be bid in by the corporation, through the secretary or clerk or president or any shareholder thereof, and the amount of subscription due, together with the expenses of advertising and costs of sale, shall be credited as paid in full on the books of the corporation and entry of the transfer of the stock to the corporation made.

SEC. 45. The legal title to all stock purchased by the corporation at sales of stock for unpaid subscription is vested in the corporation, and the stock so purchased may be disposed of. by the stockholders in accordance with law and

the by-laws of the corporation by a majority vote of all the remaining shares.

SEC. 46. The dates fixed in any call for unpaid subscription or in any notice of delinquency and sale of stock for unpaid subscription, published according to the provisions of this article, may be extended from time to time, for a period of not more than thirty days, by order of the board of directors entered upon the records of the corporation, but no order extending the time for the performance of any act specified in such notice is effectual unless the notice of such extension or postponement is appended to the notice to which the order relates, and is thereafter published with the notice.

SEC. 47. No action can be sustained to recover stock sold for delinquent unpaid subscription upon the ground of irregularity or defect in the calls for such unpaid subscription, or irregularity or defect in the notice of delinquency and sale, or in the sale itself of stock for unpaid subscription, unless the party seeking to maintain such action first pays or tenders to the party holding the stock the sum for which the same was sold, together with all "subsequent calls which may have been paid upon the stock so sold, with interest from the date of payment at the rate of seven per centum per annum, and no such action shall be maintained unless it is commenced by the filing of a complaint and the issuance of summons within six months from date of sale.

SEC. 48. The posting of the notices of call for unpaid subscriptions and notices of delinquency and sale of stock for unpaid subscriptions may be proved prima facie by affidavit of the secretary or clerk or other officer of the corporation, and the publication of such notices may be proved to the same extent by the affidavit of the printer, foreman, or principal clerk of the newspaper in which the notices were published. The time and place of sale of the stock, the quantity of the stock sold, its particular description, the person to whom the stock was sold, the price for which it was sold, and the amount of the purchase money paid may be proved prima facie by the affidavit of the auctioneer or of the secretary or clerk- or of the treasurer of the corporation.

The affidavits mentioned in this section must be filed in the office of the corporation, and copies thereof, certified to be true and correct by the secretary of the corporation, may be received by the courts, and others, as prima facie evidence of the facts therein stated.

SEC. 49. Nothing in this Act shall prevent the directors from collecting, by action in any court of proper jurisdiction, the amount due on any unpaid subscription, together with accrued interest and costs and expenses incurred.

SEC. 50. No stock delinquent for unpaid subscription shall be voted or entitled to a vote or representation at any stockholders' or directors' meeting, or for any corporate purpose whatever.

CORPORATE BOOKS AND RECORDS, REPORTS OF CORPORATIONS, AND GOVERNMENT EXAMINATION AND INSPECTION OF CORPORATIONS.

SEC. 51. All business corporations shall keep and carefully preserve a record of all business transactions, and a minute of all meetings of directors, members, or stockholders, in which shall be set forth in detail the time and place of holding the meeting, how authorized, the notice given, whether the meeting was regular or special, if special its object, those present and absent, and every act done or ordered done at the meeting. On the demand of any director, member, or stockholder, the time when any director, member, or stockholder entered or left the meeting must be noted on the minutes, and on a similar demand, the yeas and nays must be taken on any motion or proposition and a record thereof carefully made. The protest of any director, member, or stockholder on any action or proposed action must be recorded in full on demand.

The record of all business transactions of the corporation and the minutes of any meeting shall be open to the inspection of any director, member, or stockholder of the corporation at reasonable hours.

SEC. 52. Business corporations must also keep a book to be known as the "Stock and transfer book." in which must be kept a record of all stock, the names of the stockholders or members alphabetically arranged; the installments-paid and unpaid on all stock for which subscription has been made, and the date of payment of any installment: a statement of every alienation, sale, or transfer of stock made, the date thereof, and by and to whom made; and such other entries as the by-laws may prescribe. The stock and transfer book shall be open to the inspection of any director, stockholder, or member of the corporation at reasonable hours.

SEC. 53. Every public-utility or public-service corporation, " whether domestic or foreign, doing business for profit in the Philippine Islands must file with the Insular Auditor, on or before the thirty-first day of March of each year, a report of its operations for the preceding year ending December thirty-first, which report shall be verified by the oath of the president or manager and the secretary or clerk or treasurer of the corporation, and shall show clearly:

- The full amount of the capital stock and the amount thereof actually paid into the treasury on the thirty-first day of December immediately preceding;
- Its available assets on the thirty-first day of December immediately preceding, including cash and real and personal property and credits due the corporation, and the incumbrances, if any, thereon;
- The nature and amount of its entire indebtedness on the thirty-first day of December immediately preceding;
- The total receipts and expenditures for the calendar year immediately preceding;
- The profit or loss of the corporation for the calendar year immediately preceding;
- The number and amount of dividends paid during the calendar year immediately preceding: Provided, however, That none of the contents of such report shall be made public without the express authorization of the Governor-General: And provided further, That in case the fiscal year of a corporation does not terminate with the thirty-first day of December it shall be deemed a sufficient compliance with this section if the report states the details required down to the close of the regular fiscal year of the corporation. In such case the report of the corporation shall be filed with the Insular Auditor within three months., after the close of its fiscal year.

SEC. 54. The Governor-General may, at any time, order the Attorney-General, the Insular Auditor, the Insular Treasurer, or any other officer of the Government to make an examination into the business affairs, administration, and condition of any corporation transacting business in the Philippine Islands, and thereupon it shall be the duty of the Attorney-General, the Insular Auditor, the Insular Treasurer, or any other officer designated, to make such examination; and for the purposes thereof the Attorney-General, the Insular Auditor, the Insular Treasurer, or other official designated shall have the authority to administer oaths to the directors, officers, stockholders, or members of any corporation or to other persons, and to examine under oath or otherwise such directors, officers, stockholders, members, or other persons in relation to the business transacted by said corporation, the administration of its affairs and the condition thereof. For the purposes of such examination the books, papers, letters, and documents belonging to such corporation or pertaining to its business administration or condition shall be open to the inspection of the Attorney-General, the Insular Auditor, the Insular Treasurer, or other officer designated, and upon the application of either of them to any Court of First Instance or to any judge of the Supreme Court, a subpoena may be issued directing any person in the Philippine Islands to appear as a witness and to produce for the inspection of the Attorney-General, the Insular Auditor, the Insular Treasurer, or other officer designated, any books, papers, documents, letters, or other records in his possession. Any witness failing to obey such subpoena shall be liable to punishment by the Supreme Court or the Court of First Instance, as the case may be, in the same manner and to the same extent as if he had disobeyed a subpoena issued out of the

Supreme Court or the Court of First Instance in a matter pending before either of said courts.

The Attorney-General, the Insular Auditor, the Insular Treasurer, or other officer designated, as the case may be, shall make a full and complete report to the Governor-General of the examination made by him, together with his recommendations, and the Governor-General, if he deems proper, shall direct the Attorney-General to take such proceedings as the report may seem to justify and the state of the case require.

SEC. 55. The Attorney-General, the Insular Auditor, the Insular Treasurer, or other officer designated by the Governor-General to make tin; examination shall not disclose to anyone other than the Governor-General the details or results of the examination or investigation. and if the officer designated to make the examination discloses in any person other than the Governor-General the details or results of the examination or investigation, he shall be punished by imprisonment for not less than one year nor more than five years or by a fine of not less than five hundred pesos nor more than two thousand pesos, or both such fine and imprisonment, in the discretion of the court.

FORCED SALE OF FRANCHISES.

SEC. 56. Any franchise granted to a corporation to collect tolls, or to occupy, enjoy, or use public property or any portion of the public domain or any right of way over public property or the public: domain, and any rights and privileges acquired under such franchise, may be levied upon and sold under execution, together with the property necessary for the enjoyment, the exercise of the powers, and the receipt of "the proceeds of such franchise or right of way. in the same manner and with like effect as any other proper!v to satisfy any judgment against the corporation: Provided, That, the sale of' the franchise or right of way and the property necessary for the enjoyment, the exercise of the powers, and the receipt of the proceeds "of said franchise or right of way is specially decreed and ordered in the judgment: And provided further, That the sale shall not become effective until confirmed by the court after due notice.

SEC. 57. The officer selling any franchise under execution shall, after confirmation by the court issue a certificate of purchase to the purchaser of the franchise and shall place such purchaser in peaceful possession of all property described in the judgment as necessary for the enjoyment of the franchise or right of way, the exercise of its powers, or the receipt of its proceeds.

SEC. 58. From and after issuance of Hie certificate of purchase of the franchise or right of way, the purchaser shall exercise all the powers and privileges and enjoy all the rights and be subjected to all the liabilities of the franchise or grant of right of way to the same extent as won Id have been the corporation had the sale not taken place.

SEC. 59. The purchaser of the franchise or his assignee shall be entitled to recover any penalties or damages recoverable by the corporation and imposed or allowed by law for an injury to the franchise, or any property necessary for the enjoyment of the franchise or right of way, or of the privileges of either, occurring during the time he holds the franchise or right of way. Said purchaser or his assignee may use the name of the corporation in any action necessary to recover the penalties and damages named in this section, and the recovery of such penalties or damages shall be a bar to any subsequent action to recover the same by or on behalf of the corporation.

SEC. 60. The corporation whoso franchise or right of way is sold as provided in section fifty-six hereof, except as to the rights and powers acquired by the purchaser and the duties, obligations, penalties, and forfeitures imposed on the purchaser of the franchise or right of way, retains the same powers, is bound to discharge the same duties, and is liable to the same obligations, penalties, and forfeitures as before such sale. The lights acquired by the purchaser of the franchise shall be subject to the prior rights of mortgagees and lien holders.

SEC. 61. The sale of any franchise and right of way under execution shall be made in the place in which the corporation has its principal office.

VOLUNTARY DISSOLUTION'S OF CORPORATIONS.

SEC. 62. A corporation may be dissolved at any time by the Court of First Instance for the province where the principal office of the corporation is situate upon the voluntary application of a majority of the members or of the stockholders holding at least two-thirds of all shares of stock issued or subscribed.

SEC. 63. The application for dissolution must be in writing and shall set forth all claims and demands against the corporation, and that, at a meeting of the members or stockholders of the corporation called for that purpose, the dissolution of the corporation was resolved upon by a majority of the members or if a stock corporation, by the affirmative vote of the stockholders holding or representing two-thirds of all shares of stock issued or subscribed.

SEC. 64. The application for dissolution must be signed by a majority of the board of directors or other officers having the management of the affairs of the corporation and must be verified by the president or secretary or clerk or some director of the corporation.

SEC. 65. Notice of the application for dissolution must be given by the clerk of the court upon order of the court by publication for not less than thirty days nor more than sixty days in some newspaper of general circulation devoted to the publication of general news published at the place where the principal office of the corporation is established or located, or, if there be no such newspaper, then in some newspaper of general circulation in the Islands devoted to the publication of general news. The notice must also be posted in at least three public places at the place where the principal office of the corporation is established or located.

The date on which the right of objection to the application expires must be set out in the notice and must be subsequent to the period prescribed for the publication of such notice.

SEC. 66. On or before the date on which the right of objection expires as declared in the notice, any person may file objections to the dissolution of the corporation. The issue made by the application and the objection thereto shall be tried by the court upon five days' notice to the applicants and to the persons who have filed objections, and shall be determined by the court as justice and right may require. Should no objections to the application be tiled on or before the date prescribed for filing the same, the court shall proceed to hear the application, and if the application is sufficient and all the material statements made therein are shown to be true, the court may appoint receivers to collect and take charge , of the assets of the corporation and shall declare the corporation dissolved and decree such disposition of its assets and property remaining as the law may permit and justice may require.

SEC. 67. The application, notices thereof and proof of publication and posting oil notices, the objections filed to the dissolution, if any there be. the declaration of dissolution, and the evidence and proofs taken of dissolution shall constitute the record in the case, and an appeal from the judgment may be taken to the Supreme Court as from oilier judgments of Courts of First Instance.

FOREIGN CORPORATIONS.

SEC. 68. No foreign corporation or corporations formed, organized, or existing under any laws other than those of the Philippine Islands shall be permitted to transact business in the Philippine Islands until after it shall have obtained a license for that purpose from the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau upon order of the Secretary of Finance and Justice in case of banks, savings and loan banks, trust corporations, and banking institutions of all kinds, and upon order of the Secretary of Commerce and Police in case of all other foreign corporations." No order for a license shall be issued , by either of said secretaries except upon a statement under oath of the managing agent of the corporation, showing to the

satisfaction of the proper Secretary that the corporation is solvent and in sound financial condition, and setting forth the resources and liabilities of the corporation within sixty days of the date of presenting the statement, as follows:

- The name of the corporation;
- The purpose for which it was organized;
- The location of its principal or home office;
- The capital stock of the corporation and the amount thereof actually subscribed and paid into the treasury on the (Here Insert date, month, year.)
- The net assets of the corporation over and above all debts, liabilities, obligations, and claims outstanding against it on the (Here insert date, month, year.).....;
- The name of an agent residing in the Philippine Islands' authorized by the corporation to accept service of summons and process in all legal proceedings against the corporation and of all notices affecting the corporation:

Provided, however, That the Secretary of Finance and Justice or c the Secretary of Commerce and Police, as the case may be, before. ordering that a license be issued in the case of any particular corporation, may require further evidence of the solvency and fair dealing of the corporation if in his judgment such further information is essential.

Upon filing in the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau tin.' said statement a certified copy of its charter and the order of the Secretary of Finance and Justice or of the Secretary of Commerce and Police, as the case may be, for the issuance of a license, the Chief of the said Division shall issue to the foreign corporation as director in the order a license to do business in the Philippine Island and for the issuance of said license the Chief of the said Division shall collect a fee of fifty pesos: Provided, however, That the Secretary of Finance and Justice or the Secretary of Commerce and Police, as the case may be, may issue to any foreign commercial corporation transacting business in the Philippine Islands at the time of the passage of .this Act and continuously in the Philippine Islands for more than three years prior thereto a license to do business in the Philippine Islands without requiring the statement prescribed by this section, but the license to so transact business shall be secured and the fee paid therefor by such corporation.

SEC. 69. No foreign corporation or corporation formed, organized, or existing under any laws other than those of the Philippine Islands shall be permitted to transact business in the Philippine Islands or maintain by itself or assignee any suit for the recover of any debt, claim, or demand whatever, unless it shall have the license prescribed in the section immediately preceding. Any officer, director, or agent of the corporation or any person transacting business for any foreign corporation not having the license prescribed shall be punished by imprisonment for not less than six months nor more than two years or by a fine of not less than two hundred pesos nor more than one thousand pesos, or by both such imprisonment and fine, in the discretion of the court.

SEC. 70. Every foreign corporation- and every corporation not formed, organized, or existing under the laws of the Philippine Islands but transacting business in the Islands at the time of the passage of this Act shall be allowed six months from its passage in which to secure the license, present the statement, and make the deposits required.

SEC. 71. The Secretary of Finance and Justice or the Secretary of Commerce and Police, as the case may be, by and with the approval of the Governor-General, may revoke the license to transact business in the Philippine Islands of any corporation not formed, organized, or existing under the laws of the Philippine islands, should such Secretary and the Governor-General find the condition of the corporation to be one of insolvency or that its

continuance in business will involve probable loss to those transacting business with it, and after such revocation it shall be unlawful for any such corporation to transact business in the Philippine Islands unless its license is renewed or reissued. In case of revocation of license the Attorney-General shall take such proceedings as may be proper to protect creditors and the public.

SEC. 72. Summons and legal process served upon the agent designated to accept service thereof in the statement required to be filed by section sixty-eight of this Act shall give jurisdiction to the courts over the corporation filing said statement, and service of notices on such agent shall be as binding upon the corporation which he represents as if made upon the corporation itself.

Should the authority of such agent to accept service of summons and legal process on the corporation or notice to it be revoked, or should such agent become mentally incompetent or otherwise unable to accept service while exercising such authority, it shall be the duty of the corporation to promptly name and designate another agent upon whom service of summons and process in legal proceedings against the corporation and of notices affecting the corporation, may be made and to file with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau a duly authenticated nomination of such agent.

Should there be no person authorized by the corporation upon whom service of summons, process, and all legal notices may be made, service of summons, process, and legal notices may be made upon the: Secretary of Finance and Justice in the case of banks, savings and loan banks, trust corporations, and other banking institutions, and upon the Secretary of Commerce and Police in the case of all other foreign corporations, and such service shall be as effective as if made upon the corporation or upon its duly authorized agent. In case of service for the corporation upon the Secretary of Finance and Justice or Secretary of Commerce and Police, as the case may be, the proper Secretary shall register and transmit by mail to the president or the secretary or clerk of the corporation at its home office or principal office a copy, duly certified by him, of the summons, process, or notice. The sending of such copy of the summons, process, or notice shall be a necessary part of the service and shall complete the service. The registry receipt of mailing shall be conclusive evidence of the sending. All costs necessarily incurred by the proper Secretary for the making and the mailing and sending of a copy of the summons, process, or notice to the president or the secretary or clerk of the corporation at its home office or principal office shall be paid in advance by the party at whose instance the service is made.

SEC. 73. Any foreign corporation or corporation not formed, organized, or existing under the laws of the Philippine Islands and lawfully doing business in the Islands shall be bound by all laws, rules, and regulations applicable to domestic corporations of the same class, save and except such only as provide for the creation, formation, organization, or dissolution of corporations or such as fix the relations, liabilities, responsibilities, or duties of members, stockholders, or officers of corporations to each other or to the corporation: Provided, however, That nothing in this section contained shall be construed or deemed to impair any rights that are secured or protected by the Treaty of Peace between the United States and Spain, signed at the city of Paris on December tenth, eighteen hundred and ninety-eight.

MISCELLANEOUS PROVISIONS.

SEC. 74. The misnomer of a corporation in any written instrument does not invalidate the instrument if it can be ascertained from it with reasonable certainty what corporation was intended.

SEC. 75. Any corporation or sociedad anonima formed, organized, and existing under the laws of the Philippine Islands and lawfully transacting business in the Philippine Islands on the date of the passage of this Act, shall be subject to the provisions hereof so far as such provisions may be applicable and shall be entitled at its option either to continue business as such corporation or to reform and organize under and by virtue of the provisions of

this Act, transferring all corporate interests to the new corporation which, ill a stock corporation, is authorized to issue its shares of stock at par to the stockholders or members of the old corporation according to their interests.

SEC. 76. This Act or any part thereof may be amended or repealed at any time by the legislative authority, and any or all corporations created by virtue of this Act may be dissolved by legislative enactment. No right or remedy in favor of or accrued against any corporation, its stockholders or officers, nor any liability incurred by any such corporation, its stockholders or officers, shall be removed or impaired either by the subsequent dissolution of said corporation or by any subsequent amendment or repeal of this Act or of any part or portion thereof.

SEC. 77. Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be continued as a body corporate for three years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and of enabling it gradually to settle and close its affairs, to dispose of and convey its property and to divide its capital stock, but not for the purpose of continuing the business for which it was established.

SEC. 78. At any time during said three years said corporation is authorized and empowered to convey all of its property to trustees for the benefit of members, stockholders, creditors, and others interested. From and after any such conveyance by the corporation of its property in trust for the benefit of its members, stockholders, creditors, and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the members, stockholders, creditors, or other persons in interest.

SEC. 79. No private property shall be taken by any corporation under any franchise for any purpose without proper condemnation proceedings and without just compensation paid or tendered therefor, and any authority to take and occupy land shall not authorize the taking, use, or occupation of any land except such as is required for the actual and necessary purposes for which the franchise is granted; and no franchise, privilege, or concession shall be granted to any corporation except under the conditions that it shall be subject to amendment, alteration, or repeal by the Congress of the United States, and in case of public-service corporations that the charges made by reason of the exercise of the franchise shall be subject to regulation from time to time by the Government of the Philippine Islands; and such corporations shall pay annually to the Insular Treasurer such percentage of its gross earnings as may be required by general or special laws, and that lands or rights of use and occupation of lands thus granted shall revert to the governments by which they were respectively granted upon the termination of the franchises and concession under which they were granted or upon their revocation or repeal.

SEC. 80. The provisions of this chapter are applicable to every corporation formed or organized under this Act unless such corporation is excepted from its operation or unless some special provision is made in Chapter II in relation thereto inconsistent with the provisions of this chapter, in which case the special provision shall prevail.

CHAPTER II.—Special provisions.

RAILROAD CORPORATIONS.

SEC. 81. A railroad corporation by consent of the stockholders holding a majority of the issued capital stock may mortgage the corporate property and franchises or execute deeds of trust thereof to trustees selected by such stockholders to secure payment of bonds or notes issued by the railroad corporation for the purpose of securing money for its legitimate corporate purposes, including the construction and equipment of its road.

SEC. 82. Before commencing work on any one section or district of the line. The railroad corporation shall file with the Director of Public World a map or plan and profile thereof showing the course, direction, length, and grades of the line in such section or district, accompanied by an explanatory statement as to the route and general

conditions in said section or district of the proposed railroad, which map, plan, and profile, with the report of said Directing of Public Works thereto attached, shall be submitted by him to the Philippine Commission.

SEC. 83. At points where the railroad may cross public highways the railroad corporation shall construct and maintain the necessary bridges and crossings so that public communication shall not be interrupted. Moreover, to avoid accidents, the railroad corporation shall put up at such crossings the necessary notices apprising the public of danger from passing trains; and at crossings of peculiar danger a gate shall be placed or a guard shall be stationed by the railroad corporation whenever the provincial board of the province in which the crossing is situated, or the Municipal Board of the city of Manila, as the case may be, with the approval of the Director of Public Works, shall so direct.

SEC. 84. The railroad corporation shall establish along the whole length of the road a telegraph line for the use of the railroad. The posts of this line may be used for Government wires and shall be of sufficient length and strength and equipped with sufficient cross-pieces to carry the number of wires which the Government may consider necessary for the public service. The establishment, protection, and maintenance of the wires and stations necessary for the public service shall be at the cost of the Government.

SEC. 85. The railroad corporation, before opening the road or any part, thereof for the conveyance of passengers and freight, shall give notice in writing to the Director of Public Works aforesaid that the road or the part thereof proposed to be opened is ready for the safe conveyance of passengers and freight upon receipt of such notification the said Director of Public Works shall himself, or by his assistant, forthwith examine the roadway, bridges, tunnels, and oilier works of the railroad and all locomotive and rolling stock- intended to be used thereon, and if he finds the same to be satisfactory, in accordance with law, and safe for public travel, he shall authorize, the opening of the line or such part thereof as may be duly completed and safe for public travel.

SEC. 86. In addition to other powers conferred by Chapter I, the railroad corporation shall enjoy the following powers, privileges, and exemptions:

- To occupy, with the prior approval of the Government of: the Philippine Islands, any part of the public domain necessary for the purposes of the enjoyment of its franchises. Private lands may be acquired by the corporation in accordance with the exercise of the power of eminent domain in the manner provided in Act 'Numbered One hundred and ninety, and amendments thereto.
- To construct, alter, substitute, maintain, and operate the; railway, make or construct all buildings, stations, shops, plants, : tunnels, embankments, aqueducts, bridges, or other structures, wharves, roads, ways, passages, conduits, drains, piers, arches, cuttings, and fences on lands acquired or on which the necessary right has been obtained, and to cross any railway, tramway, river, stream, water course, lake, canal, shore, road, and highway where the necessary right has been obtained from those public or private corporations or individuals whose rights will be affected, also to direct or alter, as well temporarily as permanently, the course of any river, stream, water course, or highway, or raise or sink the level thereof, in order the more conveniently to carry the same across, over, under, or by the side of the railroad, when the consent of the owners of rights or interests- which may be prejudiced, or injured shall have been obtained through contract or when compensation shall have been duly made for tin.' injury after proper condemnation proceedings.
- For the purposes of the railroad and on lands lawfully acquired, to open quarries, to collect stone to cut timber, to mine for materials, and to build and operate kilns for lime, gypsum, and brick.
- To conduct water to the railroad for the use of the same and to acquire, by condemnation proceedings or contract, the necessary land for such roads; as may be required to give access to the railroad stations from public

roads or streets in the vicinity.

- In case of refusal, neglect, or failure to pay proper charges for the transportation of freight, goods, or luggage to destination, the railroad corporation shall have the right to detain the freight transported until such time as the amount due shall be paid. If the payment of the rates of transportation on goods carried or transported by the railroad to their destination should not be effected within fifteen days after demand for payment, the corporation may apply to the justice of the peace of the municipality in which such goods are situate for their sale at public auction, and said justice of tin; peace, after giving notice of the application to the owner or consignee of the goods, shall order the sale at public auction of said goods or so much thereof as may be necessary to cover the expenses and costs of transportation and costs and expenses of sale. Notice of the sale shall be posted for at least five days prior to the sale in three of the most public places in the municipality in which the goods are situate.

- Freight, goods, or luggage transported to destination by the corporation and not called for by the owner or consignee for a period of two months after arrival may be sold at public auction after the making of the application, the securing of the order, and the giving of the notice of sale prescribed by paragraph five of this section.

- In case of the refusal or failure to pay proper charges for the transportation of goods or freight of a perishable nature or in case the owner or consignee should refuse to receive such goods or can not be found or is unknown, application for their sale may be made to the justice of the peace for the municipality in which they are situate, and after satisfying himself that said goods are perishable and likely to deteriorate if held by the railroad corporation he may order their sale within such time and after giving such notice as to him may seem proper.

- The proceeds of sales made in accordance with paragraphs five, six, and seven of this section shall be applied first to the payment of the cost and expenses of said sales, and second, to the payment of freight and charges of the railroad corporation on said goods. After payment of costs and expenses of sale and the freight and charges of the railroad, the balance, if any there be, shall be deposited to the credit of the owner or consignee of the goods with the provincial treasurer of the province in which the sale took place, or if the sale took place in the city of Manila, then with the Insular Treasurer.

SEC. 87. The railroad corporation shall provide on its trains proper and adequate accommodations for the transportation of the mails and shall safely transport and carry the mails at such rates and under such terms and conditions as may be agreed upon by the Director of Posts and the railroad corporation. In case the Director of Posts and the corporation shall not agree as to the rate and terms of transportation of the mails, the Chief Executive of the Islands, after giving the corporation opportunity to be heard, shall fix the price, terms, and conditions of such transportation. The price for carrying such mails in the regular passenger trains shall not be more than the reasonable freight charge on a similar quantity of merchandise and a fair compensation for the post-office ear. If the Government of the Islands should require in addition to the ordinary mail service the transport of mail or urgent orders at other hours or at higher speed than the usual speed of passenger train, the transport of troops, ammunition, bullion, or freight, the corporation shall provide, day or night, special conveyance for same and be allowed reasonable extra compensation therefor.

SEC. 88. The roadway and right of way of any railroad corporation may be crossed by other lines of railroad authorized by the Government of the Islands in such manner as may be determined by the Director of Public Works with the approval of the Governor-General and upon the payment of full compensation for any damage which may be caused to the track crossed.

SEC. 89. From the time when the whole or any part of the railroad shall be opened to public service the railroad corporation shall establish and publish a time schedule for the arrival and departure of trains and shall run its

regular trains for the transportation of passengers and freight as close to said schedule as practicable and shall furnish sufficient accommodations for the transportation of all passengers, who may apply for the same and for all property which may in- offered within a reasonable time prior to the time of departure.

SEC. 90. The corporation shall concede to all passengers holding first-class tickets the free carriage of fifty kilograms of personal baggage and to those holding lower class tickets thirty kilograms of personal baggage. Personal baggage is defined to be ordinary wearing apparel, bicycles, and such articles as may be required by persons practicing any profession or trade. Personal baggage shall be accepted by the corporation only when contained in such receptacle. as will safely retain and hold the same during transportation, and the railroad corporation shall not be liable beyond the extent of three hundred pesos for each fifty kilograms of weight of such baggage unless the owner thereof shall, upon offering the same for transportation, declare the contents thereof and pay therefor a reasonable insurance rate for the additional responsibility assumed by the corporation.

SEC. 91. Each locomotive used in the working of the line shall be furnished with a bell and with a steam whistle. The bell shall be rung and the whistle sounded at a distance of at least three hundred meters from every place at which the railroad passes any highway and the bell shall be kept ringing until the engine has crossed such highway. Each passenger train shall have proper and efficient appliances for making immediate communication with the engineer so that the engineer may be immediately signaled to stop the train.

SEC. 92. It shall be the duty of the railroad corporation to use the most approved appliances to prevent the escape of sparks or live coals from its locomotives and to take such precautions that the operation of said road may not unnecessarily expose properties in the vicinity of the line to danger from fire.

SEC. 93. Where the line is not fenced in or where there are no gates or flagmen at street crossings the speed of trains running through the streets of cities and of centers of population of municipalities shall not exceed fifteen kilometers per hour: Provided, however, That the municipal councils of municipalities in which such streets are situated may prescribe in such cases a maximum speed of less than fifteen kilometers per hour. In case any municipality should fix the maximum speed at less than fifteen kilometers per hour, the company may appeal to the Director of Public Works, who shall either confirm the rate of speed fixed by the municipality or fix such rate as to him may seem proper, not exceeding fifteen kilometers per hour.

SEC. 94. The corporation shall oblige every employee working on a passenger train or at a station for passengers to wear upon his hat or cap a badge which shall indicate his office, and without such badge he shall not be entitled to exercise any of the powers of his office.

SEC. 95. The proper agents and employees of the corporation shall affix a check or tag to every parcel of baggage delivered by any passenger to such agents or employees for transportation, and a duplicate of such check or tag shall be delivered to the passenger delivering the panel, if the agents or employees of the railroad corporation do not comply with the obligation imposed by this section no fare or toll shall be collected from the passenger, and if the passenger has already paid same it shall be returned upon demand.

SEC. 96. The corporation may refuse to transport any package or parcel the transportation of which is prohibited by the Government.

SEC. 97. The tariffs and schedules of rates and charges for the transportation of passengers, baggage, parcels, packages, and freight of all kinds shall be kept posted by the corporation in a prominent place in all of its stations, and before any new tariff or schedule of rates or charges shall go into effect it shall be published for a period of at least ten days in two newspapers of the city of Manila, one of which newspapers shall be printed in English and one in Spanish.

SEC. 98. Every railroad corporation shall, within two years after filing its original articles of incorporation, construct, complete, and operate at least live miles of its road, and at least five miles additional every year thereafter until the whole road is fully constructed and completed. Should any railroad corporation fail, after commencement of construction, to extend, complete, and operate its road for the distance required within the time prescribed, its right to extend its road beyond the point then completed shall ipso facto stand forfeited.

SEC. 99. On or before the first day of March of each year every railroad corporation shall file with the Insular Auditor a report of its operations for the calendar year immediately preceding, which report shall be verified by the president or general manager of the railroad corporation and the secretary or clerk and treasurer of the corporation, and shall set forth in addition to the matters required by the report specified in section fifty-three hereof the following:

- An itemized statement of the amount expended during said calendar year in the purchase of land, the construction of road, the purchase and construction of buildings, the purchase of engines, cars, and all kinds of rolling stock and other property;
- A statement showing separately the sums actually expended ; for repairs to engines, cars, and other rolling stock, buildings, roadway, and other property, for salaries and expenses of personnel, and other expenses, so as to. show the entire expense and cost of operating the road and keeping its roadbed, rolling stock, buildings, and other real and personal property in reasonable repair;
- The receipts from transportation of passengers, property or freight, mails, express matter, and other sources, separately sated;
- The quantity of freight carried, specified in kilos.

SEC. 100. Every railroad corporation must furnish to every passenger to whom it sells a ticket a seat and sufficient room and accommodation for any one trip.

SEC. 101. If any passenger refuses to pay his fare or to exhibit or surrender his ticket after reasonable opportunity to comply with the demand for fare or the request for his ticket, the conductor and other employees of the corporation may eject from the cars of the corporation the passenger so refusing or failing to pay his fare or to exhibit or surrender his ticket: Provided, however, That no unnecessary force shall be used by the conductor or other employees of the corporation, and that the passenger shall be put oil' the cars at some usual stopping place or near some dwelling house and after bringing the train to a complete stop.

SEC. 102. Every railroad corporation shall have the right to make reasonable and proper regulations for passenger and freight traffic.

SAVINGS AND MORTGAGE BANKS.

SEC. 103. Any banking corporation, the principal business of which is the receiving of funds on time deposits, and their investment together with that of its capital, in bonds, or in loans secured by bonds, bullion, or real estate mortgages, as hereinafter provided, or in any combination of the aforementioned forms of investment, shall be known as a savings and mortgage bank for the purposes of this Act.

Such a corporation shall not be permitted to file its articles of incorporation with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau and shall not receive his certificate of incorporation unless such articles show, under oath of the incorporators, that such corporation has a capital stock of not less than two hundred thousand pesos, that the same has been fully subscribed, and actually paid into the treasury of the corporation.

SEC. 104. A savings and mortgage bank may loan or invest its funds and deposits and collect such loans with interest accrued and repay its depositors with or without interest on their deposits, as may be provided in the by-laws of the corporation, and not in violation of this Act. No loan of a savings and mortgage bank shall be for a longer period than five years.

SEC. 105. No savings and mortgage bank shall loan any of its money or deposits unless secured—

- By mortgage or deed of trust to the corporation of unencumbered improved real estate in cities and centers of population of municipalities in the Philippine Islands or by mortgage or deed of trust to the corporation of actually cultivated and improved agricultural lands in the Philippine Islands: Provided, however, That the amount loaned shall not exceed forty per centum of the actual cash market value of the real estate which is security for the loan, or of the assessed valuation thereof, whichever may be the smaller;
- By the pledge to the corporation of gold or silver bullion: Provided, That the loan shall not exceed ninety per centum of the value of the pledge by which the loan is secured:
- By bonds or evidences of debt of the Government of the United States or of the Philippine Island or of the city of Manila or of any municipality in the Philippine Islands authorized by law to issue bonds: Provided, however; That such loan shall not exceed the face value of such bonds or evidences of debt, or the market value thereof, whichever may be the smaller;
- By first mortgages transferred to the corporation as collateral security on improved and otherwise unencumbered, real estate in cities and centers of population of municipalities in the Philippine Islands: Provided, however, That the mortgage transferred to the corporation as collateral security with 'interest accrued and due shall not exceed forty per centum of the actual cash market value of the real estate which secures such mortgage; or of the assessed value thereof, whichever may be the smaller.

SEC. 106. No loan on the security of real estate shall be made unless the title to such real estate, free from all incumbrances, shall be in the mortgagor and unless the mortgage shall be a preferred claim on the property therein described as against the whole world.

SEC. 107. The capital stock and assets of every savings and mortgage bank constitute the security of depositors and depositors have the priority of right over all others to such assets. The directors of a savings and mortgage bank shall not create any debt or liability against the corporation for any purpose whatever other than for deposits made with it and the reasonable and necessary current and running expenses of the corporation.

SEC. 108. Savings and mortgage banks may purchase, hold, and convey real and personal property as follows:

- The lot with the building thereon in which the bank conducts and carries on its business, which shall not exceed in value seventy-five thousand pesos, or such additional sum as may be fixed by the affirmative vote of the stockholders representing two-thirds of the subscribed capital stock:
- Such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the bank, and such real or personal property as may have been purchased by it at sales to satisfy pledges, mortgages, or deeds of trust executed to it on account of money loaned by it, and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the bank to them;
- Bonds and other evidences of debt of the Government of the United States or of the Philippine Islands or of the city of Manila, or of any municipality in the Philippine Islands authorized by law to issue bonds, at the reasonable market value thereof, first mortgages secured by improved real estate in cities and centers of population of

municipalities in the Philippine Islands, but any mortgage purchased with interest accrued shall not exceed forty per centum of the actual cash market value of the real estate which secures such mortgage, and gold bullion at a valuation not exceeding its market value: Provided, however, That any real estate purchased by said bank in payment or by reason of any loan made by such bank must be sold by the bank within five years after the title thereto has been vested in it: And provided further, That no savings and mortgage bank shall purchase, own, or sell personal property except as may be required and permitted in the transaction of its ordinary business or for its immediate accommodation or the convenient and proper transaction of its lawful business.

SEC. 109. Married women and minors may, in their own right and in their own names, make deposits and receive and receipt for deposits, dividends, and interest: Provided, however, That if any guardian shall give notice in writing to any savings and mortgage bank not to make payment of deposits, dividends, or interest to the minor of whom he is guardian, then such payment shall lie made only to the guardian.

SEC. 110. .Before declaring any dividend, five per centum of the net profits must be deducted and set aside as a part of the reserve fund, and the reserve fund thereby created shall be invested as are oilier funds of the bank. The earnings of the reserve fund, whether created out of capital stock or out of profits, shall constitute a part of the reserve. The reserve fund shall be used exclusively for the, purpose of paying losses sustained by the bank in the pursuit of its lawful business: Provided, That the bank may provide by its by-laws for the disposal of any excess in the reserve fund over twenty per centum of its liabilities, inclusive of stock, and also for tin: final disposal of the reserve fund upon the dissolution of the corporation after the payment of all liabilities.

SEC. 111. Savings and mortgage banks may require by their by-laws that depositors shall give notice, not exceeding ninety days, of the intended withdrawal of their deposits, and any savings and mortgage bank requiring such notice may decline to make payment of any deposit until such notice is given and the time prescribed in its by-laws for such notice has expired.

SEC. 112. Whenever there is a call by depositors for repayment of their deposits and the call so made equals or exceeds the moneys actually available in the bank and disposable for the purpose of paying deposits, the savings and mortgage bank shall not make any new loans or investment of the funds of depositors or of the earnings of such funds until the call of the depositors has been satisfied.

Any officer or director of a savings and mortgage bank making or authorizing the making of any loan or investment of funds of depositors or of the earnings of such funds in violation of this section shall be punished by imprisonment for not less than one year nor more than five years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC. 113. No director or officer of any savings and mortgage bank .shall, either directly or indirectly, for himself or as the representative or agent of others, borrow any of the deposits or funds of such bank, nor shall he become a guarantor, indorser, or surety for loans from such bank to others or in any manner be an obligor for moneys borrowed of the bank or loaned by it. The office of any director or officer of a savings and mortgage bank who violates the provision of tin's section shall immediately become vacant and the director or officer shall be punished by imprisonment not exceeding ten years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC. 114. No loan made by any savings and mortgage bank on tin1 security of real estate shall be made unless the title to such real estate shall have been first registered in accordance with the Land Registration Act.

SEC. 115. Any director or officer of any savings and mortgage bank who receives or permits or causes to be received in said bank any deposit or who pays out or permits or causes to be paid out of any funds of said bank or

who transfers or permits or causes to be transferred any securities or property of said bank after said bank becomes insolvent shall be punished by a fine of not less than one thousand nor more than ten thousand pesos and by imprisonment for not less than two nor more than ten year.

BANKING CORPORATIONS.

SEC. 116. A banking corporation is a corporation which receives the money of others on funeral deposit and uses it, together with its own capital, to form a joint fund which it: makes a business of employing either directly or indirectly in one or more of the following uses:

The making of loans;

The maintenance of a note circulation : or

The purchase, sale, or collection of bills of exchange or other kinds of negotiable paper.

SEC. 117. A banking corporation, in addition to the general powers incident to corporations as set forth in this Act, shall have all such incidental powers as shall be necessary to carry on the business of banking, by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; and by loaning money on personal security; but it shall make no loans upon real-estate security: Provided, however, That savings and mortgage banks may make loans on the security of real estate as herein before prescribed: And provided further, That banking corporations engaged in the business of making loans secured by real estate, in accordance with their charters and the laws under which they were organized before the passage of this Act, may continue to make such loans on real estate as prescribed by such charters and laws.

SEC. 118. Banking corporations, other than savings and mortgage banks, shall not be permitted to file their articles of incorporation with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau, or to receive his certificate of incorporation unless such articles show, under oath of the incorporators, that the capital stock of such corporation is not less than two hundred thousand pesos, that fifty per centum of the whole stock has been actually subscribed; and that fifty per centum of the subscription has been actually paid into the treasury of the corporation.

SEC. 119. The total liabilities to a banking corporation of any person, or of any company, corporation, or firm, for money borrowed, including in the liabilities of the company or firm the liabilities of the several members thereof, shall at no time exceed fifteen per centum of the surplus and capital stock of such bank actually "paid in. But the discount of bills of exchange drawn in good faith against actually existing values and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed.

SEC. 130. No bank organized under this Act shall make any loan or discount on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith, and stock so purchased or acquired shall, within six months from the time of its purchase, be sold or disposed of at public or private sale, or, in default thereof, a receiver may be appointed to close up the business of the bank in accordance with law.

SEC. 121. No such bank shall at any time be indebted or in any way liable to an amount exceeding the amount of its capital stock ;it such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the following nature:

- Moneys deposited with or collected by the bank;

- Bills of exchange or drafts drawn against money actually on deposit to the credit of the bank or due thereto;
- Liabilities to the stockholders of the bank for dividends and reserve profits.

SEC. 122. Such bank may purchase, hold, and convey real estate for the following purposes and no other:

- Such as shall be necessary for its immediate accommodation in the transaction of its business;
- Such as shall be mortgaged to it in good faith by way of security for debts previously contracted;
- Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings;
- Such as it shall purchase at sales under judgments, decrees, mortgage, or trust deeds held by the bank or shall purchase to secure debts due to it.

But no bank shall hold the possession of any real estate under mortgage or trust deeds or the title and possession of any real estate purchased to secure any debts due to it for a longer period than five years.

SEC. 123. No such bank shall loan money to any director or officer thereof, unless such loan shall previously have been approved in writing by a majority of the directors thereof and such approval shall, have been entered upon the records of the bank.

SEC. 124. If losses have at any time been sustained by any such bank equal to or exceeding the undivided profits on hand, no dividend shall be made; and no dividend shall ever be made by any such bank while it continues in banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any bank, on which interest is past due and unpaid for a period of six months, unless the same are well secured, and in process of collection, shall be considered bad debts within the meaning of this section.

SEC. 125. Every such bank shall at all times have on hand, in lawful money of the Philippine Islands or of the United States, an amount equal to at least twenty per centum of the aggregate amount of its deposits in all respects. The term "lawful money of the Philippine Islands" shall include silver certificates issued under authority of Act Numbered Nine hundred and thirty-eight, ordinarily called the "Gold Standard Act," and gold certificates should the issue thereof be authorized for the Philippine Islands by the Congress of the United States, and the term "lawful money of the United States" shall include gold and silver certificates of the United States and bank notes issued by national banks in the United States: Provided, however, That in case of a bank having branches as provided in section one hundred and twenty-eight of this Act the provision for a twenty per centum reserve shall be deemed to be complied with if the principal bank and its branches in the aggregate have on hand twenty per centum in lawful money of the aggregate amount of the deposits in the principal bank and all of its branches.

SEC. 126. Whenever the lawful money as defined in the last preceding section of any bank shall be below the amount of twenty per centum of its deposits, such bank shall not diminish the amount of such lawful money by making any new loans or discounts, nor make any dividend of its profits until the required proportion between the aggregate amount of its deposits and its lawful money has been restored. In case of the violation of this provision the business of the bank may be wound up by the appointment of a receiver or in the manner provided by Act Numbered Five hundred and fifty-six.

SEC. 127. Each such bank, before the declaration of a dividend, shall carry ten per centum of its net profit? accruing since the last preceding dividend to a surplus fund until the same shall amount to twenty per centum of its authorized capital stock; and no part of the surplus fund shall at any time be paid out in dividends, but losses accruing in the course of business of the bank may be paid from the surplus fund. Nothing herein contained shall prevent the accumulation of a larger surplus fund should the directors so determine.

SEC. 128. It shall be lawful for any such bank having its head office in the city of Manila, and having a paid-up capital of not less than one million pesos, to establish a branch or branches in any municipality or municipalities in the Philippine Islands, and to conduct its authorized banking business in the city of Manila and in such branch or branches; but the corporation shall be responsible for all the business conducted in its branch or branches to the same extent and in the same manner as though such business had all been conducted in the principal institution at Manila. In the case of the establishment of a branch, or branches, the business shall be treated as an entirety.

SEC. 129. Any director or officer of any banking corporation who receives or permits or causes to be received in said bank any deposit or who pays out or permits or causes to be paid out of any funds of said bank or who transfers or permits or causes to be transferred any securities or property of said bank after said bank becomes insolvent shall be punished by a fine of not less than one thousand nor more than ten thousand pesos and by imprisonment for not less than two nor more than ten years.

SEC. 130. Any banking corporation when advertising the amount of its capital stock shall in the advertisement state the specific amount of such capital which has actually been paid in in cash.

TRUST CORPORATIONS.

SEC. 131. Any corporation formed or organized for the purpose of acting as trustee or administering any trust or holding property in trust or on deposit for the use, benefit, or behalf of others shall be known as a trust corporation.

SEC. 132. No trust corporation shall be permitted to file articles of incorporation with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau or to receive his certificate of incorporation unless such articles show under oath of the incorporators that the capital stock of such corporation is not less than one million pesos, that fifty per centum of the whole stock has been actually subscribed, and that fifty per centum of the subscription has been actually paid in cash into the treasury of the corporation.

SEC. 133. At least four hundred thousand pesos of the capital stock of any such corporation must be paid in cash into the treasury thereof within one year after filing the articles of incorporation, and for a failure to cause such amount of its capital stock to be paid into the treasury within the time limited, such corporation shall not be permitted to transact any new business other than that required for the administration of the business already undertaken by it. Any officer, official, director, or trustee of the corporation authorizing or transacting any business in violation of this section shall be punished by imprisonment for not less than one year nor more than five years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC. 134. After filing its articles of incorporation and the issuance to it of the certificate of incorporation by the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau, any trust corporation, in addition to the powers conferred by general corporation laws, shall have power—

- To act as trustee on any mortgage or bond issued by any municipality, body politic, or corporation, and to accept and execute any other municipal or corporate trust not inconsistent with law;
- To act under the order or appointment of any court of record as guardian, receiver, trustee, or depository of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, and as receiver and depository of any moneys paid into court by parties to any legal proceedings and of property of any kind which may be brought under the jurisdiction of the court by proper legal proceedings;
- To act as the executor of any last will or testament when it is named in the last will and testament as the executor thereof;

- To act under appointment of a court of competent jurisdiction as administrator of the estate of any deceased person, with the will annexed, or as administrator of the estate of any deceased person when there is no will and when in either case there is no person qualified, competent, willing, able, and entitled to accept such administration;
- To accept and execute any legal trust confided to it by any court of record or by any person or corporation for the holding, management, and administration of any estate, real or personal, and the rents, issues, and profits thereof;
- To accept deposits of money or other personal property and to allow to the depositors of money such interest thereon as may be provided by-laws.

SEC. 135. No bond or other security shall be required from any such trust corporation for the faithful performance of its duties as trustee, executor, administrator, guardian, receiver, or depositary: Provided, however, That the court or officer appointing such corporation as trustee, executor, administrator, guardian, receiver, or depositary may upon proper application .showing special cause therefor, require any corporation which shall seek to be or shall have been so appointed to give adequate security for the protection of the funds or property confided to the corporation, and upon failure of the corporation to give the security required its appointment as trustee, executor, administrator, guardian, receiver, or depositary shall be revoked.

The court shall require the corporation to make all reports, render all accounts, perform such duties, and do such acts as might be required by the court of a natural person acting as trustee, executor, administrator, guardian, receiver, or depositary.

SEC. 136. Upon the application of any executor, administrator, guardian, receiver, trustee, or depositary or any other person in o interest, any court having jurisdiction of such officer, trustee, receiver, or depositary and of the subject-matter of the trust or deposit may, upon such notice to the parties in interest as the court shall direct and after hearing the application and all parties in interest desiring to be heard, order said officer, trustee, receiver, or depositary to deposit with some trust corporation lawfully doing business in the Philippine Islands the whole or any part of the moneys or personal property held by such officer, trustee, receiver, or depositary. Upon presentation to the court of the receipt or written acknowledgment of the trust corporation that the deposit of said moneys and personal property has been made in accordance with the order of the court, the court may order that the bond given or required to be given by such officer, trustee, receiver, or depositary for the faithful performance of his duties be reduced to such sum as to the court may seem proper: Provided however, That the reduced bond shall be sufficient to adequately secure the proper administration and care of any property remaining in the hands or under the control of such officer, trustee, receiver, or depositary and the proper accounting for such property. Property deposited with any trust corporation in conformity with this section shall be held by said corporation under the orders and directions of the court.

SEC. 137. The accounts of all moneys, properties, or securities received by any trust corporation as executor of the will of any deceased person or as administrator, with or without the will annexed, of the estate of any deceased person, or as guardian, receiver, trustee, or depositary of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, or as receiver or depositary under and by virtue of any order or appointment of any court, shall be kept separate and distinct from the accounts of its general business.

SEC. 138. No trust corporation shall have the right to accept any trust whatever which it would be unlawful for any individual to make, accept, or execute, and it shall be the duty of a trust corporation, acting as trustee of any legal trust, to execute such trust in accordance with the lawful terms of the trust.

SEC. 139. Deposits or moneys received by any trust corporation as executor of the will of any deceased person or as administrator, with or without the will annexed, or as guardian, receiver, trustee, or depositary of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, or as receiver or depositary under and by virtue of any order or appointment of any court, or as trustee under any instrument in writing constituting the corporation a trustee, unless otherwise directed by the instrument creating the trust, can be loaned only on unencumbered improved real estate in cities and centers of population of municipalities in the Philippine Islands or on actually cultivated agricultural lands in the Philippine Islands to an amount not exceeding forty per centum of the value of the real estate, or on railroad bonds guaranteed by the Philippine Insular Government or on first mortgages transferred to the corporation as collateral security on improved and otherwise unencumbered real estate in cities and centers of population of municipalities in the Philippine Islands: Provided, That such first mortgages with interest accrued shall not exceed in value forty per centum of the value of the mortgaged property or on the security of gold or silver bullion: Provided, That the amount loaned shall not exceed ninety per centum of the value of the bullion pledged or on the security of United States Government bonds or on the security of bonds of the Philippine Government or of the city of Manila or of any municipality authorized by law to issue bonds. No loan of such deposits on the security of real estate shall be made unless the title to such real estate shall have been first registered in accordance with the Land Registration Act. Any officer or director authorizing or making any loan on security otherwise than provided in this section shall be punished by imprisonment not exceeding ten years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC 140.. The capital stock and funds of the corporation other than those mentioned in section one hundred and thirty-nine may be loaned or otherwise invested as the by-laws may prescribe and the directors authorize.

SEC. 141. The capital stock of any trust corporation shall be security for the faithful performance of all the trust duties of the corporation: Provided, however, That claims against such corporation as executor of the will of any deceased person or as administrator, with or without the will annexed, of any deceased person, or as guardian, receiver, trustee, or depositary of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, or as receiver or depositary under and by virtue of an order or appointment of any court, shall have priority over all other claims.

SEC. 142. Five per centum of the net profits of every trust corporation shall be set apart as a reserve fund, which shall be loaned or invested as proscribed in section one hundred and thirty-nine, and the earnings of the reserve fund shall constitute a part of the reserve. The reserve fund shall be used solely for the purpose "f meeting the losses sustained in the lawful transaction of its business: Provided, That the corporation may provide in its by laws for the disposal of any excess of the reserve fund over twenty per centum of its liabilities, inclusive of stock, and for the final disposal thereof on the dissolution of the corporation after the payment of all liabilities.

SEC. 143. No loan shall be made by any trust corporation, directly or indirectly, to any director or officer thereof, except by written approval of the majority of the directors.

Any officer or director of a trust corporation authorizing, receiving, or making any such loan without the authority prescribed shall be punished by imprisonment for not less than five years nor more than ten years and by a fine of not less than two thousand nor more than twenty thousand pesos.

SEC. 144. Any director or officer of any trust corporation who receives for said corporation or permits or causes to be received by said corporation any deposit, or who pays out or permits or causes to be paid out any funds of said corporation or who transfers or permits or causes to be transferred any securities or property of said corporation after said corporation becomes insolvent, shall be punished by a fine of not less than one thousand

nor more than ten thousand pesos and by imprisonment for not less than two nor more than ten years.

SEC. 145. The ordinary business of any trust corporation shall be transacted at the place of business specified in its articles of incorporation.

SEC. 146. Savings banks, commercial banks, banks of issue and discount, trust corporations, and banking institutions of every kind shall be subject to all the provisions of Act Numbered Fifty-two, entitled "An Act providing for examinations of banking institutions in the Philippine Islands, and for reports by their officers," as amended by Act Numbered Five hundred and fifty-six.

DOMESTIC INSURANCE CORPORATIONS.

SEC. 147. Corporations formed or organized to save any person or persons or other corporation harmless from loss, damage, or liability arising from any unknown or future or contingent event, or to indemnify or to compensate any person or persons or other corporation for any such loss, damage, or liability, or to guarantee the contractual obligations or debts of others, shall be known as insurance corporations for the purposes of this Act.

SEC. 148. No insurance corporation shall be permitted to file articles of incorporation with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau or to receive his certificate of incorporation unless such articles show, under oath of the incorporators, that the capital stock of such corporation is not less than five hundred thousand pesos, that fifty per centum of the whole stock has been actually subscribed, and that fifty per centum of the subscription has been actually paid in cash into the treasury of the corporation.

The whole subscribed capital stock of any fire or fire and marine insurance corporation must be fully paid up in cash within one year after filing its articles of incorporation, and for a failure to have its subscribed capital stock paid up within the time prescribed the corporation shall not be permitted to take any new risks of any kind or character.

Any officer, official, or director of the corporation taking or authorizing the taking of any risk for the corporation in violation of the terms of this section shall be punished by imprisonment for not less than one year nor more than five years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC. 149. No insurance corporation shall loan any of its money or deposits except upon the security of unencumbered improved real estate in cities and centers of population of municipalities in the Philippine Islands, or on actually cultivated real estate in the Philippine Islands when the value of such real estate is at least one hundred per centum more than the amount to be loaned, or upon the security of first mortgages on real estate not otherwise encumbered transferred to it as collateral security when the value of the real estate described in the mortgage is one hundred per centum more than the amount of the mortgage with interest accrued, or upon bonds or other evidence of debt of the Government of the United States or of the Philippine Islands or of the city of Manila or of municipalities in the Philippine Islands authorized by law to issue bonds: Provided, however, That a life insurance corporation may loan its money upon the security of a policy to an amount not exceeding the cash value of the policy.

SEC. 150. No loan by any insurance corporation on the security of real estate shall be made unless the title to such real estate shall have been first registered in accordance with the Land Registration Act.

SEC. 151. Insurance corporations may purchase, hold, own, and convey real and personal property as follows:

- The lot with the building thereon in which the corporation conducts and carries on its business, which shall not exceed in value one hundred thousand pesos, or such additional sum as may be fixed by the affirmative vote of

the stockholders representing two-thirds of the subscribed capital stock;

- Such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the corporation, and such real or personal property as may have been purchased by it at sales under pledges, mortgages, or deeds of trust for its benefit on account of money loaned by it, and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the corporation to them: Provided, however, That any real estate purchased by said corporation in payment or by reason of any loan made by said corporation shall be sold by the corporation within five years after the title thereto has been vested in it;

- Bonds and other evidences of debt of the Government of the United States or of the Philippine Islands or of the city of Manila or of any municipality in the Philippine Islands authorized by law to issue bonds, at the reasonable market value thereof, and Mich other securities as may be approved by the Secretary of Finance and Justice.

SEC. 152. No insurance corporation shall declare any dividend except from the profits of the transaction of the corporate business, and then only after retaining unimpaired the entire subscribed capital stock, a sum sufficient to pay all expenses incurred by the corporation, inclusive of taxes, and a sum sufficient to pay all losses reported or in the course of settlement.

SEC. 153. No fire or marine insurance corporation shall insure on any one risk to an amount more than one-tenth of its capital stock paid in and intact at the time of taking the risk without reinsuring the excess.

RELIGIOUS CORPORATIONS.

SEC. 154. For the administration of the temporalities of any religious denomination, society, or church, and the management of the estates and properties thereof, it shall be lawful for the bishop, chief priest, or presiding elder of any such religious denomination, .society, or church to become a corporation sole unless inconsistent with the rules, regulations, or discipline of his religious denomination, society, or church or forbidden by competent authority thereof.

SEC. 155. In order to become a corporation sole, the bishop, chief priest, or presiding elder of any religious denomination, society, or church must file with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau articles of incorporation setting forth the following facts:

- That he is the bishop, chief priest, or presiding elder of his religious denomination, society, or church and that he desires to become a corporation sole;
- That the rules, regulations, and discipline of his religious denomination, society, or church are not inconsistent with his becoming a corporation sole and do not forbid it;
- That as such bishop, chief priest, or presiding elder he is charged with the administration of the temporalities and the management of the estates and properties of his religious denomination, society, or church within his territorial jurisdiction, describing it;
- The manner in which any vacancy occurring in the office of bishop, chief priest, or presiding elder is required to be filled, according to the rules, regulations, or discipline of the religious denomination, society, or church to which he belongs;
- The place where the principal office of the corporation sole is to be established and located, which place must be within the Philippine Islands.

SEC. 150. The articles of incorporation must be verified before filing by affidavit or affirmation of the bishop, chief priest, or presiding elder, as the case may be, and accompanied by a copy of the commission, certificate of

election or letters of appointment of such bishop, chief priest, or presiding elder, duly certified to be correct by any notary public or clerk of a court of record.

SEC. 157. From and after the filing with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau of the said articles of incorporation, verified by affidavit or affirmation as aforesaid and accompanied by the copy of the commission, certificate of election, or letters of appointment of the bishop, chief priest, or presiding elder, duly certified as prescribed in the section immediately preceding, such bishop, chief priest, or presiding elder, as the case may be, shall become a corporation sole, and all temporalities, estates, and properties of the religious denomination, society, or church heretofore administered or managed by him as such bishop, chief priest, or presiding elder shall be held in trust by him as a corporation sole, for the use, purpose, behalf, and sole benefit of his religious denomination, society, or church, including hospitals, schools, colleges, orphan asylums, parsonages, and cemeteries thereof. For the filing of such articles of incorporation the Chief of the said Division of Archives, Patents, Copyrights, and Trade-Marks shall collect twenty-five pesos.

SEC. 158. The successors in office of any bishop, chief priest, or presiding elder incorporated as a corporation sole shall become the corporation sole on accession to office, and shall be permitted to transact business as such on filing with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau a copy of their commissions, certificates of election, or letters of appointment duly certified to be correct by any notary public or clerk of a court of record.

For filing every such copy of a commission, certificate, or letters the said Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks shall collect the sum of ten pesos.

During a vacancy in the office of bishop, chief priest, or presiding elder of any church incorporated as a corporation sole, the person or persons authorized and empowered by the rules, regulations, or discipline of the religious denomination, society, or church represented by the corporation sole to administer the temporalities and manage the estates and property of the corporation sole during the vacancy shall exercise all the power and authority of the corporation sole during such vacancy.

SEC. 159. Any corporation sole may purchase and hold real estate and personal property for its church, charitable, benevolent, or educational purposes, and may receive bequests or gifts for such purposes. Such corporation may mortgage or sell real property held by it upon obtaining an order for that purpose from the Court of First Instance of the province in which the property is situated; but before making the order proof must be made to the satisfaction of the court that notice of the application for leave to mortgage or sell has been given by publication or otherwise in such manner and for such time as said court or the judge thereof may have directed, and that it is to the interest of the corporation that leave to mortgage or sell should be granted. The application for leave to mortgage or sell must be made by petition, duly verified by the bishop, chief priest, or presiding elder, acting as corporation sole, and may be opposed by any member of the religious denomination, society, or church represented by the corporation sole: Provided, however, That in cases where the rules, regulations, and discipline of the religious denomination, society, or church concerned represented by such corporation sole regulate the methods of acquiring, holding, selling, and mortgaging real estate and personal property, such rules, regulations, and discipline shall control and the intervention of the courts shall not be necessary.

SEC. 160. Any religious society or religious order, or any diocese, synod, or district organization of any church, unless forbidden by the constitution, rules, regulations, or discipline of the religious order, society, or church of which it is a part, or by competent authority, may, upon the written consent of two-thirds of the membership, or by an affirmative vote of two-thirds of the membership had at a regular meeting, incorporate for the administration of its temporalities or for the management of its properties or states by filing with the Chief of the

Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau articles of incorporation verified by the affidavit or affirmation of the presiding officer, secretary, or clerk or other member of such religious society, religious order, or diocese, synod, or district organization of tin; church setting forth the following facts:

- That the religious society or religious order or synod, diocese, or district organization is a religious society or religious order or diocese, synod, or district organization of some church;
- That two-thirds of its membership have given their written consent or have voted to incorporate at a regular meeting of the body;
- That the incorporation of the religious society, religious order, or diocese, synod, or district organization of the church desiring to incorporate is not forbidden by competent authority or by the constitution, rules, regulations, or discipline of the society, church, or order of which it forms a part;
- That the religious society or religious order or diocese, synod, or district organization of the church desires to incorporate for the administration of its temporalities or the management of its properties or estates;
- The place where the principal office of the corporation is to be established and located, which place must be within the Philippine Islands;
- The names and residences of the directors or trustees elected by the religious society or order, or the diocese, synod, or district organization of the church to serve for the first year or such other times as may be prescribed by the laws of the society or order, or of the diocese, synod, or district organization of the church, the board of directors or trustees to be not less than five nor more than fifteen. For the filing of such articles of incorporation the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau shall collect twenty-five pesos.

SEC. 161. By-laws for the government of the corporation not inconsistent with law or with the constitution, by-laws, rules, regulations, or discipline of the religious society, religious order, or church of which the corporation forms a part may be adopted or amended at any regular meeting called for the purpose by the incorporated religious society or religious order or by any convention, synod, or other legal representative body of the church in and for the district.

SEC. 162. The by-laws of the corporation shall be signed and attested by the presiding officer and secretary or clerk of the religious society or order or of the convention, synod, or other representative body of the church adopting the same.

SEC. 163. The right to administer all temporalities and all property held or owned by a religious order or society, or by the diocese, synod, or district organization of any religious denomination or church shall, on its incorporation, pass to the corporation and shall lie held in trust for the use, purpose, behoof, and benefit of the religious, society or' order so incorporated or of the church of which the diocese, synod, or district organization is an organized and constituent part.

SEC. 164. Such corporations shall have the right to purchase, hold, mortgage, or soil real estate for its church, charitable, benevolent, or educational purposes by and with the consent of a majority of its membership.

COLLEGES AND INSTITUTIONS OF LEARNING.

SEC. 165. Any number of persons not less than five who have established or who may desire to establish a college, school, or other institution of learning may incorporate themselves by filing with the Chief of the

Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau articles of incorporation setting forth the following facts :

- The name of the corporation;
- The purpose for which it is organized :
- The place where the college, school, or institution of learning is to be conducted;
- The qualifications of trustees and the number of trustees, which shall not be less than five nor more than fifteen: Provided, however, That the number of trustees shall be some multiple of five;
- The term for which trustees shall serve and the names and residences of the trustees elected for the first term;
- The amount of money and description of the property to be devoted to the maintenance and support of the college, school, or other institution of learning.

SEC. 166. Societies or organizations which have established colleges, schools, or other institutions of learning may, unless forbidden by their constitutions or by competent authority exercised over them, incorporate with the written consent of two-thirds of the membership, or by an affirmative vote of two-thirds of the membership had at a regular or at a special meeting called for the purpose, by filing with the Chief of the Division of Archives, Patents, Copyrights, and Trade-Marks of the Executive Bureau articles of incorporation setting forth the facts proscribed for articles of incorporation in section one hundred and sixty-five.

SEC. 167. Societies or organizations so incorporated shall have the power to adopt by-laws not inconsistent with law and may provide in such by-laws for the election of trustees and their terms of office.

SEC. 168. Whenever so empowered in writing by the Secretary of Public Instruction and under such terms and conditions as said Secretary may prescribe, universities and colleges duly incorporated in accordance with this Act may grant diplomas and confer degrees.

SEC. 169. Unless otherwise provided in the by-laws the board of trustees of incorporated schools, colleges, or other institutions of learning shall, as soon as organized, so classify themselves that the term of office of one-fifth of their number shall expire every year. Trustees thereafter elected to fill vacancies occurring before the expiration of term shall hold office only for the unexpired term. Trustees elected thereafter to fill vacancies caused by expiration of term shall hold office for five years. A majority of the trustees shall constitute a quorum for the transaction of business. The office of the corporation shall be at the college, school, or other institution of learning. The powers and authority of trustees shall be defined in the by-laws.

SEC. 170. Any educational society or organization, by a two-thirds vote of its membership had at a regular or at a special meeting called for the purpose, or by the written consent of two-thirds of its members without a meeting, and any existing educational corporation or body claiming to be such may, by a unanimous vote of its trustees present at a regular or special meeting called for the purpose or by the written consent of such trustees without a meeting, convey all or any part of its property, rights, and franchises to a corporation organized for educational purposes in conformity with this Act. Any corporation organized for educational purposes in accordance with this Act shall have the right by and with the consent of a majority of its membership to purchase, hold, mortgage, or sell real estate for educational purposes.

BUILDING AND LOAN CORPORATIONS.

SEC. 171. All corporations whose capital stock is required or is-permitted to be paid in by the stockholders in regular, equal, periodical payments and whose purpose is to accumulate the savings of its stockholders, to repay to said stockholders their accumulated savings and profits upon surrender of their stock, to encourage industry,

frugality, and home building among its stockholders, and to loan its funds and funds borrowed for the purpose to stockholders on the security of unencumbered real estate and the pledge of shares of capital stock owned by the stockholders as collateral security, shall be known as building and loan corporations, and the words "mutual building and loan association" shall form part of the name of every such corporation.

SEC. 172. The articles of incorporation shall state the purpose of the corporation as set forth in section one hundred and seventy-one.

SEC. 173. Any person may become a stockholder of any building and loan corporation by subscribing for one or more shares therein and signing the by-laws of the corporation, following his signature with his post-office address.

SEC. 174. The capital stock of such corporations shall be paid in by the stockholders in regular, equal, periodical payments, known as dues, at such times and in such amounts as shall be provided in the by-laws of the corporation. The dues on each share of stock subscribed for by a stockholder shall continue to be paid by the stockholder to the corporation until the shares have been duly withdrawn, canceled or forfeited, or until the share has reached its matured value; that is to say, when the dues paid on each share and the net earnings thereof, in accordance with the by-laws, shall amount to the par value of the share, but such corporation may issue and sell at par for cash, paid-up or investment stock, and may pay to the holders of such shares a rate of interest or dividend to be fixed by the board of directors of the corporation, which shall be expressed on the stock shares and shall not participate further in the profits or accretions of the corporation. Such paid-up or investment stock may be surrendered by the holder at any time upon the giving of ninety days' notice to the corporation, or such shorter notice as the corporation may fix, and upon such surrender the holder will be entitled to receive only the amount of principal invested together with the accrued interest or earned dividend fixed by the board of directors and expressed in the stock shares. The capital stock still consists of the proceeds of such paid-up or investment stock and of such accumulated dues together with the earnings and profits of the corporation, and shall in no case exceed three million pesos.

SEC. 175. The capital stock shall be divided into shares of the matured or par value of two hundred pesos each.

SEC. 176. Certificates of stock shall be issued to each stockholder on the payment of membership fee and first installment of dues by him. The corporation shall have the power to charge a membership or entrance fee not exceeding one peso upon each share of stock issued and may also charge a transfer fee not exceeding twenty centavos on each share transferred, all of which shall be paid into the treasury and accounted for as funds of the corporation. Shares which have not been pledged as security for the payment of a loan shall be called "free shares." and shares which have been so pledged shall be called pledged shares.

SEC. 177. Payment of dues on shares of stock shall commence from the time that such shares were issued.

SEC. 178. For any neglect, refusal, or failure to make payment of dues or premiums or interest on loans when due, the corporation shall have power by its by-laws to impose and collect a fine on the delinquent or defaulting stockholder not exceeding ten per centum of the defaulted amount due from him and a like fine on every regular pay day during such default. Payments of dues or interest may be made in advance, but the corporation shall not allow interest on such advance payments at a greater rate than six per centum per annum nor for a longer period than one year.

SEC. 179. Whenever any stockholder shall be six months in arrears in the payment of his dues upon five shares, the secretary or clerk of the corporation shall give him notice in writing of his arrearages by mailing to him at the last post-office address given by him to the corporation a statement of all such arrearages. If the stockholder shall

not: pay within two months after such notice the full amount of his arrearages the board of directors may, at its option, declare his shares forfeited. At the time of the forfeiture the withdrawal value of the forfeited shares shall be determined and stated by the board of directors, and the defaulting stockholder shall be entitled to receive such value without interest upon such notice as is required of a withdrawing stockholder. In determining the withdrawal value of such forfeited shares the board of directors shall charge such shares with all fines assessed in accordance with this section.

SEC. 180. When the stock shall have reached its matured value, payment of dues thereon shall cease and holders of such matured shares shall be paid out: of the funds of the corporation the matured value of their shares with interest thereon at the rate determined in the by-laws, from the time the board of directors shall declare such shares to have matured until payment is made. The order of payment of matured shares shall be determined by the by-laws and at no time shall more than one-third of the receipts of the corporation be applied to the payment of matured shares without the consent of the board of Directors: Provided, however, That if shares pledged to the corporation as security for loans shall mature before the loan is repaid the matured value may be paid to the holder in cash as in this section provided or may be credited to the loan at the option of the board of directors.

SEC. 181. The moneys in the hands of the treasurer of the corporation and such sums as may be borrowed by the corporation for the purpose shall be loaned out: in open meeting to the stockholders who shall pay the highest premium for such loan, or said moneys may be loaned at such premium as may be fixed from time to time by the board of directors. The premium may be deducted from the amount of the loan or such proportion may be so deducted as may be prescribed in the by-laws. Where only a part of the premium is deducted the balance thereof must be paid to the corporation in such installments as the by-laws shall determine: Provided, however, That the number of installments into which the premium is divided shall be uniform for all loans made by the corporation, and that the time and manner of payment of such installments shall be prescribed in the by-laws.

SEC. 182. Every loan made by the corporation must be properly evidenced by a note or other instrument in writing and must be secured by a first mortgage or deed of trust on unencumbered real estate and also by the pledge to the corporation of shares of stock of the corporation the matured value of which shall at least equal the amount loaned: Provided, however, That loans may be made on the security of free shares pledged to the corporation for the repayment of the loan in case, at the time that the loan is made, the withdrawal value of such free shares under the by-laws shall exceed the amount borrowed and interest thereon for six months: And provided further, That no loan on the security of real estate shall be made unless the title to such real estate shall have been first registered in accordance with the Land Registration Act and unless such real estate shall be situated within the city or municipality in which the principal place of business of the corporation is established.

SEC. 183. In the discretion of the board of directors a loan may be repaid by the surrender of pledged shares whose withdrawal value equals the amount loaned and all interest and lines accrued thereon.

SEC. 184. The rate of interest on all loans may be fixed in the by-laws or may be prescribed from time to time by the board of directors.

SEC. 185. Whenever a borrowing stockholder shall be three months in arrears in the payment of his dues on stock or the interest or premium or installments of premium on any loan, the whole loan, at the option of the board of directors, shall become due and payable and the board may proceed by action to enforce collection upon the securities held by the corporation. The withdrawal value of all shares pledged as collateral security at the time of the commencement of the action shall be applied to the payment of the loan, and such shares from the time of such application shall be deemed to be surrendered to the corporation.

SEC. 186. The corporation may purchase at any sale, public or private, any real estate upon which it may have a

mortgage, judgment, lien, or other incumbrance, or in which it may have any interest, and may sell, convey, lease, or mortgage such real estate: Provided, That real estate so purchased must be finally disposed of or sold by the corporation within five years after receiving title to the same.

SEC.: 187. Stockholders may surrender their shares and withdraw from the corporation after paying twelve monthly installments of dues and upon giving sixty days' notice in writing to the board of directors, and the withdrawal value of such shares shall be the total sum of the dues paid thereon plus such interest as shall be allowed by the board of directors: Provided, however, That not more than one-third of the total receipts of the corporation shall be paid in any one month to retire such shares: And provided further, That payment for such surrendered shares shall be made in the order in which notices of withdrawal have been received by the board of directors: And provided further, That should the business of the corporation during the period such withdrawing member has been a stockholder show a loss, the withdrawal value of stock shall be charged with its proportion of such loss. Except in cases of voluntary or forced liquidation of a building and loan corporation or of forfeiture as provided by section one hundred and seventy-nine of this Act, the board of directors of such corporations shall not have power to force the surrender and withdrawal of unmatured stock.

SEC. 189. At least once a year profits and losses on all business transacted shall be determined by the board of directors and apportioned to all the shares in each series outstanding at the time of such apportionment on the basis of the actual value of such shares as distinguished from their withdrawal value.

SEC. 189. Building and loan corporations shall be subject to all the provisions of Act Numbered Fifty-two, entitled "An Act providing for examinations of banking institutions in the Philippine Islands, and for reports by their officers," as amended by Act Numbered Five hundred and fifty-six, in the same way and to the same extent as if such corporations were engaged in the banking business in the Philippine Islands.

SEC. 190. No foreign building and loan corporation or building and loan corporation not formed, organized, or existing under the laws of the Philippine Islands shall be permitted to transact business in the Philippine Islands.

REPEALING PROVISION.

SEC. 191. The Code of Commerce, in so far as it relates to corporations or sociedades anonimas, and all other Acts or parts of Acts in conflict or inconsistent with this Act, are hereby repealed, with the exception of Act Numbered Fifty-two, entitled "An Act providing for examinations of banking institutions in the Philippine Islands, and for reports by their officers," as amended, and Act Numbered Six hundred and sixty-seven, entitled "An Act prescribing the method of applying to governments of municipalities, except the city of Manila, and of provinces for franchises to construct and operate street railway, electric light and power, and telephone lines, the conditions upon which the same may be granted, certain powers of the grantees of said franchises, and of grantees of similar franchises under special Act of the Commission, and for other purposes:" Provided however, That nothing in this Act contained shall be deemed to repeal the existing law relating to those classes of associations which are termed sociedades colectivas, sociedades en comandita, and sociedades de cuentas en participacion, as to which associations the existing law shall be deemed to be still in force: And provided further. That existing corporations or sociedades anonimas, lawfully organized as such, which elect to continue their business as such sociedades anonimas instead of reforming and reorganizing under and by virtue of the provisions of this Act, shall continue to be governed by the laws that were in force prior to the passage of this Act in relation to their organization and method of transacting business and to the rights of members thereof as between themselves, but their relations to the public and public officials shall be governed by the provisions of this Act.

SEC. 192. This Act shall take effect on April first, nineteen hundred and six.

Enacted, March 1, 1906.

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