



Republic of the Philippines  
Department of Trade and Industry  
**Securities and Exchange Commission**  
SEC Bldg. EDSA, Greenhills, Mandaluyong City

**IN THE MATTER OF:**

**SEC Admin. Case No. 11-06-84**  
**For: Revocation of Certificate of**  
**Registration**

**ZANJERA DE CABARAMBANAN, INC.**

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**DECISION**

For consideration is the Petition for Revocation of Corporate Registration (*"the Petition"*, for brevity) dated 24 November 2006 filed on 27 November 2006 by the then Compliance and Enforcement Department (*"petitioner"*)<sup>1</sup> against Zanjera De Cabarambanan, Inc. (*"respondent"*) on the ground that there was fraud in the procurement of respondent's certificate of registration.

Incorporated on 30 May 2001, respondent is a non-stock corporation with SEC Registration No. B200100377 incorporated to assist its members in improving their productivity, income and quality of life primarily by *"constructing or acquiring, controlling, operating and managing an irrigation system"*, *"providing members the opportunity to learn and apply improved methods of agricultural production"* and being a *"medium through which technical as well as material assistance from both government and private sources may equitably and effectively be channeled to the members."*<sup>2</sup>

Petitioner alleges that there was forgery in the preparation of respondent's Articles of Incorporation in that the name of Michael Madamba, one of the incorporator-trustees therein indicated, was signed by a certain "Michael Macadangdang". This act, petitioner contends, amounts to fraud in the procurement of respondent's Articles of Incorporation, a ground for the revocation of its corporate registration, pursuant to Section 6, paragraph I(1) of Presidential Decree No. 902-A, as amended.

In an Order dated 19 December 2006, respondent, through its Board of Trustees, was directed to file its *Answer* to the *Petition*. Despite due receipt of the Order on 1 January 2007, respondent, to date, has not filed its *Answer*. Hence, respondent should be held, and is hereby declared, as in default.<sup>3</sup>

The ultimate issue to be resolved is whether or not there is sufficient ground to revoke respondent's certificate of registration.

<sup>1</sup>Now Enforcement and Prosecution Department.

<sup>2</sup>Second Article, respondent's Articles of Incorporation (Annex "B", *Petition*).

<sup>3</sup>Section 3-11 of the Revised Rules of Procedure 2000 of the Securities and Exchange Commission; and Section 3-12 of the 2006 Rules of Procedure of the Securities and Exchange Commission.

We answer in the affirmative.

The articles of incorporation is the basic corporate contract which is accorded with reverence by the law and the courts, as manifested by the stringent rules for its registration and the manner by which any part thereof may be amended.<sup>4</sup> It is the contract between the corporation and the State, the stockholders and the state, and the corporation and its stockholders. Thus, the law dictates or mandates what the contents thereof should be.<sup>5</sup>

Accordingly, the incorporators must have the capacity to enter into a valid contract, the act of forming a corporation as between the parties being contractual. For the same reason, this basic corporate contract must comply with the mandatory requirements of the Corporation Code<sup>6</sup> ("the Code") as to its form and execution. Under Section 15 of the Code, the articles of incorporation must be acknowledged by the incorporators before a notary public.<sup>7</sup> The purpose of requiring the acknowledgement is to secure the State and all concerned against the possibility of any fictitious name being subscribed to the articles and to furnish proof of the genuineness of the signatures.<sup>8</sup>

Hence, a cancellation suit in the name of the State will lie to annul an incorporation for fraud, based on the theory that it is a contract with the State.<sup>9</sup> Fraud in procuring a certificate of incorporation, practiced on State officers, makes the corporation a nullity, and in determining whether a corporation was actually created, it is **immaterial** that it was a fraudulent scheme for the purpose of cheating the public.<sup>10</sup>

The signature page of respondent's Articles of Incorporation reveals that the typewritten name of incorporator-trustee "Michael Madamba" was signed as "Michael Macadangdang", with each component word written in script form.<sup>11</sup> This irregularity likewise obtains in respondent's By-Laws.<sup>12</sup>

However, the signatures of "Michael Madamba" in respondent's (1) list of members<sup>13</sup> and (2) certification of amounts of members' contributions<sup>14</sup>, both of

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<sup>4</sup>Cesar L. Villanueva, *Philippine Corporate Law* 155 (2001).

<sup>5</sup>*Ibid.*, citing Section 14 of the Corporation Code.

<sup>6</sup>Batas Pambansa Bilang 68 (1980).

<sup>7</sup>Hector S. De Leon, *The Corporation Code of the Philippines Annotated* 128 (2002).

<sup>8</sup>*Ibid.*, p. 166, citing Fletcher. This requirement gains more significance if we are to consider that incorporators, who, as in this case, usually act as the first set of directors/trustees, may be subject to personal liabilities, pursuant to Section 31 of the Code.

<sup>9</sup>1 Fletcher *Cyclopedia Corporations* 604 (Permanent Edition).

<sup>10</sup>*Ibid.*, p. 543.

<sup>11</sup>*Supra*, Note 2, p. 4.

<sup>12</sup>Annex "C", *Petition*.

<sup>13</sup>Annex "D", *Petition*.

<sup>14</sup>Certification dated 27 January 2001.

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which were submitted to the Commission during the process of incorporation, are markedly different and distinguishable from those appearing in the Articles of Incorporation and By-Laws. In the list of members and certification of amounts of members' contributions, each signature consists of "MMadamba", also in script form, but this time in significantly rounder letters.

We take judicial notice of the established practice and fact that in signing documents, a person logically adopts a signature which is a reproduction, semblance, simulation or discernible contraction, even discernible corruption, of his first and last names combined. This is demonstrated in the signatures of/for Michael Madamba (i.e., "MMadamba") in respondent's list of members and certification of amounts of members' contributions. Curiously though, the same signature is not what appears in the Articles of Incorporation and By-Laws; in its stead is a totally different signature (i.e. "Michael Macadangdang"), not just in style and execution, but in the component names. Further, how the signature "Michael Macadangdang" was executed strikingly resembles the way the surname in the signature of Isabelo Macadangdang, another incorporator-trustee, was accomplished. These circumstances indicate that the two (2) sets of signatures were made by different persons, and that as between the signatures appearing in the Articles of Incorporation and By-Laws on one hand, and those in the list of members and certification of amounts of members' contributions on the other, the latter commands more credibility. Thus, there is reasonable cause to conclude that Michael Madamba did not himself execute and sign respondent's Articles of Incorporation and By-Laws, and that these documents were falsified.

Granting for the sake of argument that the two (2) sets of signatures were made by one and the same person, such person's act, still, cannot be countenanced. The use of "Michael Macadangdang" for "Michael Madamba" amounts to a use of a fictitious name in the Articles of Incorporation and By-Laws. While it is evident from the records that "Macadangdang" is a surname<sup>15</sup>, there is nothing therein which even remotely suggests that Michael Madamba is likewise known by the name Michael Macadangdang or that he is legally entitled or authorized to use "Macadangdang". There is, however, proof to the contrary: COMELEC's official roster of registered voters in Brgy. 27-A, Pungto, Bacarra, Ilocos Norte, where respondent and its incorporators reside, officially lists Michael Madamba as "Madamba, Michael Bolosan".<sup>16</sup>

Respondent was not able to, or more aptly, did not refute the above. During investigation, respondent and its trustees, including Michael Madamba, were afforded two (2) chances to explain the irregularity above-illustrated. The first one was by virtue of a Summons issued by Atty. Annie G. Tesoro, the Director of the Commission's Baguio Extension Office (which issued respondent's Certificate of

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<sup>15</sup>Two (2) of the five (5) incorporators and some members of respondent are all surnamed "Macadangdang".

<sup>16</sup>Annex "P", *Petition*.

Registration)<sup>17</sup>, the second by way of a Notice of Conference issued by the petitioner<sup>18</sup>, both of which were unheeded. The third opportunity was in the instant proceeding, which, as above-said, was likewise ignored. Respondent wasted three (3) opportunities to explain away the irregularity, hardly the behavior of someone innocent and/or in good faith. Hence, there is nothing in the records to controvert petitioner's case.

Moreover, with the commission of such fraudulent act, it can be said that respondent failed to muster the minimum required number of five (5) incorporators, in violation of Section 10 of the Code, to wit:

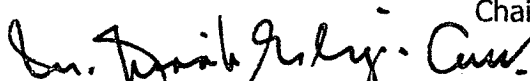
"Sec. 10. *Number and qualifications of incorporators.* - Any number of natural persons not less than five (5) but not more than fifteen (15), all of legal age and a majority of whom are residents of the Philippines, may form a private corporation for any lawful purpose or purposes. xxx."

**WHEREFORE**, premises considered, the instant *Petition* is hereby **GRANTED**. The Certificate of Registration of Zanjera De Cabarambanan, Inc. is hereby **REVOKED**. Let a copy of this *Decision* be furnished the Company Registration and Monitoring Department of this Commission for its appropriate action.

**SO ORDERED.**

Mandaluyong City, 01 July 2010.

  
**FE B. BARIN**  
Chairperson

  
**MA. JUANITA E. CUETO**  
Commissioner

**MANUEL HUBERTO B. GAITE\***  
Commissioner

  
**RAUL J. PALABRICA**  
Commissioner

  
**ELADIO M. JALA**  
Commissioner

\*on leave

<sup>17</sup>Memorandum of Baguio Extension Office to petitioner dated 15 June 2005 (Annex "H", the *Petition*). In the same Memorandum and in view of the non-appearance of respondent, through its trustees and officers, Atty. Tesoro endorsed the revocation of respondent's Certificate of Registration.

<sup>18</sup>Annex "I-1", *Petition*.