

Administrative Order No. 10¹⁸⁸
Series of 1988

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Subject: GUIDELINES AND PROCEDURES FOR CORPORATE LANDOWNERS DESIRING TO AVAIL THEMSELVES OF THE STOCK DISTRIBUTION PLAN UNDER SEC. 31 OF R.A. 6657 AND SUPERCEDING DEPARTMENT OF AGRARIAN REFORM ADMINISTRATIVE ORDER NO. 4'87

Implementing Sec. 31 of R.A. 6657, the following guidelines and procedures are hereby promulgated for the guidance of all concerned.

Section 1.

1a.) Qualified Corporate Landowner-Applicant - All bonafide stock corporations owning agricultural land utilized for agricultural production and existing as such as of June 15, 1988, the date of effectivity of RA 6657 may apply and avail of the voluntary stock distribution plan provided in Section 31 thereof. New corporations incorporated after the effectivity of RA 6657 may also apply, provided that they are subsidiaries of or spin-offs from their mother corporation, which are otherwise qualified to apply hereunder, but have chosen to organize separately to facilitate stock acquisition, control and greater benefits to the corporate landowner applicant's farm workers and other qualified beneficiaries.

1b.) Qualified Beneficiaries - The qualified beneficiaries in the stock distribution plan are all those identified as beneficiaries of land transfer enumerated under Sec. 22 of RA 6657.

The stock distribution plan shall be agreed upon by both the corporate landowner-applicant and the qualified beneficiaries and subject to approval by PARC. DAR shall monitor and device a system of ensuring the voluntary acceptance by the beneficiaries of this plan for stock distribution. The acceptance of the stock distribution plan by the majority of all the qualified beneficiaries shall be binding upon all the said qualified beneficiaries within the applicant-corporation.

Section 2. Applicant and Time of Filing - The corporate landowner-applicant shall file the stock distribution plan, in a form to be prescribed by DAR and obtain approval within two (2) years from the effectivity of RA 6657 but prior to DAR's notice of compulsory acquisition of said property under the same law.

Section 3. Proportion of Distribution - The stock distribution plan of corporate landowner-applicant must give the qualified beneficiaries the right to purchase at least such proportion of the capital stock of the corporation that the agricultural land, actually devoted to agricultural activities, bears in relation to the corporation's total assets under such terms and conditions as may be agreed upon by them.

Section 4. Stock Distribution Plan - The stock distribution plan submitted by the corporate landowner-applicant shall provide for the distribution of an equal number of shares of stock of the same class and value, with the same rights and features as all other shares, to each of the qualified beneficiaries. This distribution plan in all cases, shall be at least the minimum ratio for purposes of compliance with Section 31 of RA 6657.

On top of the minimum ratio provided under Section 3 of this Implementing Guideline, corporate landowner-applicant may adopt additional stock distribution schemes taking into account factors such as rank, seniority, salary, position and other circumstances which may be deemed desirable as a matter of sound company policy.

Section 5. Criteria for Evaluation of Proposal - The stock distribution plan submitted by the corporate landowner-applicant shall meet the following minimum criteria:

a. that the continued operation of the corporation with its agricultural land intact and unfragmented is viable, with potential for growth and increased profitability;

b. that the plan for stock distribution to qualified beneficiaries would result in increased income and greater benefits to them, than if the lands were divided and distributed to them individually;

c. that the stock distribution plan is acceptable to a majority, defined as 50% - 1, of all the qualified beneficiaries;

d. that the plan shall include a provision that the books of the corporation shall be subject to periodic audit by Certified Public Accountants chosen by the beneficiaries;

e. that irrespective of the value of the beneficiaries equity in the corporation, they shall be assured of at least one (1) representative in the Board of Directors or in a management or executive committee, if one exists, of the corporation and the corporation must amend its by-laws and/or articles of incorporation to provide such;

f. that a beneficiary who avails of a stock option must first execute the necessary waiver from being a beneficiary in another stock distribution plan under this rule and land distribution under Sec. 22 of RA 6657. A breach of the foregoing constitutes a willful violation of the Act;

g. other criteria that the DAR may prescribe in making its own independent evaluation of the stock distribution plan of the corporate landowner-applicant as provided for in Sec. 13 herein.

Section 6. Valuation and Compensation - The valuation of corporate assets submitted by the corporate landowner-applicant in this proposal shall be subject to verification and audit examination by DAR. The determination of the value of the agricultural land shall be based on the land valuation guidelines promulgated by DAR.

Section 7. Modes of Stock Distribution - The stock distribution plan of the corporate landowner-applicant may be effected through divestment of the existing equity holdings by stockholders or other modes of stock distribution acceptable to both parties and duly approved by DAR.

Section 8. Limited Transferability of Beneficiaries' Stock - The stocks acquired through this stock distribution plan by the beneficiaries may be transferred voluntarily only to other qualified beneficiaries.

Section 9. Payment of Shares - The payment of the purchase price of the shares shall be under such terms and conditions agreed upon by the corporate landowner-applicant and the beneficiaries, provided that, in no case, shall the compensation received by the workers, at the time the shares of stock are distributed, be reduced.

No government funds, i.e., National Treasury or Land Bank of the Philippines (LBP) funds, may be used for this purpose.

Section 10. Disposition of Proposal - After the evaluation of the stock distribution plan submitted by the corporate landowner-applicant to the Secretary of Agrarian Reform, he shall forward the same with all the supporting documents to the Presidential Agrarian Reform Council (PARC), through its Executive Committee, with his recommendation for final action.

Section 11. Implementation - Monitoring of Plan - The approved stock distribution plan shall be implemented within three (3) months from receipt by the corporate landowner-applicant of the approval thereof by the PARC and the transfer of the shares of stocks in the names of the qualified beneficiaries shall be recorded in the stock and transfer books and

submitted to the Securities and Exchange Commission (SEC) within sixty (60) days from the said implementation of the stock distribution plan.

Upon completion, the corporate landowner-applicant shall be issued a Certificate of Compliance. The Secretary of Agrarian Reform or his designated representatives shall strictly monitor the implementation to determine whether or not there has been compliance with the approved stock distribution plan as well as the requirements of the CARP. For this purpose, the corporate landowner-applicant shall make available its premises for ocular inspection, its personnel for interview, and its records for examination at normal business hours.


Section 12. Revocation of Certificate of Compliance - Non-compliance with any of the requirements of Sec. 31 of RA 6657, as implemented by this Implementing Guidelines shall be grounds for the revocation of the Certificate of Compliance issued to the corporate landowner-applicant.

Section 13. Reservation Clause - Nothing herein shall be construed as precluding the PARC from making its own independent evaluation and assessment of the stock distribution plan of the corporate landowner-applicant and in prescribing other requirements.

Section 14. Penalties - The provisions of Sections 73 and 74 with regards to Prohibited Acts and Omissions, and Penalties, respectively, shall apply to corporate landowner-applicants found to be violating the provisions of these rules.

Section 15. Separability Clause - If, for any reason, any section or provision of these Rules is declared null and void, no other section, provision, or part thereof shall be affected and the same shall remain in full force and effect.

Section 16. Effectivity Clause - These Rules shall take effect ten (10) days after publication in two (2) national newspaper of general circulation.


PHILIP ELVA JUICO
Secretary