



Department of Agrarian Reform -
Cooperative Development Authority



JOINT DAR-CDA ADMINISTRATIVE ORDER

No. 09
Series of 2008

Subject: **REVISED RULES AND REGULATIONS ON ARB MEMBERSHIP STATUS AND VALUATION AND/OR TRANSFER OF PAID-UP SHARE CAPITAL IN AGRARIAN REFORM PLANTATION-BASED COOPERATIVES**

**ARTICLE I
PRELIMINARY PROVISIONS**

Section 1. Prefatory Statement. Pursuant to Article 2 of Republic Act (R.A.) No. 6938, otherwise known as the "Cooperative Code of the Philippines", Sections 8 and 29 of R.A. No. 6657, otherwise known as the "Comprehensive Agrarian Reform Law (CARL) of 1988", Sec. 11 of R.A. No. 6657, as amended by Sec. 3 of R.A. No. 7881, otherwise known as "An Act Amending Certain Provisions of R.A. No. 6657 entitled, 'An Act Instituting a Comprehensive Agrarian Reform Program to Promote Social Justice and Industrialization, Providing the Mechanism for Its Implementation, and for Other Purposes'", the Department of Agrarian Reform (DAR), Cooperative Development Authority (CDA) and Department of Agriculture (DA) issued Joint Administrative Order (A.O.) No. 2, Series of 1997 titled, "Rules and Regulations Governing Membership Issues and Concerns of Farmworkers and Employee Beneficiaries in Agrarian Reform Plantation-Based Cooperatives".

Paragraph 2 of Section 27 of R.A. No. 6657 provides that, "If the land has not yet been fully paid by the beneficiary, the rights to the land may be transferred or conveyed, with prior approval of the DAR to any heir of the beneficiary or to any other beneficiary who, as a condition for such transfer or conveyance, shall cultivate the land himself. xxx"

Section 29 of R.A. No. 6657 states that "x x x In general, lands shall be distributed to the individual worker-beneficiaries. In case it is not economically feasible and sound to divide the land, then it shall be owned collectively by the worker-beneficiaries who shall form a workers' cooperative or association which shall deal with the corporation or business association." Further, Article 90 of R.A. No. 6938 provides that "Landholdings like plantations, estates or haciendas acquired by the State for the benefit of the workers in accordance with the Comprehensive Agrarian Reform Program shall be owned collectively by the workers-beneficiaries who shall form a cooperative at their option."

Considering the peculiarities and dynamic conditions of plantation-based cooperatives particularly as regards membership of agrarian reform beneficiaries (ARBs) in plantation-based cooperatives and their multiple but distinct personalities as program beneficiaries, cooperative members and employees/farmworkers, these rules and regulations are hereby promulgated to address the valuation of ARB-members' land share capital and transferability/withdrawal of membership share vis-à-vis the status and qualification of ARBs under the Comprehensive Agrarian Reform Program (CARP).

Sec. 2. Coverage. This Administrative Order (A.O.) covers ARB membership status, valuation and transfer of membership shares in case of termination/withdrawal of members from the cooperative in agrarian reform plantation-based cooperatives covered by collective Certificate of Land Ownership Award (CLOA).

Sec. 3. Definition of Terms. As used in this Order, the following terms are defined as follows:

- a) **Abandonment** is any willful or deliberate failure by an ARB to personally till or contribute to the productivity of the land for a continuing period of two (2) years with no intent or prospect of returning to work in the plantation within the same period, provided that such inability to work in the plantation is not caused by unavailability of jobs for the ARB.
- b) **Agrarian Reform Plantation-Based Cooperative** refers to a special cooperative composed exclusively of ARBs awarded with collective CLOA.
- c) **Agribusiness Venture Arrangement (AVA)** refers to the entrepreneurial collaboration between ARBs and investors to implement an agribusiness venture involving lands distributed under CARP. The AVA includes the following schemes: joint venture agreement (JVA); production/contract growing/growership/marketing contract; lease agreement; management contract; service contract; and build-operate-transfer (BOT).
- d) **Authorized Share Capital** is the amount of capitalization of the cooperative as provided for under its Articles of Cooperation.
- e) **Books of Accounts** refer to the set of books where business transactions are recorded and classified.
- f) **Book Value per Share** is the amount of one share capital which is arrived at by dividing the total members' equity over the total number of paid-up share capital (cash and land share capital) at a given period.
- g) **Collective CLOA** is a single instrument of title issued to a group of qualified ARBs aggregated as farmers' cooperative or some other forms of farmers' collective organization, e.g., co-ownership and farmers' cooperative or association.
- h) **Gross Income** represents the total income of the cooperative from all its business operations.
- i) **Gainful Employment** refers to any type of job or employment where one derives his/her principal source of income.
- i) **Land** refers to, for accounting purposes, the amount paid or approved for payment to the landowner (LO) for a specific parcel of the land and permanent crops including land improvements thereon, such as, but not limited to, irrigation canals, dikes and water impounding areas, acquired and awarded to ARBs. This will be recorded as fixed assets to form part of the plant, property and equipment. The land may be appraised by an independent accredited appraiser and recorded/carried in the books at appraised/fair value, at the option of the cooperative.
- k) **Land Amortization** refers to the annual payment of the ARBs through their cooperative for the agricultural land awarded to them. It is determined by the Land Bank of the Philippines (LBP) pursuant to Item V of DAR A.O. No. 02, Series of 1998 or the amount of amortization agreed upon by the LO and the ARB as approved by DAR in case of Voluntary Land Transfer or Direct Payment Scheme (VLT/DPS) pursuant to Secs. 20 and 21 of R.A. No. 6657 and related guidelines.

- l) **Members Equity** is the residual ownership of members over the assets of a cooperative in excess of the liabilities, capital from external sources, statutory reserves and other necessary funds as may be provided for in the Articles of Cooperation and By-Laws of the cooperative.
- It includes the total paid-up share capital for land amortization and cash payments, undivided net surplus of the cooperative when an interim financial statement has been prepared or the net surplus which has not been allocated for distribution, and donated capital grants or subsidy if such amount is to be distributed to members.
- m) **Net Surplus** is the excess of gross income, including other income, over expenses for one accounting period.
- n) **Paid-Up Share Capital** is the portion of the authorized share capital for land and cash share capital which have been actually subscribed and paid by the members.
- o) **Land Share Capital** as basis of recording includes the total amount paid for land amortization which is credited to the Land Share Capital of each member. The payment for land amortization is equally allocated to the land share capital of bona fide members and must be reflected in the individual subsidiary ledgers.
- p) **Cash Share Capital** represents the total amount paid in cash by the ARB member in accordance with the cooperative's Articles of Cooperation.
- q) **Par Value** refers to a value assigned to each share capital whether common or preferred, which should not be less than ₱1.00.
- r) **Permanent Total Incapacitated ARB** is a natural person who has suffered permanent psychological and/or physical condition that renders him/her unfit to perform his/her assigned task or job, or to continue employment in the cooperative or with the investor company that has an existing AVA with the cooperative/association as certified by a government physician.
- s) **Potential ARBs in Plantations** are natural persons qualified as beneficiaries of the CARP pursuant to the order of priorities provided under Sec. 22 of R.A. No. 6657.
- t) **Qualified ARB Successor** is a natural person who has legal claim on the subject CARP-awarded land by virtue of hereditary succession, or designation, or nomination of his/her predecessor in the case of plantation-based cooperatives pursuant to Sections 22 and 27 of R.A. No. 6657.
- u) **Statement of Financial Condition (Balance Sheet)** shows assets, liabilities, and equity account of a business entity as of a given date. Assets and liabilities are further classified as current or non-current. Non-current assets include property, plant and equipment, intangible assets, investments and financial assets (excluding investments under the equity method, trade and other receivables and cash, and cash equivalents) while non-current liabilities include long term debt, long term provisions and other liabilities that will be settled after the current operating cycle or will not require the use of current assets.
- v) **Statement of Operations (Surplus or Income Statement)** presents revenues, costs and expenses, gains and losses and net surplus or net loss. The items presented are recognized in the books using accrual basis of accounting. The

expenses are classified according to their functions as part of cost of sales/services rendered, distribution or administrative activities.

- w) **Subscribed Share Capital** is that portion of the authorized share capital which has actually been pledged by the members.
- x) **Subsidiary Ledgers** are the supporting ledgers consisting of records of individual accounts whose total should be in agreement with the control account or general ledger account.
- y) **Treasury Shares** are shares issued and fully paid for and reacquired by the cooperative either by purchase, donation, forfeiture or other means. Treasury shares are therefore issued shares but being held in trust in the treasury. They may or may not have the status of outstanding shares.
- z) **Tillage** is the collective effort by various types of workers who are ARBs employed by the cooperative to make the land productive. Tillers shall not be limited only to ARB-employees engaged in actual cultivation of the land but also include those involved in other aspects of production such as processing, administration, operation, medical and technical support (technical farmworkers) based on the principle that all individuals who contribute to land productivity are tillers.

ARTICLE II ARB MEMBERSHIP STATUS AND TRANSFERABILITY OF SHARES

Sec. 4. Policies on ARB Membership Status. The following rules shall apply:

- 4.1 In general, lands shall be distributed directly to the individual worker-beneficiaries.

However, if it is not economically feasible and sound to divide the land pursuant to Sec. 29 of R.A. No. 6657 and Article 90 of R.A. No. 6938, lands awarded under the CARP shall be owned collectively by the worker-beneficiaries who shall form a worker's cooperative/association.
- 4.2 No qualified ARB may own more than three (3) hectares of agricultural land. The ARB-membership in the cooperative or the ratio of the number of ARBs to land area (ARB : Total Area) shall in no case exceed the three (3) hectare per member/ARB distribution limit as provided under Sec. 23 of R.A. No. 6657. In cases of termination of membership from the cooperative and disqualification of an ARB as approved by the DAR, there may be no additional ARB designated to replace the terminated/withdrawing ARB unless the three (3) hectare per ARB distribution limit is met per DAR A.O. No. 7, Series of 2003.

The land share of the terminated/withdrawing ARB shall be equally divided by the DAR amongst the ARB cooperative members subject to the distribution limit of three (3) hectares per ARB.
- 4.3 Upon approval by the DAR, the rights to the land that are not yet fully paid by the beneficiary may be transferred or conveyed to any heir of the beneficiary or to any other beneficiary who is willing to cultivate the land himself pursuant to Sec. 27 of R.A. No. 6657.

- 4.4 Membership in the agrarian reform plantation-based cooperative bestows upon the member multiple but distinct personalities as ARB, cooperative member and employee/farmworker. Their respective rights/obligations/privileges shall be governed by the CARL (R.A. No. 6657), the Cooperative Code (R.A. No. 6938) and the Labor Code, and other related legislation, respectively.
- 4.5 Loss of employment of the ARB-member in the cooperative/association or the corporation/investor that has an existing AVA with the cooperative/association will not automatically result in the forfeiture of his/her status as an ARB.

In AVAs, identified worker-beneficiaries in a cooperative who were promoted to managerial or supervisory positions in the plantation company or the cooperative itself after land transfer shall remain ARBs even without giving up their position.

- 4.6 Within one year after the effectivity of this A.O., all ARB plantation-based cooperatives shall amend their Constitutions and By-Laws to include the duties and responsibilities of the ARB as member of the cooperative and as beneficiary of CARP (see DAR-CDA Shares Annex "A" for the sample Constitution and By-Laws of a plantation-based cooperative). Any violation committed by the ARB in relation to his duties and responsibilities as beneficiary of the agrarian reform program shall be considered as a ground for termination/expulsion of the ARB from the cooperative. The expelled/terminated ARB shall forfeit his ARB status and land share subject to the approval of the DAR pursuant to Sec. 4, Item 4.7 of this A.O., provided that, such member shall be entitled to a refund/monetization of his paid-up cash share capital including all other interests in the cooperative pursuant to Rule 3, Sec. 5 of the Rules and Regulations Implementing Certain Provisions of the Cooperative Code of the Philippines.

Violations by the ARB-member of membership duties and responsibilities in the cooperative with cause as governed by the Cooperative Code of the Philippines and the Constitution and By-Laws of the cooperative, shall not result in the automatic termination/expulsion of the ARB from the cooperative. An appropriate sanction may be imposed by the cooperative on the erring ARB-member based on its Constitution and By-Laws. However, if the violation of membership duties and responsibilities resulting to the expulsion of the ARB from the cooperative are likewise violations of his duties and responsibilities as an ARB, he shall forfeit his ARB status and land share subject to the approval of the DAR pursuant to Sec. 4, Item 4.7 of this A.O., provided that, such member shall be entitled to a refund/monetization of his paid-up cash share capital including all other interests in the cooperative.

- 4.7 In the case of a cooperative member whose violation/s may result in the forfeiture of his/her ARB status and land share pursuant to Sec. 4, Item 4.6 of this A.O., the DAR and the CDA, together with the plantation-based cooperative, shall conduct an investigation to determine the merits of the ARB's expulsion from the cooperative and forfeiture of status as beneficiary of the agrarian reform program and his/her land award. In all instances, any recommendation for the forfeiture of ARB status and land award shall be subject to the administrative proceedings of the DAR as provided under A.O. No. 03, Series of 2003 titled, "2003 Rules for Agrarian Law Implementation (ALI) Cases" and other related existing laws, rules and regulations.

- 4.8 The land share of a withdrawing ARB member shall be transferred or assigned to ARB-members pursuant to Sec. 4, Item 4.2 of this Order, or to a qualified ARB, or in case there is no immediate ARB-transferee, to the plantation-based cooperative, which shall hold in trust such share, as treasury shares. The said land award shall be transferred by the DAR to a qualified ARB within six (6) months from the approval of application for withdrawal of the paid-up land share capital of withdrawing ARB member.
- 4.9 The paid-up land share capital of an ARB-member who withdraws or severs his/her membership from the cooperative or association while an AVA contract is still operational or existing shall be forfeited in favor of the cooperative and his/her land share shall be transferred or assigned to existing ARB-members, or to a qualified ARB, or held in trust by the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.
- 4.10 For agrarian reform plantation-based cooperatives whose land is not under an AVA but is currently self-managed and operated by the agrarian reform plantation-based cooperative, a member who opts to voluntarily withdraw/sever his/her membership from the agrarian reform cooperative shall be entitled to a refund of his/her paid-up land share and cash share capital contribution and all other interests in the cooperative, pursuant to Rule 3, Sec. 5 of the Rules and Regulations Implementing Certain Provisions of the Cooperative of the Philippines.

The land share shall be forfeited and shall be transferred or assigned to existing ARB-members, or to other qualified ARBs or held in trust by the cooperative pursuant to Sec. 4.8 of this A.O.

- 4.11 The validity and effectivity of all withdrawal of paid-up land share capital and the subsequent transfer of the land to ARB-members or to other qualified agrarian reform beneficiaries shall be reckoned upon final approval by the plantation-based cooperative and the DAR Regional Office (DARRO), respectively, unless there is a protest, in which case, it shall be reckoned upon final determination by the DARAB pursuant to Sec. 4, Item 4.15 of this Order.
- 4.12 The process for the withdrawal of shares pursuant to Sec. 13 of this A.O. shall first be completed before the cooperative can file for the transfer of shares to another transferee/ARB.
- 4.13 Any sale or transfer of the ARB's land share without the consent of the DAR and the cooperative shall be null and void. The parties to the said transaction shall be considered to have acted mutually in bad faith. This shall be construed as basis for the disqualification of an ARB. In such case, the ARB's land share shall be transferred or assigned to existing ARB-members, or to a qualified ARB, or held in trust by the cooperative in accordance with Sec.4, Item 4.8 of this A.O.
- 4.14 The cooperative shall annually submit to the DARPO a list of ARBs and their status. However, this does not preclude the DAR from monitoring the status of the cooperative and its members.

The replacement or inclusion/exclusion of ARBs shall be undertaken as may be necessary by the DARPO subject to the pertinent provisions of DAR A.O. No. 7, Series of 2003 titled, "CY 2003 Guidelines on the Identification, Screening and Selection of, and Distribution to Agrarian Reform Beneficiaries (ARBs) of Private Agricultural Lands under Republic Act No. 6657".

4.15 Petitions and/or protests for inclusion in and exclusion from the master list of ARBs shall be under the exclusive jurisdiction of the Regional Director (RD) pursuant to A.O. No. 3, Series of 2003 titled, "2003 Rules for Agrarian Law Implementation (ALI) Cases". In case petitions/protests for inclusion and exclusion in lands where the CLOAs have been registered with the Registry of Deeds (ROD) result in subsequent cancellation and issuance to the cooperative of the same, the Department of Agrarian Reform Adjudication Board (DARAB) Rules of Procedure shall apply.

4.16 The cancellation of CLOAs for purposes of replacing the name of the terminated cooperative member on the collective CLOA as a result of the transfer of shares under this A.O. shall be done only every five years or earlier, if warranted, as determined by DAR to avoid administrative difficulties in frequent CLOA cancellations.

However, in the interim, a temporary ownership document similar to a Deed of Assignment of Shares shall be issued/executed in favor of the transferee who shall be chosen from among the DARPO's list of proposed qualified ARBs after the issuance of order of finality by the Regional Director (RD).

4.17 All transfer of membership shares of ARBs, as well as their rights and interests in the cooperative, shall be recorded in the master list of ARBs of DAR, i.e., Certificate of Land Ownership Award Information System and in the books of the cooperative with both records showing the parties to the transaction, the date of transfer and number of membership certificates transferred.

All transfers of membership shares shall be valid only when entered into the books of the cooperative and DAR's masterlist.

4.18 As a general rule, the heirs of the deceased ARB shall not partition/divide/fragment the land among themselves to preserve and sustain the viability and operations of the plantation. The heirs may choose from among themselves a nominee who shall replace the deceased ARB of the right to the land as provided for under Ministry Memorandum Circular (M.C.) No. 19, Series of 1978 titled, "Rules and Regulations in Case of Death of a Tenant Beneficiary", as amended by Ministry M.C. No. 04, Series of 1983 titled, "Supplemental Guidelines to Govern Transfer Action of Areas Covered by P.D. 27 by Reason of Abandonment, Waiver of Rights and Illegal Transactions", and A.O. No. 08, Series of 1995 titled, "Rules and Procedures Governing Transferability of Lands Awarded to ARBs Pursuant to P.D. No. 27, as amended by E.O. No. 228 and R.A. No. 6657".

All pertinent provisions of Ministry M.C. No. 19, Series of 1978 on the determination of successor from among the heirs to replace a deceased ARB's right over the land shall apply. If the deceased ARB has no legal heir, his/her land shall be redistributed to the existing members of his/her cooperative pursuant to Sec. 4, Item 4.2 of this A.O. while his/her cash share shall be held in trust by the cooperative pursuant to the Civil Code of the Philippines.

Sec. 5. Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital, Course of Action of Concerned Party/ies, and Mode/Manner in the Transfer of Paid-Up Share Capital.

Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital	Course of Action of Concerned Party/ies	Mode/Manner of Transferring Paid-Up Share Capital
5.1 Death	<p>A. In case the deceased ARB has legal heir/s:</p> <ol style="list-style-type: none"> 1. The legal heirs shall nominate a qualified successor from among themselves; or 2. The legal heir/s decide/s to waive right to hereditary succession as an ARB and cooperative member, and the cooperative shall refund the deceased ARB's paid-up share capital (land and cash) to his/her legal heir/s. The land share capital to be refunded to the heir/s shall be equivalent to the amount of land amortization paid by the deceased ARB, including the interest earned at the time of his death. <p>B. In case none of his heirs qualifies as ARB, the cooperative shall refund the paid-up share capital (land and cash) to the heir/s of the ARB. The land share capital to be refunded to the heir/s shall be equivalent to the amount of land amortization paid by the deceased ARB,</p>	<p>The total value of the paid-up share capital of a deceased ARB shall be transferred and registered in the name of the heir-nominee, if qualified as ARB.</p> <p>The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.</p> <p>The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.</p>

Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital	Course of Action of Concerned Party/ies	Mode/Manner of Transferring Paid-Up Share Capital
	including the interest earned at the time of his death.	
5.2 Permanent incapacity or retirement	<p>The ARB may:</p> <ol style="list-style-type: none"> 1. Retain his/her ARB status during his/her lifetime subject to the approval of DAR; or 2. Waive his/her right or status as ARB. In such case, he/she shall be terminated as member of the cooperative. The cooperative shall refund his/her paid-up (land and cash) share capital. 	<p>The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.</p>
<p>5.3 Disqualification as an ARB under R.A. No. 6657 as provided for in A.O. No. 3, Series of 2003 and M.C. No. 19, Series of 1996, namely:</p> <ol style="list-style-type: none"> a. material misrepresentation of the ARB's basic qualifications as provided under Sec. 22 of R.A. No. 6657, P.D. No. 27, and other agrarian laws; b. misuse or diversion of financial and support services extended to the ARB (Sec. 37, R.A. No. 6657); 	<ol style="list-style-type: none"> 1. The DAR shall disqualify the ARB and forfeit his/her ARB status and land award. The paid-up land share capital is forfeited in favor of the cooperative; and 2. The cooperative shall expel or terminate the disqualified ARB as member of the cooperative and refund the paid-up cash share capital. 	<p>The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.</p>

Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital	Course of Action of Concerned Party/ies	Mode/Manner of Transferring Paid-Up Share Capital
<p>c. neglect or abandonment of the awarded land continuously for a period of two (2) calendar years as determined by the Secretary or his authorized representative; and</p> <p>d. other grounds that will circumvent laws related to the implementation of agrarian reform program.</p>		
<p>5.4 Violation of membership duties and responsibilities in the cooperative as provided in its Articles of Cooperation and By-Laws and Article 31 of R.A. No. 6938</p>	<ol style="list-style-type: none"> 1. The cooperative may impose appropriate sanctions based on its Constitution and By-Laws. 2. If such violation results in the forfeiture of his/her ARB status and land award, the DAR and the CDA, together with the plantation-based cooperative, shall conduct an investigation to determine the merits of the ARB's expulsion from the cooperative and the forfeiture of his/her ARB status and land share. 3. In all instances, any recommendation for the forfeiture of ARB status and land share shall be subject to 	<p>If such violation results in the forfeiture of his/her ARB status, except in cases of disqualification pursuant to Sec. 5, Item 5.3 of this A.O., the terminated/expelled ARB shall be entitled to a refund of his/her paid-up cash share capital including all other interests in the cooperative pursuant to Rule 3, Sec. 5 of the Rules and Regulations Implementing Certain Provisions of the Cooperative Code of the Philippines. The paid-up land share capital shall be forfeited in favor of the cooperative.</p> <p>The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec.4, Item 4.8 of this A.O.</p>

Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital	Course of Action of Concerned Party/ies	Mode/Manner of Transferring Paid-Up Share Capital
	administrative proceedings of the DAR pursuant to Sec. 4, Item 4.7 of this A.O.	
5.5 Withdrawal or severance of membership from the cooperative or association while an AVA contract is still operational or existing.	<ol style="list-style-type: none"> 1. Upon such application for withdrawal of membership by an ARB, the cooperative shall inform the DAR, which shall in turn conduct an investigation together with the CDA and the plantation-based cooperative, whether the withdrawal merits forfeiture of his/her ARB status and land share. If meritorious, the DAR shall disqualify the ARB and forfeit his/her ARB status and land share. 2. The cooperative shall forfeit the withdrawing ARB's paid-up land share capital and refund his/her cash share capital. 3. In all instances, any recommendation for the forfeiture of ARB status and land share shall be subject to administrative proceedings of the DAR pursuant to Sec. 4, Item 4.7 of this A.O. 	The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.
5.6 Sale or transfer of land share without the consent of the DAR and the cooperative	1. The cooperative shall terminate/expel the ARB as member of the cooperative and monetize/refund his/	The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit

Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital	Course of Action of Concerned Party/ies	Mode/Manner of Transferring Paid-Up Share Capital
	<p>her paid-up cash share capital. The paid-up land share capital shall be forfeited in favor of the cooperative.</p> <p>2. If such sale or transfer results in the forfeiture of the ARB's status and land share, the DAR, together with the CDA and the plantation-based cooperative, shall conduct an investigation to determine the merits of the ARB's expulsion from the cooperative.</p> <p>3. The DAR shall forfeit the land share and disqualify the terminated/expelled ARB.</p> <p>4. In all instances, any recommendation for the forfeiture of ARB status shall be subject to administrative proceedings of the DAR pursuant to Sec. 4, Item 4.7 of this A.O.</p>	<p>has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.</p>
<p>5.7 Gainful employment in other companies, plantations or cooperatives combined with non-involvement in the affairs of the cooperative, as determined by the BOD provided, that such non-employment is not due to unavailability</p>	<p>1. The cooperative shall terminate/expel the ARB as member of the cooperative and monetize/refund his/her paid-up cash and land share capital.</p> <p>2. If such gainful employment results in the forfeiture of the ARB's status and land share, the DAR,</p>	<p>The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative pursuant to Sec. 4, Item 4.8 of this A.O.</p>

Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital	Course of Action of Concerned Party/ies	Mode/Manner of Transferring Paid-Up Share Capital
of jobs for the cooperative members.	<p>together with the CDA and the plantation-based cooperative, shall conduct an investigation to determine the merits of the ARB's expulsion from the cooperative.</p> <p>3. The DAR shall forfeit the land share and disqualify the terminated/expelled ARB.</p> <p>4. In all instances, any recommendation for the forfeiture of ARB status and land share shall be subject to administrative proceedings of the DAR pursuant to Sec. 4, Item 4.7 of this A.O.</p>	
5.8 Loss of Filipino citizenship or acquisition of a permanent residency status in another country	<p>A. The ARB's spouse has the option of assuming the membership of the ARB in the cooperative, subject to the approval of the DAR, if he/she is able to carry on the ARB's functions and responsibilities in the plantation-based cooperative pursuant to Sec. 4 of A.O. No. 7, Series of 2003.</p> <p>B. In case the spouse does not opt or is not qualified to assume the ARB's functions and responsibilities in the cooperative:</p> <p>1. The cooperative shall terminate/expel the ARB as member of the</p>	<p>The land shall be transferred to the spouse of the terminated/expelled ARB, subject to the approval of the DAR, if the spouse opts to assume and is able to carry on the functions and responsibilities of the ARB in the plantation-based cooperative.</p> <p>The land shall be transferred to ARB-members pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB-member distribution limit has already been met, the land shall be transferred by the DAR to a qualified ARB, or in case there is no immediate ARB-transferee, to the cooperative</p>

Grounds/Conditions for the Transfer of ARB Paid-Up Share Capital	Course of Action of Concerned Party/ies	Mode/Manner of Transferring Paid-Up Share Capital
	<p>cooperative and monetize/refund his/her paid-up cash and land share capital;</p> <p>2. If such inability to assume and carry on the deceased ARB's functions and responsibilities in the plantation-based cooperative results in the forfeiture of the ARB's status and land share, the DAR, together with the CDA and the plantation-based cooperative, shall conduct an investigation to determine the merits of the ARB's expulsion from the cooperative.</p> <p>3. The DAR shall forfeit the land share and disqualify the terminated/expelled ARB.</p> <p>4. In all instances, any recommendation for the forfeiture of ARB status and land share shall be subject to administrative proceedings of the DAR pursuant to Sec. 4, Item 4.7 of this A.O.</p>	<p>pursuant to Sec. 4, Item 4.8 of this A.O.</p>

**ARTICLE III
AUTHORIZED SHARE CAPITAL OF
PLANTATION-BASED COOPERATIVE**

Sec. 6. Policies on Authorized Share Capital. The following rules shall apply:

- 6.1 For accounting purposes, the CARP-awarded lands covered by a CLOA or a collective title shall form part of the authorized share capital of the agrarian reform plantation-based cooperative.
- 6.2 The authorized share capital of the agrarian reform plantation-based cooperative comprise the cash share capital and the land share capital.
- 6.3 The computation of authorized share capital and valuation of paid-up share capital of the ARBs shall be prepared in accordance with the generally accepted accounting principles and practices (See DAR-CDA Shares Annexes "B", "C" and "D" for illustration).
- 6.4 The agrarian reform plantation-based cooperative shall issue individual certificates of paid-up share capital to bona fide ARB members in accordance with the policy of the cooperative.
- 6.5 The land amortizations, including rebates if paid in advance, shall be credited as the paid-up land share capital and shall equally accrue to the individual members' account until full payment thereof.

Sec. 7. Determination of the Authorized Share Capital for Land of Plantation-Based Cooperative. The following rules shall apply:

- 7.1 For proposed plantation-based cooperatives which opt to include the land value in determining the authorized share capital.
 - 7.1.1 The total land value shall form part of the authorized share capital. The said amount allocated for the cost of the land shall be recorded in a separate account title to distinguish the same from the payment of the individual cash share capital.

The value of the land shall be, at the option of the cooperative, based on the land value as determined by the Land Bank of the Philippines (LBP), including the interest paid, the appraised value or the zonal value, provided, that sufficient funding for such amount is ensured by the cooperative. However, for lands donated or covered by Deed of Donation or other modes of acquisition where no land amortization is required by the landowner or the government, such as direct payment scheme (DPS) and voluntary land transfer (VLT), the cooperative may either use the appraised value or the zonal value in determining the authorized share capital, provided that sufficient funding for the same is ensured and included as part of the share capital.

The cooperative shall set aside from its earnings a fund for land share capital in order to ensure payment of resigning/withdrawing/terminated members. The amount in the fund should be equal to the total amount of land share capital of members as reflected in the equity caption of the cooperative financial statement. This fund shall be deposited in a separate account in the bank in the form of time deposits purposely for payment of land share capital for outgoing members. Withdrawal from this fund shall exclusively be for the payment of land share capital of the resigning/withdrawing/terminated members. The interest earned from said deposits shall be distributed to members in accordance with their share capital distribution.

- 7.1.2 For lands under lease arrangement, the payment for land amortization shall be sourced from the rental income of the land until full payment thereof as provided in the lease contract.

In the case of other AVAs, the land amortization shall be deducted from the aggregate annual gross production income of the cooperative until full payment thereof.

In both cases, the amount paid for land amortization shall be equally credited to the cooperative members' land share capital.

- 7.1.3 The land share capital shall not earn interest from the earnings of the cooperative as in the case of cash share capital.

The illustration on the inclusion of land amortization in determining the authorized share capital is shown in DAR-CDA Shares Annex "B".

- 7.2 For proposed plantation-based cooperatives which opt to exclude the land value as part of the authorized share capital at the time of registration

7.2.1 The authorized share capital shall be increased every time the paid-up share capital is about to exceed the authorized share capital due to payment of land amortization. Based on the yearly land amortization, the cooperative shall project the authorized share capital for at least five (5) years to avoid frequent amendment of its Articles of Cooperation.

7.2.2 The land amortization shall be deducted from the rental income in the case of lease arrangement or from the gross production income in the case of other AVAs or where the CARP-awarded land is managed by the cooperative until full payment.

The illustration on the exclusion of land amortization in determining the authorized share capital is shown in DAR-CDA Shares Annex "C".

- 7.3. Existing plantation-based cooperatives under lease or other AVAs wherein the authorized share capital does not include land amortization paid shall amend their Articles of Cooperation. The amendment shall include, among others, the increase of authorized share capital to include the land amortization for at least five (5) years.

Provided, however, that under other AVAs, a special fund may be set up for future rehabilitation/replanting and other developmental activities. It shall be computed as percentage of gross income. Based on their rehabilitation or replanting need, or other similar activities requiring funding to develop the farm, the Board of Directors shall determine the amount, the percentage and the period of allocation. This shall be submitted to the general assembly for ratification.

ARTICLE IV VALUATION AND REFUND OF PAID-UP SHARE CAPITAL

Sec. 8. Refund of Paid-up Share Capital. As a general rule, all cases of land/cash share capital refund shall not be made if upon such payment, the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of

the withdrawing member's paid up share capital contribution pursuant to Rule 3, Sec. 5 as provided under the Rules and Regulations Implementing Certain Provisions of the Cooperative Code.

Sec.9. As an ARB and Bona Fide Member of the Cooperative. The value of paid-up membership share is the amount of cash paid-up capital plus the total land share capital credited to the member's account at a given period as reflected in the member's passbook or subsidiary ledger.

Sec.10. Transfer of Shares due to Withdrawal/Termination of Membership. The computation of a withdrawing/terminated member's paid-up share capital due to withdrawal/termination of membership from the cooperative shall be as follows:

10.1 If the cooperative incurred a net surplus from operations, the value of his/her share shall be the amount of total paid-up cash share capital plus the paid-up land share capital credited to his/her account plus the undistributed interest on share capital and patronage refund at the time of his/her withdrawal/termination, if any; or

10.2 If the cooperative suffered a net loss from operations, the value of his/her share capital shall be computed at book value per share.

Sec. 11. Computation of Book Value per Share. The computation of book value per share shall be as follows:

$$11.1 \quad \text{Book value per share} = \frac{\text{Members' Equity}}{\text{Total Number of Paid-Up Share Capital (cash share and land share capital).}}$$

11.2 To get the total value of the share for a terminated or withdrawing member:

$$\text{Total value of share of withdrawing/terminated member} = \text{Book Value per Share} \times \text{Total Number of Paid-Up Share Capital (cash and land share capital).}$$

The illustration on the computation of book value per share and the total value of the share of a terminated or withdrawing member is shown in DAR-CDA Shares Annex "D".

Sec. 12. Computation/Determination of Shares to be Paid by Incoming Qualified ARB Cooperative Member.

12.1 The amount to be paid by the qualified incoming ARB member on land share capital is the book value per share at the time his/her application for membership in the cooperative is approved by the Board of Directors.

The Articles of Cooperation and By-Laws of the cooperative must provide the minimum number of shares to be subscribed and paid by the incoming qualified member.

12.2 The land share capital of the qualified ARB transferee may be paid in cash or installment as provided in the Constitution and By-Laws of the cooperative.

**ARTICLE V
OPERATING PROCEDURES**

Sec. 13. Filing of Application, Review and Approval for the Valuation, Withdrawal of Paid-Up Share Capital (See DAR-CDA Shares Annex "E" for the Process Flow). The following operating procedures shall be observed:

13.1 Documentary Requirements

13.1.1 For ARB cooperative member applicant

- a. Application Form for Withdrawal of Paid-up Share Capital (DAR-CDA Shares Form No.1);
- b. Cash Share Capital Certificate;
- c. Medical Certificate from government physician (if physically/psychologically incapacitated); and
- d. Retirement documents from the cooperative/AVA or investor company (if retired pursuant to labor laws and SSS policies).

13.1.2 For ARB's heir:

- a. Application form for withdrawal of paid-up share capital (DAR-CDA Shares Form No.1);
- b. Certificate of bona fide cooperative membership of decedent;
- c. Authenticated certificate of live birth from the National Statistics Office (NSO) or birth certificate from local Civil Registrar; and
- d. Death certificate of the original ARB-worker or judicial declaration of presumptive death.

13.2 Filing

13.2.1 The ARB cooperative member/ARB's heir shall file the duly accomplished application form for the withdrawal of the member's paid-up share capital (DAR-CDA Shares Form No. 1) with the BOD Chair of the plantation-based cooperative together with the certified photocopy/ies of requirements enumerated under Sec. 13, Item 13.1 of this Order not less than sixty (60) days from the intended date of withdrawal.

If the ARB's heir opts to replace decedent as ARB, the heir-nominee shall request the plantation-based cooperative to transfer in his/her name the paid-up share capital of the deceased ARB. He/She shall submit the following to the plantation-based cooperative:

- a. Certificate of aggregate landholdings from the Municipal/City/Provincial Assessor's Office;
- b. Community tax certificate;

- c. Barangay clearance; and
- d. Notarized Affidavit of Undertaking to take over rights and obligations as ARB (executed by the transferee).

13.2.2 The duly authorized personnel of the plantation-based cooperative shall receive, record and initially review the duly accomplished application form for the withdrawal of the member's paid-up share capital together with the required documents from the ARB member/ARB's heir or the documents submitted by the heir-nominee. In case of incomplete documentation, return the same for compliance.

13.3 Review, Processing and Approval of Application

The plantation-based cooperative shall:

- a. review, process and approve/disapprove the application/s filed by the ARB or ARB heir pursuant to its Constitution and By-Laws, Standard Operating Procedures (SOPs) or internal systems (i.e., clearances for financial and other accountabilities, etc.);
- b. submit the name of the heir-nominee, including the required documents, to the DARPO for screening as the ARB who will replace the deceased ARB; and
- c. inform the DARPO of the approval of application for withdrawal of paid-up share capital from the cooperative of the ARB-member/ARB's heir, for purposes of identifying and transferring the land to a qualified ARB.

Sec. 14. Replacement (Inclusion/Exclusion) of ARBs and Cooperative Members (See DAR-CDA Shares Annex "F" for the Process Flow). The following procedures shall be observed:

14.1 The DARPO shall:

- 14.1.1 Check the completeness of the required documents of the heir-nominee of the deceased ARB which were forwarded by the plantation-based cooperative. Otherwise, return the same for completion of lacking documents.
- 14.1.2 Verify the authenticity of the required documents and the qualifications of the heir-nominee pursuant to existing guidelines on succession. In case the heir-nominee is not qualified, the land shall be transferred by the DAR to an ARB-member pursuant to Sec. 4, Item 4.2 of this A.O. However, if the ratio of three hectares per ARB distribution limit has already been met, the identification, screening and selection of a qualified ARB shall be in accordance with Secs. 22 and 27 of R.A. No. 6657 and pertinent provisions of DAR A.O. No. 7, Series of 2003.
- 14.1.3 Upon completion of the ARB identification, screening, selection and approval of the transferee/replacement, replace the name of the deceased or withdrawing/terminated ARB with the name of the qualified transferee in the master list of bona fide ARB members of the cooperative and provide a copy of the same to the plantation-based cooperative.

- 14.1.4 After receipt of the order of finality from the Regional Director, prepare and issue a temporary ownership document similar to a Deed of Assignment of Shares, duly signed by the PARO, to the transferee pursuant to Sec. 4.16 of this A.O.
- 14.1.5 In applicable cases (e.g., ARB disqualified and cooperative membership terminated and land share capital is forfeited), ensure the inclusion of the latter ARBs replacement/s in the document attached to the CLOA-title on file with the ROD.
- 14.2 The plantation-based cooperative shall update, by posting in its books and subsidiary ledger, the transaction of the replacement of the deceased or withdrawing ARB with the name of the qualified heir of the deceased ARB or qualified transferee based on the updated list of bona fide ARBs from DARPO.
- 14.3 The DARPO shall:
 - 14.3.1 On the basis of the order of the Provincial or Regional Adjudicator which has jurisdiction over the property, cancel the registered CLOA as a result of the transfer of land to another ARB pursuant to Sec. 4.16 of this A.O.; and
 - 14.3.2 Generate another CLOA in the name of the cooperative bearing the names of the existing and new ARBs, and register the same with the ROD.

ARTICLE VI REPORTING AND MONITORING

Sec. 15. Reporting and Monitoring. To ensure compliance with these guidelines, the DAR, in cooperation with the CDA, through their respective field offices, shall monitor compliance of these guidelines every semester or as often as it is deemed necessary. The DAR and CDA Central Offices shall establish a reporting and monitoring system in their respective field offices in accordance with the following (See DAR-CDA Shares Annex "G" for the Process Flow):

- 15.1 The DAR Municipal Office (DARMO) shall:
 - 15.1.1 Require the cooperative to submit periodic reports on:
 - A. Cooperative management and operations to include the following:
 - i) ARB membership and employment status including salaries and wages and other benefits received;
 - ii) Cooperative financial status (Audited Annual Financial Statement);
 - iii) Leadership and other capability building training/education;

iv) Business/Enterprise operation and other investments; and

v) Ledgers and schedule of share capital.

B. Status of existing AVA (if any); and

C. Issues and concerns.

15.1.2 Review and analyze the cooperative's report/s and generate a management report regarding the problems, issues and concerns encountered in the compliance of these guidelines (DAR-CDA Shares Form No. 2). The same shall be submitted to DARPO.

15.2 The DAR Provincial Offices shall consolidate the municipal reports on the problems, issues, concerns and actions undertaken using DAR-CDA Shares Form No. 2. The same shall be submitted to the DAR Regional Office (DARRO).

15.3 The DARRO shall consolidate, review and classify specific problems, issues and concerns submitted by the DARPOs that require resolution using DAR-CDA Shares Form No. 2. If the problems, issues and concerns require the Regional Director's (RD) appropriate action, the RD shall initiate and exhaust all efforts to resolve said problems, issues and concerns. If the problems, issues and concerns require CDA's appropriate action, the DARRO shall forward the same to the CDA field office. The consolidated problems, issues and concerns shall be submitted to the DAR Central Office (DARCO), through the Support Services Office (SSO) and Bureau of Agrarian Reform Beneficiary Development (BARBD).

15.4 The DARCO, through the SSO and BARBD, and the CDA, shall conduct annual visits to plantation-based cooperatives in coordination with concerned units of the DAR and/or CDA. It shall prepare a report containing recommendations/resolutions on problems, issues and concerns, if warranted.

ARTICLE VII FINAL PROVISIONS

Sec. 16. Enforcement. Within one (1) year after the effectivity of this Joint DAR-CDA A.O., all cooperatives that fall within the categories described under Sec. 7 of this Order shall harmonize their Articles of Cooperation and By-Laws in accordance herewith.

Sec. 17. Repealing Clause. All orders, circulars, memoranda, issuances, and rules and regulations inconsistent herewith are hereby revoked, amended or modified accordingly.

Sec. 18. Separability Clause. In the event any of the provisions of this Order is declared unconstitutional, the validity of the other provisions shall not be affected by said declaration.

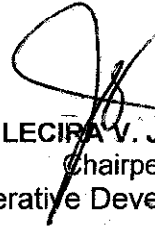
Sec. 19. Certification of Public Hearing. The CDA hereby certifies that this Joint Administrative Order has undergone public hearings on March 4, 6, 11 and 13, 2008 in Tagum City, Cebu City, Quezon City and Ipil, Zamboanga-Sibugay, respectively, pursuant to the requirements of Article 123, Paragraph 3 of R.A. No. 6938.

Sec. 20. Effectivity. This Administrative Order shall take effect ten (10) days after its publication in two (2) national newspapers of general circulation.

Diliman, Quezon City September 04, 2008.



NASSER C. PANGANDAMAN
Secretary
Department of Agrarian Reform



LECIRA V. JUAREZ
Chairperson
Cooperative Development Authority

Department of Agrarian Reform
Office of the Secretary



AO-08-01097

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Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM
ELLIPTICAL ROAD, DILIMAN, QUEZON CITY • TELS. 928-7031 TO 39

CERTIFICATION

This is to certify that Joint DAR-CDA Administrative Order No. 09, Series of 2008 entitled **“REVISED RULES AND REGULATIONS ON ARB MEMBERSHIP STATUS AND VALUATION AND/OR TRANSFER OF PAID-UP SHARE CAPITAL IN AGRARIAN REFORM PLANTATION-BASED COOPERATIVES”** is published today, Tuesday, 07 October 2008 at Manila Bulletin and Malaya newspapers.

Issued this 7th day of October 2008 for whatever purpose it may serve.


HUGO D. YONZON III
Director, Public Affairs Staff

DAR-CDA Shares Form No. 1

Republic of the Philippines
Department of Agrarian Reform-Cooperative Development Authority
Municipality of _____
Province of _____

**APPLICATION FOR WITHDRAWAL OF PAID-UP SHARE CAPITAL OF
AGRARIAN REFORM BENEFICIARIES
IN AGRARIAN REFORM PLANTATION-BASED COOPERATIVE**

Date: _____

Dear Sir/Madam:

Pursuant to Joint DAR-CDA Administrative Order No. ____, Series of 2008 titled, "Revised Rules and Regulations on ARB Membership Status and Valuation and/or Transfer of Paid-up Share Capital in Agrarian Reform Plantation-Based Cooperatives", may I apply for withdrawal of my/the deceased ARB's paid-up share capital in the _____
(name of agrarian reform plantation-based cooperative).

In support of this application, I hereby attached the certified photocopy/ies of the following: (Please check the appropriate documents)

FOR WITHDRAWING ARB MEMBER:

- Cash Share Capital Certificate;
- Medical Certificate (for the psychologically/physically incapacitated); and
- Retirement documents from the Cooperative/AVA or investor company (for retirees pursuant to labor laws and SSS policies).

FOR ARB'S HEIR:

- Certificate of bona fide Cooperative Membership of decedent;
- Authenticated Certificate of Live Birth from the National Statistics Office (NSO) or Birth Certificate from Local Civil Registrar; and

Death Certificate of the Original ARB Member or Judicial Declaration of presumptive death.

Thank you.

Respectfully yours,

Name and Signature of
ARB Cooperative Member or ARB's Heir

Address

Distribution of Copies:

Original - Plantation-Based Cooperative
Duplicate - ARB Cooperative Member/ARB's Heir
Triplicate - DARMO/DARPO

Republic of the Philippines
DEPARTMENT OF AGRARIAN REFORM – COOPERATIVE DEVELOPMENT AUTHORITY
 Municipality: _____
 Province/Region: _____

MONITORING REPORT ON THE COMPLIANCE WITH ADMINISTRATIVE ORDER NO. _____, SERIES OF 2008
BY AN AGRARIAN REFORM PLANTATION-BASED COOPERATIVE
 _____ Semester, CY 20____

Name of Cooperative: _____

Nature of Problems Issues and Concerns	Action/s Taken	Status	Recommendation/s	Remarks

Prepared by: _____

Signature Over Printed Name of
of ARPT/ARPO

_____ Date

Distribution of copies:

Original - _____
 Duplicate - _____

DARPO/DARRO/DARCO
 DARMO/DARPO/DARRO

Reviewed by: _____

Signature Over Printed Name of
SARPT/CARPO for Support Services

_____ Date

Noted by: _____

Signature Over Printed Name of
MARO/PARO/Regional Director

_____ Date

* (1) Concealment of cooperative's true financial status; (2) non-employment of ARBs; (3) disqualification of an ARB-member without due process; etc.

**SAMPLE CONSTITUTION AND BY-LAWS OF PLANTATION-BASED
COOPERATIVE**

ARTICLES OF COOPERATION OF THE

(Name of Cooperative)

KNOW ALL MEN BY THESE PRESENTS:

We the undersigned, citizens and residents of the Philippines, representing a majority of the members of the _____ hereinafter referred to as plantation-based cooperative, do hereby adopt the following Code of By-Laws.

**ARTICLE I
OBJECTIVES AND PURPOSES**

Section 1. Objectives and Purposes – The objectives and purposes of this Cooperative are those set forth in its Articles of Cooperation and those granted to the cooperatives under Republic Act (R.A.) No. 6657 and Presidential Decree (P.D.) No. 175, as amended by R.A. Nos. 6938 and 6939 and the rules and regulations that may be issued by the Department of Agrarian Reform (DAR) pursuant to R.A. No. 6657 and by the Cooperative Development Authority (CDA) pursuant to R.A. Nos. 6938 and 6939.

**ARTICLE II
DAR AND CDA REGULATIONS**

Section 2. Applicability of Provisions – All rules and regulations, circulars/memoranda and other issuances of the DAR and the CDA pursuant to P.D. No. 175, as amended by R.A. Nos. 6938 and 6939, and Letter of Instruction (LOI) No. 23 and R.A. No. 6657, respectively, insofar as they are applicable to this Cooperative are hereby made part of this Code of By-Laws.

Provided, that, pending full payment of the land acquired by the agrarian reform beneficiaries (ARBs), we hereby acknowledge the authority of the DAR to supervise the operation of the Cooperative for purposes of strengthening its management capability pursuant to R.A. No. 6657.

Provided, further, that for the attainment of such purposes, the Cooperative may hire professional managers to assist in running its business activities.

Provided, finally, that the DAR may, at its option, require submission of reports covering the operations of the Cooperative.

**ARTICLE III
MEMBERSHIP**

Section 3. Qualification for Membership – The membership of this Cooperative shall be limited only to agrarian reform beneficiaries (ARBs) of the _____

(name of plantation), located at _____

as determined by DAR pursuant to Sections 8 and 22 of R.A. No. 6657 and its implementing guidelines. However, no ARB shall be accepted as member of this Cooperative if he/she is a member of another cooperative of the same type within the same area of operation unless he/she resigns from the other cooperative.

Section 4. Application for Membership – The application for membership shall be in writing on a form provided for the purpose and shall be presented to the Board of Directors (BOD) for action. The application shall be accompanied by a membership fee of PhP _____ in which amount shall be returned to the applicant in case of rejection.

The applicant shall subscribe at least _____ shares with a total value of _____ (PhP _____). The mode of payment shall be determined by the BOD, however, twenty five percent (25%) of the subscription shall be paid upon submission of the application for membership. No member shall own or hold more than _____ percent (____%) of the share capital of the cooperative.

An applicant rejected by the BOD may appeal his/her case to the next general assembly by giving notice to the Secretary of the Cooperative thirty (30) days before the said general assembly, whose decision on the matter shall be final.

Section 5. Duties of Member - Every member shall have the following duties:

- a. Perform and comply all the duties and obligations of an ARB pursuant to R.A. No. 6657, and its pertinent rules and regulations, existing laws and policies;
- b. Perform the following duties of a cooperative member pursuant to R.A. Nos. 6938 and 6939:
 - b.1 pay the installments on subscriptions and other obligations as they fall due and participate in the capital build-up of the Cooperative;
 - b.2 patronize regularly the business of the Cooperative;
 - b.3 adopt improved production techniques and practices;
 - b.4 attend the membership meeting, regular or special;
 - b.5 obey the rules and regulations provided by LOI No. 23 and P.D. No. 175, as amended by R.A. Nos. 6938 and 6939, these By-Laws, the decisions of the General Assembly and the Board of Directors, and policies and decisions that may be promulgated by the DAR and CDA; and

- b.6 promote the aims and purposes of the Cooperative, the success of its business, the welfare of its members and the cooperative movement as a whole.

Section 6. Rights of Member – Every member in good standing shall have the following rights:

- a. All rights and privileges vested and conferred upon an ARB by the DAR, pursuant to R.A. No. 6657 and its pertinent rules and regulations and other relevant existing agrarian laws and policies;
- b. Rights of a cooperative member pursuant to R.A. Nos. 6938 and 6939, such as:
 - b.1 participate in the deliberation during membership meeting and vote on all matters brought before said meeting;
 - b.2 avail himself of the services of the Cooperative without any discrimination whatsoever, upon compliance with the conditions and requirements hereof;
 - b.3 seek any elective position, subject to the provisions of these By-Laws;
 - b.4 receive interests/dividends of his investment in the capital share of the Cooperative; and
 - b.5 inspect and examine the books of accounts, the minutes book, the share register, and other records of the Cooperative during regular office hours, and to exercise other rights and privileges of membership.

A member of good standing is one who:

- i. Has paid the required membership fee provided in these By-Laws and participates in the capital build-up;
- ii. Is not delinquent in the payment of his/her subscription, his/her capital contributions and accounts;
- iii. Patronizes the business and services of the Cooperative by marketing his/her produce to or through it and by securing his/her supplies, production inputs and other requirements from it;
- iv. Has not violated any provision of these By-Laws, rules and regulations, circulars/memoranda and other issuances of the CDA and DAR, membership, subscription and marketing agreements and other instruments required of him/her to execute as provided in these By-Laws or as prescribed by the Board of Directors;
- v. Has attended and completed the prescribed cooperative seminar; and
- vi. Complies with all obligations, duties and undertakings of an ARB and of a cooperative member.

Section 7. Liability of a Member – The liability of a member shall be limited. No member shall be liable for any indebtedness of the Cooperative beyond his subscribed land and cash shares.

Section 8. Termination of Membership – Membership in the Cooperative shall be terminated and the ARB status and land share may be forfeited, subject to the approval of the DAR and exhaustion of the administrative remedies provided under DAR existing laws and regulations. An investigation shall be conducted by the DAR, CDA and the agrarian reform plantation-based cooperative, on the merits of the grounds/conditions for the recommendation of forfeiture of ARB status and land share, based on the following grounds or conditions:

- a. Death of the ARB-member, in which case, if the legal heir/s of the decedent, fails to qualify as ARB or decide/s to waive right to hereditary succession as an ARB and cooperative member, the Cooperative shall refund the deceased ARB's paid-up share capital (land and cash) to his/her legal heir/s, the amount of which shall be determined by the Board of Directors in accordance with Section 9 hereof. The land share of the deceased ARB shall be equally distributed to ARB-members. If the ratio of three (3) hectares per ARB-member distribution limit has already been met, the deceased ARB's land share shall be transferred by the DAR to a qualified ARB, or if there is no immediate ARB-transferee to the Cooperative which shall hold in trust such share as treasury shares of stocks available for sale to qualified ARBs in accordance with the provisions of these By-Laws;
- b. When the member waives his/her right or status as ARB due to permanent total incapacity or retirement as farm worker in the plantation;
- c. Sale or transfer of land share without the knowledge or consent of the DAR and the Cooperative;
- d. The ARB-member is disqualified as an ARB under R.A. No. 6657 as provided in DAR Administrative Order (A.O.) No. 3, Series of 2003 and DAR Memorandum Circular (M.C.) No. 19, Series of 1996, namely:
 1. Material misrepresentation of the ARB's basic qualifications as provided under Section 22 of R.A. No. 6657, P.D. No. 27, and other agrarian laws;
 2. Misuse or diversion of financial and support services extended to the ARB (Sec. 37, R.A. No. 6657);
 3. Neglect or abandonment of the awarded land continuously for a period of two (2) calendar years as determined by the DAR Secretary or his authorized representative; and
 4. Other grounds that will circumvent laws related to the implementation of agrarian reform program;
- e. If the ARB-member withdraws and severs his/her membership from the Cooperative while an AVA contract is still operational or existing;

- f. If ARB-member is gainfully employed in other companies, plantations or cooperatives combined with non-involvement in the affairs of the Cooperative, as determined by the Board of Directors; Provided, that such non-employment is not due to unavailability of jobs for the cooperative member; or
- g. Upon loss of Filipino citizenship or acquisition of residency status in another country by the ARB-member, except when the spouse of the ARB-member opts to assume and is able to carry on the functions and responsibilities of the ARB in the plantation-based cooperative, subject to the approval of the DAR.

Subject to the DAR's review and approval, the membership of the ARB-member to the Cooperative may be terminated due to violation of membership duties and responsibilities in the Cooperative as provided in its Articles of Cooperation and By-Laws, and Article 31 of R.A. No. 6938. However, the ARB shall be given due course with the following corresponding sanctions and penalties depending on the gravity and recalcitrance of the violations:

<u>OFFENSE</u>	<u>SANCTION/PENALTY</u>
First Offense	- Reprimand (Disciplinary Action/Stern Warning)
Second Offense	- Preventive suspension (1-30 Days) with an equivalent forfeiture of privileges in the Cooperatives for the said period; and
Third Offense (Repeated Violation With No Justifiable Reason)	- Termination/Expulsion from the Cooperative and forfeiture of ARB status subject to the approval of the DAR pursuant to Items 4.7 and 5.4 of DAR-CDA A.O. No. _____, Series of 2008.

Section 9. Valuation of Members' Paid-Up Land Share – Upon the termination/withdrawal of the membership, the Board of Directors shall determine the book value of the member's share capital, as established at the year-end audited financial statements nearest to the date of termination/withdrawal and shall fix the amount thereof in money to be paid subject to the availability of funds.

The computation of the book value per share shall be as follows:

$$\text{Book Value Per Share of Withdrawing/Terminated Member} = \frac{\text{Members' Equity (Net Worth)}}{\text{Total Number of Paid-Up Share Capital (cash and land share capital).}}$$

The total value of the share of withdrawing/terminated member shall be computed as follows:

$$\text{Total Value of Share of Withdrawing/Terminated Member} = \text{Book Value Per Share} \times \text{Total Number of Paid-Up Share Capital (cash and land share).}$$

Within ten (10) days from the determination by the Cooperative of the value of the member's share capital:

- a) The Cooperative and the terminated/withdrawing member shall execute a Deed of Transfer;
- b) The terminated/withdrawing members shall deliver to the Cooperative the stock certificate duly endorsed by the member; and
- c) The Cooperative shall make payments in cash of the agreed fair value of the member's interests.

The terminated/withdrawing member's land share shall be forthwith equally divided by the DAR amongst the ARB cooperative members subject to the distribution limit of three (3) hectares per ARB-member. However, if the ratio of three (3) hectares per ARB-member distribution limit has already been met, the land shall be redistributed to a qualified ARB as determined by DAR at a price not exceeding the book value per share computed in accordance with the foregoing formula reckoned at the time of approval by the BOD of the application for membership to the Cooperative of the incoming ARB member-applicant.

Section 10. Transfer and Purchase of Share – A person desiring to purchase available shares of the Cooperative shall signify his intention to do so in writing by filing an application to purchase with the Cooperative. The application must be accompanied by a certification from the DAR that the prospective buyer is a qualified ARB.

The Cooperative shall transfer available shares to qualified applicants, subject to the order of priority provided herein and in accordance with the provisions of the Joint DAR-CDA A.O. No. _____, Series of 2008, after said applicant shall have paid the value of the land shares purchased as determined by the cooperative. Payment of shares shall be made either in cash or by installments in such amount equivalent to fifty percent (50%) of the prospective buyer's dividends from the cooperative, to be deducted therefrom annually until such time that the share is fully paid. In case the buyer opts to pay in installments, the stock certificate shall be issued to him only upon full payment of the share purchased.

ARTICLE IV GOVERNMENT

Section 11. Membership Control – Subject to the provisions of R.A. No. 6657 and its relevant implementing guidelines and pertinent provisions of P.D. No. 175, as amended by R.A. Nos. 6938 and 6939, the final authority in determining qualified ARBs who will be members is vested in DAR, in consonance with Article III, Section 3 of these By-Laws. On the other hand, the final authority in the approval of the expulsion/termination of membership in the cooperative and forfeiture of ARB status and land share is vested in the DAR. The DAR, CDA and plantation-based cooperative shall conduct an investigation to determine the merits of the ARB's expulsion from the cooperative. The final authority on all other matters is vested in the General Assembly.

Section 12. The General Assembly – The General Assembly of the Cooperative shall be composed of members in good standing.

Section 13. Powers and Limitations of the General Assembly – The General Assembly has the power:

- a. To elect and remove Directors, Officers and Committee Members for cause as provided for in Section 23, Article IV of this By-Laws;
- b. To hear and pass upon the reports of the Board of Directors, Officers and Committees;
- c. To act as final arbiter in any dispute or disagreement which may arise between or among the members of the Board of Directors and Committees, officers and individual members;
- d. To determine the amendment in the Articles of Cooperation and By-Laws subject to the approval of DAR and CDA;
- e. To exercise final authority on all matters vitally affecting the Cooperative; and
- f. To exercise all the rights and privileges appurtenant to membership.

Section 14. The Annual General Assembly Meeting – The annual general assembly meeting shall be conducted within ninety (90) days after the close of the fiscal year and shall be held at the principal office of the Cooperative or at any place within its area of operation and at such time as the Board of Directors may designate.

Section 15. Delegates to the Annual General Assembly – The annual general assembly shall be composed of delegates representing at least fifty (50) percent of the general membership.

Section 16. Special General Assembly – A special general assembly may be called at any time by the Board of Directors to consider urgent matters requiring immediate membership decision as provided in Section 4 of this Article.

The special general assembly shall be composed of delegates as provided in Section 15 of this Article. Likewise, a special general assembly shall be called by the Chairman within 30 days from receipt of a written request from:

- a. At least ten percent (10%) of the total number of members in good standing;
- b. The Audit Committee;
- c. The Federation of which the Cooperative is a member.

Section 17. Mini-Assembly – A mini-assembly may be called upon by the Board of Directors or the general assembly to act on all unfinished business of the last annual general assembly. The mini-assembly shall be composed of delegates representing 25 percent (25%) of the delegates of the last annual general assembly.

Section 18. Notice of General Assembly – Written notices of all meetings shall be served by the Secretary, through a messenger or by mail, upon each member at his/her last known residence address. For annual general assembly, such notices shall be accompanied by agenda, minutes of the meeting of the last general assembly, consolidated reports of the Board of Directors and Committees, complete with financial statements, proposed amendments to the Articles of Cooperation and By-Laws, if any, other papers needed by the members to arrive at sound and intelligent decisions during the general assembly.

Notice of any general assembly shall state the purpose for which it is to be held and no business other than the stated program/agenda or those related thereto shall be considered in the meeting.

Section 19. The Annual General Election – There shall be an annual general election to elect the members of the Board of Directors and the Committees of the Cooperative to be held within 10 days after the annual general assembly.

Section 20. Fiscal Year – The fiscal year of the Cooperative shall commence on the first day of January and shall end on the last day of December.

Section 21. Agenda – The order of business at each annual meeting shall be: (1) roll call; (2) proof of due notice; (3) consideration of the minutes of the last general assembly; (4) consideration of the consolidated reports of officers, Board of Directors and committees including audited statements of financial condition and operation; (5) unfinished business; (6) new business; and (7) adjournment.

Section 22. The Quorum for a Meeting of the General Assembly and Mini-Assembly – The quorum shall be fifty percent (50%) plus one (1) of the total member-delegates. Unless otherwise provided by law, resolutions of general assembly and mini-assembly shall be passed by simple majority vote of delegates present at a meeting and constituting a quorum.

But, if a quorum is not present at the date and the time fixed in the call, the members present therein constituting at least twenty five percent (25%) of the delegates may proceed with the transaction of the Cooperative.

Section 23. Manner of Voting -

- a. Members in good standing shall be qualified to vote and participate in the general election of the Cooperative. No member shall be entitled to more than one vote regardless of the number of share capital owned by him. Voting by proxy is not allowed.
- b. Election and removal of Directors and Committee Members shall be by secret balloting. Action on all other matters shall be, in any manner, reflect truly and correctly the decision of the membership.

Section 24. Board of Directors and Members – The conduct and management of the affairs and business of the Cooperative shall be vested in the Board of Directors of which shall be composed of not less than five (5) nor more than fifteen (15) members elected by the

General Assembly for a term fixed herein but not exceeding a term of two (2) years and shall hold office until their successors are duly elected and qualified, or until duly removed.

Section 25. *Qualifications and Disqualifications of Directors* – All members of good standing who have the time and the willingness to serve are qualified to be voted as Directors except those who are under any of the following circumstances which disqualify them to be voted upon the position of Director or to continue as such:

1. Holding any elective position in the government, except that of Barangay Captain or Councilman;
2. Having conflicting interest with the business of the Cooperative;
3. Having been absent for three (3) consecutive board meetings without being excused;
4. Being a full-time employee of the Cooperative;
5. Having been convicted of any crime involving moral turpitude, gross negligence, or gross misconduct in the performance of his duties or found culpable in any administrative case involving such offense;
6. Has served the Cooperative as Director for three (3) consecutive terms;
7. No two or more persons with relationship up to the third civil degree of consanguinity or affinity shall serve as elective or appointive officers of the board;
8. Has been found guilty of violating any one of the provisions of the cooperative's officers code of ethics as provided in these Articles of Cooperation and By-Laws;
9. Having been charged by the Cooperative and was convicted by the Court of a crime involving moral turpitude;
10. Having been administratively disciplined by the Cooperative for gross misconduct, gross negligence and other similar administrative offenses;
11. Having unqualified expenses or unsettled, unpaid debts/cash advances with the Cooperative one (1) month after the end of the fiscal year; and
12. Having been found as a member not in good standing as provided in these Articles of Cooperation and By-Laws.

Section 26. *Election of Directors* – The Board of Directors shall be elected by secret ballot by the members of the annual general assembly and shall hold office for a term of two (2) years unless earlier removed for cause, or have resigned or are incapacitated due to illness or death, and until their successors have been elected and have discharged the duties of the office.

Section 27. Term of Office of the Board of Directors and Committee Members – The term of the incorporating directors shall expire during the first annual general election after registration, thereafter, all BOD members shall be elected for a two (2) year term. No Board of Directors shall serve for more than three (3) consecutive terms. The terms of office of all committee members shall be for a period of one (1) year.

Section 28. Directors' Meeting, Election of Officers – A meeting of the members of the Board of Directors shall be held within ten (10) days after each annual general election, to elect by secret ballot from among themselves, a Chairman and a Vice Chairman and elect or appoint other officers of the cooperative from outside the Board. Inducted officers shall hold office for two (2) years or until the election, qualification and assumption into office of their successors. Thereafter, the Board of Directors shall meet at least once a month.

Special meetings of the Board may be called by the President or in his absence, the Vice President, or a majority of the Directors. The call for a special meeting shall be addressed and delivered to the Secretary stating the date, time and place of such meeting and the matters to be acted upon. Notice of regular and special meetings of the Board, unless dispensed shall be served by the Secretary in writing to each Director at least five (5) days before such meeting.

Section 29. Quorum at Directors' Meeting – One-half (1/2) plus one (1) of the total number of directors in the Board shall constitute a quorum. A majority vote of the quorum duly assembled in a meeting shall be a valid cooperative act.

Section 30. Vacancies – When a vacancy in the Board occurs by reasons of death, incapacity, removal or resignation, the vacancy shall be filled by the remaining members of the Board constituting a quorum. The vacancy shall be filled up by the Board of Directors based on the result of the last general elections. In the event that said assembly can not muster a quorum, the remaining Directors and members of the Audit and Inventory Committee, in a joint meeting shall appoint the number needed in the Board to constitute a quorum. The successor named in the above instances shall serve for the unexpired portion of the term.

In the event the special election fails to fill the position vacated by the Directors whose term have been terminated by reason of death, incapacity, removal or resignation, the Cooperative Development Authority (CDA) shall designate from among the qualified members, who, shall serve until the next general election.

Section 31. Removal of Directors and Committee Members – Any elected Director or Committee Member may be removed from office for cause by a vote of two-thirds (2/3) of the voting members in good standing present and constituting a quorum in a regular or special general assembly called for the purpose after having been given the opportunity to be heard at the said general assembly.

Any elected/appointed officer of the Board of Directors and Committees may be removed from office for cause by a majority vote of the entire membership of the Board of Directors or the concerned Committee as the case may be and after having been given the opportunity to be heard.

Section 32. Powers and Duties of the Board – The Board of Directors is the policy making body of the Cooperative. It shall exercise general supervision and control of the affairs of the Cooperative. It shall prescribe policies consistent with laws, these By-Laws and the resolutions of the general assembly for the management of the business and the guidance of its members, officers and employees.

The members of the Board of Directors, in the discharge of their duties, shall be jointly and severally responsible for transactions, acts and omissions made in violation of law, the regulations except those who entered a protest at the time such transaction, acts of omission was acted upon.

The Board of Directors shall have the power to appoint and fix the compensation of the Manager, Bookkeeper, Clerk or enter into an agribusiness venture arrangement (AVA) if warranted.

Section 33. Election Committee – The Election Committee (EleCom) shall be composed of _____ members elected by the general assembly for a term of one (1) year or until the successors are elected and qualified. Within ten (10) days after their election, they shall elect from among themselves a Chairman and a Secretary. No member of the Committee shall serve in the board or in any other elective committee. The EleCom shall promulgate rules and regulations in the conduct of election, pass upon qualifications of candidates, supervise the conduct of election, canvass and certify in writing the returns to the Presiding Officer, who shall proclaim the winning candidates. The Committee shall decide election protests. The decision of the Election Committee may be appealable within fifteen (15) days upon receipt thereof to the general assembly whose decision shall be final.

In the appreciation of ballots, cumulative voting shall be disregarded and a vote for a director or committee member shall be counted as one (1) vote. Such other formalities and machinery for the conduct of election not provided for in these by-laws shall be determined by the general assembly.

Section 34. Audit Committee – An Audit and Inventory Committee of three (3) members shall be elected by secret ballot by the members during the annual general assembly. In no case shall a member of the committee serve as member of the Board or in any other elective committees. Within ten (10) days after their election, the members of the Committee shall elect from among themselves a Chairman and a Secretary. The members of the Committee shall hold office for one (1) year or until their successors shall have been elected and qualified. The Committee shall provide internal audit service and the installation of adequate accounting system, maintain a complete record of its examination and inventory. It shall submit audited quarterly reports to the Board of Directors and audited annual financial reports to the General Assembly.

Section 35. Qualification of and Disqualification for Committee Membership – The qualifications and disqualifications provided for Directors shall apply to the members of the Audit Committee and Election Committee.

Section 36. Education and Training Committee – The Education and Training Committee shall be composed of such members as may be determined by the Board of Directors and appointed by it for a term of one (1) year, without prejudice to their reappointment. The Vice Chairman of the Board shall serve as Ex-Officio Chairman of the

Committee. The Committee shall be responsible for the planning and implementation of promotional and educational activities of the Cooperative.

Section 37. Other Committees – Other committees may be formed and/or created and their powers/functions shall be defined by the Board as the business operations of the cooperative may require. Such committees shall assist the Board of Directors in the implementation of the cooperative development program.

Section 38. Settlement of Disputes – Any dispute arising between or among the members of the Board of Directors, Committees, Officers and individual members be referred to arbitration of three (3) members, one (1) shall come from the federation or union of which the Cooperative is a member and/or operating within its area of operation and two (2) to be nominated by each of the parties concerned.

If the dispute remains unresolved, it may be brought to the appropriate agency of jurisdiction for resolution depending on the principal cause of action:

- a. Department of Agrarian Reform (DAR), if it involves Agrarian Law Implementation (ALI) or inclusion/exclusion cases;
- b. Cooperative Development Authority (CDA), if it involves internal cooperative disputes;
- c. DAR Adjudication Board (DARAB), if it involves interpretation and enforcement of an agribusiness agreement or an agrarian dispute as defined in Sec. 3 (D) of R.A. No. 6657;
- d. National Labor Relations Commission (NLRC), if it involves employer-employee relationship;
- e. Regional Trial Court, if within the jurisdiction defined under Section 5.2 of R.A. No. 8799 or the Securities Regulations Code; or
- f. Securities and Exchange Commission (SEC), if the issue involved is corporate in nature and consistent with the provisions of the Corporation Code of the Philippines and the Securities Regulation Code.

ARTICLE V CDA REGULATIONS, COOPERATIVE CODE OF CONDUCT AND ETHICAL STANDARDS FOR MEMBERS, OFFICIALS, AND EMPLOYEES

Section 39. Applicability of Provisions – All rules, regulations, circular/memoranda and other issuances of the Cooperative Development Authority pursuant to R.A. No. 6938 and 6939, in so far as they are applicable to this Cooperative are hereby made part of these By-Laws.

Section 40. Cooperative Code of Conduct and Ethical Standards – The Cooperative Code of Conduct and Ethical Standards for members, officials, and employees in Region _____ is hereby made part of these By-Laws.

**ARTICLE VI
OFFICERS AND THEIR DUTIES**

Section 41. Chairman – The Chairman shall:

- a. Preside over all meetings of the Cooperative and of the Board of Directors;
- b. Perform any and all acts and duties usually performed by a Presiding Officer;
- c. Sign all share certificates, revolving fund certificates, contracts and such other papers of the Cooperative which the Board may authorize or direct him to sign; and
- d. Perform such other duties as the Board of Directors may prescribe.

Section 42. Vice Chairman – In the absence or disability of the Chairman, the Vice Chairman shall perform the duties of the Chairman; Provided, however, that in case of death, resignation or removal of the Chairman, the Board of Directors may decide to elect his successor. In addition, the Vice Chairman shall serve as Ex-Officio Chairman of the Education Committee.

Section 43. Treasurer – The Treasurer shall have the following duties and responsibilities:

- a) Take custody of all monies, securities and financial papers of the Cooperative;
- b) Keep complete record of its transaction for the establishment of proof of its cash position at any given time;
- c) Pay, upon the recommendation of the Manager and as authorized by the Board of Directors, all money transactions and certify to the correctness of the cash position of the Cooperative in all financial statements and reports submitted to the Board of Directors, the General Assembly and the Cooperative Development Authority;
- d) Turnover all monies, securities, financial papers, books and other properties belonging to the Cooperative that he may have in his possession within five (5) days upon assumption of his successor;
- e) Post an adequate bond, the expenses of which are to be paid by the Cooperative, to assure the faithful performance of his duties, and;
- f) Perform the duties of the Secretary in the latter's absence or inability to perform his duties.

Section 44. Secretary – The Secretary shall have the following duties:

- a) Keep a complete list of all the members and maintain a correct record of all meetings of the Board of Directors and the general assembly;
- b) Give notice of all meetings;

- c) Keep and maintain the Stock and Transfer Book and serve as the custodian of the Cooperative Seal of the Cooperative and the land records and titles which shall be kept in a vault for safe-keeping in the principal office of the Cooperative;
- d) Turnover within five (5) days upon assumption of his successor all books and other properties in his possession belonging to the Cooperative; and
- e) Perform the duties of the Treasurer in case of the latter's absence or inability to perform his duties.

Section 45. Liabilities of Directors, Officer and Committee Members – Directors, Officers and Committee Members who willfully and knowingly vote for or assent to patently unlawful acts or who are guilty of gross negligence or bad faith in directing the affairs of the Cooperative or acquire any personal or pecuniary interest in conflict with their duties as such, Directors, Officers or Committee Members shall be liable jointly and severally for all damages or profits resulting therefrom to the cooperative members and other persons. When a Director, Officer or Committee Member attempts to acquire or acquires, in violation of his duties, any interest or equity adverse to the Cooperative in respect to any matter which has been repose in him in confidence, he shall, as trustee for the Cooperative, be liable for damages and for double the profits which otherwise would have accrued to the Cooperative.

Section 46. Management Staff – The Board of Directors shall appoint the members of the Management Staff, and fix their compensation and tenure:

- a) **General Manager** – No person shall be appointed to the position of General Manager unless he possesses the following qualifications and none of the disqualifications herein enumerated:

Qualifications:

- 1. Must be familiar with the business operations;
- 2. Must be at least a college graduate or has completed the cooperative training program;
- 3. Must be honest and have a deep sense of responsibility; and
- 4. Willing to undergo a pre-service and/or in-service training;

Disqualifications:

- 1. Must not be engaged directly or indirectly in any business similar to that of the Cooperative;
- 2. Must not have been convicted of any administrative or criminal case involving moral turpitude, gross negligence or grave misconduct in the performance of his duties;

3. Must not be facing any administrative or civil/criminal suit involving financial and/or property accountabilities; and
4. Must not be addicted to any form of gambling or immoral or vicious habits.

Duties of the General Manager:

1. The General Manager shall, under the policies set by the General Assembly and the Board of Directors, have general charge of the business operations of the Cooperative. Upon the appointment of his successor, he shall turn over to him all monies and properties belonging to the Cooperative which he has in his possession or over which he has control;
2. He shall maintain his records and accounts in such manner that the true and correct condition of the business of the Cooperative may be ascertained therefrom at any time. He shall render annual and periodic statements and reports in the form and in the manner prescribed by the Board of Directors, and preserve the books, documents, correspondence and records of whatever kind pertaining to the business which may come into his possession;
3. Subject to the policies of the Board of Directors, he may employ, supervise and dismiss any agent and employees in the management force; and
4. Post an adequate bond to assure the faithful performance of his duties.

- b) **Accountant** – No person shall be appointed to the position of Accountant unless he possesses the following qualifications and none of the disqualifications herein enumerated:

Qualifications:

1. Must be a Certified Public Accountant (CPA);
2. Must have at least two (2) years experience in cooperative or related business;
3. Must be honest and must have a deep sense of responsibility; and
4. Must be willing to undergo pre-service and/or in-service training.

Disqualifications:

1. Must not be engaged directly or indirectly in any business similar to that of the Cooperative;
2. Must not have been convicted of any administrative or criminal case involving moral turpitude, gross negligence or grave misconduct in the performance of his duties;
3. Must not be facing any administrative or civil/criminal suit involving financial and/or property accountabilities; and

4. Must not be addicted to any form of gambling or immoral or vicious habits.

Duties of the Accountant:

1. He shall install an adequate and effective accounting system in the Cooperative;
2. He shall render monthly reports to the Board of Directors of the financial condition and operations of the Cooperative and annual reports to the General Assembly or as may be required;
3. He shall coordinate with the Manager and the Audit and Inventory Committee in assisting the Board of Directors in the preparation of the budget; and
4. He shall assist the Chairman in the preservation of the book of accounts, documents, vouchers, contracts and records of whatever kind pertaining to the business of the Cooperative which may come to his possession.

The Accountant shall be under the General Manager for purposes of administrative supervision, but shall be directly responsible to the Board of Directors in the performance of his duties.

**ARTICLE VII
COMPENSATION**

Section 47. Compensation – The Board of Directors and Committee members shall not receive any compensation but shall receive honoraria for actual attendance in Board and Committee meetings, and reimbursement of actual and necessary expenses while performing functions in behalf of the Cooperative. Provided that, the amount of such honoraria shall be determined by majority vote of the General Assembly at a regular or special general assembly meeting called for the purpose.

**ARTICLE VIII
FUNDS AND CAPITAL STRUCTURE**

Section 48. Sources of Funds – The Cooperative shall source its funds from:

- a) Proportionate share of the member of the value of the land awarded to the Cooperative;
- b) Common shares;
- c) Revolving capital by deferment of payment of dividend;
- d) Undistributed surplus;
- e) Capital reserves;

- f) Loan capital;
- g) Subsidies, grants and donations; and
- h) Other sources of funds as may be authorized by law.

Section 49. Continuous Capital Build-Up – The Cooperative may further adopt a deferred payment scheme for the balance of interest on capital for a period not exceeding five (5) years each time, and at the date of interest consistent with the law and regulations. The payment of the deferred amount including all increments thereto shall be made in the order of priority according to the year in which the payment was deferred, the capital of the Cooperative being paid first.

Section 50. Land Amortization Fund – The Cooperative shall give priority to pay the land amortization to the creditor bank from the gross revenues before net surplus is distributed to the members.

Section 51. Borrowing – The Cooperative, through the Board of Directors, may borrow money from any source at the least terms and conditions available and in such amount that may be needed for the operations of the Cooperative. However, borrowing of total of more than five million pesos (Php5,000,000.00) shall be approved by the General Assembly.

Section 52. Transfer of Shares –

- 1) Transfer of shares shall not be binding to the Cooperative until such transfer have been approved or with the consent of the DAR, pursuant to Sec. 4, Items 4.8 and 4.13 of Joint DAR-CDA A.O. No. _____, Series of 2008;
- 2) Further, the transfer of share shall not be binding to the Cooperative until such transfer shall have been registered in its stock and transfer book. No transfer shall be completed until the old certificates shall have been endorsed and surrendered and new certificate is issued in the name of the qualified ARB-member. The last transferee, if new member shall pay the required membership fee. A transfer fee of _____ (Php _____) shall be charged as determined by the Board of Directors.
- 3) In case of loss or destruction of a Certificate of Stock, another may be issued in its place to the shareholder thereof, after filing an Affidavit in triplicate, setting forth the following:
 - a) Circumstances as to how, when and where said certificate was lost or destroyed;
 - b) The number of shares represented by the Certificate;
 - c) The Serial Number of the Certificate; and

- d) The lost or destroyed certificate has never been transferred, sold or endorsed to any third party and that should the same be found, the owner shall surrender it to the Cooperative.

Any false representation or statement made in the aforesaid Affidavit shall be ground for expulsion from the Cooperative.

- 4) Transferee of shares must be a qualified agrarian reform beneficiary as determined by DAR as provided in Sec. 3, Article III of these By-Laws, pursuant to R.A. No. 6657 and Joint DAR-CDA A.O. No. ____, Series of 2008.

ARTICLE IX OPERATION

Section 53 – The Cooperative shall, based on the need of its members procure their production inputs, supplies, machineries, equipment including spare parts and other requirements of its members and the community in bulk from the best source possible through a cooperative purchasing system to achieve economy and efficiency, and shall make these goods available regularly at the right quality and reasonable price.

Section 54 – The Cooperative shall, based on the need of its members and on sound economic considerations, acquire, lease, maintain and operate pools for machinery and equipment for its pre and post harvest activities, warehouse and other necessary facilities.

Section 55 – The Cooperative shall identify and adopt marketing strategies and its marketing mix based on sound market research.

The Cooperative shall coordinate closely with any and all cooperative marketing organizations toward institutionalizing cooperation and systematizing cooperative marketing.

Section 56 – All members shall execute a production/marketing agreement with the Cooperative, the latter shall market the produce of the members and/or provide the needed service in the usual and customary manner, or in any manner it may see fit under the circumstances, having in mind the interest and the welfare of the members.

Section 57 – The Cooperative shall mobilize the resources of its members for capital formation toward financing other services needed by them and the community.

Section 58 – Service over and above profits shall be the primary consideration of the Cooperative in the pursuit of its goals and in the operation of its business.

Section 59. Annual Audit – There shall be an annual audit of the financial statements by an independent auditor.

Section 60. Annual Report – The Cooperative shall make an annual report of its affairs to members of the General Assembly together with the financial statements. The report and statements shall be certified by the Chairman, Treasurer, General Manager and other responsible officers of the Cooperative as true and correct in all aspects to the best of their knowledge.

Copy of the Annual Report shall be submitted to the CDA and the DAR within sixty (60) days from the end of the fiscal year for reporting and monitoring purposes.

Section 61. Accounting System – Unless otherwise prescribed by the CDA, the Cooperative shall adopt the generally accepted accounting procedures, practices, taking into consideration the cooperative principles and practices.

ARTICLE X ALLOCATION AND DISTRIBUTION OF NET SURPLUS

Section 62 – Net surplus is the excess of gross income, including other income, over expenses for one accounting period.

Section 63 – At the end of the fiscal year, the Cooperative shall distribute its net surplus in the following manner:

- 1) An amount equivalent at the least to the total amount paid annually for land amortization shall be set aside as land share capital reserve intended for the payment of paid-up land share capital of withdrawing/resigning/terminated members pursuant to Sec. 7, Item 7.1.1 of Joint DAR-CDA A.O. No. _____, Series of 2008.
- 2) Ten percent (10%) shall be set aside for cooperative training and education of its members and officers;
- 3) Ten percent (10%) of the net surplus shall be set aside for the general reserve fund, pursuant to provisions of R.A. No. 6938;

The reserve funds shall be used for the stability of the Cooperative and to meet net losses in its operations when the need arises. The General Assembly may decrease the amount allocated to the reserve fund when the same has exceeded the share capital.

Any charges against the reserve fund shall require prior approval of the General Assembly.

Any sum recovered on items previously charged to the reserve fund shall be credited to the reserve fund.

- 4) An optional fund for land and building, community development, and other necessary fund the total of which may not exceed ten percent (10%);

A subsidiary ledger for the land and building fund must be maintained by the Cooperative to record the individual proportionate share contributed by the members.

- 5) The remaining net surplus shall be made available to the members in the form of interest on share capital and patronage refund computed in accordance with Rule 4, Articles 86 and 87 of the Cooperative Code of the Philippines.

Section 64. Operating Budget – The operating budget of the Cooperative shall not exceed _____ percent (___%) of net surplus.

The Board of Directors shall set the percentage or amount of operating budget for the Cooperative subject to the approval and ratification of the General Assembly.

**ARTICLE XI
AMENDMENTS**

Section 65. Amendments – Amendments to the Articles of Cooperation and these By-Laws may be adopted by a two-thirds (2/3) vote of the members with voting rights at any special or regular general assembly called for the purpose without prejudice to the rights of dissenting members to withdraw their membership under Articles 31 and 32 of R.A No. 6938. Provided, however, that no amendment involving R.A. No. 6657 shall be submitted to the CDA or any other government entity for approval, registration or issuance of certificate without prior approval, recommendation or endorsement of the DAR.

We, the undersigned, constituting the Board of Directors of the _____ Agrarian Reform Beneficiaries Cooperative (_____), do hereby certify that the foregoing instrument is the Code of By-Laws of the Cooperative.

Voted and adopted this ____ day of _____, 20____, at _____.

SIGNED:

Chairman

Vice Chairman

Director

Director

Director

Director

Director

Director

Director

Director

Director

General Manager

Secretary

Treasurer

ILLUSTRATION ON HOW TO RECORD THE TRANSACTION OF PROPOSED PLANTATION-BASED ARB COOPERATIVES WHICH OPT TO INCLUDE THE LAND AMORTIZATION IN THE DETERMINATION OF THE AUTHORIZED SHARE CAPITAL

I. Given Data:	(Illustrative Figures Only)
Total Cost of Land Amortization	= ₱60,000,000.00
Capital in the form of Cash	= <u>8,000,000.00</u>
Total Authorized Share Capital	= ₱68,000,000.00
Value per share	= ₱100.00
Total Number of Shares	= 680,000 shares
Total Number of Shares on Land Amortization (LA)	= 600,000 shares
Total Number of Share on Cash Portion (CP)	= 80,000 shares
Total Number of Members	= 500 members
Shares per member	= 1,360 shares
Shares per member on Land Amortization (LA)	= 1,200 shares
Shares per member on Cash Portion (CP)	= 160 shares
Value of Shares Per Member	= ₱136,000.00
Value of Shares Per Member on Land Amortization (LA)	= ₱120,000.00
Value of Shares Per Member on Cash Portion (CP)	= 16,000.00
Membership Fee	= ₱50.00

II. Assumption:

Upon registration, the amount of Authorized Share Capital is sufficient to cover the total cost of the Land. However, in the Book of Accounts of the cooperative, the amount allocated for the principal portion of land amortization shall be recorded as a separate account to distinguish it as payment for the land.

III. To enter the above transactions in the Book of Accounts of the cooperative based on the foregoing Assumption and data given, the process of recording is as follows:

ACCOUNTING ENTRIES

Legend: Db - Debit
Cr - Credit

1. To record 25% subscription of the Authorized Share Capital

Dr- Subscription Receivable (LA)*	15,000,000	
Subscription Receivable (CP)**	2,000,000	
Cr- Subscribed Share Capital – LA		15,000,000
Subscribed Share Capital – CP		2,000,000

*Subscription Receivable (LA) = 25% of the Total Cost of Land Amortization
= 25% x 60,000,000 = 15,000,000

**Subscription Receivable (CP) = 25% of the Total Capital in the Form of Cash
= 25% x 8,000,000 = 2,000,000

2. To record the payment of at least 25% of the total subscription

Dr- Cash on Hand	4,250,000	
Cr- Subscription Receivable (LA)***		3,750,000
Subscription Receivable (CP)****		500,000

***Subscription Receivable (LA) = 25% of the Total Subscription of Land Amortization
= 25% x 15,000,000 = 3,750,000

****Subscription Receivable (CP) = 25% of the Total Subscription of Cash Portion
= 25% x 2,000,000 = 500,000

3. To record payment of membership fee

Dr- Cash on Hand	25,000	
Cr- Membership Fee		25,000

Membership Fee = Membership fee x Total Number of Members
= ₱50.00 x 500 members = ₱25,000

4. To record the issuance of shares

Dr- Subscribed Share Capital – LA	3,750,000	
Subscribed Share Capital – CP	500,000	
Cr- Paid-up Share Capital – LA		3,750,000
Paid-up Share Capital – CP		500,000

5. To record the cost of the land as asset and the corresponding obligation with LBP as liability

Dr- Land	60,000,000	
Cr- Payable to LBP		60,000,000

The general assembly must agree that the yearly payment of the land amortization shall be deducted from the rental income in the case of leaseback arrangement or gross production income for non-leaseback, until such time the total cost of the land is fully paid.

Example:

Gross Production Income		₱10,000,000
Less: Provision for Land Amortization inc. int. exp		<u>2,500,000</u>
Gross Income bef. operating exp.		7,500,000
Less: Operating Expenses		<u>5,000,000</u>
Net Surplus		<u>2,500,000</u>

6. To record land amortization as part of the cooperative expenses

Dr- Land Amortization	2,500,000	
Cr- Provision for Land Amortization		2,500,000

7. To record the provision for land amortization as part of the paid-up share capital of the members

Dr- Provision for Land Amortization	2,500,000	
Cr- Subscription Receivable – LA		2,500,000

8. To record issuance of share capital

Dr- Subscribed Share Capital for LA	2,500,000	
Cr- Paid-up Share Capital for LA		2,500,000

9. To record payment of Land Amortization with LBP

Dr- Payables to LBP	2,500,000	
Cr- Cash on Hand		2,500,000

Based on Item 6.5 of A.O. No. _____, Series of 2008, the amount of ₱ 2,500,000 shall be distributed equally among the members and shall be posted in the individual subsidiary ledger. The computation for each member's share in the land amortization shall be as follows:

$$\begin{aligned} \text{Share Per Member in Land Amortization} &= \text{Net Surplus} \div \text{Total Number of Members} \\ &= \text{₱2,500,000} \div 500 \text{ members} = \text{₱5,000} \end{aligned}$$

Each member account shall be credited with the amount of ₱5,000 as Paid-up Share Capital for Land Amortization.

- IV. The cooperative's Statement of Financial Condition after reflecting the above transactions shall be as follows:

STATEMENT OF FINANCIAL CONDITION

ASSETS

Cash on Hand	₱ 6,750,000.00
Land	<u>60,000,000.00</u>
Total assets	<u>₱66,750,000.00</u>

LIABILITIES, RESERVES AND MEMBERS' EQUITY

LIABILITIES

Due to Cooperative Education and Training Fund (CETF)	₱ 125,000.00
Interest on Share Capital & Patronage Refund Payable	1,750,000.00
Payables to LBP	<u>57,500,000.00</u>
TOTAL LIABILITIES	₱59,375,000.00

RESERVES

General Reserve Fund	₱250,000.00
Education and Training Fund	125,000.00
Optional Fund	<u>250,000.00</u>
TOTAL RESERVES	₱625,000.00

MEMBERS' EQUITY

Subscribed Share Capital	₱17,000,000.00
Less: Subscription Receivables	
For Land Amortization Payment	₱8,750,000.00
For Cash Payment	<u>1,500,000.00</u>
	<u>10,250,000.00</u>
	₱ 6,750,000.00

TOTAL LIABILITIES, RESERVES AND MEMBERS' EQUITY ₱ 66,750,000.00

- V. The schedule of paid-up share capital for payment of land amortization and cash payment as shown below shall be prepared monthly, quarterly or annually.

**Schedule of Paid-up Share Capital for Payment of
Land Amortization and Cash Payment**

Name of Member	Share Capital for LA	Share Capital – Cash Payment
Member A	₱ 7,500.00	₱ 1,000.00
Member B	7,500.00	1,000.00
Member C	7,500.00	1,000.00
Member D	7,500.00	1,000.00
Total of Other Members	3,720,000.00	496,000.00
Total	₱3,750,000.00	₱500,000.00

The computation of the initial payment or paid-up share capital per member shall be as follows:

Step 1: To compute the total no. of shares to be subscribed by members, multiply total no. of shares by 25%, that is

$$680,000 \text{ Shares} \times 0.25 = 170,000 \text{ Shares (Total No. of Shares to be subscribed by members)}$$

Breakdown as follows:

Land Amortization (LA): $600,000 \text{ shares} \times 0.25 = 150,000 \text{ shares}$

Cash Portion (CP): $80,000 \text{ shares} \times 0.25 = 20,000 \text{ shares}$

Note: 0.25 refers to the 25% of the Total No. of Shares that the cooperative must subscribe or commit upon registration

Step 2: To compute the value of the no. of shares to be subscribed by members, multiply total no. of shares to be subscribed by members by value per share, that is

$$170,000 \text{ Shares} \times \text{P } 100.00 \text{ per Share} = \text{₱}17\text{M (Value of the total subscription by members)}$$

Breakdown as follows:

Land Amortization (LA): $150,000 \text{ Shares} \times \text{P}100.00 \text{ per Share} = \text{₱}5\text{M}$

Cash Portion (CP): $20,000 \text{ Shares} \times \text{P}100.00 \text{ per Share} = \text{₱}2\text{M}$

Step 3: To compute the total initial paid-up share capital, multiply total amount of subscription by members by 25%, that is

$$\text{₱}17\text{M} \times 0.25 = \text{₱}4,250,000.00 \text{ (Total initial paid-up share capital or amount to be paid by the cooperative upon registration)}$$

Breakdown as follows:

Land Amortization (LA): $\text{₱}15\text{M} \times 0.25 = \text{₱}3,750,000.00$
Cash Portion (CP): $\text{₱}2\text{M} \times 0.25 = \text{₱} 500,000.00$

Step 4: To compute the initial payment or initial paid-up share capital per member, divide total initial paid-up share capital by total no. of coop members, that is

$\text{₱}4,250,000 \div 500 \text{ members} = \text{₱}8,500.00$ (initial payment or initial paid-up share capital per member)

Breakdown as follows:

Land Amortization (LA): $\text{₱}3,750,000 \div 500 \text{ members} = \text{₱}7,500$
Cash Portion (CP): $\text{₱} 500,000 \div 500 \text{ members} = \text{₱}1,000$

ILLUSTRATION ON HOW TO RECORD THE TRANSACTION OF PROPOSED PLANTATION-BASED ARB COOPERATIVES WHICH OPT TO EXCLUDE LAND AMORTIZATION AS PART OF THE AUTHORIZED SHARE CAPITAL AT THE TIME OF REGISTRATION

I. Given Data:	(Illustrative Figures Only)
Total Cost of Land Amortization	= ₱60,000,000.00
Capital in the form of Cash	= <u>8,000,000.00</u>
Total Authorized Share Capital	₱68,000,000.00
Value per share	= ₱100.00
Total Number of Shares	= 680,000 shares
Total Number of Members	= 500 members
Membership Fee	= ₱50.00

II. Assumption:

Applies to ARB Cooperatives wherein the size of membership and the financial capacities of the members do not warrant the inclusion of the total cost of the land as part of the Authorized Share Capital. Such cooperatives are required to raise an affordable amount from its members to be registered with CDA.

III. Considering the foregoing assumption and data given, the transactions shall be recorded in the Book of Accounts of the cooperative as follows:

ACCOUNTING ENTRIES

Legend: Db - Debit
Cr - Credit

1. To record 25% subscription for Cash Payment

Dr-Subscription Receivable	2,000,000	
Cr-Subscribed Share Capital		2,000,000

Subscription Receivable = 25% of the Total Capital in the Form of Cash
 = 25% x 8,000,000
 = 2,000,000

2. To record the payment of at least 25% of the total subscription and membership fee

Dr-Cash on Hand	525,000	
Cr-Subscription Receivable		500,000
Membership Fee		25,000

$$\begin{aligned} \text{Subscription Receivable} &= 25\% \text{ of the Total Subscription} \\ &= 25\% \times 2,000,000 \\ &= 500,000 \end{aligned}$$

$$\begin{aligned} \text{Membership Fee} &= \text{Membership Fee} \times \text{Total No. of Members} \\ &= \text{₱50.00} \times 500 \text{ members} \\ &= \text{₱25,000} \end{aligned}$$

3. To record the issuance of shares

Dr-Subscribed Share Capital	500,000	
Cr-Paid-up Share Capital		500,000

4. To record the cost of the land as asset and the corresponding obligation with LBP as liability.

Dr-Land	60,000,000	
Cr-Payable - LBP		60,000,000

5. To record provision of land amortization on the first year of operation

Dr-Land Amortization	2,500,000	
Cr-Provision for Land Amortization		2,500,000

6. To record payment of Land Amortization with LBP.

Dr-Payables – LBP	2,500,000	
Cr-Cash on Hand		2,500,000

7. To record the land amortization as part of the members' share capital

Dr-Provision for Land Amortization	2,500,000	
Cr-Subscription Receivable		2,500,000

8. To record issuance of share capital

Dr-Subscribed Share Capital	2,500,000	
Cr-Paid-up Land Share Capital		2,500,000

Based on the above illustration of transactions for one accounting period, it shows that at the end of the 2nd year, the paid-up land share capital have reached ₱5,000,000 and the cash share capital have reached ₱500,000 assuming that no payment has been added to the cash share capital.

At this point therefore, it is incumbent on the cooperative to amend its articles of cooperation and by-laws to include the total cost of the land as part of the authorized share capital since ₱5,000,000 payment of land amortization which formed part of the land share capital of members has become more than sufficient to cover the 25% requirement of paid-up capitalization.

DAR-CDA Shares Annex "D"

**COMPUTATION FOR THE VALUE OF PAID-UP SHARE CAPITAL OF
WITHDRAWING/TERMINATED MEMBER**

I. Given Data:	(Illustrative Figures Only)
Total Cost of Land Amortization	= ₱60,000,000
Total Number of Paid-up Share Capital	= 137,000 shares
Total Number of Paid-up Share of Withdrawing/ Terminated Member	= 250 shares
Total Assets	= ₱90,000,000

The Total Assets is the sum of the Cash on Hand, Total Cost of Land Amortization and other assets of the cooperative. The computation is shown as:

Cash on hand	₱ 5,000,000
Land	60,000,000
Other Assets	<u>25,000,000</u>
Total Assets	₱90,000,000

Total Liabilities = ₱75,200,000

The Total Liabilities is the sum of the cooperative's payables to the Land Bank of the Philippines (LBP), amount allotted due to Cooperative Education and Training Fund (CETF) and other payables of the cooperative. The computation is shown as:

Due to CETF	₱ 200,000
Payables to LBP	50,000,000
Other Payables	<u>25,000,000</u>
Total Liabilities	₱75,200,000

Total Reserves = ₱1,100,000

The Total Reserves is the sum of the cooperative's General Reserve Fund, Education and Training Fund and Optional Fund. The computation shall be shown as:

General Reserve Fund	₱ 500,000
Education and Training Fund	250,000
Optional Fund	<u>350,000</u>
Total Reserves	₱1,100,000

Members' Equity (Net Worth) = ₱13,700,000

The Members' Equity (Net Worth) is the difference of the Total Liabilities and Total Reserves from the Total Assets. The computation is shown as:

$$\begin{aligned}
 \text{Members' Equity (Net Worth)} &= \text{Total Assets} - \text{Total Liabilities} + \text{Reserves} \\
 &= \text{₱90,000,000} - (\text{₱75,200,000} + \text{₱1,100,000}) \\
 &= \text{₱90,000,000} - \text{₱76,300,000} \\
 &= \underline{\text{₱13,700,000}}
 \end{aligned}$$

II. Computation for the Value of Paid-up Share Capital of Withdrawing/Terminated Member

1. **Compute for the Book Value per Share.** To compute for the book value per share, divide members' equity (net worth) by total no. of paid-up shares. In equation form, it shall be:

$$\begin{aligned}
 \text{Book Value per Share} &= \frac{\text{Members' Equity (Net Worth)}}{\text{Total No. of Paid-up Share Capital (cash and land share capital)}} \\
 &= \frac{\text{₱13,700,000}}{137,000} \\
 &= \text{₱100}
 \end{aligned}$$

2. **Compute for the Total Value of Share of Withdrawing/Terminated Member.** To compute for the total value of share of withdrawing/terminated member, multiply book value per share by total number of paid-up share capital (cash and land share capital). In equation form, it shall be:

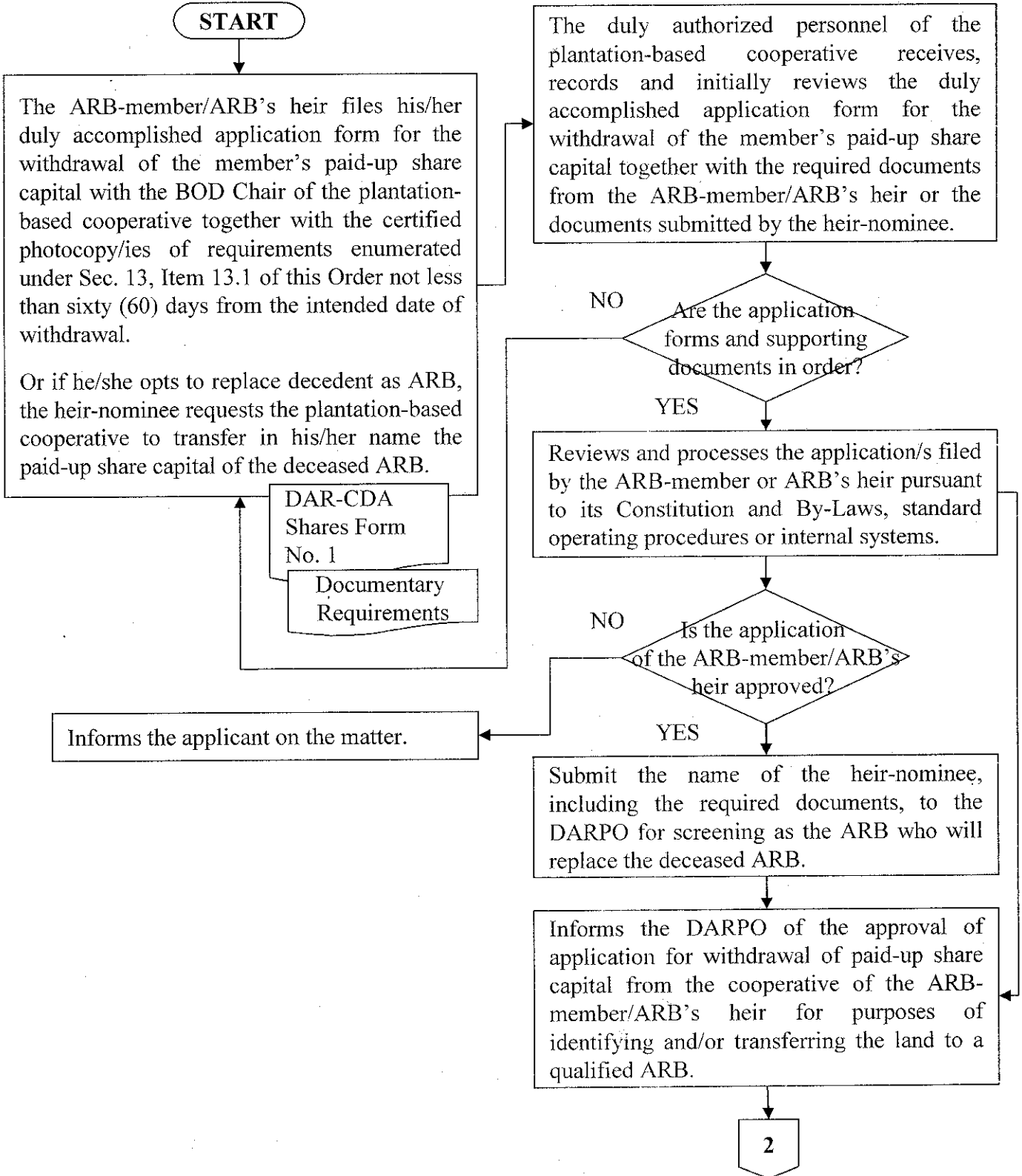
$$\begin{aligned}
 \text{Total Value of Share of Withdrawing/ Terminated Member} &= \text{Book Value per Share} \times \text{Total No. of Paid-up Share Capital (cash and land share capital)} \\
 &= \text{₱100} \times 250 \\
 &= \text{₱25,000}
 \end{aligned}$$

Operating Procedures

Sec. 13 – Filing of Application, Review and Approval for the Valuation, Withdrawal of Paid-Up Share Capital

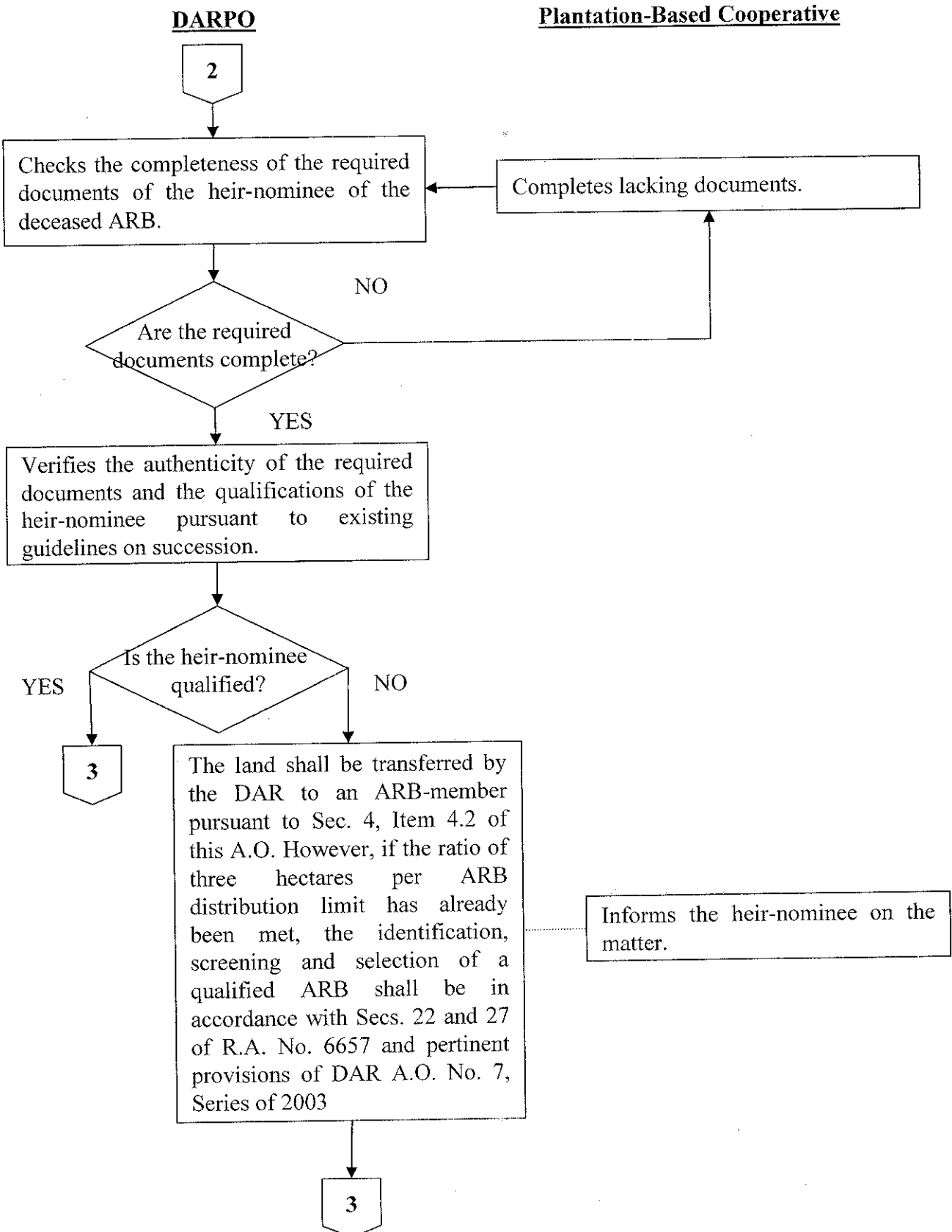
ARB-member/ARB's Heir/Heir-Nominee

Plantation-Based Cooperative



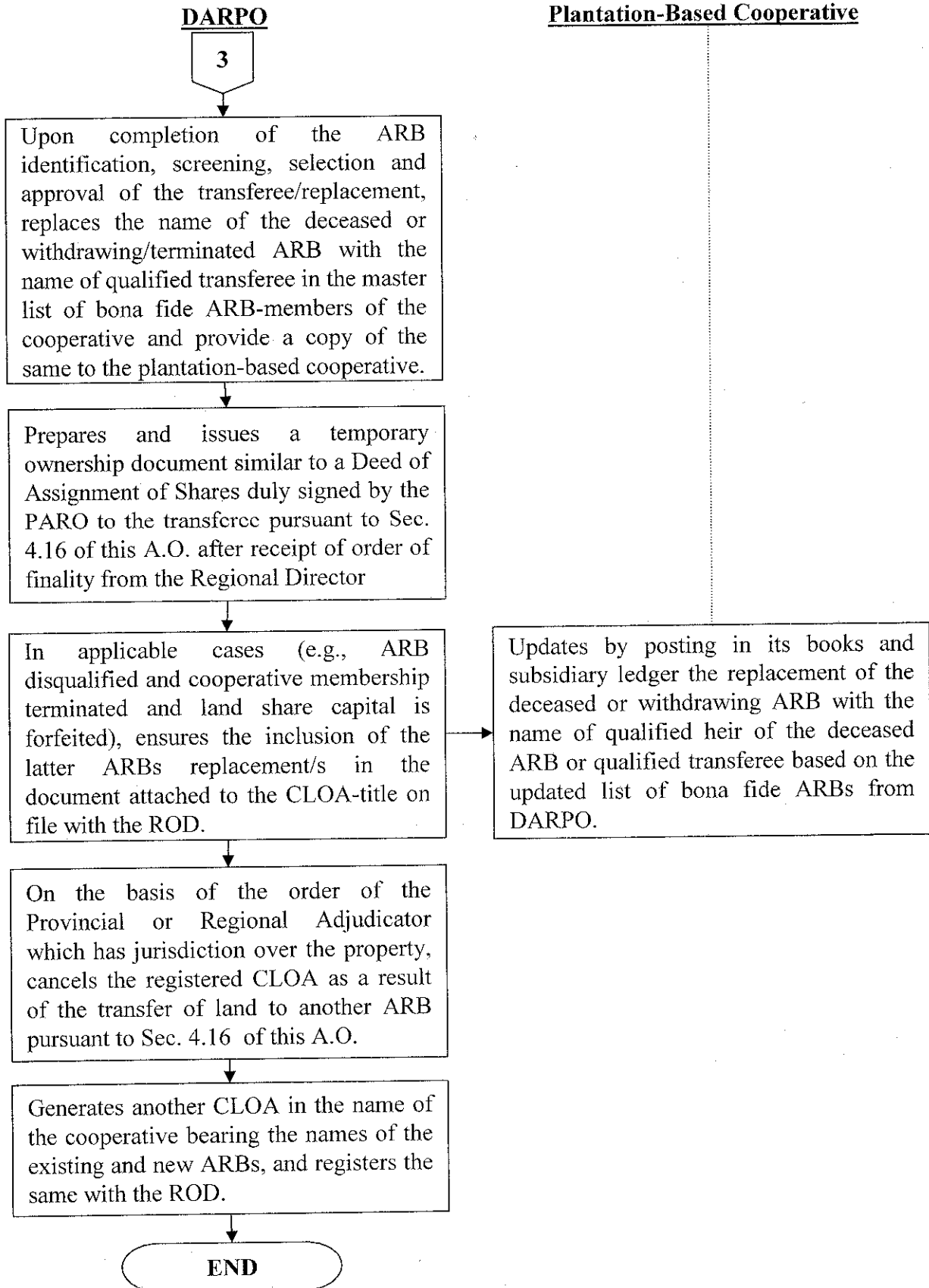
Operating Procedures

Sec. 14 – Replacement (Inclusion/Exclusion) of ARBs and Cooperative Members



Operating Procedures

Sec. 14 – Replacement (Inclusion/Exclusion) of ARBs and Cooperative Members

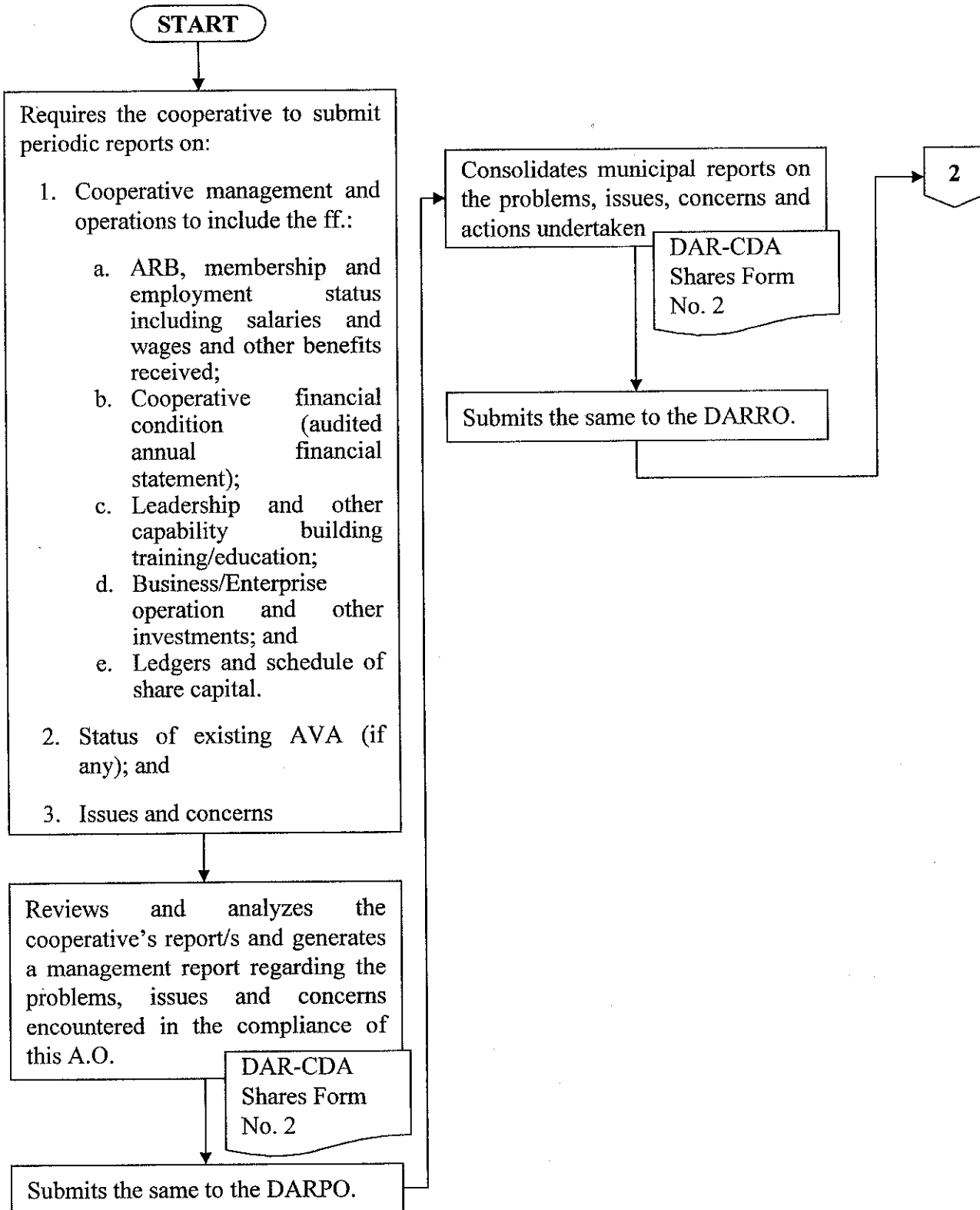


Reporting and Monitoring

Sec. 15 – Reporting and Monitoring

DAR Municipal Office (DARMO)

DARPO



Reporting and Monitoring

Sec. 15 – Reporting and Monitoring

