



Republika ng Pilipin
KAGAWARAN NG **ORMANG PANSAKAHAN**
(Department of Agrarian Reform)
Tanggapan ng Kalihim
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ADMINISTRATIVE ORDER

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SUBJECT : Guidelines and Procedures for Corporate Landowners Desiring to Avail Themselves of the Stock Distribution Option Under Section 10 of Executive Order No. 229

Implementing Section 10 of Executive Order No. 229, the following guidelines and procedures are hereby promulgated for the guidance of all concerned:

Section 1. Qualified Corporate Landowner-Applicants - All bonafide stock corporations owning land assets utilized for agricultural production and existing as such as of August 12, 1987, the date of the effectivity of the Comprehensive Agrarian Reform Program (CARP) may apply and avail of the voluntary stock distribution option under the provisions of Section 10, Executive Order No. 229. New corporations incorporated after the effectivity of the CARP may also apply, provided, they are subsidiaries of or spin-offs from their mother corporation which are otherwise qualified to apply hereunder, but have chosen to organize separately to facilitate stock acquisition, control and greater benefits to the corporate landowner-applicant's farm workers and employees.

Qualified Beneficiaries - The qualified beneficiaries in the stock distribution plan submitted by the Corporate landowner-applicant shall be farm workers, farm laborers and farm employees as defined by paragraph 15, Section 166 of Republic Act 3844, as amended, but shall exclude those employed by corporations other than those of the corporate landowner-applicant.

This stock distribution plan, together with the additional compensation, shall be under terms and conditions acceptable to both parties and subject to the approval of the PARC. DAR shall monitor and devise a system of ensuring the voluntary acceptance by the beneficiaries of this plan for stock distribution. The approval of the stock distribution plan by the majority of the qualified beneficiaries shall be binding upon all the said qualified beneficiaries within the applicant-corporation.

Section 2. Application and Time of Filing - The Corporate landowner-applicants shall file the stock distribution plan in a form to be prescribed by DAR which must be at a time before the agricultural land is placed under the coverage of the compulsory acquisition scheme under Section 5 of Executive Order No. 229.

Section 3. Proportion of Distribution - The stock distribution plan of the Corporate landowner-applicants must give the qualified beneficiaries the right to purchase at least such proportion that the land asset bears in relation to the Corporation's total assets.

"Land assets" as used in this section means "agricultural land" as defined in paragraph 1, Section 166 of R.A. 3844, as amended, and shall include necessary or useful improvements and infrastructure inseparably attached to the soil including trees, dikes, canals and the like.

Section 4. Stock Distribution Scheme - The stock distribution plan submitted by the Corporate landowner-applicant shall provide for the distribution of an equal number of shares of stocks of the same class and value to each of the qualified beneficiary. This distribution plan shall, in all cases, be the minimum ratio for purpose of compliance with Section 10 of E.O. 229.

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

Corporate landowner-applicants may also extend the grant of this stock distribution plan together with the grant of additional compensation to the other employees of the corporation who are not otherwise qualified under this plan without prejudice to the rights of the qualified beneficiaries of the stock distribution plan.

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

- a. That continued operation of the corporation with its land assets intact and unfragmented is viable, with potential for growth and increased profitability;
- b. That the plan for stock distribution to qualified beneficiaries would result in increased income and greater benefits to them, than if the lands were divided and distributed to them individually;

- c. That the stock distribution plan is acceptable to a majority, defined as 50% + 1, of the qualified beneficiaries; and
- d. Other criteria that the DAR may prescribe in making its own independent evaluation of the stock distribution plan of the Corporate landowner-applicant as provided for in Section 13 of this implementing guideline.

Section 6. Valuation and Compensation - The valuations given by the Corporate landowner-applicant in its proposal shall be subject to verification and audit examination by the DAR. The determination of the value of the land shall be based on the following relevant factors:

- a. Declared land value by landowners;
- b. Average sales price of two current land transactions of similar real estate in the same municipality;
- c. Landowners' income from the land capitalized at 6%
(Landowners' income \div .06 = capital land value);
- d. Bank Appraisal or Approved Report of an independent professional land appraiser or of a Board of Realtors; and
- e. Market value per latest Tax Declaration adjusted for inflation.

No government funds, i.e., National Treasury or Land Bank of the Philippines (LBP) funds, may be used for this purpose except in cases where in the discretion of the PARC, such government financing shall be deemed necessary.

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

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

Section 9. Additional Compensation - Corporate landowner-applicants are mandated to provide additional compensation to the qualified beneficiaries of the plan which shall be used for the payment of the stocks distributed under the said plan. The amount and other terms of the additional compensation shall be subject to the agreement of the parties.

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


Section 11. Implementation-Monitoring of Plan - The stock distribution plan shall be implemented within three (3) months from receipt by the Corporate landowner-applicant of the approval thereof by the PARC and the transfer of the shares of stocks in the names of the qualified beneficiaries shall be recorded in the stock and transfer books and submitted to the Securities and Exchange Commission (SEC) within one year from the approval of the stock distribution plan.

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

Section 12. Revocation of Certificate of Compliance - Non-compliance with any of the requirements of Section 10 of Executive Order 229, as implemented by this implementing guideline shall be grounds for the revocation of the Certificate of Compliance issued to the corporate landowner-applicant.

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

Section 14. Effectivity Clause - This Order shall take effect immediately upon approval by the PARC.


PHILIP ELLA JUICO
Secretary

LANDHOLDERS REGISTRATION PROJECT
ORGANIZATION STRUCTURE

