

[DAR ADMINISTRATIVE ORDER NO. 10, October 13, 1988]

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

Implementing Section 31 of R.A. 6657, the following Guidelines and Procedures are hereby promulgated for the guidance of all concerned.

SECTION 1. Policies —

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

B. Qualified Beneficiaries — The qualified beneficiaries in the stock distribution plan are all those identified as beneficiaries of land transfer enumerated under Section 22 of R.A. 6657.

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

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

SECTION 3. Proportion of Distribution — The stock distribution plan of corporate landowner-applicant must give the qualified beneficiaries the right to purchase at least such proportion of the capital stock of the corporation that the agricultural

land, actually devoted to agricultural activities, bears in relation to the corporation's total assets under such terms and conditions as may be agreed upon by them.

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

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

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

- A. that the continued operation of the corporation with its agricultural land intact and unfragmented is viable, with potential for growth and increased profitability;
- B. that the plan for stock distribution to qualified beneficiaries would result in increased income and greater benefits to them, than if the lands were divided and distributed to them individually;
- C. that the stock distribution plan is acceptable to a majority, defined as 50% plus 1, of all the qualified beneficiaries.
- D. that the plan shall include a provision that the books of the corporation shall be subject to periodic audit by Certified Public Accountants chosen by the beneficiaries;
- E. that irrespective of the value of the beneficiaries' equity in the corporation, they shall be assured of at least one (1) representative in the Board of Directors or in the management or executive committee, if one exists, of the corporation, and the corporation must amend its by-laws and/or Articles of incorporation to provide such:
- F. that a beneficiary who avails of a stock option must first execute the necessary waiver from being a beneficiary in another stock distribution plan under this rule and/or land distribution under Section 22 of R.A. 6657. A breach of the foregoing constitutes a willful violation of the Act;
- G. other criteria that the DAR may prescribe in making its own independent evaluation of the stock distribution plan of the corporate landowner-applicant as provided for in Section 13 herein.

SECTION 6. Valuation and Compensation — The valuation of corporate assets submitted by the corporate landowner-applicant in this proposal shall be subject to verification and audit examination by DAR. The determination of the value of the