

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2522



INTRODUCED BY HON. JERICHO JONAS B. NOGRALES

EXPLANATORY NOTE

The Supreme Court ruled in *COCOFED, Et. Al. vs. Republic of the Philippines* (GR No. 177857-58) that the coco levy funds and assets which consist primarily of the 753,848,312 SMC shares and their accumulated dividends are owned by the government in trust for the coconut farmers. It is ruled that said coco levy funds and assets are to be used exclusively for the benefit of all the coconut farmers and the development of the coconut industry. The funds are therefore public trust funds – with government as trustee for the beneficial owners who are the coconut farmers. And the exclusive purpose of the trust is the development of a coconut industry (where hitherto there is coconut “anarchy”) to the benefit of all the coconut farmers.

However, the Supreme Court decision does not provide for an administrative mechanism to ensure that the coco levy funds are managed prudently and properly as intended by law. The decision does not provide guidelines for the management and use of the coco levy funds for the benefit of the coconut industry and the coconut farmers. This is a dangerous situation for the coconut farmers who bore the burden of the coconut levy.

In fact other sectors have started posturing to get their hand on the coconut levy funds. Worse, these “other sectors” are not even connected to the coconut industry, and the proposed use of the funds is not for the benefit of the coconut industry and the coconut farmer.

Hence, there is a great need to constitute the coconut levy funds and assets into a Coconut Industry Trust Fund and provide the administrative structure that will manage the trust funds and ensure that its use will benefit the coconut industry and the coconut farmers. That structure is proposed to be a Corporation to be called the Philippine Coconut Farmers Welfare and Industry Development Corporation.

A public trust fund of the magnitude of the coconut levy funds and assets will need not a mere committee but a full-fledged government-owned corporation that has the requisite characteristics of stability, flexibility, autonomy, transparency, accountability and therefore the capacity for good and effective governance.

A mere committee can never exhibit the properties of such a corporation but can easily be subject to the politics and vagaries of express executive governmental approval and desire.

When the "Coconut Investment Act" or R.A. 6260 was enacted in 19 June 1971 with the avowed policy of aiding the development of the coconut industry through the establishment of a Coconut Investment Fund or "CIF" it stipulated in the same law that not a passing committee but a more permanent Coconut Investment Company or "CIC" be established to manage that Fund. One could expect nothing less.

This bill seeks to give teeth to the decision of the Supreme Court that the coconut levy funds and assets are to be used exclusively for the development of the coconut industry to the benefit of all the coconut farmers.

The passage of this bill is earnestly sought.



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HOUSE BILL NO. 2522

INTRODUCED BY REP. JERICO JONAS B. NOGRALES

**AN ACT CREATING THE COCONUT INDUSTRY TRUST FUND, PROVIDING
FOR ITS MANAGEMENT AND
FOR OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled.

ARTICLE I

Sec. 1 **Title** – This act shall be known as “The Coconut Industry Trust Fund Act”.

Sec. 2 **Definition of Terms.** – The following terms shall mean:

- (a) "CIIF" shall refer to the Coconut Industry Investment Fund created by virtue of Presidential Decree 1468;
- (b) "CIIF - Oil Mills Group" shall refer to the CIIF companies, namely, Southern Luzon Coconut Oil Mills; Cagayan de Oro Oil Co. Inc.; Iligan Coconut Industries, Inc.; San Pablo Manufacturing Corp.; Granexport Manufacturing Corp.; and Legaspi Oil Co. Inc.;
- (c) "CIIF Holding Companies" shall refer to the fourteen (14) holding companies; namely: Anglo Ventures Corporation; ACS Investors, Inc.; Arc Investors, Inc.; AP Holdings, Inc.; Fernandez Holdings, Inc.; First Meridian Development, Inc.; Randy Allied Ventures, Inc.; Rock Steel Resources, Inc.; Roxas Shares, Inc.; San Miguel Officers Corp., Inc.; Soriano Shares, Inc.; Te Deum Resources, Inc.; Toda Holdings, Inc.; and Valhalla Properties Limited, Inc.;
- (d) "CIIF SMC Block Shares" shall refer to the 33,133,266 shares of stock in San Miguel Corporation (SMC), sequestered by the PCGG in April 1986 and representing 31% of the total outstanding capital stock of SMC;

- (e) "Converted SMC 1 Preferred Shares" shall refer to that portion of the CIIF SMC Block Shares covering 753,848,312 preferred shares of stock in SMC and representing 24% of the outstanding capital stock of SMC;
- (f) "Coconut Levy Assets" shall refer to any and all kinds of property, whether real or personal, tangible or intangible, wherever situated, which have been acquired through the Coconut Levy Funds as defined in this Section, including those assets that may be recovered in favor of the government, as well as the fruits, or income therefrom, including those acquired in exchange or substitution thereof;

This shall include, among others, the following:

- i. The 72.2% shares of United Coconut Planters Bank's (UCPB's) outstanding capital stock;
 - ii. The CIIF - Oil Mills Group;
 - iii. The CIIF Holding Companies; and
 - iv. The CIIF SMC Block Shares;
- (g) "Coconut Levy Funds" shall refer to various funds generated from levies, taxes, charges, and other fees exacted or imposed pursuant to or in connection with the sale of copra *rececada* or its equivalent in other coconut products, and collected for the most part from coconut farmers, planters, millers, refiners, processors, exporters, desiccators and other end-users of copra *rececada* or its equivalent in other coconut products.

Specifically, the term shall refer to any or all of the following:

- i. The Coconut Investment Fund created under Republic Act No. 6260;
 - ii. The Coconut Consumers Stabilization Fund, later renamed as the Coconut Industry Stabilization Fund, created under Presidential Decree No. 276;
 - iii. The Coconut Industry Development Fund created under Presidential Decree No. 582;
 - iv. The Coconut Industry Investment Fund created under Presidential Decree No. 1468; and
 - v. The Coconut Reserve Fund under Presidential Decree No. 1468 and Presidential Decree No. 1842.
- (h) "PCA" shall refer to the Philippine Coconut Authority, created under Presidential Decree 232 (S. 1973) as amended by Presidential Decree 1468 (S. 1978);
- (i) "PCGG" shall refer to the Presidential Commission on Good Government, created under Executive Order No.1 (S. 1986);
- (j) "Corporation" shall refer to the "Philippine Coconut Farmers Welfare and Industry Development Corporation (the Corporation)."
- (k) "CITF" shall refer to the "Coconut Industry Trust Fund (CITF)."

(l) "Trust Income" shall refer to the income, interest earnings, and other monetary benefits, realized by and accruing to the Trust Fund or any portion thereof; and

(m) "Trust Principal" shall refer to (i) the initial Trust Principal composed of the proceeds from the redemption of the Converted SMC 1 Preferred Shares, dividends declared, paid, or issued on the Converted SMC 1 Preferred Shares, and all income or interest derived therefrom as of the effectivity of this Act; and any other cash Coconut Levy Asset deposited in the Bureau of Treasury and UCPB as administrator of the CIIF; (ii) any and all proceeds of privatization of the Coconut Levy Assets remitted thereto by the Privatization and Management Office, and (iii) proceeds of privatization of any or all properties or assets conveyed by any person, group or entity to the Corporation from time to time, as provided for in this Act.

Sec. 3 Declaration of Policy – It is hereby declared to be the national policy to accelerate the development and vertical integration of the coconut industry, through the provision of adequate medium and long-term financing for capital investment in the industry, social services for the coconut farmers and assistance for the coconut farmers' organizations by instituting a Coconut Industry Trust Fund capitalized with the coconut levy funds and assets and administered by the **Philippine Coconut Farmers Welfare and Industry Development Corporation (the Corporation)**.

Sec. 4 Objectives – Pursuant to the above-mentioned policy, this Act has the following objectives:

- a) Promote the steady, accelerated and orderly development and vertical integration of the coconut industry;
- b) Develop and establish coconut based farming systems including but not limited to the establishment of model coconut farms;
- c) Hasten and advance industrialization in the coconut industry and the diversification and proper utilization of coconut products and by-products;
- d) Promote the effective utilization and marketing of coconut products and by-products in the domestic and foreign markets and preserve the competitiveness and reliability of the country as a major producer and supplier of said products;
- e) Increase production by expanding the planting and replanting program of coconut trees in strategic areas identified as having the most potential;

- f) Conduct scientific researches and investigations in all areas pertaining to the agricultural, industrial, marketing and socio-economic aspect of the coconut industry and encourage the participation of small farm holders in research and technology;
- g) Encourage and promote the organization of coconut farmers' cooperatives, associations and organizations and provide them grants, credits and financing schemes;
- h) Generate and disseminate information and communication to farmers, producers and other sectors to ensure the appreciation and adoption of appropriate technology and practices, inventions, as well as the proper awareness and correct understanding of issues and development in the coconut industry; and [any other additional].

ARTICLE II

Sec. 1 **Creation of the "Coconut Industry Trust Fund"**. – There is hereby created a trust fund to be known as the **Coconut Industry Trust Fund (CITF)** from the funds and assets of the so-called coconut levy funds consisting of the **753,848,312 CIF Preferred SMC shares** and their accumulated dividends; the **United Coconut Farmers Bank (UCPB)**; the **CIF Oil Mills**; the **14 Holding Corporations**; the **United Coconut Planters Life Assurance Corporation (COCOLIFE)**; and all their respective assets, subsidiaries or their cash equivalent if sold, and affiliates to the extent that the Supreme Court has ruled or may rule in other cases to be owned by the government in trust for the coconut industry and the coconut farmers.

Included in these funds and assets are all the coconut levy funds consisting of the following:

- i. The Coconut Investment Fund created under Republic Act No. 6260;
- ii. The Coconut Consumers Stabilization Fund, later renamed as the Coconut Industry Stabilization Fund, created under Presidential Decree No. 276;
- iii. The Coconut Industry Development Fund created under Presidential Decree No. 582;
- iv. The Coconut Industry Investment Fund created under Presidential Decree No. 1468;

v. The Coconut Reserve Fund under Presidential Decree No. 1468 and Presidential Decree No. 1842.

Immediately upon the effectivity of this Act, the Government (Trust Owner) and the Beneficial Owners shall cause the transfer of Ten Billion Pesos (Php 10,000,000,000.00) from the Coconut Levy Funds to the Corporation to fund its operations and the programs.

The registered owners/stockholders of the assets/shares/corporations above-mentioned shall cause the transfer thereof to the Corporation created in Article III hereof.

They are hereby declared to be special trust funds with the government as trustee for the beneficial owners who are the coconut farmers. The CITF shall not form part of the general fund of the government and shall be used only for the purposes and uses of the Fund as provided by this Act.

The PCGG, the government representatives to the boards of sequestered/surrendered corporations, and any government agency or person having any Coconut Levy Asset in its administration, authority, custody or control, shall perform or cause the performance of the following:

- (1) reconvey title to this Corporation of the Republic of the Philippines over the Coconut Levy Assets;
- (2) deliver all stock certificates and other evidence of ownership to the Corporation for safekeeping;
- (3) deposit all cash equivalent of the Coconut Levy Assets in the Trust Fund.

Sec. 2 Audit and Inventory of Coconut Levy Assets. – Upon the effectivity of this Act, the Commission on Audit (COA), in coordination with the Presidential Commission on Good Government (PCGG), shall conduct a complete accounting and inventory of the Coconut Levy Assets. The audit shall determine and ascertain the amount, value, description and nature of such funds, properties, assets, records, choses in action, and other rights, claims, or causes of action pertaining thereto. Likewise, the COA shall conduct an audit of all investments, disbursements or expenditures arising from Coconut Levy Funds.

Within one hundred twenty (120) days from the effectivity of this Act, the COA shall submit to the Corporation its audit report, together with a complete list of Coconut Levy Assets and their valuation, and the empirical basis and the methodologies employed for the said valuation.

The Corporation shall, within fifteen (15) days from its receipt of the audit report, publish the same in at least two (2) newspapers of national circulation.

Nothing herein shall be construed as preventing the Corporation from procuring a third-party appraisal of any of the Coconut Levy Assets.

Sec. 3 Purposes and Uses of Fund – The CITF shall be used only for the following:

1. To finance the development/operating expenses of legitimate/recognized coconut farmer organizations including projects such as scholarships for the benefit of deserving children of the coconut farmers and the establishment of coconut seedling nurseries and the farmers planting/replanting program;
2. To finance the establishment and operation of industries and commercial enterprises as well as research relating to the coconut industry;
3. To finance social services for the coconut farmers for their mutual assistance, protection and relief in the form of social benefits, such as life, medical, and accident insurance coverage of the coconut farmers.
4. In general to finance the attainment of the objectives enumerated in Art. 1, Sec. 3 of this Act.

Sec. 4 Limitation of Usage of the Fund - Subject to the provision of Sec. 4, hereof only the income of the CITF shall be used and only for the purposes and uses provided in Sec. 2 hereof, except for the initial amount provided for in Article II, Section 1 hereof.

Sec. 5 Allocation of Income of the Fund – The net income of the CITF shall be allocated as follows:

- 5% of the net income of the Trust Fund shall be allocated for the administrative/operating expenses of the Corporation;
- 25% of the net income of the Trust Fund shall be allotted back to the Trust Fund;

- 70% of the net income of the Trust Fund shall be used to fund the programs/projects enumerated in Sec. 2 hereof.

Sec.6 Depository of the Fund – Pursuant to Sec. 5. PD 755, the United Coconut Planters Bank (UCPB) as long as it is principally owned by the government and the coconut farmers shall be the depository of the CITF, the principal and income thereof, subject to the terms and conditions as the Corporation and UCPB may stipulate. In the event the UCPB is sold to a private entity, the Corporation shall choose the new depository of CITF provided that the new depository shall be a government owned and controlled bank.

Sec. 7 Investment of the CITF – The CITF shall be invested or allowed to be invested by the Corporation only in the following:

- a) Shares of stock of corporations which have been at least annually declaring dividends thereon for at least three consecutive years;
- b) Evidence of indebtedness of the Republic of the Philippines or any other government agency or corporation guaranteed by the Republic of the Philippines which pay interest quarterly/semi-annually;
- c) Bonds, debentures, preferred shares or guaranteed stocks of any solvent corporations or institutions created or existing under the laws of the Philippines which pay interest quarterly/semi-annually;
- d) Time deposits and other investment products of reputable banking institutions, including institutions in the international complex of Sovereign Wealth Funds, that are non-speculative in nature and which pay interest quarterly/semi-annually.

ARTICLE III

Sec. 1 Creation of the Philippine Coconut Farmers Welfare and Industry Development Corporation - There is hereby created under the office of the President of the Philippines the **Philippine Coconut Farmers Welfare and Industry Development Corporation** which shall manage, administer, utilize or dispose certain assets of the Coconut Industry Trust Fund (CITF) established in Art. II, Sec. 1 hereof.

It shall be organized by the appointment of its 15-man Board of Trustees within 6 months from the effectivity of this Act.

Sec 2 Principal Office – The Corporation shall have its principal place of business in Makati City, Metro Manila which shall be its domicile, and such branches or agencies or subsidiaries within or outside the Philippines as may be necessary for the proper conduct of its operations.

Sec. 3 Purposes and Objectives - The Corporation shall have the following purposes and objectives:

- a) To fully tap the potential of the coconut farmers in order to maximize their production and give them greater responsibility in directing and developing the coconut industry;
- b) To accelerate the growth and vertical integration of the coconut industry and other related coconut products from the raw material stage to the semi-finished and finally, the finished product stage;
- c) To improve, develop and expand the marketing system; and
- d) To ensure stable and better incomes for coconut farmers;
- e) In general to promote the attainment of the objectives if this Act as provided in Art. I, Sec.3 and Art. II, Sec. 2 hereof.

Sec. 4 Specific and General Powers – In order to carry out the purposes mentioned in the preceding Section, the Corporation shall have the following purposes:

- a) To invest in shares of stock of corporations, at least sixty percent (60%) of the capital stock of which is owned by Filipinos for the purpose of financing the establishment, development and expansion of new and/or existing coconut industrial, financial and marketing enterprises with proven profitability or great profit potential;
- b) To organize subsidiaries for the purpose of constructing, establishing and operating coconut centrals or mills and other collateral and support enterprises which will enhance the development, integration and modernization of the coconut industry;

- c) To provide financing or grants for technical and economic research studies, promotional programs, scholarship and social benefits and industrial manpower development projects for the coconut industry and the coconut farmers;
- d) To enter into contracts and execute such other acts and exercise such powers as may be necessary to carry the purpose of this Act;
- e) To provide funds for the implementation of Art I Sec. 3 and Art. II Sec. 2 of this Act;
- f) To appoint the members of the Board of Directors of the companies/entities it administers/manages enumerated in Sec1 Art. II of this Act.

Sec. 5 Composition of the Board of Directors, Term of Office, Compensation -

The corporate powers of the Corporation shall be vested in a Board of Directors to be appointed by the President of the Philippines consisting of fifteen (15) trustees eight (8) of whom shall represent government sector provided that the Philippine Coconut Authority (PCA) Administrator shall be a Director, and seven (7) of whom shall come from the coconut industry sector provided that the three largest nationwide coconut farmers organization, the Philippine Coconut Producers Federation, Inc. (COCOFED), the Philippine Association of Small Coconut Farmers Organizations (PASCFO) and the Pambansang Koalisyon ng mga Samahang Magsasaka at Manggagawa sa Niyugan (PKSMMN) shall have one nominee each. The depository bank – United Coconut Planters Bank (UCPB) subject to Sec. 5. Art. II hereof shall have one nominee as well as the coconut industry umbrella organization United Coconut Association of the Philippines, Inc. (UCAP). Other nationwide coconut farmer organizations duly recognized and accredited by the Philippine Coconut Authority may be represented in the Board, provided that in their absence, in the meantime, the COCOFED, PASCFO and PKSMMN shall jointly nominate such Directors.

Sec. 6 Term of Office – The members of the Board of Directors shall have a term of office of six (6) years except those coming from the government sector whose term shall be co-terminus with their respective government position. The term of office of those appointed to replace these government Directors shall also be co-terminus. In any case, they shall hold office only for a maximum of six (6) years. The President

may reappoint any of the private sector Directors. Those appointed to replace the private sector Director shall serve only the remaining term of the vacating Director.

Sec. 7 Powers of the Board of Directors – Unless otherwise provided by law, the corporate powers of the Corporation shall be exercised, all business conducted and all property of the Corporation controlled and held by the Board of Directors.

Sec. 8 Compensation of the Directors – The Directors shall receive no salaries except when serving as officers of the corporation. They shall however receive for every board meeting per diems as fixed by the Board as well as monthly representation, transportation, and other allowances. Their travel and lodging expenses incurred for every meeting shall be borne by the Corporation.

Sec. 9 Officers/Professional Management of the Corporation – Except for the Chairman and Vice-Chairman the Corporation shall be managed and operated by professional managers who have a record of proven competence and experience of at least five (5) years in their respective fields of competence in managing a corporation, for profit or non-profit, or a department or division hereof. These Officers are hereby classified as professional managers and shall be exempt from the rules and regulations of the Civil Service Commission:

- a. Chairman
- b. Vice-Chairman
- c. President/Chief Operating Officer
- d. Vice President
- e. The Treasurer/Chief Financial Officer
- f. The Corporate Secretary
- g. Comptroller/Internal Auditor
- h. Compliance Officer
- i. Chief Legal Counsel
- j. Such other officers as may be necessary and appointed by the Board of Trustees.

Sec. 9 Powers and Duties of the Officers of the Corporation.

1. THE CHAIRMAN. The Chairman of the Board who shall be a Director shall preside at all meetings of the Board of Directors, in his absence or inability to so preside, the meeting shall be presided over by the Vice-Chairman, and in the absence of both, by the President.

The Chairman of the Board shall be the CHIEF EXECUTIVE OFFICER of the Corporation and shall have such other powers as may be prescribed by the Board.

- a. To preside at all meetings of the Board of Directors;
- b. To direct the implementation of the policies of the Board;
- c. To take active supervision and control over the property, interest, business and affairs of the Corporation, and subject to the approval of the Board, may appoint, suspend or remove any appointive officer or employee whenever in his judgment it may become necessary to do so;
- d. To present to the Board at any regular or special meeting or at such other times as it may require, a report in the state of the business of Corporation;
- e. To attend meetings of the Board, and render such assistance or advice as it may need concerning the state of the business of the Corporation.

2. THE VICE-CHAIRMAN – The Vice-Chairman who shall be a Director and who comes from the coconut farmers organizations shall have such powers and perform such duties as the Board of Directors may from time to time prescribe and as may be delegated to him by the Chairman. In the absence of the Chairman, the Vice-Chairman shall act in his stead and shall perform any and all such powers and duties pertaining to the office.

3. THE PRESIDENT – The President who shall be elected by the Board shall be the CHIEF OPERATING OFFICER of the Corporation under the supervision of the Chief Executive Officer. Aside from those which have been assigned to him by the Board, his powers and duties shall include the following:

- a. To implement the policies formulated by the Board;
- b. To supervise, control and direct subordinate officers and employees in the discharge of their duties;

- c. To ensure that operations of the Corporation comply with the rules and regulations of the Securities and Exchange Commission, Bureau of Internal Revenue, the Commission On Audit, Corporation Code, other laws and regulatory agencies;
- d. To act as an Ex-Officio Member of all Committees of the Board;
- e. To recommend salary adjustments, promotions of officers and staff;
- f. To sign documents representing the Corporation in all its transactions.

The President may delegate to any other officer any of his powers and duties whenever in his judgment such delegation is expedient and practicable.

4. THE VICE-PRESIDENT. The Board of Directors may elect one or more Vice-Presidents who may or may not be members of the Board, whose powers and duties in general, shall be determined by the Board. In the absence or inability of the President, the Board shall designate the Vice-President, to perform and discharge the powers and duties of the Office of the President. If the Vice-Presidents are not members of the Board, the Board shall designate who among the Board members shall act in place of the President.

5. THE TREASURER. The Treasurer shall be elected by the Board and shall have the care and custody of the funds, securities and properties of the Corporation. He shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in the designated depository Bank, or with such other depositories as the Board may from time to time designate, and any funds so deposited shall be withdrawable only by checks or other instruments signed by duly authorized officers of the Corporation. He shall render to the Board of Directors or the President whenever required an account of the financial condition of the Corporation and of all his transactions as a Treasurer. He shall perform such other duties as the Board of Directors may from time to time assign to him or are incident to his office. In the absence of the Treasurer or his inability to act, his duties shall be performed by such person as may be designated by the Board of Directors.

6. THE SECRETARY. The Secretary shall be elected by the Board, must be a Filipino citizen, be a lawyer of good standing and a resident of the Philippines. He shall have the following powers and duties:

- a) He shall keep accurate minutes of all meetings of the Board;

- b) He shall be custodian of the corporate seal, record, documents and papers of the Corporation;
- c) He shall perform such other duties as may be assigned to him from time to time by the Board or the Chairman, or the President, and such other duties incidental to his office;
- d) He shall prepare such reports and statements as are required by the Board and/or the President.

During the absence or inability of the Secretary, the Board shall select the person to act in his stead.

7. THE COMPTROLLER/INTERNAL AUDITOR. The Comptroller/Internal Auditor who shall be a Certified Public Accountant shall be elected by the Board and shall be directly responsible only to the Board of Directors. He shall have the following duties, in addition to those which may be prescribed by the Board, to wit:

- a) To see to it that adequate records of all assets, liabilities and transactions of the Corporation are maintained and safeguarded;
- b) To see that adequate audits thereof are currently and regularly made;
- c) To pass upon all vouchers, payrolls and other accounts payable, and to determine that they are properly authorized and certified;
- d) To initiate and enforce measures and procedures relating to all accounting/auditing matters, including clerical and office methods, records, reports, to the end that the business of the Corporation shall be conducted in accordance with the law, lawful rules, regulations and directive of the Commission on Audit and with the maximum safety efficiency and economy;
- e) To assess the accuracy and reliability of the accounting and auditing systems, and certify such statements of financial conditions/income statements, as required by the Board or as requested by the President;
- f) To act as budget director and, in conjunction with other officers and heads of departments, to prepare annual budget covering all activities of the Corporation and to submit the same to the Board before the calendar year begins;

- g) To attend meetings of the Board of Directors and the standing committee when so required by the Chairman of the Board and to render such assistance and advice as the Chairman, President, or Board may desire concerning the books, accounts, and systems of financial transactions of the Corporation, and all its branches, and of any person, entity or Corporation in which the Foundation may be interested;
- h) In case of any defalcation, default, or dereliction of duty coming to his knowledge at any time to notify at once the Chairman and the President.

In the absence of the Comptroller/Internal Auditor or his inability to act, his duties shall be performed by such persons as may be designated by the Board.

8. COMPLIANCE OFFICER – The Compliance Officer of the Corporation who shall be elected by the Board shall have the following duties, to wit:

- a) To oversee and coordinate the implementation of the Corporation's compliance system and to provide a compliance update, at least on a quarterly basis;
- b) To establish an effective and efficient regulatory program and coordinate its implementation;
- c) To report to the Board or its various committees thru the President, all significant compliance issues requiring immediate corrective actions;
- d) To monitor compliance with the corporate governance manual;
- e) To disseminate new laws, rules and regulations upon receipt from regulatory bodies, provide highlights/synopsis/clarifications pertinent to the new regulatory issuance in a timely and accurate manner;
- f) To serve as the primary contact with the regulators and to review, consolidate and submit management replies to the findings/exceptions of regulatory bodies;
- g) To develop and maintain a constructive working relationship with regulatory agencies who will be called upon from time to time to clarify specific provisions of laws, rules and regulations and to discuss/clarify compliance findings/exceptions;

9. CHIEF LEGAL COUNSEL – The Chief Legal Counsel shall be a member of good standing of the Integrated Bar of the Philippines (IBP). He shall be the chief legal adviser of the Board of Trustees and its officership and he shall liaise/coordinate with the Office of the Government Corporate Counsel (OGCC) and/or the Office of the Solicitor General (OSG) concerning legal issues that may affect PCFF for which the assistance of these offices may be necessary.

Sec. 10 Tenure of Office. Subject to the provision of Sec. 6 hereof all executive officers shall hold office at the pleasure of the Board and all other officers, agents and employees shall hold office for such time as provided for in their contracts of employments and if none is provided, at the pleasure of the Board.

Sec. 11 Other Officers. The Board of Trustees may appoint such other officers as may be deemed necessary, provide for their powers and duties, and fix their compensation.

ARTICLE IV

Sec. 1 Members/ Beneficiaries of the Corporation - The following are the minimum requirements to be defined as a coconut farmer and be a member of the Corporation:

- a) Coconut Farmer - Any coconut farmer may apply as a Coconut Farmer Member/Beneficiary of the Corporation. A coconut farmer is a natural person who:
 1. Owns and tills the coconut farm by himself and /or with the assistance of member of his family, or farm laborers;
 2. Owns the coconut farm but does not till it by himself but with the assistance of farm laborers;
 3. As lessee, usufructuary, who tills the coconut farm by himself and/or with the assistance of the farm laborers;
 4. As mortgagee, who tills the coconut farm by himself and/or with the assistance of the farm laborers;

5. Harvests and processes the coconut products and is compensated in the form of the produce which he sells as his own; or
6. Works in the coconut farm and is compensated either in cash or in kind.

Sec. 2 All the coconut farmers of the Philippines who respond to the Ground Survey authorized under this Act and who express their desire to be members shall be the members of the Corporation subject to the provision of Sec. 1 hereof.

ARTICLE V

Sec. 1 **Ground Survey.** For purposes of determining the respective identities and addresses of coconut farmers who will be eligible to become members of the Corporation, a ground survey of coconut farmers (Ground Survey) under the supervision of the Philippine Coconut Authority (PCA) through its Coconut Development Officers who are stationed in all municipalities of the coconut regions of the country shall be conducted and completed within two (2) years after the appointment of the Board of Directors of the Corporation subject to these rules:

- a) There is hereby created a Ground Survey Working Committee ("Survey Committee") which shall be composed of:
 1. An official representative of PCA who shall act as the Chairman;
 2. A representative of the COCOFED – Philippine Coconut Producers Federation, Inc.;
 3. A representative of Pambansang Koalisyon ng mga Samahang Magsasaka at Manggagawa sa Niyugan (PKSMMN); and
 4. A representative of Philippine Association of Small Coconut Farmers Organizations (PASCFO).
- b) The Survey Committee shall, within thirty (30) days from the formal organization of the Corporation, meet to start the drafting of the rules and regulations to govern the conduct of the Ground Survey and the computerization of its results which shall be submitted for the approval of the Board of Trustees of the Corporation.

c) Simultaneously, the Survey Committee shall also prepare the Budget for the Ground Survey and the computerization of the results thereof which prepared budget shall be submitted to the Board of Directors of the Corporation for its final approval.

d) The results of the survey shall be computerized under the Office of the Corporate Secretary of the Corporation for the preparation of the Membership Book of the Corporation and for use of the Board of Directors in determining the viability, sustainability and impact of development projects for the benefit of the coconut farmers submitted for its approval and financing.

e) The result of the Ground Survey may also be used by the PCA and the UCPB in the discharge of their statutory functions.

f) Thereafter, the Board of Directors may require periodic ground surveys of coconut farmers for the purpose of updating the Membership Book of the Corporation and such other purposes as the Board of Directors may deem appropriate. The Corporation shall provide a mechanism for the admission of new members as a result of new ground surveys.

Sec. 2 Use of Survey Results – The results of the survey herein authorized shall become the official list of coconut farmers in the country and the official members of the Corporation. Only these farmers shall be recipients, and beneficiaries of any and all projects/programs that the Corporation directly or through their own farmers' organization may undertake.

Sec. 3 Content of Survey – The survey shall among others, identify the coconut farmer either as landowner, landowner tiller, tenant, lessee, mortgagee, trustee, or worker either paid in cash or in kind. The coconut farmer shall also be asked to which coconut farmer organization they belong and whether they agree to be a member of the Corporation.

Sec. 4 Identification Cards – All the surveyed coconut farmers shall be issued the Corporation's tamper proof Membership ID's which shall indicate to what category of coconut farmer they belong and the mother coconut farmer organization to which they belong.

Sec. 5 **Survey Committee Rules** – The Survey Committee shall promulgate the rules and regulations for the survey and prepare the necessary survey forms which shall observe the provision of this Article.

Sec. 6 **Funds for the Survey** – The Corporation shall appropriate the Funds necessary to conduct the ground survey herein authorized from the funds authorized by this Act to be used for the Corporation's projects and programs.

Sec. 7 The **Survey Committee** may seek the assistance from the National Statistics Office in the formulation and implementation of its survey methodologies, analyses and computerization.

ARTICLE VI

Sec. 1 **Commission on Audit** – The funds and disbursements of the Corporation shall be subject to the rules and regulations of the Commission on Audit.

ARTICLE VII

Sec. 1 **Exemption from Civil Service Rule** - The officers and employees of the Corporation shall be exempt from the rules and regulations of the Civil Service Commission. Further, they shall be exempt from the Salary Standardization Law (RA 6758) as well as the Law on Compensation in Government Corporations (RA 10149).

ARTICLE VIII

Sec. 1 The Corporation may sell any of its trust fund assets. Any sale however shall be by open and transparent public bidding and pursuant to the existing rules and regulations on the disposition of government assets,

Sec. 2 All the proceeds of any sale authorized under this act shall form part of the capital trust fund (CITF).

Sec. 3 Any sale authorized under this Act shall respect and shall not result in the diminution of the rights of private, non-sequestered stockholders of any of the assets of the CITF subject of the sale. Said private non-sequestered stockholders may

however be invited to sell their assets separately to the winning bidder at mutually agreed terms and conditions.

Sec. 4 Intervention in the sale process by any persons or groups who have no interest in the coconut levy funds, shall not be allowed.

ARTICLE IX

Sec. 1 Immediately upon the effectivity of this Act, the parties to Sandiganbayan Case # 033 and its subdivided complaints shall sit down and negotiate an Amicable Settlement of the cases which shall result in the lifting of the sequestration of corporations/assets subject matter of said cases.

Sec. 2 The Amicable Settlements resulting in the implementation of Sec. 1 shall be jointly submitted by the parties to the Sandiganbayan for approval and subsequent dismissal of the cases.

Sec. 3 Intervention in the process by any persons or groups who are not parties to the cases, shall not be allowed.

ARTICLE X

Sec. 1 **Repealing Clause** - All laws, decrees, executive orders, rules and regulations and other issuances or parts thereof, inconsistent with the provisions of this Act, are hereby repealed or modified accordingly: PD 1469 in so far as it is supplementary to this Act shall remain in effect.

Sec. 2 **Separability Clause** - If any part or provision of this Act is declared unconstitutional, other parts or provisions thereof which are not affected thereby shall continue to be in full force and effect.

Sec. 3 **Effectivity** - This Act shall take effect upon its publication in at least two (2) national newspapers of general circulation.

Approved,