

AN ACT TO PROVIDE THE GENERAL BASIC COOPERATIVE LAW AND TO CONSOLIDATE AND AMEND EXISTING LAWS ON NON-AGRICULTURAL CO-OPERATIVES IN THE PHILIPPINES WITH SPECIAL PROVISIONS FOR G...

REPUBLIC ACT NO. 2023, June 22, 1957

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CHAPTER I.—Preliminary Provisions

SECTION 1. Short title.—This Act shall be known as the "Philippine Non-Agricultural Co-operative Act."

SEC. 2. Declaration of policy and objectives.—It is hereby declared to be the policy of Congress to assist the people to develop their enterprises on a co-operative basis to strengthen their economic independence within the framework of this Act by the promotion of organized methods of industrial production, marketing, distribution and credit, the improvement of processes and other activities and the removal of conditions which hamper the growth of a rising standard of living with a view to promote the general well-being of the people and to expand the national economy.

In furtherance of this policy, the Government shall encourage and assist in the establishment of a system of co-operative banks all over the country which shall provide banking facilities and reasonable credit for the non-agricultural co-operatives and encourage the distribution of consumer requirements through co-operatives by the establishment of a system of co-operative wholesale societies all over the country which shall provide steady and wholesale source of consumer requirements and act as a link between producers and consumers co-operatives by adopting a policy of gradual transfer of the business of procurement of consumer requirements from the National Marketing Corporation (NAMARCO) to the Philippine Co-operative Wholesale Society.

To achieve this policy, the Central Bank of the Philippines, the Department of Commerce and Industry and all other departments, agencies or instrumentalities of the Government shall, in cooperation with the Administrator, provide technical guidance, financial assistance and other facilities to develop a sound and stable co-operative movement in the Philippines.

SEC. 3.—Definitions.—As used in this Act and unless a different meaning is intended in the context—

- "Co-operative" means a non-profit organization of natural or juridical persons registered in accordance with this Act to achieve common benefits of an economic and social character on a co-operative basis; "Co-operative" refers to non-agricultural co-operatives.
- "Co-operative basis" includes—
 - open and voluntary membership;
 - democratic control—one member one vote;
 - limited interest on capital—not exceeding the limitations provided in this Act; and
 - distribution of savings to members in proportion to their participation in the business of the cooperative.

- "Federation of Co-operatives" means a co-operative the primary object of which is to co-ordinate and facilitate the activities of its member co-operatives and to foster the growth of the co-operative movement;
- "Member" includes both a person who subscribes to the articles of incorporation of a co-operative and a person, either natural or juridical, who agrees to join the co-operative and is admitted to membership after registration in accordance with the by-laws and the regulations promulgated under this Act;
- "Regulations" means the regulations promulgated under this Act;
- "By-laws" means the by-laws registered under this Act and includes a registered amendment of the by-laws;
- "Board" means the board of directors to whom the management of the affairs of the co-operative is entrusted under Section 38 of this Act; and
- "Administrator" means the administrator of the Co-operatives Administration Office.

SEC. 4. Scope.—

- Every co-operative under the jurisdiction of the Co-operatives Administration Office existing at the time of the approval of this Act which has been registered under existing co-operative laws (Commonwealth Act five hundred sixty-five, Act twenty-five hundred eight and Act thirty-four hundred twenty-five, all as amended) shall be deemed to be registered under this Act, and its by-laws shall, so far as they are not inconsistent with the provisions of this Act, continue in force and be deemed to be registered under this Act.
- All executive and administrative orders, rules and regulations and notices issued, all transactions entered into and suits and proceedings instituted under the said Acts shall be deemed, so far as may be, to have been issued, entered into, or instituted under this Act.

SEC. 5. References.—Upon the approval of this Act, all references to existing laws affecting non-agricultural cooperatives shall be construed as references to this Act, and no proceedings instituted and pending or anything done shall be deemed to have been invalid on the ground that such laws did not refer to this Act.

SEC. 6. Exemption of co-operatives from certain provisions of the Act.—Upon recommendation of the Administrator, the Secretary of Commerce and Industry may, by regulation to be published in the Official Gazette, exempt any co-operative or type of co-operatives from any of the provisions of this Act, or may direct that such provisions shall apply to such co-operative or type of co-operatives with such modifications as may be specified in the regulation: Provided, however, That no regulation shall be issued without giving to such co-operative or type of co-operatives an opportunity to present its case.

SEC. 7. Corporation Law not applicable.—The provisions of the Corporation Law shall not apply to co-operatives.

CHAPTER II.—Administrator

SEC. 8. The Administrator.—

- The Administrator of the Co-operatives Administration Office under the Department of Commerce and Industry is hereby charged with the administration of this Act. There shall be one or more assistant administrators for each type of co-operative who shall be appointed by the President of the Philippines with the consent of the Commission on Appointments. Each assistant administrator shall receive an annual compensation which shall be fixed by the President at the time of his appointment.
- No person shall be appointed Administrator or Assistant Administrator unless he possesses the following qualifications:
- He must be a holder of at least a bachelor's degree from a university or college recognized by the

Government, and

- He must have at least five years experience in co-operatives, either as an officer of a co-operative or of a government agency engaged in the development of cooperatives.

CHAPTER III.—Organization and Registration

SEC. 9. Purposes.—A co-operative may be registered for the mutual benefit of the members thereof, who have for their common objective any lawful purpose or purposes, on a co-operative basis, more particularly those noted hereunder—

- To encourage thrift among the members;
- To create funds and extend credit to the members for productive and provident purposes;
- To encourage scientific production and marketing among the members;
- To provide goods, services and other requirements to the members;
- To build houses or to acquire lands for the members;
- To insure against losses of the members;
- To promote and advance the economic, social and educational condition of the members;
- To undertake such other activities calculated to help the members to solve their problems on a co-operative basis; and
- To co-ordinate and facilitate the activities of co-operatives.

SEC. 10. Service motive.—The object of every co-operative shall be to provide maximum service to its members, not to earn the most profit for its members nor to operate the business for charitable purposes.

SEC. 11. Legality declared; not in restraint of trade.—No co-operative or method or act thereof which complies with this Act shall be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily in violation of any of the laws of the Philippines.

SEC. 12. Who may organize.—Fifteen or more persons, citizens of the Philippines who are either ultimate consumers or primary producers and residing in the proposed area of operation of a co-operative, may organize a cooperative under this Act: Provided, That two or more co-operatives may unite to organize a federation of cooperatives.

SEC. 13. Survey and application.—Every group of persons or co-operatives contemplating the organization of a co-operative under this Act, shall undertake a survey to draw up a program of activities, indicating the area of operation, the field of membership—initial and potential—and other data as may be required by the Administrator to enable him to determine the economic need and the advisability for registering the proposed co-operative. Such group of persons or cooperatives may thereupon apply to the Administrator for the registration of the co-operative.

SEC. 14. Co-operatives which may be registered.—Subject to the provisions of this Act and of regulations issued pursuant hereunder, a co-operative which has as its purposes one or more of those specified in section nine may be registered under this Act, with or without limited liability: Provided, That the liability of a co-operative which has a co-operative as a member shall be limited.

SEC. 15. Administrator to decide certain questions.—The Administrator shall decide all questions as to whether the

articles of incorporation and the by-laws comply with the provisions of this Act and the regulations and whether the purposes of the proposed co-operatives are in accordance with section nine.

SEC. 16. Articles of incorporation.—

- Articles of incorporation of a proposed co-operative shall be signed by each of the subscribers and acknowledged by them if natural persons, and by the presidents or secretaries if cooperatives, before a notary public or other officers authorized to take acknowledgments.
- The articles of incorporation shall, within the limitations of this Act, set forth:
 - The name of the co-operative which shall include the word "co-operative"; the co-operative registered under this Act with unlimited liability shall also include at the end of its name the word "unlimited";
 - The purpose or purposes for which the co-operatives is to be registered;
 - The term of existence of the co-operative which may be perpetual;
 - The area of operation and the postal address of its principal office;
 - The names, nationality and the postal addresses of the subscribers;
 - The field of membership;
 - The names and postal addresses of the directors who shall manage the co-operative for the first term;
- A statement of whether the co-operative is to be registered with or without capital stock and the number of shares of stock or membership subscribed for;
- If with capital stock, a statement of the amount of authorized capital, the number and types of shares and the par value thereof which may be placed at any figure, and the rights, preferences and restrictions of each type of shares; and the number and amount of capital stock subscribed for and the amount paid thereon by each member, indicating their names and postal addresses;
- If without capital stock, a statement of whether the property rights of members shall be equal or unequal, and, if unequal, the general rule or rules by which the rights and interests of each member shall be determined and fixed;
- The articles of incorporation may also contain any other provisions not inconsistent with this Act or any other law, for the conduct of the business affairs of the co-operative.
- Four copies each of the articles of incorporation, proposed by-laws and the result of the survey required under section thirteen together with the bond of the accountable officers in such amount as may be prescribed in regulations, shall be submitted to the Administrator for registration.
- The Administrator shall not register a co-operative unless the articles of incorporation is accompanied by a sworn statement of the treasurer elected by the subscribers showing:
 - In the case of a co-operative with capital stock, that at least twenty per centum of the number of authorized shares of capital stock has been subscribed and that at least twenty per centum of the subscription has been either paid to him in cash or that there has been transferred to him in trust and received by him property the fair valuation of which is equal to twenty per centum of the subscriptions; or
 - In the case of a co-operative without capital stock, the number of members and the amount of their capital contribution either paid to him in cash or that there has been transferred to him in trust and received by him property the fair valuation of which is equal to the capital contribution of the members; under both clauses (a) and (b) of this subsection, for the benefit and to the credit of the co-operative, and further, that the

Administrator shall satisfy himself that the capital contribution of members under this subsection is sufficient for the initial operation of the cooperative.

SEC. 17. Adoption of by-laws; contents.—

- Each co-operative to be registered under this Act shall adopt for its management a code of by-laws not inconsistent with the powers granted by this Act. The by-laws shall be filed with the Administrator at the time of filing the articles of incorporation and shall take effect upon registration and issuance of a certificate of registration by the Administrator.
- The by-laws of each co-operative shall provide for—
 - The qualifications for admission to membership and the payment to be made or interest to be acquired as a condition to the exercise of the right of membership;
 - The rights and liabilities of membership;
 - The circumstances under which the withdrawal and the expulsion of members shall be permitted;
 - The procedure to be followed in cases of withdrawal, ineligibility and/or death of members;
 - The conditions under which the transfer of a share or interest of the member shall be permitted;
 - The time, place and manner of calling and conducting assemblies and meetings and the right of voting;
 - The general conduct of the business of the co-operative, including the powers and duties of directors, officers and committee members;
 - The manner in which the capital may be raised and the purposes for which it can be utilized;
 - The mode of custody and of investment of surplus funds;
 - The manner of keeping accounts;
 - The method of distribution of net savings;
 - The manner of adopting, amending, repealing and abrogating by-laws;
- In case of co-operatives loaning funds;
 - the conditions governing the granting of loans, the determination of the maximum and normal credit of members and the maximum loan which may be granted to a member,
 - the rate of interest on loans,
 - the purposes for which the loans may be granted,
 - the security for payment of loans,
 - the period of repayment of loans, and
 - the extension of the period of payment and renewal of loans, and
- Other matters incident to the purposes and activities of the co-operative.

SEC. 18. Registration.—

- If the Administrator is satisfied that a co-operative has complied with the provisions of this Act and the regulations, and that its proposed articles of incorporation and by-laws are not contrary thereto, he may register the co-operative. The articles of incorporation and by-laws shall become operative only upon registration and

issuance of a certificate to that effect by the Administrator.

- If the Administrator refuses to register a co-operative, he shall record the reasons for his refusal. An appeal shall lie to the Secretary of Commerce and Industry from an order of the Administrator refusing to register a cooperative within two months from the date of the receipt of such order by the secretary of the proposed co-operative, and the decision of the Secretary of Commerce and Industry on the matter shall be final.

SEC. 19. Evidence of registration.—A certificate of registration signed by the Administrator under his official seal shall be conclusive evidence that the co-operative therein mentioned is duly registered unless it is proven that the registration of the co-operative has been cancelled.

SEC. 20. Amendment of articles of incorporation and by-laws.—

- The articles of incorporation and by-laws made under this Act and the regulations may be amended, repealed or abrogated by general assemblies of members and shall take effect upon registration thereof and the issuance of the corresponding certificate by the Administrator.

- If the Administrator refuses to register an amendment, repeal or abrogation under subsection (1), he shall record the reasons for his refusal. An appeal shall lie to the Secretary of Commerce and Industry from an order of the Administrator refusing to register the amendment, repeal or abrogation within two months from the date of the receipt of such order by the secretary of the cooperative and the decision of the Secretary of Commerce and Industry on the matter shall be final.

SEC. 21. Change of liability.—A co-operative may, subject to the provisions of this Act and to any regulations made in this behalf, change its liability by amending its articles of incorporation and by-laws, provided that:—

- The co-operative shall give notice, both by publication in a newspaper of general circulation and by posting in a conspicuous place in the locality where the co-operative has its principal office, of its intention to change its liability to all its members and creditors;

- Any member or creditor shall, notwithstanding any by-laws or contract to the contrary, have the option of withdrawing his interest in the co-operative within three months of the service of such notice on him and the change shall not take effect until all such claims have been satisfied ; and

- Any member or creditor, who does not exercise his option within the period aforesaid, shall be deemed to have assented to the change: Provided, That the change shall take effect at once if all the members and creditors assent thereto.

SEC. 22. Power of federation of co-operatives to direct amendment of by-laws.—

- Subject to the regulations, whenever it appears to a federation of co-operatives that an amendment of the by-laws of a co-operative which is a member and a debtor of such federation is necessary or desirable in the interest of such co-operative, it may in the prescribed manner, call upon the co-operative to make the amendment within such time as it may specify.

- If the co-operative fails to make the amendment or repay the loan within the time specified, the federation may expel the co-operative from membership and take action to collect the loan.

SEC. 23. Division of co-operatives.—Any co-operative registered under this Act may, by a resolution approved by a vote of three-fourths of the members present and eligible to vote at a general assembly specifically convened for the purpose, resolve to divide itself into two or more co-operatives. The procedure for such division shall be prescribed in the regulations. The new co-operatives shall become legally established upon registration by the Administrator.

SEC. 24. Transfer of assets and liabilities of co-operatives.—

- Any co-operative registered under this Act may, by a resolution approved by a vote of three-fourths of the members present and eligible to vote a general assembly held for the purpose, resolve to transfer its assets and liabilities to any other co-operative which has expressed willingness to accept them by resolution of its general assembly. The resolution shall become effective upon approval by the Administrator and cancellation of the registration of the co-operative transferring its assets and liabilities.
- Any two or more co-operatives registered under this Act may, by a resolution approved by a vote of three-fourths of the members present and eligible to vote at a general assembly of each such co-operative held for the purpose, resolve to join together as a single co-operative. The resolution shall become effective upon the approval and registration of the new co-operative and the cancellation of the registration of the co-operation which have ceased to exist.
- The procedure to be followed under this section shall be prescribed in the regulations.

SEC. 25. Federation of co-operatives.—

- A federation of co-operatives may be registered under this Act for any or all for the following purpose:
 - To carry on any co-operative enterprise authorized under section nine;
 - To carry on, encourage and assist education and advisory work relating to co-operation;
 - To render service designed to insure efficiency and uniformity in the conduct of the business of its member co-operatives and to standardized their bookkeeping, accounting and other procedures;
 - To print, publish and circulate any newspaper or other publication in the interest of co-operative enterprises, principles and practices;
 - To co-ordinate and facilitate the activities of its member co-operatives and do all other things incidental and conducive to the attainment of its object; and
 - To discharge other duties prescribed by the regulations. A federation of co-operatives may be registered by carrying out the formalities provided under this Chapter for registration of a co-operative. No federation of co-operatives shall be registered without the previous approval of the Secretary of Commerce and Industry.
- The Secretary of Commerce and Industry, upon recommendation of the Administrator, shall have the power to issue regulations regarding the organization, registration, administration, operation and supervision of federations of co-operatives, and in particular on the duties of federations of co-operatives; the procedure and conditions for the affiliation of co-operative, the condition under which natural persons may become members of federation of co-operatives, the representation of members and the composition of its board of directors and committees; and the manner of holding general assemblies, voting and other matters as may be prescribed.
- Co-operatives registered under this Act within a province may unite to register as a provincial federation of co-operatives according to the type of business carried on. There shall not be more than one federation of co-operatives of a type within a province. A provincial federation of co-operatives may, with the approval of the Administrator and the central federation of co-operatives of which it is a member, extend its operation to neighboring provinces until such time as its operation can be taken over by a similar federation of co-operatives registered in each one of the province. Large cities shall, with the approval of Administrator, be treated as a province in so far as the registration of provincial federations of co-operatives are concerned.
- Each type of provincial federations of co-operatives may unite to register only one central federation of co-operatives at the national level, to which shall be affiliated all federations of co-operatives and co-operatives having common economic, social and administrative objectives.

- There shall be registered only one national co-operative union at the national level to which all types of cooperatives, provincial and central federations of co-operatives, shall affiliate. The co-operative union shall have the following duties:
- To represent all the co-operatives in the Philippines at home and abroad;
- To acquire, analyze and disseminate economic, statistical and other information regarding co-operatives;
- To conduct studies in the economic, legal, financial, social and other phases of co-operation, and publish the results thereof;
- To promote the knowledge of co-operative principles and practices;
- To develop the co-operative movement in the Philippines within the framework of the economic plan of the Government;
- To supervise federations of co-operatives; and
- To advise the appropriate authorities on all questions relating to co-operatives.

CHAPTER IV.—Membership

SEC. 26. Qualifications of members.—

- Any natural person, co-operative or any nonprofit group shall be eligible for membership in a co-operative if the applicant meets the qualifications prescribed in the regulations and the by-laws. An applicant for membership shall be deemed a member after approval of his membership by the board of directors and shall exercise the rights of a member after having made such payment to the co-operative in respect of membership or acquired interest in the co-operative as may be prescribed by the regulations and the by-laws.
- Notwithstanding the provisions of any law or regulation, officers or employees of the Government shall be eligible for membership in any co-operative if he meets the qualifications therefor and he shall not be precluded from being elected to any elective position in the cooperative of which he is a member and to hold office therein, or from receiving compensation therefor: Provided, That elective officers of the Government shall be ineligible to become officers and directors of any co-operative. For this purpose, individual permission need not be obtained from the proper head of office: Provided, however, That this authority shall not be construed to permit the use of official time.
- Membership in a co-operative shall be voluntary and open to all persons residing in the area of operation and falling within the field of membership, provided they meet the qualifications prescribed in the by-laws and are admitted as members by the board of directors: Provided, however, That no person shall be eligible to borrow from more than one co-operative. In case membership is refused or denied by the board of directors, an appeal may be made to the general assembly of the co-operative, the decision of which shall be final.

SEC. 27. Members to furnish information.—A statement of assets and liabilities duly certified to be correct and true, in such form as may be prescribed, shall be furnished under oath:

- By an applicant for membership of a co-operative with unlimited liability at the time of his admission to membership, at the close of each fiscal year, and at any other time as may be required by the co-operative;
- By a member of a co-operative with unlimited liability when required to do so by the Administrator or any person authorized by him;
- By a member of any other co-operative at the time of any application for a loan or credit line or for acceptance as surety.

SEC. 28. Liability of member.—

- In the case of a co-operative with limited liability a member shall be liable for the debts of the co-operative to the extent of the unpaid amount of his subscription to the capital stock or to the membership capital.
- In the case of a co-operative with unlimited liability a member shall, upon the liquidation of the co-operative, be jointly and severally liable for the debts of a co-operative.

SEC. 29. Liability of past member.—The liability of a past member for the debts incurred by a co-operative, as they existed at the date of his ceasing to be a member shall continue for a period of two years from the said date.

SEC. 30. Withdrawal and expulsion of members.—

- A member may withdraw from a co-operative effective at the end of any fiscal year by giving a minimum of sixty days notice, with the approval of the board of directors. A resolution of the board of directors disapproving the application for withdrawal may be appealed to the general assembly of the members.
- The death, dissolution, insanity, interdiction or expulsion of a member shall be considered an automatic withdrawal from membership.
- A member may be expelled by a vote of a majority of the members entitled to vote in a special or a regular general assembly of members for any of the following causes:
 - when a member has failed to patronize the business of the co-operative for an unreasonable period of time as may be specified in the by-laws,
 - when a member has continually refused to comply with his obligations,
 - when a member has acted in violation of the by-laws and the rules of the co-operative, and
 - for any attempted, frustrated or consummated act injurious or prejudicial to the interest or the welfare of the co-operative,

Provided, That the member against whom the charges are to be preferred shall be informed thereof in writing at least ten days in advance of the assembly and shall be given an opportunity to be heard in the said assembly.

SEC. 31. Nomination of beneficiary.—A member of a co-operative may nominate a person in whose favor the co-operative shall dispose of the share or interest of such member on his death without prejudice to the rights of other persons as provided under existing laws affecting the estate of a deceased person. The nominated beneficiary of the deceased member may apply for membership and pay the required entrance fee, but the board of directors shall have the right to approve or reject the said application. If the application is rejected the co-operative shall return his entrance fee and repurchase his shares or interest, provided that the latter can be done without jeopardizing the solvency of the co-operative. In case the co-operative cannot do so upon request, the beneficiary shall have the right to dispose of the share or interest to any person who is acceptable as a member to the board of directors of the said co-operative.

SEC. 32. Disposal of sums due to a withdrawing member.—All sums calculated in accordance with the regulations and by-laws to be due from a co-operative to a withdrawing member, shall be paid to him either by the co-operative or by the approved transferee, as the case may be, in accordance with this Act.

SEC. 33. Bar to claims.—All payments and transfers made by a co-operative in accordance with this Act shall be valid and effectual against any demand made upon the co-operative by any other person.

CHAPTER V.—Administration

SEC. 34. Final authority of a co-operative.—Subject to the provisions of this Act and the regulations, the final

authority in every co-operative shall be vested in the general assembly of the members or the delegates of such members elected in the prescribed manner and assembled in a general meeting.

SEC. 35. Annual general assembly.—The members' annual general assembly shall be composed of such members as are entitled to vote under the regulations and the by-laws, and when lawfully constituted, shall represent all the members. The annual general assembly shall be called by the board of directors and shall be held at least once each year within ninety days after the close of each fiscal year. The regulations shall prescribe the procedure and method of calling, holding, time, place and quorum requirement of, election and the business to be transacted in the annual general assemblies.

SEC. 36. Special general assembly.—A special general assembly may be called at any time by a majority of the board of directors and such an assembly shall be called by the board of directors within one month after receipt of a request in writing from at least ten per centum of the-total members or the Administrator or his duly authorized agent, or the federation of co-operatives of which it is a member to transact specific business covered by the call. The regulations shall prescribe the procedure and the method of calling and holding and quorum requirement of special general assemblies.

SEC. 37. Voting.—

- Each member of a co-operative shall have only one vote, except that where a co-operative includes in its membership co-operatives or any nonprofit groups the voting rights of such member co-operatives or groups may be as prescribed in the by-laws.
- No voting agreement or other device to evade the one-member-one-vote provision except as provided under subsection (1) shall be enforceable.
- No member shall be permitted to vote by proxy.
- The by-laws may provide for voting by mail and by units of membership. If a co-operative has provided for voting by mail, the votes cast by the members shall be deemed to include the votes cast by mail.
- If a co-operative has provided for voting by delegates, the votes cast by the members shall apply to votes cast by delegates: Provided, That no delegate shall vote by mail.

SEC. 38. Board of directors.—A co-operative shall be managed by a board of not less than five nor more than fifteen directors elected by the general assembly for a term fixed in the by-laws but not exceeding two years and shall hold office until their successors are elected and have qualified or until removed. The by-laws may provide for a method of allocating- the number of directors among the units of membership into which the co-operative may be divided, and for the election of directors by the respective units to which they are allocated. The procedure for the election of directors, officers and committee members together with the method of calling and holding of the meetings may be prescribed in the regulations.

SEC. 39. Qualifications of directors and committee members.—

- Any member of a co-operative who has acquired the right to vote and who does not possess any of the disqualifications provided in the regulations or the by-laws shall be eligible to be elected as director or committee member.
- The by-laws may provide that one or more directors or committee members may be appointed by the Administrator to provide technical knowledge not available within its membership. Such directors or committee members shall not number more than one-third of the total number of directors or committee members. Such persons need not be members of the co-operative, but shall have the same powers and rights as other directors and committee members.

SEC. 40. Removal of directors, officers and committee members.—An elective officer or committee member may be removed by a vote of the majority of the members entitled to vote at an annual or special general assembly. The person involved shall have an opportunity to be heard at said assembly.

SEC. 41. Filling vacancy in board of directors.—When a vacancy in the board of directors occurs other than by expiration of term, the remaining members of the board, by a majority vote, shall fill the vacancy, unless the by-laws provide for an election of directors by units of members. In such case, the board of directors shall immediately call a special general assembly of the members entitled to vote in that unit of membership to fill the vacancy.

SEC. 42. Contract for profit prohibited.—No director, officer, committee member or employee, during the term of his office, shall be a party to a contract for profit with the co-operative. However, contracts that may be entered into by the members with the co-operatives, may be entered into by the same director, officer or committee member or employee.

SEC. 43. Election of officers.—A co-operative shall have the following officers: a president, one or more vice-presidents, a secretary and a treasurer, or a secretary-treasurer. The officers shall be elected annually by the directors unless the by-laws otherwise provide. The president and at least one vice-president must be directors; but no other officer need necessarily be a director.

SEC. 44. Duties of directors, officers and committee members.—The duties and responsibilities of directors, officers and committee members shall be as prescribed in the regulations and the by-laws of a co-operative.

SEC. 45. Liability of directors and committee members for unlawful acts.—The directors and committee members shall, in the discharge of their respective duties, be personally responsible, jointly and severally, for any transaction, act or omission made in violation of law, the regulations, the by-laws, the resolution of the general assemblies or the rules of the co-operative except those who entered a protest at the time when such transaction, act or omission was acted upon.

SEC. 46. Committees.—

- An executive committee of the board of directors may be created in such manner and with such powers and duties, subject to the general direction and control of the board, as the by-laws may prescribe.
- The regulations and by-laws may also provide for the creation of other committees to exercise such powers and perform such duties as may be conferred or imposed by this Act, the regulations and the by-laws of a co-operative.

SEC. 47. Compensation of directors and committee members.—A co-operative may, subject to regulations, provide a fair remuneration for the time actually spent by its directors, committee members and officers in its service.

SEC. 48. Certain administrative powers.—Subject to the regulations, the Administrator shall, so far as is necessary to carry out the purposes of this Act, have the following administrative powers:

(1)

To direct in writing any co-operative to consider an amendment of its by-laws together with the reasons for the necessity of such an amendment proposed by the Administrator, in its next general assembly, annual or special, held after the receipt of such communication, when he considers said amendment necessary and desirable in the interest of the co-operative. Such directive shall be sent to the co-operative by registered mail. When the general assembly fails to decide on the amendment, either for or against, he may register such amendment and issue by registered post to the co-operative a certified copy which shall be conclusive evidence that the amendment has been duly registered and such amendment shall be binding on all the members of such

co-operative;

(2)

To direct any co-operative which pursues a policy contrary to the principle of open and voluntary membership, to open its membership for all persons qualified to become members under its by-laws, except such persons as may have been disqualified by the board. The names of such disqualified persons together with reasons for their disqualifications shall be brought to the notice of the next general assembly of such co-operative for approval;

(3)

To order the removal of any officer, director or committee member of a co-operative and also disqualify him from holding any such position in all co-operatives registered under this Act for a period not exceeding three years, if the Administrator is satisfied that such person has acted or has been acting fraudulently or with gross negligence or in contravention of the by-laws of the co-operative or without the sanction of the board or committee when such sanction is necessary, or contrary to the resolution of the board or against the lawful written orders issued under this Act and regulations thereunder or in any way detrimental to the best interest of the co-operative, after affording an opportunity to the person and the board or committee to be heard, and the reason for the order of removal shall be recorded and communicated to the person concerned and the board or committee of the co-operative;

(4)

To prescribe, from time to time, in agreement with the Central Bank of the Philippines, the manner and standards of fluid resources to be maintained by co-operatives accepting time and demand deposits from individuals and institutions. The Secretary of Commerce and Industry may, however, empower the Administrator, by general or special order, to relax the standard of fluid resources prescribed for a particular co-operative or type of co-operatives for a specified period;

(5)

To order the suspension of the execution of any decision taken by the board or committee or the general assembly of any co-operative when the Administrator decides that such decision endangers the financial stability of the co-operative or contravenes the provisions of this Act, the regulations or the by-laws;

(6) i) Notwithstanding the provisions of this Act or the regulations made thereunder, where a compromise or arrangement is proposed between a co-operative and its creditor or any class of creditors, the Administrator, on his own motion or upon an application made in the prescribed manner by the co-operative or any creditor or by the liquidator of the cooperative appointed under Section ninety-six, may order a meeting of the creditors or the class of creditors, as the case may be, to be called, held, and conducted in such manner as may be prescribed by the regulations;

ii) Any compromise or arrangement approved by a majority of the members in number representing three-fourths in value of the creditors or the class of creditors, as the case may be, present, either in person or by proxy, at the meeting shall, if sanctioned by the Administrator and upon publication in the prescribed manner, be binding upon all creditors or the class of creditors, as the case may be, and also upon the co-operative or the liquidator of the co-operative and all persons who have been or may be required by the liquidator under Section ninety-seven to contribute to the assets of the co-operative;

iii) When two-thirds in value of the obligation or liability fixed in the compromise or arrangement is paid by the co-operative or the liquidator thereof, the compromise or arrangement may be revised at the instance of the parties concerned or the Administrator;

(7)

The Administrator, with the previous approval of the Secretary of Commerce and Industry and upon the

application of a co-operative and under such conditions as may be prescribed, may deputize any official of the Co-operatives Administration Office or any official of other government agencies subject to the approval of the head of the department concerned.

CHAPTER VI.—Duties, responsibilities and privileges of co-operatives

SEC. 49. Address of co-operatives.—Every co-operative shall have an official postal address registered with the Administrator in accordance with the regulations, to which all notices and communications shall be sent, and shall send to the Administrator notice of every change thereof.

SEC. 50. Copy of Act, regulations, etc., to be open for inspection.—Every co-operative shall keep open to its members and representatives of the Co-operatives Administration Office for inspection free of charge at all reasonable times at its official address:

- A copy of this Act;
- A copy of the regulations;
- A copy of the article of incorporation and by-laws of the co-operative;
- A register of members;
- The minute book of the meetings of board of directors and general assemblies; and
- Such other documents as may be prescribed in the regulations.

SEC. 51. Maintenance of books, records, and accounts and their production.—The president of a co-operative shall cause the up-to-date keeping of books, records and accounts in the manner prescribed by the regulations and shall be responsible for the production of the same at the time of audit, inspection and inquiry. All the books, records and accounts so kept shall not be removed outside of the headquarters of a co-operative, except upon orders of courts or of the Administrator.

SEC. 52. Duty to account and publish financial statements.—Each co-operative shall maintain records and accounts in such a manner that the true and correct condition and the results of the operation of the business of the co-operative may be ascertained therefrom at any time, and the financial statements, audited according to regulations, shall be annually published in the prescribed manner.

SEC. 53. Annual Report.—

- Every co-operative shall annually make a report of its financial affairs as of December 31st of each year, which shall be filed with the Administrator or his duly authorized representative on or before the first day of February of each year or within the extension which may be granted by the Administrator in exceptional cases. The report shall be in such form and manner and shall contain such matters as may be prescribed by the regulations and shall be certified by one of the officers of the co-operatives as true and correct in all respects, to the best of his knowledge and belief.

- If any co-operative fails to make and file the report required herein, or fails to include therein any matter required by the regulations, the Administrator shall within fifteen days from the expiration of the prescribed period send such co-operative a registered notice directed to its official postal address stating the delinquency and its consequences. If the co-operative fails to file the report within thirty days from the receipt of such notice, any member of the co-operative may, or the provincial or city fiscal of the province or city where the principal office of the co-operative is located shall, upon request made in writing by the Administrator, petition the court for mandamus to compel the co-operative and its officers to file such report and require the co-operative or the officers at fault to pay all the expenses of the proceeding, including counsel fees when the filing is made by a member.

SEC. 54. Duty to furnish information and required reports.—

- Every officer, director, committee member, member and employee of a co-operative shall furnish such information in regard to the transactions or working of the co-operative as may be required of him by the Administrator or any person authorized by him.
- Every co-operative shall submit the reports prescribed in this Act and the regulations and any other reports as may be required by the Administrator.

SEC. 55. Bonding of accountable officers.—Every director, officer and employee handling funds, securities or property on behalf of any co-operative shall, subject to regulations, execute and deliver adequate bonds for the faithful performance of his duties and obligations.

SEC. 56. Restrictions on borrowing.—A co-operative shall receive deposits and loans from members only to such extent and under such conditions as may be prescribed by the regulations and the by-laws.

SEC. 57. Restrictions on loans.—Subject to the restrictions that may be imposed by the Administrator, a cooperative shall make loans only to its members and not in excess of either the maximum or of the normal credit determined by the co-operative for that member in accordance with the regulations whichever may be prescribed. Nonmembers may obtain loans on the deposits they hold in the co-operative.

SEC. 58. Restrictions on other transactions with non-members.—Subject to the provision of Sections fifty-six and fifty-seven, a co-operative shall not transact business with nonmembers to exceed that done with members.

SEC. 59. Co-operatives to be bodies corporate.—A co-operative after registration under this Act shall be a body corporate by the name under which it is registered till the registration is cancelled, with perpetual succession and a common seal and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

SEC. 60. Co-operative's power to call for statement of claims.—

- When a member of a co-operative, which includes among its purposes granting of loans to its members, applies for a loan or when a person applies for membership in such a co-operative, the co-operative may in the prescribed manner serve a notice on any creditor named in the application or ascertained after subsequent inquiry, and may also publish a general notice on all creditors, requiring him or them to furnish a written statement of his or their claim, in the prescribed form and within the time specified in the notices, which shall not be less than ten days.
- When a member of a co-operative, which includes among its purposes the granting of loans to its members, has already borrowed from the co-operative and intends to apply for a loan from any person other than the cooperative, such member shall send to the co-operative a notice in writing stating:
 - His intention to apply for such loan;
 - The amount of the loan for which he intends to apply ;
 - The object of taking the loan; and
 - The name and address of the lender.

SEC. 61. Debts due to co-operatives shall be a first charge.—

- Notwithstanding the provisions of existing laws, rules and regulations, but subject to the prior claim of the Government in respect of any sum recoverable as a public demand or of Government financing institutions for whatever amount they have extended as loans in connection with production, storage, processing and

marketing, or of a landlord in respect of share or rent or any sum recoverable as share or rent, any debt or outstanding demand owing to a co-operative from any member, past member or the estate of a deceased member shall be a first charge:

- If the debt or demand is due in connection with the supply of, or any loan to provide the means of paying for, seed, fertilizer, labor, subsistence, irrigation facilities, fodder for cattle, or any other thing incidental to the conduct of agricultural operations—upon the crops or other agricultural produce of such member or estate of such deceased member, at any time within two years from the date of such supply or loan;

- If the debt or demand is due in connection with the supply of, or any loan for the purchase of cattle, agricultural implements or machinery or warehouses for the storage of agricultural produce—in the manner and to the extent aforesaid upon the crops or agricultural produce of such member or estate of such deceased member and also upon the cattle, agricultural implements or machinery or warehouses thus supplied, purchased or constructed in whole or in part from any such loan;

- If the debt or demand is due in connection with the supply of, or any loan for the purchase of raw materials, industrial implements and machinery, workshops, warehouses or business premises—upon the raw materials or other things supplied or purchased by such member, or estate of such deceased member in whole or in part from any such loan and also upon any articles manufactured from raw materials or with implements and machinery, workshops, warehouses or business premises so supplied, purchased or constructed wholly or in part from any such loan;

- If the debt or demand is due in connection with any loan for the purchase or redemption of land,—upon the land purchased or redeemed by such member in whole or in part from any such loan;

- If the debt or demand is due in connection with any loan for the purchase or construction of any house or building or any portion thereof or in respect of the supply of materials for such construction,—upon the house or building so purchased or constructed by such member from any such loan or material; and

- If the debt or demand is due in connection with the supply of, or any loan for the purchase of consumer goods, facilities or other things,—upon the goods, facilities or property so supplied or purchased in whole or in part from any such loan.

- No property or interest in property which is subject to a charge under subsection (1) shall be transferred in any manner except by way of lease for a term not exceeding ten years without the previous permission of the co-operative.

- Notwithstanding the provisions of any law, any transfer made in contravention of the provisions of subsection (2) shall be void.

- Notwithstanding the provisions of this Act or of any other law—

- Any member of a co-operative who applies for a loan from the co-operative shall, if he owns any land, make a declaration in the form prescribed in the regulations. Such declaration shall state that the applicant for a loan thereby creates a charge on the land owned by him and specified therein for the payment of the loan which the co-operative may make to the member in pursuance of the application and for all future advances, if any, required by him which the cooperative may grant him as such member subject to such maximum as may be determined by the co-operative together with interest on such loan and advances;

- Any member of a co-operative who has obtained a loan from the co-operative before the enactment of this Act and who owns any land shall, as soon as possible, make a declaration in the form and to the effect referred to in clause (a), and no such member shall, unless and until he has made such declaration, be entitled to exercise any right as a member of the co-operative; (c) A declaration made under clauses (a) and (b) may be revised at any time by a member with the consent of the co-operative in whose favor such declaration is made;

- No member shall alienate the whole or any part of the land specified in the aforementioned declaration until the whole amount borrowed by or advanced to the member together with interest thereon is paid in full: Provided, That any such land and the standing crops thereon may be alienated with previous written permission of the co-operative.

SEC. 62. Agreements with members for deductions from salary to meet claims of co-operative permitted.—

- A member of a co-operative may, notwithstanding the provisions of existing laws, execute an agreement in favor of the co-operative authorizing his employer to deduct from the salary or wages payable to him by the employer such amount as may be specified in the agreement and to pay the amount so deducted to the co-operative in satisfaction of any debt or other demand owing from the member to the co-operative.
- Upon the execution of such agreement the employer shall, if so required by the co-operative by a request in writing and so long as such debt or other demand or any part of it remains unpaid, make the deduction in accordance with the agreement and remit forthwith the amount so deducted to the co-operative.
- The term "employer" as used in this section includes the Government of the Philippines or of any local authority and any other person who has under his employ a member of a co-operative.
- The provisions of this section shall also apply to all such agreements of the nature referred to in subsection (1) as were in force on the date of the approval of Commonwealth Act Numbered five hundred sixty-five.

SEC. 63. Lien and set off on members' interest.—A co-operative shall have an absolute lien upon the capital, deposits or interest of a member or past member for any debt or demand due to a co-operative from such a member, either as a principal or as a surety, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt or demand.

SEC. 64. Register of members.—Any register or list of members or shares kept by any registered co-operative shall be prima facie evidence of the following particulars entered therein:

- The date on which the name of any person was entered in such register or list as a member; and
- The date on which any such person ceased to be a member.

SEC. 65. Admissibility of copy of entry as evidence.—

- A copy of any entry in any book, register or list regularly kept in the course of business in the possession of a co-operative shall, if duly certified in such manner as may be prescribed by the regulations, be admissible in evidence of the existence of the entry and shall be admitted as prima facie evidence of the matters and transactions therein recorded in every case where, and to the same extent to which, the original entry would, if produced, have been admissible to prove such matters.
- In the case of such co-operative as the Administrator may direct, no person or a co-operative in possession of the books of such co-operative shall in any legal proceedings to which the co-operative is not a party be compelled to produce any of the books of the co-operative, the contents of which can be proved under subsection (1) or to appear as a witness to prove the matters, transactions and accounts therein recorded, unless by order of a competent court or judge made for special cause.

SEC. 66. Exemptions.—Co-operatives registered under this Act shall, notwithstanding the provisions of existing law to the contrary, enjoy the following exemptions:

- Co-operatives with net assets of not more than five hundred thousand pesos shall be exempt from all taxes and government fees of whatever name and nature except those provided for under this Act: Provided, however, That co-operatives having net assets in excess of five hundred thousand pesos shall pay taxes as provided hereunder:

- Income Tax—they shall pay tax at the full rate as provided under existing laws on the amount allocated for interest on capital;
- Sales Tax—they shall pay fixed and percentage taxes at the full rate as provided under existing laws on gross sales to non-members; and
- They shall pay all other taxes, unless otherwise provided herein at the full rate as provided under existing laws.
- They shall be exempt from the payment of documentary stamp tax, residence taxes, tax on banks and insurance companies and municipal or city taxes.
- Any justice of the peace, in his capacity as notary public ex officio, shall render service, free of charge, to any person or group of persons requiring either the administration of oath or the acknowledgment of articles of incorporation of a proposed co-operative and instruments of loan from a co-operative not exceeding two thousand pesos.
- Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Act which does not exceed two thousand pesos or the deeds of title to any property acquired by the co-operative or any paper or document drawn in connection with any action brought by the co-operative or with any court judgment rendered in its favor or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of his duties and obligations.
- They shall be exempt from the payment of all court and sheriff's fees payable to the Philippine Government for and in connection with all actions brought under this Act, or to enforce the payment of obligations contracted in favor of the co-operative, and where such an action is brought by the Administrator before the court, he shall, likewise, not be required to pay any such fees.
- They shall be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or for seeking to set aside any third party claim, provided, that a certification of the Administrator showing that the net assets of the co-operative are in excess of the amount of the bond required by the court in similar cases shall be accepted by the court as a sufficient bond.
- Any security issued by co-operatives shall be exempt from the provisions of the Securities Act provided such security shall not be speculative.

SEC. 67. Other privileges.—Co-operatives registered under this Act shall, notwithstanding the provisions of any law, be accorded also the following privileges:

- The reports or returns prescribed under this Act shall be deemed to be sufficient returns for any purpose prescribed under any law.
- Co-operatives shall enjoy the privilege of depositing their sealed cash boxes or containers, documents or any valuable papers in the safes of the municipal or city treasurers and other government offices free of charge, and the custodian of such articles shall issue a receipt acknowledging the articles received, witnessed by another person.
- Co-operatives shall enjoy the privilege of depositing with the postal savings banks such funds as they may desire to deposit at the same rate of interest as that granted to individuals and without limitations as to the amount.
- Co-operatives shall enjoy the privilege of being represented in courts by the provincial or city fiscal or the Solicitor General or his representatives, as the case may be, free of charge, in any case in which they are either plaintiffs or defendants, except when the Philippine Government is the plaintiff itself; and all suits brought by or on behalf of a co-operative shall be instituted in court by them at most within three months from the date of

receipt of such suit.

CHAPTER VII.—Capital, property and funds

SEC. 68. Capital.—The capitalization of co-operatives and the accounting therefor shall be governed by the provisions of this Act and the regulations issued here-under.

SEC. 69. Source of funds.—Co-operatives registered under this Act may, subject to the regulations, derive funds from:

- Members' capital contribution in the form of shares, with or without capital stock;
- Loan capital, including deposits;
- Retains authorized on a percentage or per unit basis;
- Revolving capital by deferment of the payment of patronage refunds and/or by authorized retains; and
- Fees, dues, subsidies, donations, and such other sources as may be authorized in the regulations.

SEC. 70. Limitation on individual shareholdings.—No member of a co-operative other than a co-operative or the Government of the Philippines or any of its subdivisions shall, unless expressly authorized in writing by the Administrator in special circumstances, own or hold more than five thousand pesos worth of shares or twenty per centum of the subscribed share capital of the cooperative as may be prescribed by the regulations.

SEC. 71. Limited return on capital.—Interest on share capital shall not exceed eight per centum per annum upon the fully paid-up shares and such interest shall be non-cumulative.

SEC. 72. Restriction on transferability of shares.—Subject to the provisions of section seventy, a member shall not transfer any share held by him or his interest in the co-operative or any part thereof unless:

- He has held such share or interest for not less than one year;
- The transfer is made to the co-operative or to a member of the co-operative or to a person who falls within the field of membership of the cooperative and whose membership is acceptable to the co-operative; and
- The board of directors has approved such transfer.

SEC. 73. Share capital.—The term "share" refers to a unit of capital, the par value of which may be fixed at any figure of not less than one peso. The share capital of a co-operative with capital stock is the money paid or authorized or required to be paid for conducting its operations, whereas the share capital of a co-operative without capital stock is the money paid or required to be paid and is not limited by any authorized amount. The method of issuing and the contents of stock or membership certificates may be prescribed in the regulations.

SEC. 74. Interest or fine on unpaid capital contribution.—The by-laws of a co-operative may prescribe interest or fine on unpaid capital contribution.

SEC. 75. Recall or purchase of shares.—A co-operative may, by resolution of the members of a general assembly recall the holdings of any member in excess of the amount requisite for membership: Provided, That no purchase shall be made when the debts of the co-operative exceed fifty per centum of the assets thereof. All shares that shall be purchased under sections thirty-one, thirty-two, seventy-two and seventy five shall be reissued or cancelled.

SEC. 76. Investment of funds.—

- A co-operative shall invest or deposit its funds:

- With the sanction of the Administrator, in the shares or debentures or the securities of any other co-operative with limited liability; or
- In the Postal Savings Bank if no co-operative bank exists in the province where the co-operative is located.
- In the securities issued or guaranteed by the Government; or
- In any other manner prescribed in the regulations.
- When the funds of a co-operative are in excess of operational requirements the Administrator shall instruct such co-operative to invest its funds in accordance with subsection (1) hereof.

SEC. 77. Government aid to co-operatives.—

- Notwithstanding the provisions of any law, the Government of the Philippines and its subdivisions may, subject to such regulations as may be prescribed on this matter, grant loans to, take shares in, or give financial assistance in any other form to any co-operative registered under this Act.
- With the previous sanction of the Government of the Philippines and subject to limitations to be prescribed by the Government, any federation of co-operatives may issue debentures. The Government of the Philippines may guarantee the principal thereof and the interest thereon, subject to such maximum amount of principal or such rate of interest and to such other conditions as may be prescribed by the Government.

SEC. 78. Revolving capital.—The general assembly of members of any co-operative may by a majority vote decide to raise a revolving capital to strengthen the capital structure of their co-operative by deferring the payment of patronage refunds or by the authorized deduction of a percentage from the proceeds of products sold or per unit of product handled. The board of directors shall issue revolving-fund certificates with serial number, name, and amount and shall distinctly set forth that the time of retirement of such certificates and the amounts to be returned are at the discretion of the directors. The rate of interest to be paid on capital raised by this method shall not exceed five per centum per annum.

CHAPTER VIII.—Allocation and distribution of savings

SEC. 79. Computation of savings.—Notwithstanding the provisions of existing laws or other regulations, the computation of savings for co-operatives shall be as may be prescribed in the regulations. Every co-operative shall compute the savings at least once at the close of every business year and at such other time as may be prescribed by the Administrator.

SEC. 80. Savings, not profit.—The net savings shall not be construed as profit but shall be construed as excess payments made by patrons which shall be deemed to have been returned to them if the net savings are distributed as prescribed in sections eighty-one, eighty-two, eighty-three, eighty-four and eighty-five.

SEC. 81. Reserve fund.—

- Every co-operative shall create and maintain in the following manner a reserve fund for the stability of the co-operative and to meet losses in its business:
- At the close of each business year, twenty per centum of the net savings, as reflected in its audited financial statements and computed as prescribed in the regulations, shall be transferred to the reserve fund. The members may at a general assembly increase, or, if such fund equals the subscribed capital, may decrease the proportion of the net savings to be thus set aside. Whenever the reserve fund does not equal the subscribed capital, it shall be replenished by regular appropriations in such amounts or in such percentages required to equal the subscribed capital;
- The by-laws may provide that certain given fees or fines, or a portion thereof, shall be set aside for the

reserve fund; and

- Any sums recovered on items previously charged to the reserve fund shall be credited to such fund.
- The reserve fund shall not be utilized as working capital or for investment other than those mentioned, in section seventy-six except with the written sanction of the Administrator under conditions to be, prescribed. Such sums of the reserve fund set apart in excess of the amount equal to the subscribed capital may, with the written approval of the Administrator, be appropriated at any time by resolution of the members for the purposes specified under subsection (4).
- Any loss sustained by a co-operative may be charged to its reserve fund with the approval of the general assembly.
- On the dissolution of the co-operative, the reserve fund shall not be divisible among the members. The members' general assembly may resolve:
- To contribute the reserve fund to any federation of co-operatives operating in the area of the co-operative for the improvement of the Co-operative Movement, and/or
- To donate, contribute or otherwise dispose of the amount for any purpose which would improve the economic and social condition of the community in the area of the co-operative. If the members do not meet or cannot decide upon the disposal of the reserve fund, the Administrator shall dispose of it in accordance with the purpose of this subsection.

SEC. 82. Educational fund.—

- Every co-operative shall create and maintain in the following manner an educational fund for co-operative education and other purposes as may be prescribed:
- At the close of each business year, ten per centum of the net savings of each year shall be set aside for such fund;
- The by-laws may provide that certain given fees or fines, or a portion thereof, shall be credited to such fund; and
- Such amounts as may be transferred under section eighty-five and from other sources shall thus be set aside.
- Half of the amounts transferred to the educational fund annually under subsection (1) may be spent by the co-operative for educational and other co-operative purposes; while the other half shall be credited to a Central Co-operative Educational Fund which, together with the Central Co-operative Audit Fund provided under Section eighty-six, shall be administered and utilized by a Central Co-operative Educational Board of seven (7) members to be composed of representatives of co-operatives, the Administrator as chairman and such members as may be nominated by him as prescribed in the regulations. The Central Co-operative Educational Fund and the Central Co-operative Audit Fund shall be paid in the manner and at the time prescribed by the regulations to the Central Co-operative Educational Board.
- On the dissolution of a co-operative, the unexpended balance of the educational fund appertaining to the Co-operative may be utilized for the purposes specified under section eighty-one (4) or contributed to the Central Co-operative Educational Fund provided under subsection (2)

SEC. 83. Other funds.—The general assembly of the members of a co-operative may set aside a land and building fund, community development fund and any other necessary fund the total of which may not exceed ten per centum of the net savings of each year.

SEC. 84. Interest on capital and patronage refund.—

- The remaining net savings shall be divided into two equal halves: one half of it shall be available for the declaration of interest on capital as provided in section seventy-one and the other half for patronage refunds. Sums that are in excess of the statutory limitation of interest on capital may be declared for patronage refund or may be credited to an interest equalization fund.

- Co-operatives with unlimited liability shall not declare interest on capital or patronage refund without the written permission of the Administrator.

SEC. 85. Patronage refunds.—The sums allocated for patronage refunds shall be distributed at the same rate to all patrons of the co-operative in proportion to their individual patronage: Provided, That:

- In the case of a member patron, his proportionate amount of patronage refund shall be paid to him unless he agrees that the co-operative should credit the amount to his account toward the purchase of an additional share or shares or other capital;

- In the case of a subscriber patron, his proportionate amount of patronage refund shall be credited to his account until his capital contribution has been fully paid;

- In the case of a non-member patron, his proportionate amount of patronage refund shall be set aside in a general fund for such patrons and shall be allocated to individual non-member patrons only upon request and presentation of evidence of the amount of his patronage. The amount so allocated shall be credited to such patron toward payment of the minimum, amount of capital contribution for membership. When a sum equal to this amount has accumulated at any time within a period of time specified in the by-laws, such patron shall be deemed and become a member of the co-operative if he so agrees or requests and complies with the provisions of the by-laws for admission to membership; and

- If within any period of time specified in the by-laws (a) any subscriber has not accumulated and paid in the amount of capital subscribed for; or (b) any non-member patron has not accumulated in his individual account, the sum necessary for membership; or (c) any non-member patron has accumulated the sum necessary for membership but neither requests nor agrees to become a member or fails to comply with the provisions of the by-laws for admission to membership, then the amounts so accumulated or paid in and any part of the general fund for non-member patrons which has not been allocated to individual non-member patrons, shall go to the educational fund and thereafter no member or other patron shall have any right in said paid in capital or accumulated patronage refund as such: Provided, further, That nothing in this section shall prevent a co-operative from deferring payment of patronage refund for a fixed period of years as prescribed in their by-laws or create a revolving capital under section seventy-eight, nor from adopting a system whereby the payment of patronage refunds shall be made in cash, in kind or in shares.

CHAPTER IX.—Audit, inquiry and inspection

SEC. 86. Audit.—

- The Administrator shall audit or cause to be audited by some person, hereinafter referred to as the auditor, authorized by him in writing the accounts of every co-operative registered under this Act at least once a year.

- Every director, committee member, officer, employee or member of the co-operative shall furnish such information in regard to the transactions and working of the co-operative as the administrator or the auditor may require.

- Co-operatives shall pay the cost of audit as determined by the Administrator in accordance with the scale to be prescribed in the regulations. The Administrator shall have power to collect and credit the amount to the Central Co-operative Audit Fund to be administered by the Central Co-operative Educational Board and also shall have power to appoint auditors from out of a list of persons recommended by the said board, when the personnel of the Co-operatives Administration Office is inadequate to audit all the co-operatives and to meet

the remuneration of the auditors from out of the Central Co-operative Audit Fund in the scale to be determined by the Central Cooperative Educational Board. At the close of each fiscal year, fifty per centum or higher proportion of the unexpended balance of the Central Co-operative Audit Fund shall be transferred to the Central Co-operative Educational Fund created under Section eighty-two.

SEC. 87. Power of Administrator to have accounts written up.—If at the time of audit the accounts of a co-operative are not complete, the Administrator or his duly authorized representative may cause the accounts to be written up at the expense of the co-operative or the employees, as he deems fit.

SEC. 88. Nature of audit.—

- The audit under Section eighty-six shall include:
- A verification of the cash balances and securities;
- A verification of the balance to the credit of depositors and creditors and of the amounts due from the debtors of the co-operative;
- An examination of overdue debts, if any;
- A valuation of the assets and liabilities of the co-operative ;
- An examination of the transactions of the co-operative within such limits as may be prescribed;
- An examination of the financial statements prepared in the prescribed form and manner by the board of directors;
- A certification of the business done with members and non-members; and
- Such other matters as may be prescribed.
- The financial statements thus audited, together with the modifications, if any, made therein by the Administrator shall be final and binding on the co-operative.

SEC. 89. Audit report.—The auditor shall, on such date as may be prescribed, submit to the co-operative and to the Administrator an audit report in the prescribed form and manner, including a statement of:

- Every transaction which appears to him to be contrary to law, to the regulations or the by-laws;
- Every sum which ought to have been, but has not been, brought into account;
- The amount of any deficiency or loss which appears to have resulted from any negligence or misconduct or which requires further investigation;
- Any money or property which ought to have been in the custody of the co-operative which appears to have been misappropriated or fraudulently retained by any person; and
- Such other matters as may be prescribed.

SEC. 90. Inquiry.—

- The Administrator may, on his own initiative, at any time conduct an inquiry or direct some person authorized by him in writing in this behalf, to conduct an inquiry into the constitution, working and financial condition of a co-operative.
- The Administrator or the person authorized by him shall conduct such inquiry on the application of:
- A majority of the members of the board of directors of the co-operative;

- Ten per centum of the members of the co-operative;
- A federation of co-operatives of which the co-operative is a member; and
- Creditors representing not less than one-half of the borrowed capital of the co-operative.
- All directors, committee members, officers, employees and members of the co-operative whose affairs are investigated shall furnish such information in their possession in regard to the affairs of the co-operatives as the Administrator or the person authorized by him may require.
- The Administrator shall communicate the result of any inquiry under this section to those who applied for inquiry under subsection (2).

SEC. 91. Inspection.—

- The Administrator may, on his own initiative or on the application of a creditor of a co-operative, inspect or direct any person authorized by him in this behalf in writing to inspect the co-operative.
- No inspection shall be made or directed under subsection (1) on the application of a creditor unless:—
- The creditor satisfies the Administrator that the debt is a sum then due, that he has demanded payment thereof and he has not received satisfaction within a reasonable time; and
- The creditor deposits with the Administrator such sum as security for the cost of the proposed inspection as the Administrator may fix.
- A federation of co-operatives shall have the right to inspect at any time any co-operative which is indebted to it. The inspection may be made either by an officer of the federation of co-operatives or by a member of its paid staff certified by the Administrator as competent to conduct such an inspection.
- The results of an inspection under this section shall be communicated to the creditor, to the co-operative and to the federation of co-operatives to which the co-operative is indebted; and when the inspection is made by a federation of co-operatives, to the Administrator and the cooperative.

SEC. 92. Cost of inquiry and inspection.—

- The Administrator may prescribe the cost of inquiry under Section ninety and inspection under Section ninety-one and may, after giving the parties an opportunity to be heard, apportion the cost or such part of the cost as he may think right between the co-operative, the members or creditor demanding an inquiry or inspection, the officers or former officers and the members or past members of the co-operative. The grounds on which the Administrator has apportioned the cost shall be specified in writing.
- Any sum awarded by way of cost under subsection (1) if not paid within the time specified may be recovered under Section one hundred forty-four.

SEC. 93. Rectification of defects pointed out in audit, inquiry or inspection.—If the result of audit under Section eighty-six or an inquiry under Section ninety or an inspection under Section ninety-one discloses any defects or irregularities in the working of a co-operative, the Administrator shall bring such defects or irregularities to the notice of the co-operative, and if the co-operative is a member of a federation of co-operatives to the notice of it, and shall afford them an opportunity of explaining such defects or irregularities pointed out in audit, inquiry or inspection, and thereafter if the co-operative or its proper officers or the federation of co-operatives fail to remedy such defects or irregularities, then the Administrator may proceed to take action as provided under Section ninety-four.

CHAPTER X.—Supersession

SEC. 94. Supersession.—

- If the Administrator, after an audit under Section eighty-six or an inquiry under Section ninety or an inspection under Section ninety-one is satisfied that the board of directors or any committee responsible to the members of a co-operative is not functioning properly or have neglected to perform their duties, he may, after giving an opportunity to the board of directors or the committee to explain its reason for such circumstances and to state its objections, if any, and after considering the reasons and objections raised, call a general assembly of members to dissolve and reconstitute the board of directors or the committee. He may order that all or any of the directors or committee members shall be disqualified from being reelected to the board of directors or to any of the committees of the co-operative for a period to be specified in the order not exceeding three years: Provided, That the Administrator may from time to time extend the period specified in such order for further periods not exceeding one year at a time, but not exceeding in the aggregate of two years.

- Every order issued under subsections (1) and (3) shall state the reasons for which it is made and shall be communicated by registered post to the co-operative concerned.

- If the members fail to elect a board of directors or a committee which, in the opinion of the Administrator, is likely to function satisfactorily or to perform their duties diligently, and the Administrator is satisfied that, under the circumstances of the case, it is undesirable to order the cancellation of the registration of the co-operative, he may, by order in writing setting forth the reasons therefor, dissolve the board of directors or" the committee, the members of which shall forthwith vacate their offices, and thereafter he shall appoint a suitable person or persons to manage the affairs of the co-operative on such conditions as may be prescribed for a specified period not exceeding two years or until a new board or committee is elected earlier than the termination of the period of appointment at the discretion of the Administrator.

- The person or persons so appointed under subsection (3) shall, subject to the control of the Administrator and to such instructions as he may from time to time give, have power to exercise all or any of the functions of the board of directors or the committee or of any officer of the co-operative, as the case may be, and take all such action as may be required in the interest of the co-operative.

- The Administrator may fix the remuneration of the person or persons so appointed under subsection (3). The amount of such remuneration and other costs, if any, incurred in the management of the co-operative shall be payable from its funds.

- The person or persons so appointed under subsection (3) shall, at the expiration of the period of his or their appointment or earlier as the Administrator may direct, arrange for the election of new board of directors or committees in accordance with the by-laws of the co-operative.

- Before taking any action under subsections (1) and (3) in respect of any co-operative, the Administrator shall, if the co-operative is indebted to a federation of co-operatives, consult such federation regarding such action and the provision to be made for the management of the affairs of the co-operative.

- Any member of the co-operative may, within one month from the date of any order made by the Administrator under subsections (1) and (3), appeal from such order to the Secretary of Commerce and Industry.

- Nothing in this section shall be deemed to affect the power of the Administrator to order the winding up of the affairs of a co-operative under Section ninety-five.

CHAPTER XI.—Liquidation and arbitration**SEC. 95. Winding up.—**

- The Administrator may, subject to the regulations prescribed, by an order in writing, direct that a co-operative

shall be liquidated if:—

- After an audit under Section eighty-six or an inquiry under Section ninety or an inspection under Section ninety-one; or
- On an application made upon a resolution passed by three-fourths of the members of the co-operative present and qualified to vote at a special general assembly called for the purpose; or
- On the expiration of its term of existence; or
- The co-operative:
 - has not commenced its business within one year from the date of registration; or
 - has ceased working for one year; or
 - has paid in capital below that prescribed in this Act or the regulations; or
 - has membership below the requirements provided under Section twelve; or
 - has failed to account to its members for business done or to send to the Administrator the annual report required under Section fifty-three within one year after the close of its fiscal year; or
 - has been doing business liable to cause injury to the public; or
 - has persistently neglected orders duly issued under the provisions of this Act, the regulations or the by-laws; or
 - has not been able to be traced and no member, depositor, creditor and others with interest in it fail to show cause within one year after due notice has been given in the prescribed manner; or
 - For any other causes as may be prescribed by the regulations, he is of the opinion that the affairs of the cooperative ought to be wound up.
- A copy of such order shall be communicated, in the prescribed manner, to the co-operative and to the federation of co-operatives, if any, of which the co-operative is a member.
- Any member, depositor or creditor of the co-operative, or any person whose interest could be affected by such order may, within one month from the date of publication of such order as prescribed in the regulations, appeal to the Secretary of Commerce and Industry from such order.
- The order shall take effect on the expiration of the time allowed for preferring an appeal under subsection (3) where no appeal is preferred; or where an appeal is preferred, upon rejection of the appeal by the Secretary of Commerce and Industry.

SEC. 96. Appointment of a liquidator and necessary assistance.—Where an order is issued under Section ninety-five for the winding up of the affairs of a co-operative, the Administrator shall, the provisions of the Rules of Court or of any law to the contrary notwithstanding, appoint a competent person or persons to be liquidator of the cooperative and such other assistance and may retain such of the officers or employees of the co-operative as he deems necessary and fix their remuneration to be paid out of the funds of the co-operative. He may remove any such person and appoint another in his place.

SEC. 97. Powers of liquidator.—

- Notwithstanding the provisions of subsections (3) and (4) of Section ninety-five, a liquidator appointed under Section ninety-six shall have the power, from the date of his appointment, to take immediate possession and control of the business, property, assets, claims, books, records, and other documents of every description of

the co-operative, and he shall investigate the existing financial condition of the co-operative at the time of his appointment and make an inventory of the property, and shall draw up a balance sheet, all of which shall be forwarded to the Administrator for approval. The Administrator may, if he thinks necessary, consult the general assembly of members before such approval.

- Upon the issuance of the order of liquidation of the co-operative the liquidator shall, subject to the regulations and under the control and supervision of the Administrator, have power, as far as is necessary for the beneficial winding up of the affairs of the co-operative, on behalf of the co-operative, in the name of his Office, to carry on the business thereof to do all acts and execute all documents necessary to such winding up, and in particular shall exercise the following powers:

- To institute and defend suits and other legal proceedings;
- To enter into any compromise or arrangement with any person between whom and the co-operative there exists any dispute and to refer such dispute to arbitration;
- To determine from time to time the contribution to be made or remaining to be made by the members or past members or by the estates or nominees, or heirs or legal representatives of deceased members or by any present or former officers, board of directors, committee members to the assets of the co-operative, such contribution including debts due from such members or persons, and to revise from time to time any order of contribution to realize such contributions, until the winding up is completed;
- To investigate all claims against the co-operative and, subject to the provisions of this Act, to decide questions of priority arising out of such claims and to pay in full or ratably, as the assets of the co-operative permit; and to apply the surplus, if any, remaining after payment of the claims in full, in the payment of interest from the date of the order of winding up at a rate; to be fixed by him but not exceeding the contract rate;
- To pay any class or classes of creditors in full;
- To calculate the costs of liquidation and to determine by what persons and in what proportions they shall be borne;
- To give such directions in regards to the collection and distribution of the assets of the co-operative for winding up of the affairs of the co-operative;
- To fix the time within which creditors shall prove their debts and claims or be included for the benefit of any distribution made before those debts or claims are proved; and
- To dispose of, by consulting the members' general assembly, the surplus, if any, remaining after paying the claims against the co-operative in accordance with the purposes of subsection (4) of Section eighty-one and subsection (3) of Section eighty-two:

Provided, That the liquidator shall not determine the contribution, debt or dues to be recovered from any person unless an opportunity has been given to such person to answer the claim.

- The liquidator shall not distribute the property of the co-operative to its members until the payment of all debts has been made or secured by deposit for payment and the approval of the Administrator is obtained.
- When the work of the liquidator is completed he must without delay draw up and submit a final report to the Administrator and on his approval place the report before the general assembly for its sanction.
- When the final report of liquidation has been sanctioned by the general assembly, the liquidator shall deposit the records of the co-operative in such place as the Administrator may direct.
- Any person aggrieved by any order of the liquidator, may, in the prescribed manner, appeal to the

Administrator against such order within a month from the date of the issue of the order.

SEC. 98. Bar of suit during liquidation and cancellation of registration.—Save in so far as is expressly provided in this Act no court shall take cognizance of any civil matter connected with the liquidation or dissolution of a co-operative under this Act and when a liquidation order has been made no suit or other legal proceeding shall lie or be proceeded with against the co-operative except by leave of the Administrator and subject to such terms as he may impose.

SEC. 99. Effect of liquidation of co-operative on past members, or on estate of deceased member.—Notwithstanding the provisions of section twenty-nine, when a cooperative is directed to be liquidated under Section ninety-five, the liability of a past member and the estate of a deceased member of the co-operative, as it existed on the date of the winding up order, shall continue until all the liabilities of the co-operative are settled.

SEC. 100. Cancellation of liquidation or registration.—

- The Administrator may, when the members or the federation of co-operatives of which the co-operative is a member have satisfied him that they can operate the co-operative, cancel the order for the liquidation of the co-operative.
- In any other case, the Administrator shall, after considering the report of the liquidator and the sanction of the general assembly, if any, order the registration of the co-operative to be cancelled and the co-operative shall cease to exist as a corporate body from the date of such order.

SEC. 101. Arbitration.—

- All civil controversies touching the constitution or business of a co-operative arising between members or past members of the co-operative or persons claiming through a member or past member or between members or past members or persons so claiming and any officer, director, committee member, agent or employee of the co-operative past or present, or between co-operative or its board, committee and any officer, director, committee member, agent, member or employee of the co-operative past or present, shall be referred to the Administrator for decision by himself or his nominee or, if either of the parties involved in the controversy so desires, to arbitration of three persons one of whom shall be the Administrator or his nominee and the two to be nominated by each of the parties concerned.

A controversy shall include claims by a co-operative for debts or demands due from persons noted under this subsection whether such debts or demands be admitted or not.

Provided, That if the controversy between parties is one involving complicated questions of law and fact, the Administrator may, if he thinks fit, suspend the proceedings and advise the parties to file a regular suit in a court having jurisdiction. If no proceedings are instituted by either of the parties within six months from the date of such advice, the Administrator shall decide the controversy himself.

- Where controversies are referred to arbitrators under subsection (1) the procedure and provisions of Republic Act Numbered Eight hundred seventy-six (The Arbitration Law) shall be applicable, as far as they are not inconsistent with the provisions of this Act and the regulations, and the Administrator shall exercise the authority vested in Courts of First Instance under said Act.
- The awards made by the arbitrators or the nominees of the Administrator shall be appealable to the Administrator and the award made by the Administrator shall be appealable to the Secretary of Commerce and Industry.
- Any award made under this section shall not be called in question by courts except on matters of law and shall be deemed to be a decree of the court to which it is sent for execution.

SEC. 102. Power to direct payment of dues.—Notwithstanding the provisions on arbitration, the Administrator may, on his own initiative or on the written request of his assistants appointed under Section eight hereof, or of a co-operative or of a federation of co-operatives for the recovery of any loan or amount due by a defaulting member, after due inquiry, make an award directing payment by such member of the amount found to be due.

SEC. 103. Powers of Administrator and others.—The Administrator, subject to any restrictions prescribed in the regulations, the auditor under section eighty-six, the liquidator under section ninety-six, the arbitrator under section one hundred one, the person appointed under section ninety-four or any person conducting an inquiry under section ninety, or an inspection under section ninety-one, shall at all reasonable times have free access to the books, accounts, vouchers, documents, securities, cash and other properties belonging to or in the custody of a cooperative and shall, in so far as is necessary for carrying out of any of the purposes of this Act, have power to summon and enforce attendance of witnesses and parties concerned who, he has reason to believe, can give valuable information in regard to any transaction of the co-operative or the management of its affairs and to compel them to give evidence upon oath and to compel the production of any books, accounts, vouchers, documents, securities, cash and other properties relating to the affairs of the cooperative at any place at the headquarters of the cooperative or at the office of the Administrator, by the same means and, as far as possible, in the same manner as that provided for the courts in civil cases.

CHAPTER XII.—Surcharge and attachment of property

SEC. 104. Surcharge.—When in the course of an audit under section eighty-six, or an inquiry under section ninety or an inspection under section ninety-one, or the liquidation of a co-operative, it appears that any person who has taken part in the organization or management of the co-operative or any past or present officer, director or committee member of the co-operative has at any time after the effectivity of this Act and within a period of four years prior to the date of such audit, inquiry, inspection or winding up, as the case may be, or within two years of the date on which it comes to the notice of the Administrator, whichever is earlier:

- Intentionally made or authorized any payment which is contrary to the provisions of this Act or the regulations or the by-laws of the co-operative, or is against the written directions or instructions of the federation of co-operatives to which the co-operative is indebted; or
- By reason of his culpable negligence or misconduct in respect of any prescribed matter, involved the co-operative or the federation of co-operatives to which the co-operative is indebted, in any loss or deficiency; or
- Failed to bring into account any sum which ought to have been brought into account; or
- Misappropriated or fraudulently retained any property of the co-operative or of the federation of co-operatives of which the co-operative is a member, the Administrator may, on his own initiative or on the application of the person conducting the audit, inquiry, inspection or winding up or of any creditor or contributor, inquire into the conduct of such person, officer, director or committee member and after giving him an opportunity to be heard and in the cases falling under clause (a) of this section, after affording him an opportunity to recover the amount of such payment from the payee and credit it to the funds of the co-operative, or the federation of co-operatives, as the case may be, subject to the regulations, make an order in writing requiring such person, officer, director or committee member to pay such sum to the assets of the co-operative or the federation of co-operatives, as the case may be, by way of compensation in respect of such payment or loss or deficiency or sum or to restore such property or any part thereof together with interest at such rate as the Administrator thinks just, and to pay such sum as the Administrator may fix to meet the cost of the proceedings under this section.

- Any person aggrieved by an order of the Administrator made under subsection (1) may, within sixty days from

the date of the communication of the order to him, appeal to the Secretary of Commerce and Industry, otherwise, the order of the Administrator shall be final and conclusive and shall not be questioned in any court.

- Any order made under subsections (1) and (2) shall, upon the application of the Administrator, be enforced as provided in sections one hundred forty-four and one hundred forty-five.

- This section shall apply notwithstanding any criminal liability which may be incurred by such person, officer, director or committee member.

SEC. 105. Attachment of property.—Whenever it shall appear to the Administrator that any person or co-operative with intent to defeat or delay the execution of any order that may be issued under Chapters XI, XII or XIV—

- Is disposing or is about to dispose of the whole or any part of his or its property; or

- Is removing or is about to remove the whole or any part of his or its property from the jurisdiction of the Administrator; he may, unless sufficient security is furnished as he may require, proceed against such person in accordance with Rule 59 of the Rules of Court and other pertinent laws.

CHAPTER XIII.—Regulations

SEC. 106. Regulations.—The Administrator, subject to the previous approval of the Secretary of Commerce and Industry, shall prescribe the necessary regulations to carry out the provisions of this Act. Such regulations shall be published in the Official Gazette before they become effective.

CHAPTER XIV.—Offenses and penalties

SEC. 107. Prohibition of the use of the word "Co-operative".—

- No person or group of persons other than a co-operative registered under this Act, except as authorized under other co-operative laws, shall carry on business under any name or title of which the word "co-operative" or its equivalent in vernacular forms part without the sanction of the Secretary of Commerce and Industry: Provided, That any person or group of persons or their successors in interest using the word co-operative or its equivalent in the vernacular in any name or title under which they carried on business before the enactment of existing co-operative laws and this Act may continue to use the word co-operative or its equivalent in vernacular.

- Whoever violates the provisions of subsection (1) shall be punished by a fine of not exceeding two hundred pesos at the discretion of the court, and in the case of continuing offense, by a further fine of twenty pesos for each day such offense is continued.

SEC. 108. Offenses.—

- Any officer, director or committee member of a co-operative:

- With a paid-up capital of five thousand pesos or more, who fails without reasonable excuse to give any notice, send any return or document, do or allow to be done anything which the cooperative, officer, director, committee member or member is by this Act required to give, send, do or allow to be done; or

- Who neglects or refuses to do any act or to furnish information required for the purposes of this Act by the Administrator or other person duly authorized by him in writing in this behalf; or

- Who makes a false return or furnishes false information; or

- Who recommends or sanctions for his own personal use or benefit a loan in the name of any other person in spite of the concurrence of such other person; or

- Who grants loans to non-members except on the security of their deposits or to members on the pledge of

their shares or for the return of shares of certain members or all the members without resolution of the board or the general assembly, as the case may be, with a view to depriving the creditors of the co-operative or to circumvent the provisions of Chapters XI and XII; shall, upon conviction be punished by fine of not less than fifty pesos nor more than five hundred pesos, in the discretion of the court, without prejudice to other legal remedies.

- Any officer, director, committee member or member of a co-operative guilty of an offense for which no specific penalty has been provided in this Act shall be liable to a fine of not less than twenty-five pesos nor more than one hundred pesos, in the discretion of the court, without prejudice to other legal remedies.

SEC. 109. Penalty for nonperformance of obligations.—Notwithstanding the provisions of this Act, where a cooperative or a person required to take action under this Act, under the regulations or the by-laws and such action is not taken—

- Within the time provided in this Act, the regulations or the by-laws; or
- Where no time is provided, within such reasonable time as the Administrator may specify by a notice in writing, the Administrator may apply to the court for an order which shall call upon any person whom the Administrator considers to be responsible for the carrying out of his directions and after giving such person an opportunity to be heard, requiring him to pay to the assets of the co-operative such sum not exceeding twenty pesos at the discretion of the court for each day until the directions of the Administrator are carried out.

SEC. 110. Penalty for certain acts.—Where it appears to the Administrator, that any person has contravened the provisions of this Act, the regulations or the by-laws—By sitting or voting as a member of board or committee or voting in the affairs of a federation of co-operatives as a representative of another co-operative which is a member of such federation, or exercising the rights of a member of a co-operative, when such person was not entitled to sit or vote or exercise such rights, as the case may be; or

By applying a loan for a purpose different from that for which it was granted; the Administrator may apply to the court for an order, which shall after affording such person an opportunity to be heard, directing such person to pay to, the assets of the co-operative by way of penalty such sum as the court deems fit in respect of every such contravention. Approved, June 22, 1957.

SEC. 111. Penalty for disposing of property in contravention of Section 61.—Any member or past member, or the heir or legal representative of a deceased member who, in violation of the provisions or section sixty-one, fraudulently disposes of any property over which a co-operative has charge under that section or doing any other act and to the prejudice of such charge, shall, in addition to other legal remedies, be punished by a fine of not exceeding five hundred pesos in the discretion of the court after hearing the party concerned.

SEC. 112. Prosecution of offenses.—No prosecution for offenses under sections one hundred seven, one hundred eight, one hundred nine, one hundred ten and one hundred eleven of this Act shall be lodged without the previous written sanction of the Administrator, who shall not give sanction until after hearing the party concerned: Provided, That if the offenses constitute criminal acts punishable under the Revised Penal Code, the same may be prosecuted even without the previous sanction of the Administrator.

CHAPTER XV.—Special Provisions relating to co-operative banks

SEC. 113. Applicability of provisions.—The special provisions under this Chapter are applicable only to co-operative banks registered under this Act and the other provisions of this Act will apply to them only in so far as they are not against the express provisions contained in this Chapter.

SEC. 114. Definitions.—As used in this Act, unless a different meaning is intended in the context—

- "Affiliated co-operative or member co-operative" means a co-operative or a federation of co-operatives registered under this Act which has been admitted to membership in the Philippine National Co-operative Bank or the Provincial Co-operative Bank as the case may be; and
- "Individual member" means any person other than a body corporate who is a shareholder and has been admitted to membership of the Philippine National Co-operative Bank or the Provincial Co-operative Bank as the case may be.

SEC. 115. Objects.—

- The objects of the co-operative banks are to facilitate the operation of non-agricultural co-operatives by furnishing credit for the Co-operative Movement, and the Philippine National Co-operative Bank may—
- Carry on banking and credit business for the affiliated co-operatives;
- Receive financial aid from the Government and the Central Bank of the Philippines for and on behalf of the provincial co-operative banks and primary co-operatives and supervise the lending and collection of such loans;
- Mobilize the savings from urban areas for the benefit of the Co-operative Movement;
- Act as a balancing medium for the surplus funds of co-operatives and federations of co-operatives;
- Discount bills and promissory notes issued and drawn by affiliated co-operatives;
- Issue drafts on demand to facilitate the activities of affiliated co-operatives;
- Issue debentures with the approval of and under conditions and guarantees to be prescribed by the Government;
- Borrow money from other banks within the limit to be prescribed by the Government;
- Supervise the lending and collection of funds by the provincial co-operative banks;
- Provide for the training of its employees and the employees of the affiliated co-operatives and other; and
- Carry on all other objects as may be prescribed in the regulations.
- The provincial co-operative banks may in addition to objects noted in clauses (a), (c), (d) and (f) of subsection (1) of this section may—
- Act as agents of the Philippine National Co-operative Bank;
- Supervise the lending and collection of funds borrowed by primary co-operatives;
- Receive financial aid from the Government and Central Bank of the Philippines through the Philippine National Co-operative Bank;
- Provide for the training of its employees and the employees of the affiliated co-operatives and others; and
- Carry on all other objects as may be prescribed in the regulations.

SEC. 116. Registration.—No co-operative bank shall be registered by the Administrator unless the articles of incorporation and the by-laws of such bank have been approved by the Secretary of Commerce and Industry and the Central Bank of the Philippines and the co-operative bank satisfies all the provisions for registration of federations of co-operatives. There may be registered one co-operative bank at the national level to serve as the chief bank for non-agricultural and other types of cooperatives together with their federations, and one Provincial

Co-operative Bank in each province.

SEC. 117. Name and jurisdiction.—The co-operative bank at the national level may be known as "The Philippine National Co-operative Bank." The co-operative banks at the provincial level may be known as "The Provincial Co-operative Bank" and shall include in their names the name of the province for which they are registered. The jurisdiction of the Philippine National Co-operative Bank may extend to the entire country with its headquarters at Manila while the jurisdiction of the provincial co-operative banks may extend to the province for which each one is registered unless necessary sanction is obtained under subsection (3) of section twenty-five of this Act and their headquarters shall be in the capital or any city of the province concerned as determined by the Administrator.

SEC. 118. Membership.—Membership of co-operative banks may include co-operatives, federations of co-operatives and individual members who join in the articles of incorporation of the co-operative bank and co-operatives, federations of co-operatives and individual members admitted to membership by the board of directors of such bank after registration. Affiliated co-operatives shall be known as class "A" members and individual members shall be known as class "B" members.

SEC. 119. Board of Directors.—The general assembly of every co-operative bank shall elect a board of directors, whose number and proportionate representation between class "A" and class "B" members shall be determined from time to time by the Secretary of Commerce and Industry in the regulations or by special order in writing, but in no case shall the directors representing the class "B" members be more than one third of the entire board of directors. Each class of members shall exercise their right to elect their share of representatives in the board of directors. The President, Secretary, Treasurer and Manager of every co-operative bank shall be appointed, their salaries determined and paid by the Secretary of Commerce and Industry in consultation with the board of directors of the co-operative bank concerned and the Administrator, until such time as, but not earlier than five years after registration of, the co-operative bank concerned, through a resolution of its general assembly, expresses to the Secretary of Commerce and Industry that it can elect or appoint, as the case may be, all or any of the said persons and pay their or his salary out of its fund without jeopardizing the co-operative bank's financial stability and thereafter the Secretary of Commerce and Industry shall withdraw all or any of the persons appointed by him and requested to be withdrawn by the co-operative bank and allow the co-operative bank to fill in the post according to its by-laws. The persons appointed by the Secretary of Commerce and Industry and the Administrator or his representative shall be ex officio directors of the board and ex officio members of the executive committee, if any, created. The president shall be the chairman of the general assembly, board and the executive committee.

SEC. 120. Budget control.—The board of directors shall not recommend a budget to the general assembly nor shall the general assembly approve a budget which shall involve an expenditure exceeding such percentage of the gross earnings of the previous year or the anticipated realizable gross earnings of the next year whichever is lower as shall be determined by the Administrator and the Central Bank of the Philippines.

SEC. 121. Loans.—All loans which shall be granted by the co-operative banks to the affiliated co-operatives shall be for short and intermediate terms, the former not to exceed a maximum period of fifteen months and the latter not to exceed a maximum period of three years and shall be brought to the notice of the Administrator, except loans on investments held or deposited by the affiliated co-operatives in the co-operative banks. Loans which are declared to be risky by the Administrator shall not be granted by the board of directors of the co-operative banks. Class "B" members shall not be eligible for loans except on deposits they hold in the co-operative banks and other securities that may be approved by the board of directors.

SEC. 122. Administrative control.—The co-operative banks registered under this Act shall submit to the

supervision of the Administrator so far as the provisions of this Act are concerned and to the Monetary Board of the Philippines on banking transactions so far as the supervision of the Monetary Board of the Philippines is not inconsistent with the provisions of this Act.

SEC. 123. Capital.—

- The Philippine National Cooperative Bank shall have an authorized capital of ten million pesos (P10,000,000) divided into shares of one hundred pesos par value each. The shares shall be divided into two groups marked series "A" and series "B".

- Series "A" shall comprise of five million pesos (P5,000,000) to be subscribed for by the Government of the Philippines. On registration of the Philippine National Co-operative Bank, the Philippine Government shall pay towards subscription of the said amount, one million pesos (P1,000,000) and the balance shall be paid in each year on a fund-matching basis with the owned capital of the Philippine National Cooperative Bank. The owned capital shall include share capital under clause (b) of this section, reserve fund and other funds set apart in accordance with this Act and excludes payments received from the Philippine Government under this clause. The shares held by the Philippine Government shall not be entitled to any interest or votes.

- Series "B" shall comprise of five million pesos (P5,000,000) to be subscribed for by the affiliated co-operatives and individual members.

- If the Philippine National Co-operative Bank does not have sufficient owned capital to receive further payments towards capital by the Philippine Government on fund-matching basis under clause (a) of this section, the Government of the Philippines may authorize the said bank to issue debentures under subsection (2) of section seventy-seven of this Act.

- Each provincial co-operative bank shall have an initial authorized capital of one million pesos (P1,000,000) divided into shares of one hundred pesos par value each. The shares shall be divided into two groups marked series "A" and series "B".

- Series "A" shall comprise of five hundred thousand pesos (P500,000) to be subscribed for by the Government of the Philippines. On registration of each provincial co-operative bank, the Government shall pay towards subscription of the said amount one hundred thousand pesos (P100,000) and the balance shall be paid in each year on the fund-matching basis with the owned capital of the provincial co-operative bank. The owned capital shall be as mentioned in clause (a) of subsection (1). The Government may provide its share of capital contribution under this clause by directing the Central Bank of the Philippines to extend the same benefits as are extended to the rural banks under the Rural Bank Act, without contravening the co-operative basis or the provisions of this Act. The shares held by the Government shall not be entitled to any interest or votes while contribution towards shares if paid in under the Rural Bank Act shall be entitled only to interest as provided under the Rural Bank Act.

- Series "B" shall comprise of five hundred thousand pesos (P500,000) to be subscribed for by the affiliated co-operatives and individual members.

- The by-laws of every co-operative bank shall specify a percentage of each loan borrowed by affiliated cooperatives to be invested as share capital in the lending co-operative bank.

SEC. 124. Audit.—Subject to the provisions of Section eighty-six the general assembly of every co-operative bank shall also make separate arrangement for audit of their accounts and shall appoint an auditor to audit the accounts of the bank and to submit report to the board of directors and the general assembly as often as is required by them.

SEC. 125. Distribution of savings.—The provisions under Chapter VIII—Allocation and Distribution of savings—of this Act shall apply to the distribution of savings of co-operative banks except that the Reserve Fund to be set

apart shall at least be twenty-five per cent of the net savings and the general assembly shall decide whether to allow patronage refund or not; and if to be allowed, the amount to be utilized for patronage refund.

SEC. 126. Privileges.—In addition to the privileges granted in Chapter VI, the co-operative banks shall be granted the following privileges:

- The Government of the Philippines shall provide free transfer of funds between the co-operative banks and its affiliated co-operatives; and
- The co-operative banks registered under this Act shall be given the same privileges as are granted to the rural banks under the Rural Bank Act of the Philippines without affecting in any way the provisions of this Act.

CHAPTER XVI.—Special provisions relating to co-operative wholesale societies

SEC. 127. Applicability of provisions.—The special provisions under this Chapter are applicable only to co-operative wholesale societies registered under this Act and the other provisions of this Act will apply to them only in so far as they are not against the express provisions contained in this Chapter.

SEC. 128. Objects.—

- The objects of co-operative-wholesale societies are to facilitate the operation of consumers and producers co-operatives in particular and retailers in general by being a source of steady supply and disposal of domestic requirements of their members, and The Philippine Co-operative Wholesale Society may—
- Purchase, produce and supply in wholesale quantities through the provincial co-operative wholesale societies, if in existence, to the affiliated co-operatives with goods which they require for domestic purposes of their members and to retailers and their associations or corporations who have become members;
- Enter into retail trade as far as it is necessary;
- Import goods from other countries and as far as possible through the Co-operative Movement of other countries;
- Establish branches in each province where no provincial co-operative wholesale society exists, with a view to convert such branches into provincial co-operative wholesale societies;
- Undertake to distribute essential commodities to the people in case of emergencies, under the control of the Government;
- Stand guarantee for the affiliated co-operatives;
- Market the products manufactured including articles of handicrafts and small industry by the affiliated co-operatives, either by the outright purchase or on commission basis;
- Provide training of its employees and the employees of the affiliated co-operatives and spread knowledge as to why and how the consumers should organize themselves;
- Protect the interests of the consumers and producers co-operatives in the sphere of legislation; and
- Carry on all other objects as may be prescribed in the regulations.
- The provincial co-operative wholesale societies may, in addition to the objects noted in clauses (b), (e), (f), (g) and (h) of subsection (1) of this section, may—
- Act as agent of The Philippine Co-operative Wholesale Society; and
- Carry on all other objects as may be prescribed in the regulations.

SEC. 129. Registration.—No co-operative wholesale society shall be registered by the Administrator, unless the articles of incorporation and the by-laws of such cooperative wholesale society have been approved by the Secretary of Commerce and Industry and the co-operative wholesale society satisfies all the provisions for registration of federations of co-operatives. There may be registered one co-operative wholesale society at the national level to serve as the chief source of supply and marketing of goods required and produced by the affiliated co-operatives and one provincial co-operative wholesale society in each province.

SEC. 130. Name and jurisdiction.—The co-operative wholesale society at the National level may be known as "The Philippine Co-operative Wholesale Society" with its jurisdiction all over the country and headquarters at Manila. The co-operative wholesale societies at the provincial level may be known as "The Provincial Co-operative Wholesale Society" and shall include in their names the name of the province for which they are registered. The jurisdiction of the provincial co-operative wholesale societies shall extend to the province for which each one is registered unless necessary sanction is obtained under subsection (3) of Section twenty five of this Act and their headquarters shall be in the capital or any city of the province concerned as determined by the Administrator.

SEC. 131. Membership.—Membership of co-operative wholesale societies may consist of consumers and producers co-operatives together with their federations and retailers or their associations or corporations and shall include all those of the above description who join in the articles of incorporation of any co-operative wholesale society and all those of the above description admitted to membership by the board of directors of such co-operative wholesale society after registration. Affiliated co-operatives shall be known as class "A" members and retailers and their associations or corporations shall be known as class "B" members.

SEC. 132. Voting.—Each member attending the general assembly shall have one vote as a member and shall have as many votes in addition according to the scale to be prescribed in the by-laws, giving weight for the business done with the co-operative wholesale society concerned.

SEC. 133. Board of directors.—The general assembly of every co-operative wholesale society shall elect a board of directors, whose number and proportionate representation between class "A" and class "B" members shall be determined from time to time by the Secretary of Commerce and Industry in the regulations or by special order in writing. Each class of members shall exercise their right to elect their share of representatives in the board of directors. The President, Secretary, Treasurer and Manager of every co-operative wholesale society shall be appointed, their salaries determined and paid by the Philippine Government in consultation with the board of directors of the co-operative wholesale society concerned and the Administrator, until such time as, but not earlier than five years after registration of, the cooperative wholesale society concerned through a resolution of its general assembly, express to the Secretary of Commerce and Industry that it can elect or appoint, as the case may be, all or any of the said persons and pay their or his salary out of its fund without jeopardizing its financial stability and thereafter the Secretary of Commerce and Industry shall withdraw all or any of the persons appointed by him and requested to be withdrawn by the co-operative wholesale society and allow the co-operative wholesale society to fill in the post according to its by-laws. The persons appointed by the Secretary of Commerce and Industry, the Administrator or his representative and the General Manager of the National Marketing Corporation or his representative so long as the National Marketing Corporation exists, shall be ex officio directors of the board and ex officio members of the Executive committee, if any, created. The President shall be the chairman of the general assembly, board and the executive committee.

SEC. 134. Manager.—The Manager of the co-operative wholesale society shall be responsible for the day-to-day management of the business in accordance with the decisions of the board and the executive committee. The duties of the manager shall be specified in the by-laws of every co-operative wholesale society.

SEC. 135. Budget control.—The board of directors shall not recommend a budget to the general assembly nor shall the general assembly approve a budget which shall involve an expenditure exceeding such percentage of the gross earnings of the previous year or the anticipated realizable gross earnings of the next year whichever is lower as shall be determined by the Administrator.

SEC. 136. Borrowing.—Subject to the regulations, the general assembly shall fix a maximum limit of borrowings for each year. As far as possible, all the banking transactions shall be done with the co-operative banks.

SEC. 137. Terms of business.—All sales to members shall be on cash basis: Provided, however, That the members may order supplies on indent basis with a deposit of a percentage of the value as determined by the board of directors at the time of order and payment of the balance on delivery: Provided, further, That when a member refuses to receive and pay for the supplies after order, the said deposit may be forfeited in whole or in part at the discretion of the board.

SEC. 138. Capital.—

- The Philippine Co-operative Wholesale Society shall have an authorized capital of ten million pesos (P10,000,000) divided into shares of one hundred pesos par value each. The shares shall be divided into two groups marked series "A" and series "B".

- Series "A" shall comprise of five million pesos (P5,000,000) to be subscribed for by the Government of the Philippines. On registration of the Philippine Co-operative Wholesale Society the Government shall pay towards subscription of the said amount one million pesos (P1,000,000) and the balance shall be paid in each year on a fund-matching basis with the owned capital of the Philippine Co-operative Wholesale Society. The owned capital shall include paid up share capital under clause (b) of this section, reserve fund and other funds set apart under this Act and excludes payments received from the Government under this clause. The shares held by the Government shall not be entitled to any interest or votes.

- Series "B" shall comprise of five million pesos (P5,000,000) to be subscribed for by the members of the co-operative wholesale society.

- Each provincial co-operative wholesale society shall have an initial authorized capital of one million pesos (P1,000,000) divided into two groups marked series "A" and series "B".

- Series "A" shall comprise of five hundred thousand pesos (P500,000) to be subscribed for by the Government of the Philippines. On registration of each provincial co-operative wholesale society, the Government shall pay towards subscription of the said amount one hundred thousand pesos (P100,000) and the balance shall be paid in each year on a fund matching basis with the owned capital of the provincial co-operative wholesale society. The owned capital shall be as mentioned in clause (a) of subsection (1). The shares held by the Government shall not be entitled to any interest or votes.

- Series "B" shall comprise of five hundred thousand pesos (P500,000) to be subscribed for by class "A" and class "B" members.

- The proportion of shares to be purchased by members in relation to their membership, paid-in capital and the business done with the co-operative wholesale society, as the case may be, shall be specified in the by laws.

SEC. 139. Warehouse financing.—The Government of the Philippines through any of its agencies may provide long term loans to any or all co-operative wholesale societies or authorize them to issue debentures to finance the building of warehouses, provided that such co-operative wholesale societies finance at least twenty per centum of the cost of the warehouse. The security for the loans or the debentures shall be the warehouse built.

SEC. 140. Audit.—Subject to the provisions of Section eighty six the general assembly of every co-operative

wholesale society shall also make separate arrangement for audit of their accounts and shall appoint an auditor to audit the accounts of the co-operative wholesale society and to submit report to the board of directors and the general assembly as often as is required by them.

SEC. 141. Distribution of savings.—The provisions under Chapter VIII—Allocation and Distribution of Savings—of this Act shall apply to the distribution of savings of co-operative wholesale societies except that the Reserve Fund to be set aside shall at least be twenty-five per cent of the net savings.

SEC. 142. Liquidation.—Subject to the provisions of Chapter XI, every co-operative wholesale society shall seek liquidation when one half of its paid-capital has been lost. The Philippine Government shall have first charge on the assets of the co-operative wholesale society under liquidation.

SEC. 143. Privileges.—In addition to the privileges granted in Chapter VI, the co-operative wholesale societies shall be granted the following privileges:—

- The Government of the Philippines may provide sufficient facilities for import and export of goods and the necessary exchange of currency for the business operation;
- The National Marketing Corporation shall at progressive stages transfer its trade to the co-operative wholesale societies and in the meanwhile treat the co-operative wholesale societies as its agents and extend better concessions to them than shown to individuals, retailers or their associations or corporations; and
- The Government of the Philippines may give preference in procuring its requirements through or from the co-operative wholesale societies as far the terms of supply of co-operative wholesale societies are equal to that of any individual or corporations.

CHAPTER XVII.—Miscellaneous

SEC. 144. Money how recovered.—Every order issued for the recovery of any sum granted or transferred under this Act in respect of which no specific mode of recovery is provided, shall, if not carried out, on a certificate signed by the Administrator or liquidator which shall be deemed as a decree of a court, be executed by any court having jurisdiction in the same manner as a decree of such court, or on a certificate signed by the Administrator and forwarded to the Collector of Internal Revenue who shall proceed to recover the amount in the same manner as if it were an arrears of internal revenue and the collection handed over to the Administrator for disposal to the proper authority, provided that all sums due from a co-operative to the Government or otherwise recoverable from a co-operative may be recovered firstly, from the property of the co-operative; secondly, in the case of a co-operative with limited liability from the members, past members, estates of deceased members or their sureties subject to the limit of their liability and thirdly, in the case of other cooperatives from the members, past members or estates of deceased members or their sureties to such extent or in such proportion as may be determined by the Administrator.

SEC. 145. Enforcement of orders.—Every order issued under Chapters IX, XI and XII, in addition to any other method of enforcement under this Act, shall be submitted to a court of competent jurisdiction for approval and enforcement as in any ordinary case.

SEC. 146. Register of co-operatives.—The Administrator shall maintain a register wherein he shall chronologically note every co-operative registered or cancelled under this Act together with information required under Section sixteen and any other information considered useful by him. He shall publish every year a list of cooperatives in existence, under dissolution and whose registration is cancelled during the year together with such information on each of them as may be prescribed in the regulations.

SEC. 147. Acts of co-operative, etc., not to be invalidated by certain defects.—

- No act of a co-operative or board or committee or of any officer or liquidator done in good faith in the course of the business of the co-operative shall be deemed to be invalid by reason only of some defect subsequently discovered in the registration of the co-operatives or in the formation of the general assembly or in the constitution of board or committee or in the appointment or election of directors, committee members, liquidator or officer or on the ground that such person was disqualified for his appointment.
- No act done in good faith by any person appointed under this Act shall be invalid by reason only of the fact that his appointment has been cancelled by or in consequence of any order subsequently passed under this Act.
- The Administrator shall decide whether any act done was in good faith under this section.

SEC. 148. Notice to Administrator in suits against co-operatives necessary.—No suit shall be instituted against a co-operative or persons representing it in respect of any act touching the business of the co-operative until the expiration of two months after notice in writing has been delivered to the Administrator, stating the cause of action, the name and postal address of the person giving notice and the relief he claims, together with a statement that such notice has been delivered.

SEC. 149. Private transfer of property made after issue of certificate void against co-operative.—Any private transfer or delivery of, or encumbrance or charge in, property made or created after the issue of the certificate of the Administrator or liquidator, as the case may be, under section one hundred forty-four shall be null and void as against the co-operative on whose application the said certificate was issued.

SEC. 150. Board of directors of National Co-operative Union.—The composition of the board of directors of the National Co-operative Union shall be such as to consist of all interests representing the Co-operative Movement and the Government of the Philippines.

SEC. 151. Review and revision.—

- Within thirty days from notice of an order issued by the Administrator in a proceeding under this Act, any person aggrieved thereby may obtain a review of such order by the Secretary of Commerce and Industry. Upon such petition for review or *motu proprio*, the Secretary of Commerce and Industry shall have the power to affirm, modify, or set aside, in whole or in part, any order of the Administrator.
- The Administrator may at any time—
- Revise any order issued by himself; or
- Call for and examine the record of any inquiry or inspection held or made under this Act or the proceeding's of any person acting on his authority, and if it appears to him that any decision, order or award or any proceedings so called for should for any reason be modified, annulled or reversed, he may issue such orders thereon as he thinks fit:

Provided, That, before any order is made under subsections (1) and (2), the Secretary of Commerce and Industry or the Administrator, as the case may be, shall afford to any person, likely to be affected adversely by such order, an opportunity to be heard.

- The Administrator shall submit, through the Secretary of Commerce and Industry, at the end of each calendar year a review of the activities of the Co-operatives Administration Office during the year and its plans and programs for the following year for the consideration and approval of the National Economic Council in line with the economic development program: Provided, That in the first year of its operation after the approval of this Act, attention shall be given to the promotion of one co-operative wholesale society and one co-operative bank at the national level, and consumers co-operatives; in the second year, attention shall be given to the promotion of industrial co-operatives in urban and rural communities; and in the third year, attention shall be given to the strengthening of credit co-operative societies: Provided, further, That the organization of such

cooperatives shall be done gradually, starting with localities where conditions are most suitable for their successful operation.

SEC. 152. Repeals.—All acts, executive orders, rules and regulations or parts thereof in conflict with the provisions of this Act, are repealed. If any provision of this Act shall be held invalid the remainder shall not be affected thereby.

SEC. 153. Appropriation: nonagricultural co-operative fund.—To carry out the provisions of this Act, there is hereby authorized to be appropriated, out of any funds in the National Treasury not otherwise appropriated, the sum of fifty million pesos (P 50,000,000.00), which shall be known as the Non-Agricultural Co-operative Fund: Provided, however, That of the said sum, two million two hundred fifty thousand pesos (P2,250,000) shall be made immediately available from the proceeds of the bonds authorized to be issued under Republic Act Numbered One Thousand for the following purposes:

- Two million pesos (P2,000,000.00) for the initial capital investments required under Chapters XV and XVI, and
- Two hundred fifty thousand pesos (P250,000.00) for certain costs of administration provided for in Sections one hundred nineteen and one hundred thirty-three hereof.

SEC. 154. Report to Congress.—The Administrator, through the Secretary of Commerce and Industry, shall submit to Congress copy of the rules and regulations promulgated by him in accordance with the provisions of this Act, as well as an annual report of the nonagri-cultural co-operatives program established under this Act.

SEC. 155. Effectivity.—This Act shall take effect upon its approval.

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