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OFFICE OF THE PRESIDENT
COOPERATIVE DEVELOPMENT AUTHORITY
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MEMORANDUM CIRCULAR NO. 2012-21
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TO : ALL CONCERNED

**SUBJECT : MANUAL ON DISSOLUTION, LIQUIDATION, CANCELLATION AND
DELISTING OF COOPERATIVES**

DATE : July 26, 2012

Pursuant to Articles 64, 65, 66, 67, 68 and 69, Chapter VII, The Philippine Cooperative Code of 2008 otherwise known as R.A. 9520, Rule 9 of its Implementing Rules and Regulations (IRR) and MC No. 2006-10, the Cooperative Development Authority (CDA) hereby issues the Manual on Dissolution, Liquidation, Cancellation and Delisting of Cooperatives.

The Manual provides for the phases of terminating the juridical personality; as well as the processes of cancellation of certificate of registration and delisting in the registry of cooperatives with the Cooperative Development Authority.

For information and guidance.

THE BOARD OF ADMINISTRATORS

By:


EMMANUEL M. SANTIAGUEL, Ph.D.
Chairperson

Approved per CDA BOA Resolution No. 169,s 2012 dated July 13, 2012.

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MANUAL ON DISSOLUTION, LIQUIDATION, CANCELLATION AND DELISTING OF COOPERATIVES

This Manual provides for the phases of terminating a cooperative's juridical personality which includes two (2) major stages, namely: dissolution and liquidation. It also presents the processes of cancellation of Certificate of Registration and delisting in the registry of cooperatives with the Cooperative Development Authority (the Authority).

CHAPTER I DISSOLUTION

Section 1. Legal Basis. Articles 64, 65, 66, 67, 68, and 69 Chapter VII, The Philippine Cooperative Code of 2008 otherwise known as RA 9520, Rule 9 of its IRR and MC No. 2006-10.

ART. 64. Voluntary Dissolution Where no Creditors are Affected. – If the dissolution of a cooperative does not prejudice the rights of any creditor having a claim against it, the dissolution may be effected by a majority vote of the board of directors, and by a resolution duly adopted by the affirmative vote of at least three-fourths (3/4) of all the members with voting rights, present and constituting a quorum at a meeting to be held upon call of the directors: Provided, That the notice of time, place and object of the meeting shall be published for three (3) consecutive weeks in a newspaper published in the place where the principal office of said cooperative is located, or if no newspaper is published in such place, in a newspaper of general circulation in the Philippines: Provided, further, That the notice of such meeting is sent to each member of record either by registered mail or by personal delivery at least thirty (30) days prior to said meeting. A copy of the resolution authorizing the dissolution shall be certified to by a majority of the board of directors and countersigned by the board secretary. The Authority shall thereupon issue the certificate of dissolution.

ART. 65. Voluntary Dissolution Where Creditors Are Affected. – Where the dissolution of a cooperative may prejudice the rights of any creditor, the petition for dissolution shall be filed with the Authority. The petition shall be signed by a majority of its board of directors or other officers managing its affairs, verified by its chairperson or board secretary or one of its directors and shall set forth all claims and demands against it and that its dissolution was resolved upon by the affirmative vote of at least three-fourths (3/4) of all the members with voting rights, present and constituting a quorum at a meeting called for that purpose.

If the petition is sufficient in form and substance, the Authority shall issue an order reciting the purpose of the petition and shall fix a date which shall not be less than thirty (30) nor more than sixty (60) days after the entry of the order. Before such date, a copy of the order shall be published at least once a week for three (3) consecutive weeks in a newspaper of general circulation published in the municipality or city where the principal office of the cooperative is situated or in the absence of such local newspaper, in a newspaper of general circulation in the Philippines, and a copy shall likewise be posted for three (3) consecutive weeks in three (3) public places in the municipality or city where the cooperative's office is located.

Upon expiry of the five (5) day notice to file objections, the Authority shall proceed to hear the petition and try any issue raised in the objection filed; and if the objection is sufficient and the material allegations of the petition are proven, it shall issue an order to dissolve the cooperative and direct the disposition of its assets in accordance with existing rules and regulations. The order of dissolution shall set forth therein:

- (1) The assets and liabilities of the cooperative;*
- (2) The claim of any creditor;*
- (3) The number of members; and*
- (4) The nature and extend of the interests of the members of the cooperative.*

ART. 66. Involuntary Dissolution. – A cooperative may be dissolved by order of a competent court after due hearing on the grounds of:

- (1) Violation of any law, regulation or provisions of its by-laws; or*
- (2) Insolvency.*

ART. 67. Dissolution by Order of the Authority. – The Authority may suspend or revoke, after due notice and hearing, the certificate of registration of a cooperative on any of the following grounds:

- (1) Having obtained its registration by fraud;*
- (2) Existing for an illegal purpose;*
- (3) Willful violation, despite notice by the Authority, of the provisions of this Code or its bylaws;*
- (4) Willful failure to operate on a cooperative basis; and*
- (5) Failure to meet the required minimum number of members in the cooperative.*

ART. 68. Dissolution by Failure to Organize and Operate.- If a cooperative has not commenced business and its operation within two (2) years after the issuance of its certificate of registration or has not carried on its business for two (2) consecutive years, the Authority shall send a formal notice to the said

cooperative to show cause as to its failure to operate. Failure of the cooperative to promptly provide justifiable cause for its failure to operate shall warrant the Authority to delete its name from the roster of registered cooperatives and shall be deemed dissolved.

Article 69. Liquidation of a Cooperative.

Every cooperative whose charter expires by its own limitation or whose existence is terminated by voluntary dissolution or through an appropriate judicial proceedingsxxx.”

Section 2. Definition

Dissolution refers to the termination of the juridical personality of the cooperative through appropriate judicial proceedings, or by an order of the Authority, or through its own initiative.

Section 3. Modes of Dissolution

The dissolution of a cooperative may either be voluntary or involuntary.

Dissolution is voluntary if it is initiated through the voluntary decision of the members of cooperatives. There are two (2) manners of voluntary dissolution, namely: a) where creditors are affected; and b) where creditors are not affected.

Dissolution is involuntary if it is ordered by the Authority or a competent court having jurisdiction over the cooperatives on grounds as specified by law, and after due process.

Section 4. Effects

The dissolution of a cooperative, whether voluntary or involuntary terminates the right of the cooperative to continue the business or purposes for which it was established and is bound to wind up its affairs within the period as specified by law.

Section 5. Voluntary Dissolution.

Voluntary dissolution shall be done by the member themselves; provided, that when creditors are affected the interest of the third party shall be protected.

The approval of the General Assembly of the voluntary dissolution shall not restrict or preclude the cooperative to continue the business for which it was established, except for the following:

- a. Refunding of members' share capital contributions, including the offsetting against any receivable from the members;
- b. Making investments of any kind;

- c. Acceptance of share capital and deposits from members;
- d. Acceptance of new members;
- e. Entering in to a contract of whatever nature
- f. Securing of new loans;
- g. Payment of liabilities which have not matured;
- h. Payment of per diems, honorarium or allowances of the officers unless approve by the General Assembly; and
- i. Other acts as may be determined by the Authority.

Section 6. Procedural Guidelines

A. Voluntary Dissolution Without Creditors Affected: The voluntary dissolution of a cooperative may be initiated through a resolution approved by $\frac{3}{4}$ of all the members with voting rights present and constituting a quorum to be held upon call of the directors. The following are the procedural guidelines in dissolving a cooperative:

1. Conduct of Board meeting and coming up with a Board Resolution dissolving the cooperative (Form D-01).
2. Board of Directors setting the date, time, and place of the general assembly meeting.
3. Directing the Secretary to send a written notice of the general assembly meeting (Form D-02) to each member of record with voting rights, by personal delivery or registered mail at least thirty (30) days before the general assembly meeting . The notice shall contain:
 - I. Agenda
 - II. The date, time and place of the meeting
 - III. The purpose of the meeting which is to discuss the reason/s for the dissolution of the cooperative, and if such is approved, to elect a liquidator or liquidators.
4. Publication of the Notice to Dissolve the Cooperative (Form D-03) of the time, place and subject of the meeting for 3 consecutive weeks in a newspaper published in the place where the principal office of said cooperative is located, or if no newspaper is published in such place, in a newspaper of general circulation in the Philippines.
5. Conduct of General Assembly Meeting. The General Assembly approves ((Form D-04) and disapproves the dissolution (Form D-05).
6. Elects or appoints the constitution of the Board of Liquidators, if the General Assembly approves the dissolution.
7. The members of the Board of Liquidators shall order the management the temporary suspension of the transactions indicated in Section 5 hereof.

8. The cooperative shall submit two (2) copies of the following documentary requirements:
 - a. Board Resolution authorizing the dissolution ;
 - b. Certification of the Board of Directors signed by at least majority of the Board of Directors and countersigned by the Board Secretary certifying the approval of the resolution by the members and to the fact that no third party creditors will be affected by the dissolution (Form D-06);
 - c. Affidavit of Publication (Form (D – 07));
 - d. General Assembly Resolution containing the names of the elected or appointed Board of Liquidators (Form D – 08); and
 - e. Minutes of the General Assembly.
9. The Authority shall issue a Certificate of Dissolution (Form D-09) and an Order to Commence the Winding Up of Affairs (Form No. D-10) within thirty (30) days from receipt of the Notice of Voluntary Dissolution from the cooperative. The Authority shall inquire the financial position of the cooperative, if it is of the opinion that third parties may be affected by such dissolution.
10. The Certificate of Dissolution and the Order to Commence the Winding-Up of Affairs shall be posted in accordance with the terms of reference.
11. If after the Authority has issued the Certificate of Dissolution and a creditor who is prejudiced by such dissolution appears, the Board of Directors shall be held liable to the creditor for such amount as the creditor was prejudiced.
12. The voluntary dissolution of a cooperative shall only take effect upon receipt by the Board of Directors of the Certificate of Dissolution from the Authority.
13. Upon such receipt, the cooperative, through its Liquidator, shall proceed with the winding up of the affairs of the cooperative as outlined in this Manual.

B. VOLUNTARY DISSOLUTION WHERE CREDITORS ARE AFFECTED. In case the voluntary dissolution will affect creditors and other persons, or when the Authority, *motu proprio*, finds that third parties will be affected by such dissolution, the following procedures shall be followed:

1. Conduct of Board meeting and coming up with a Board Resolution dissolving the cooperative (Form D-01).
2. Board of Directors setting the date, time, and place of the general assembly meeting.
3. Directing the Secretary to send a written notice of the general assembly meeting (Form D-02) to each member of record with voting rights, by

personal delivery or registered mail at least thirty (30) days before the general assembly meeting . The notice shall contain:

- a. Agenda
 - b. The date, time and place of the meeting
 - c. The purpose of the meeting which is to discuss the reason/s for the dissolution of the cooperative, and if such is approved, to elect a liquidator or liquidators.
4. Publication of the Notice to Dissolve the Cooperative (Form D-03) of the time, place and subject of the meeting for 3 consecutive weeks in a newspaper published in the place where the principal office of said cooperative is located, or if no newspaper is published in such place, in a newspaper of general circulation in the Philippines.
 5. Conduct of General Assembly Meeting. The General Assembly approves ((Form D-04) and disapproves the dissolution (Form D-05).
 6. The Board of Directors shall prepare and file a verified petition to dissolve the cooperative with the Authority (Form No. D-11). The said petition shall be in writing, signed by at least a majority of the members of the Board of Directors or other officers managing its affairs, verified by its Chairperson or Board Secretary or one of its directors and shall set forth all claims and demands against it and that its dissolution was resolved upon by the affirmative votes of at least three-fourths (3/4) of all the members with voting rights, present and constituting a quorum at a meeting called for that purpose, and containing the documents listed under Number 8 of item "A".
 7. The Authority shall issue an Order containing the following (Form D-12):
 - a) Affirmation of sufficiency in form and substance
 - b) The purpose of the Petition.
 - c) The period to file objection or opposition to dissolve the cooperative which shall not be less than thirty (30) days nor more than sixty (60) days reckoning from the date of the filing of the Petition.
 8. The Petitioner at its expense, shall publish a copy of the order at least once a week for three (3) consecutive weeks in a newspaper of general circulation published in the municipality or city where the principal office of the cooperative is situated or in the absence of such local newspaper, in a newspaper of general circulation in the Philippines.
 9. The Petitioner shall likewise effect the posting of the copy of the Order for three (3) consecutive weeks in three (3) public places in the municipality or city where the cooperative office is located.

10. Upon expiry of the five (5) day notice to file objection, the Authority shall proceed to hear the petition and try any issue raised in the objection filed.
 - 10.1 Objection may be in writing, either in the form of comment, opposition, or position paper, together with the documentary proofs of the claim to support the objection to be submitted to the Authority within the period specified in the preceding paragraph.
 - 10.2 After the expiration of the period of filing of objections or claims, the Authority shall notify the Board of Directors, and all parties who have filed any objection or claim, of the hearing to be held on such a date which shall be within fifteen (15) days from the end of the period to file objections or claims (Form No D-13).
11. Conduct of Hearing. During the hearing, all parties shall be given the opportunity to present their objections and defend their positions. The Authority shall act as the final arbiter of all issues raised. The parties may present their evidence and seek their admission as exhibits. As far as practicable, the Authority shall not entertain any postponement in order to terminate the proceedings without further delay.
12. Issuance of Order of Dissolution and Winding-Up. The Authority shall terminate the hearings and issue the Order of Dissolution (Form No. D-14) to the cooperative. The content of the Order of Dissolution shall set forth the following:
 1. The assets and liabilities of the cooperative;
 2. The claim of any creditors;
 3. The number of members;
 4. The nature and extent of the interest of the members of the cooperative; and
 5. Appointment of the Board of Liquidators.
13. Sending of the Order. The Authority shall send the Order of Dissolution either by personal delivery or through a registered mail within ten (10) days upon issuance thereof.
14. Upon receipt of above Order, the cooperative, through its Liquidator, shall proceed with the winding up of the affairs of the cooperative as outline in this Manual.

Section 7. INVOLUNTARY DISSOLUTION OF A COOPERATIVE

The termination of the existence of a cooperative shall be initiated either by the regular courts of law or by the Authority. In the course of such proceedings, the respondent shall be the cooperative, represented by its Board of Directors.

A. INVOLUNTARY DISSOLUTION BY THE COURT

1. A competent court of proper jurisdiction may dissolve a cooperative only after due notice and hearing based on the following grounds:
 - a. Violation of any law, regulations or provisions of its by-laws;
and
 - b. Insolvency, as defined under the Insolvency Law (Act No. 1956, as amended).
2. Upon receipt of final and executory decision of the court, the Authority shall issue an Order to proceed with the winding up of the affairs of the cooperative as outlined in this Manual.

B. INVOLUNTARY DISSOLUTION BY THE AUTHORITY

The Authority may order in writing that the cooperative be dissolved for any of the causes enumerated in Articles 53, 67 and 68 of RA 9520.

“Art. 53 (1) Every cooperative shall draw up xxx

Failure to file the required report shall subject the accountable officers to fines and penalties as may be prescribed by the Authority, and shall be a ground for the revocation of authority of the cooperative to operate as such xxx

xxxx

ART. 67.

- (1) Having obtained its registration by fraud;*
- (2) Existing for an illegal purpose;*
- (3) Willful violation, despite notice by the Authority, of the provisions of this Code or its bylaws;*
- (4) Willful failure to operate on a cooperative basis; and*
- (5) Failure to meet the required minimum number of members in the cooperative.*

ART. 68

- a. *Failure to commence business and its operation within two (2) years after the issuance of its certificate of registration; or*
- b. *The cooperative has not carried on its business for two (2) consecutive years, the Authority shall send a formal notice to the said cooperative to show cause as to its failure to operate. Failure of the cooperative to promptly provide justifiable cause for its failure to operate shall warrant the Authority to delete its name from the roster of registered cooperatives and shall be deemed dissolved."*

B.1. PROCEDURAL GUIDELINES

1. **Complaint.** Receipt of verified complaint (external) or reports (internal) of cooperatives recommended for dissolution. The external refers to the public or any juridical persons outside the organizational structure of the Authority while the internal refers to employees of the Authority.
2. **Summons or Show-Cause Order.** Within fifteen (15) days from receipt of the complaint or report, the Authority shall issue a Summons (Form D-15) or Show Cause Order (Form No. D-16) addressed to the cooperative, through the Board of Directors, stating the grounds for involuntary dissolution, and requiring the cooperative to comment why the cooperative should not be dissolved and its certificate of registration be cancelled.
3. **Sending of Notice.** The Summons or Show Cause Order shall be sent to the principal office of the cooperative or its last known address as located in the records of the Authority by registered mail with return card. Personal delivery may also be employed through a duly authorized employee of the Authority and only in cases specifically ordered by the Authority.

If the summons or show cause order remains un-served in spite of service by registered mail or personal delivery, the Authority shall serve the notice to the members of the Board of Directors on the last known address or as stated in the Articles of Cooperation.

4. **Answer to the Complaint.** The cooperative shall, within fifteen (15) days from receipt of the Summons, file to the Authority its Answer to the complaint stating therein the justifications why it should not be dissolved. Any motion to dismiss shall be treated as an answer, and shall preclude the cooperative from asserting facts or issues not included in such motion to dismiss.
5. **Notice of Hearing.** Upon the receipt of the answer from the cooperative or if the cooperative failed to file its answer, the Authority shall issue a Notice of Hearing

(Form D-17) stating the date, time and place of the hearing. No motion for postponement shall be entertained by the Authority unless found to be meritorious.

6. **Presentation of Evidence.** During such hearing/s, the parties shall be given the opportunity to present their respective evidence for or against the dissolution of the cooperative. The parties may or may not be represented by counsel during such hearings. Failure of the cooperative to attend the hearing shall warrant the Authority to issue the Order of Dissolution.
7. **Order of Dissolution/Dismissal.** After the hearing and as warranted by the evidence presented, the Authority may issue an Order of Dissolution (Form D-18) or dismissal of the complaint (Form D-19). The resolution shall become final and executory fifteen (15) days after receipt of such Order by the parties unless a motion for reconsideration or appeal has been perfected.
8. **Appeal.** The parties who are not satisfied with the decision of the Authority may file their appeal to the CDA Central Office, Department of Finance or the Office of the President, whichever is applicable, within fifteen (15) days from the receipt of the decision.
9. **Execution.** The order of the Authority shall be final and executory after the lapse of fifteen (15) days period to appeal or file a motion for reconsideration.
10. **Appointment of Liquidator.** The Authority shall appoint a liquidator through issuance of an Appointment of the Liquidator (Form No. D-20). The appointment shall also empower the appointed person to transact business with the cooperative's depository banks for and in behalf of the cooperative.

The appointed liquidator shall then proceed with winding up of affairs of the cooperative commencing from the date specified in the appointment and in the manner prescribed in the next succeeding Chapter.

CHAPTER II LIQUIDATION

Section 1. Legal Basis. The legal basis for this Section are Articles 69, and 70 of The Philippine Cooperative Code of 2008, otherwise known as RA 9520.

- b. "ART. 69. Liquidation of a Cooperative. – Every cooperative whose charter expires by its own limitation or whose existence is terminated by voluntary dissolution or through an appropriate judicial proceeding shall nevertheless continue to exist for three (3) years after the time it is dissolved; not to continue the business for which it was established but for the purpose of prosecuting and defending suits by or against it; settlement and closure of its affairs; disposition, conveyance and distribution of its properties and assets.

"At any time during the said three (3) years, the cooperative is authorized and empowered to convey all of its properties to trustees for the benefit of its members, creditors and other persons in interest. From and after any such conveyance, all interests which the cooperative had in the properties are terminated.

"Upon the winding up of the cooperative affairs, any asset distributable to any creditor, shareholder or member who is unknown or cannot be found shall be given to the federation or union to which the cooperative is affiliated with.

"A cooperative shall only distribute its assets or properties upon lawful dissolution and after payment of all its debts and liabilities, except in the case of decrease of share capital of the cooperative and as otherwise allowed by this Code.

"ART. 70. Rules and Regulations on Liquidation. – The Authority shall issue the appropriate implementing guidelines for the liquidation of cooperatives."

- c. Section 1 to 17 of Rule 9 of the Implementing Rules and Regulations of the Philippine Cooperative Code of 2008, otherwise known as RA 9520.

Section 1. Legal Basis. The legal basis for this Rule are Art. 69, 70 and par. 2, Art. 72 (4) of the Code, quoted as follows:

xxx

"ART. 70. Rules and Regulations on Liquidation. – The Authority shall issue the appropriate implementing guidelines for the liquidation of cooperatives."

xxx

Sec 2. Coverage of Liquidation. These Guidelines shall cover the following:

1. Cooperatives whose charter expires by its own limitation.

2. Cooperatives whose existence is terminated by voluntary dissolution.
3. Cooperatives whose existence is terminated by appropriate judicial proceedings.

Sec. 3. Mode of Liquidation. The manner of liquidation or winding up may be provided for in the cooperative By-laws and this would prevail unless it is inconsistent with law. In this jurisdiction, the cooperative may avail of the following modes of liquidation:

- (1) Liquidation by cooperative itself through a Board of Liquidators. The members of cooperative entitled to vote shall elect from among themselves their Board of Liquidators; and /or*
- (2) By conveying all the cooperative assets to Trustee or Trustees who will take charge of liquidation.*

Sec. 4. Procedure of Liquidation. The following procedures shall be observed in liquidation:

1. Constitution of the Board of Liquidators /Trustees.
2. Inventory of Assets and Liabilities of the Cooperative.
3. Payment of Creditors in accordance with the Provision of the New Civil Code on the Preference and Concurrence of Credits.
4. Transfer of the Statutory Funds to the intended beneficiaries.
5. Distribution of the remaining assets.
6. Submission of the Board of Liquidators/Trustees of the Liquidation's Final Report.
7. Cancellation of the Certificate of Registration and delisting of the name of the cooperative in the Cooperative Registry.

Sec. 5. Board of Liquidators/Trustees.

Within sixty (60) days from receipt of the Order of Dissolution from the Authority or competent Court, the Board of Directors shall select/constitute the Board of Liquidators/Trustees. In the event the Board of Directors fails or refuses to constitute the Board of Liquidators/Trustees, at least twenty five percent (25%) of the members entitled to vote shall convene and select/appoint the Liquidators/Trustees. In case the Board of Directors and the General/Representative Assembly fail to select the Board of Liquidators/Trustees, the Authority shall appoint the same.

The Board of Liquidators/Trustees shall not be less than three (3) but not more than five (5) members. They shall take their oath of office

before the Authority prior to assumption of their functions and responsibilities.

The Board of Liquidators/Trustees shall post an adequate bond as may be fixed by the Authority during the period of liquidation, to be paid out of the funds of the cooperative.

The Board of Liquidators/Trustees shall be allowed to receive a reasonable honorarium to be paid out from the funds of the cooperative, which shall be equal to but not less than the honorarium being received by the Board of Directors of the cooperative before its dissolution.

Sec. 6. Functions, Powers and Obligations of the Board of Liquidators/Trustees. The Board of Liquidators/Trustees shall:

- 1. Make an inventory of all assets and to determine all liabilities including Share Capital holdings;*
- 2. Preserve the existing assets of the cooperative;*
- 3. Convert all assets of the cooperative into cash;*
- 4. Pay the outstanding obligations including any and all valid claims against the cooperative;*
- 5. Distribute remaining assets pursuant to the provisions of the Code and this Rule; and*
- 6. Make a final report on the liquidation and submit the same to the Authority.*

Sec. 7. Power to Sue and Be Sued. In the discharge of the above-mentioned functions, the Board of Liquidators/Trustees may sue and be sued under the name of the cooperative in order to protect and defend its rights and interests.

Sec. 8. Payment of Creditors. Payment of creditors shall be in accordance with the contract upon which it is based and the provisions of the New Civil Code on the Preference and Concurrence of Credits.

Sec. 9. Statutory Funds. All the statutory and other funds established by the cooperative shall be disposed of in accordance with the provision of Art. 86 of the Code.

Sec. 10. Treatment of Donated Capital. All subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institutions whether public or private shall be subject to escheat.

Sec. 11. Distribution of Assets. Subject to the preceding sections and upon written authority from the Authority, any assets remaining after the

payment of the cooperative's obligations to its creditors shall be distributed to the members in payment of their respective share capital. If the remaining asset is not sufficient to pay the full share capital contribution of the members, the distribution shall be done in proportion to their share capital.

Sec. 12. Undistributed Assets. After the winding up of the affairs of the cooperative, the assets distributable to creditor or member whose whereabouts is unknown or cannot be found shall be given to the federation/union to which the cooperative is affiliated with, for cooperative development, at the option of the Board of Liquidators/Trustees.

In case of non-affiliation, the undistributed assets shall be given to the community where the cooperative operated.

Sec. 13. Periods Allowed for the Winding Up of the Affairs of the Cooperative. The dissolved cooperative shall continue to exist for three (3) years from the issuance of the Order of Dissolution. The purpose of which is not to continue the business for which it was established but for the purpose of prosecuting and defending suits filed by or against the cooperative, settlement and closure of its affairs, disposition, conveyance and distribution of its assets.

Nevertheless, at any time during the said three (3) year period, the cooperative is authorized and empowered to convey all its properties to Trustees for the benefit of its members, creditors and other persons in interest, after which, all interests which the cooperative had in its properties are terminated.

Sec. 14. Submission of the Board of Liquidators/Trustees' Final Report.

The Cooperative Board of Liquidators/Trustees shall submit a final report to the members of the liquidated cooperative and to the Authority, Federation, or Union to which the cooperative is affiliated with.

Upon receipt of the Final Report of the Board of Liquidators/Trustees and finding that said final report is complete and in order, the Authority shall release the Liquidators/Trustees from their duties and functions. Thereafter, the Authority shall effect the cancellation of the Certificate of Registration of the subject cooperative and delisting of the name of the cooperative in the Cooperative Registry.

For failure to submit the Final Report the Board of Liquidators/ Trustees shall not be released from their duties and functions, hence no clearance shall be issued by the Authority.

Sec. 15. Summary Proceedings. For cooperatives with assets of not more than One Hundred Thousand Pesos (P100,000.00) as shown in the Audited Financial Statements and with no known creditors, the Authority may choose to initiate summary proceedings.

The following documents shall be required to be submitted by the Board of Directors to the Authority:

- 1. Schedule of Assets;*
- 2. Proposal of Distribution of Assets to its members;*
- 3. List of intended beneficiaries of the Statutory Funds;*
- 4. Affidavit of No Creditors; and*
- 5. Audited Financial Statement;*

After due evaluation by the Authority, the same shall issue a written authority to the Board of Directors to distribute the assets of the cooperative. After which, the Board of Directors shall submit a final report.

Sec. 16. Supplementary Laws. The provisions of Chapter Two (2) and Three (3) of Title 19 on the Concurrence and Preference of Credits under the New Civil Code and the provisions of Rule 104 of the Revised Rules of Court on the Voluntary Dissolution of Corporations shall be used as supplementary rules.

Sec. 17. Exception. The Authority, at its own discretion, may outrightly cancel the Certificate of Registration of a cooperative which has been proven to have no assets, or in case the cooperative can no longer be located despite the best efforts to locate it. Such facts shall be stated in the Order of Cancellation.”

Section 2. Nature

This refers to the various activities undertaken by a dissolved cooperative, through its duly constituted Board of Liquidators, namely to:

- a. Make inventory of assets and liabilities of the Cooperative,
- b. Preserve the existing assets of the cooperative;
- c. Convert all assets of the cooperative into cash;
- d. Pay the creditors;
- e. Prosecute and defend suits filed by or against the cooperative,

- f. Settle and closure of its affairs,
- g. Dispose, convey and distribute its remaining assets,
- h. Transfer of the statutory funds to the intended beneficiaries,
- i. Submit the Final Report to CDA.

The dissolved cooperative shall continue to exist for three (3) years from the issuance of the Order of Dissolution except that at any time during the said period, the cooperative is authorized and empowered to convey all of its properties to **Trustees** for the benefit of its members, creditors, and other persons in interest. From and after any such conveyance, all interests which the cooperative had in the properties are terminated.

Section 3. Methods

The winding up of affairs of a cooperative may be provided for in the cooperative By-laws provided it is not inconsistent with law. The winding up of affairs may be undertaken in the following manner:

- a. In case of voluntary dissolution, the winding up of activities shall be carried out by cooperative itself through a Board of Liquidators. The members of cooperative entitled to vote shall elect from among themselves their Board of Liquidators; and /or by conveying all the cooperative assets to Trustee or Trustees who will take charge of all the winding up activities.
- b. In case of involuntary dissolution, the winding up of activities shall be carried out by a Liquidator to be appointed by the Authority or the Competent Court.

Section 4. Constitution of Liquidators/Trustees by the Authority

In dissolving a cooperative, the Board of Liquidators/Trustees shall be selected/constituted by the Board of Directors. In case of failure or refusal of the Board of Directors to constitute the Board of Liquidators/Trustees, the same shall be selected in a General/Representative Assembly if the latter still fails, the Authority shall appoint the same. Such Liquidators and Trustees shall be directly accountable to the cooperative and supervised by the Authority.

The election or appointment of Liquidator/s shall terminate the powers of the Board of Directors and other committees as stated in the by-laws of the cooperative and in R.A. No 9520.

Section 5. Number of Liquidators

The Board of Liquidators shall not be less than three (3) but not more than five (5).

Section 6. Qualification of Liquidators

The following guidelines shall be observed in the selection of the Liquidator/s whether elected or appointed:

- a. He must have the time and willingness to undertake the activities concerned;
- b. He must not have any conflicting interest with the cooperative aside from his membership;
- c. He must possess the technical competence to undertake the winding up activities of the cooperative;
- d. He must not have been found guilty of any crime involving moral turpitude, gross negligence, or gross misconduct in the performance of his duties; nor must he have been found culpable in any administrative case involving such offenses;
- e. He must not be facing charges as a defendant in any civil, criminal or administrative proceedings involving financial or property accountability, or both; and
- f. He must not have been a party to any past cooperative anomaly.

Section 7. Powers of Liquidators

The Liquidator/s shall be responsible for the speedy, equitable, and beneficial winding up of the affairs of the cooperative. Specifically, the Liquidator/s shall exercise the following powers:

- d. If necessary, and subject to the Authority's approval, to retain the services of the employees of the cooperative, or to appoint any outsider to assist him in the performance of his functions;
- e. To transact business with the cooperative's depository banks for and in behalf of the cooperative, including the deposit and withdrawal of funds pertaining to the cooperative;
- f. To direct the collection and distribution of the assets in order to expedite the winding up process;
- g. To determine, from time to time, the unpaid subscriptions and debts of the past or present members, officers, members of the board of directors or other committees and employees, including debts due from them and to collect such obligations until the winding up period is completed;
- h. To investigate all claims for and against the cooperative, and subject to the provisions of applicable laws, to decide questions of priority arising

out of such claims and to pay these claims fully or ratably as the assets may permit;

- i. To institute and defend suits and other legal proceedings for or against the cooperative;
- j. To enter into compromise or arrangement with any person with whom the cooperative may have any dispute and to refer such dispute for arbitration;
- k. To pay wholly or ratably any class of creditors of the cooperative;
- l. To dispose of, upon prior approval of the Authority, any asset remaining after paying the claims received and proven against it, subject to the provisions of applicable laws, rules and regulations. The liquidator/s shall, however, not distribute the properties of the cooperative to its members until all obligations have been paid, or secured by deposit for payment and the approval of the Authority is obtained; and
- m. If, during the winding up period, the Liquidator/s finds evidence that the continued existence and operation of the cooperative may be viable and beneficial to its members and other concerned parties, he may request for the lifting of the Order of Dissolution and the Order to Commence the Winding-Up of Affairs (Form D-21).

Section 8. Compensation

The compensation for the services of the Liquidator/s duly elected by the cooperative shall be fixed and borne by the cooperative. In the case of Liquidator/s appointed by the Authority, his compensation shall be fixed by the Authority but paid from the funds of the cooperative.

Section 9. Functions and Responsibilities of the Liquidator/s.

Upon assumption and presentation of credentials, the Liquidator/s shall promptly proceed with the winding up of the affairs of the cooperative. In this regard, the Liquidator/s shall immediately:

- a. Notify the Bureau of Internal Revenue (BIR), Social Security System (SSS), Home Development and Mutual Fund (HDMF), the Department of Labor and Employment (DOLE), and other concerned agencies, regarding the dissolution of the cooperative (Form D-22);
- b. Arrange with such depository banks for authorization to transact business with them in the name of the cooperative;
- c. Take possession and control of the business, properties, assets, claims, books, records and all other documents of every description of the cooperative;

- d. Estimate the total costs of the winding up activities, and allocate the funds for these. These costs shall include compensation of the Liquidator/s and appointed employees, if any, cost for publication, posting, public bidding and others;
- e. Investigate the financial condition of the cooperative as of the date of commencement of the winding up period. In this connection, the Liquidator/s may, at their option, retain the services of an Independent Certified Public Accountant to conduct an audit of the cooperative's books of account, and ascertain its financial condition at the commencement of the winding up period, particularly in the following:
 - i. Conduct an inventory of the assets and ascertain the outstanding liabilities of the cooperative (Form D-23);
 - ii. Update the books of account by taking up in the books any unrecorded asset or liability and unrecognized revenue and expense;
 - iii. Reconcile the general ledger balances of the cash accounts with the balances as confirmed by the depository banks;
 - iv. Reconcile the general ledger balances against the subsidiary ledger balances of the receivables, fixed assets, merchandise inventories, liabilities and membership accounts, among others;
 - v. Close the books of accounts and prepare a Statement of Financial Condition (Form D-24) and Statement of Operations (Form D-25) as of the date of the commencement of the winding up period, and supported by the following:
 - v.1 Schedule of Members' Share Capital Contributions, and their receivables and payable accounts showing the members' names, certificate of share capital or passbook numbers, and individual balances for shares, receivables and payables as of the date of the Statement of Operation;
 - v.2 Schedule of Cash showing the names and addresses of such banks and other financial institutions wherein the cooperative has its accounts, together with their account numbers and the confirmed cash balances;
 - v.3 Schedule of Accounts Receivables showing the names, addresses and the amounts due to the cooperative;
 - v.4 Schedule of Fixed Assets and Inventories with their fair market values ;
 - v.5 Statement of Affairs (Form D-26) of the cooperative as the date of the Statement of Financial Condition based of on

the inventory and appraisal and the estimated amount of expenses; and

v.6 Schedule of Liabilities showing the names, addresses, and the amounts due to each creditor.

- f. Submit copy of the Statement of Financial Condition and the Statement of Operations to the Authority to serve as its basis for establishing the accountability of the Liquidator/s, and for ascertaining whether the subsequent realizations of assets, settlement of claims, and return of members' investments are properly accounted for.

The Liquidator/s shall, after updating and closing the books of accounts, send notices by registered mail to all creditors to whom the cooperative may be indebted informing them of the dissolution and asking them to present their claims for payment, if not already presented, within a period of six (6) months from the date of the issuance of such notice (Form D-27). The Liquidator/s shall ascertain the genuineness and validity of such claims.

The Liquidator(s) shall send notice to all members of the cooperative informing them of the approval by the Authority of the dissolution of their cooperative, whether voluntary or involuntary. It shall also inform the member of the value of his share capital contributions, his receivable and payable balances as of the date of the commencement of the winding up period. The members shall also be asked to confirm their balances, whether receivable or payable, by returning a signed confirmation slip for comparison and reconciliation with the cooperative's records (Form D-28).

After establishing the fair financial position of the cooperative and notifying the creditors and members, the Liquidator/s shall proceed with the task of converting its assets into cash, settling its liabilities, disposing of the various reserve funds, and returning any remaining assets to the members.

As far as practicable, assets of the cooperative shall be sold in bulk, on an "as is, where is" and cash basis, and through public bidding. Piecemeal and/or negotiated sale of assets shall be resorted to only in the absence of at least two (2) bidders. This is intended to ensure the prompt disposal of the assets with the highest possible returns to the cooperative.

- g. Conversion into cash of any investment entered into by the cooperative and all marketable securities in the name of the cooperative or assigned to it.
- h. Collection of receivables from third parties. The Liquidator/s may undertake such steps to collect receivables before due dates by offering discounts and/or other forms of incentives.

- i. Collection of receivables from the members of whatever nature shall be made immediately regardless of due dates. In this case, the off-setting of such receivables from the members' share capital and/or fixed deposits shall not be allowed.
- j. Writing-off of worthless assets or assets declared as junk and/or without any value.
- k. Deposit the proceeds from the sale of assets, marketable securities, and collections from all receivables shall be deposited in the bank, and properly accounted for.
- l. Settle promptly the liabilities of the cooperative as far as the funds will permit in accordance with the order of priorities prescribed earlier. The Liquidator/s may, however, settle such liabilities as they fall due and regardless of priority if the assets of the cooperative are sufficient to cover the obligations, including members' share capital.
- m. Transfer the various reserve funds to the intended beneficiaries through the execution of the proper transfer instruments after payment of all creditors.
- n. Convert into cash or declared worthless assets of the cooperative, all claims have been settled either through payment or deposit for payment, and all reserve funds have been properly disposed of, the Liquidator/s shall determine the remaining assets of the cooperative. If the remaining assets are equivalent to or greater than the total share capital of all the members, such share capital shall be returned to the members.
- o. To report in writing to the Office of the Solicitor General the inventory of any donated capital of the dissolved cooperatives under Articles 64, 65, 66, 67 68 and 69 of RA 9520/cancelled cooperatives in accordance with Article 144 of RA 9520, which may consist of any or all of the following: subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private, and to request the said office to undertake the appropriate action in accordance with the last Paragraph (Escheat) of Article 72 of RA 9520.
- p. Payment of preferred share capital holders prior to common share capital holders. They shall be paid the par value of their subscriptions. Members with regular share capital subscriptions shall then be paid the value of their subscriptions. Any remaining assets following such payment may be distributed among the members in the form of interest on share capital (Form D-29).

In case the remaining assets are not sufficient to cover the share capital of all members, preferred share capital holders shall be paid the par value of their subscriptions prior to common share capital holders, who shall then be paid on a pro-rata basis from the remaining assets.

- q. Seek the approval of the Authority to distribute the remaining assets to its members. The request shall be accompanied by a schedule (Form D-30) containing the following:

- a. The names of the members on record as of the date of the commencement of the winding up period;
- b. The amount of each member subscriptions and paid-up shares capital contribution ;
- c. The amount of any unsettled receivable of the cooperative from each member, if any; and
- d. The total amount of each member's share in the remaining assets of the cooperative, if applicable.

In case of failure of the Board of Liquidators to comply or continue with its responsibilities and functions at anytime during the three year winding up period, the cooperative is authorized and empowered to convey all of its properties to trustees for the benefit of its members, creditors, and other persons in interest. From and after any such conveyance, all interests which the cooperative had in the properties are terminated.

Section 10. Distribution of Remaining Assets.

Once the written approval of the Authority has been received by the Liquidator/s, distribution of the remaining assets shall commence in the following manner:

- a. Notice of such distribution shall be given to all members;
- b. The member shall surrender their share capital certificates and/or passbooks to the Liquidator/s;
- c. Checks payable to each member shall be prepared containing the total amount of the member's share in the remaining assets;
- d. The member shall sign a receipt acknowledging receipt of the amount indicated above;
- e. All surrendered share capital certificates and/or passbooks shall be appropriately cancelled by marking or mutilating such document to invalidate it.
- f. e.1 In case of loss or destruction of the share capital certificates and/or passbooks, the member shall execute an affidavit containing the following information:
 - I. The serial number/s of the certificate/s and/or passbook/s;
 - II. The value and number of shares represented by the certificate/s and/or the last stated balance/s of the passbook/s;
 - III. The circumstances as to how, when and where the certificate/s and/or passbook/s was lost or destroyed;

- IV. The lost or destroyed certificate/s and/or passbook/s have never been transferred, sold or endorsed to a third party; and
 - V. The member holds the liquidator/s free from all liabilities and/or claims by third parties.
- g. The Liquidator may also establish the member's shareholdings and/or deposits from other records of the cooperative, such as the share and transfer book and/or individual/subsidiary ledgers.
 - h. If a member cannot personally receive his share in the remaining assets, the Liquidator/s may opt to send the check representing the member's share by registered mail to the last known address of the member.
 - i. The assets distributable to creditor/s or member/s whose whereabouts is unknown or cannot be found shall be held in trust by the Board of Liquidators or Trustees who will hold as such for a period of five (5) years from the date of its receipt.
 - j. After the lapse of the five (5) year period, such unclaimed amount shall be given to the federation or union to which the cooperative is affiliated with, for cooperative development. If the cooperative is not affiliated with either federation or union, the undistributed assets shall be given to the federation or union where the cooperative operated, for cooperative development.

Section 11. Payment of Obligations.

Payments to creditors, members, and other parties, and releases of funds for expenses shall be made only through checks addressed to specific persons and supported by proper documents.

Section 12. Effects of Liquidation

The winding up of the affairs of a cooperative results in the following:

- a. All debts are realized and assets are converted into cash;
- b. Debts are settled in accordance with the provisions of the New Civil Code in the Preference and Concurrence of Credits or with the following claim of priorities:
 - i. Government taxes, duties and fees due;
 - ii. Third Party Creditors;
 - iii. Employees Compensation;
 - iv. Deposit liabilities;
 - v. Preferred Shares; and
 - vi. Common Shares;

- c. Reserves are disposed of in accordance with the existing laws, rules and regulations, and the by-laws of the cooperative; and
- d. Remaining assets are returned to the members in proportion to their investments.

Section 13. Procedural Guidelines

1. Conversion of All Assets into Cash

- 1.1 Inventory of assets and liabilities;
- 1.2 Collection of receivables;
- 1.3 Termination of investments;
- 1.4 Sale of all assets;

The assets of the cooperative shall be disposed of and converted into cash by the Liquidator/s in a manner that will maximize the realization of the market value of the assets at the shortest possible time and at the least cost to the cooperative. As much as possible, the assets must be sold in bulk or by lot through public bidding. Disposal of assets on a negotiated sale may be resorted to only if there are no interested bidders or in case of failure of the bidding.

2. Settlement of liabilities in accordance to Chapter 4, Section 4 (b).

Payment to creditors shall be in accordance with the contract and the provisions of the New Civil Code on the preference and concurrence of credits.

3. Distribution of balance of statutory reserve fund to rightful beneficiaries.

4. Returning of excess fund in proportion to the investment of members.

All remaining assets of the cooperative shall be distributed to the members only after the full settlement of the liabilities of the cooperative.

Section 14. Prohibition.

During the winding up period, the cooperative can no longer continue doing its business other than those necessary to carry out the winding up of its activities. These transactions can be generally classified as those involving the conversion of assets to cash, payment of liabilities, disposition of reserve funds, and return to the members of any remaining assets.

Section 15. Bond Requirements for Liquidators.

The Liquidator/s and all other officers and employees of the cooperative retained by the Liquidator/s who have direct access and responsibility to the cooperative's funds shall be covered by adequate bonds. The coverage of such bond shall extend for a period of six (6) months after the end of the three (3) year winding up period unless extended. The amount to be bonded shall be equivalent to at least twenty percent (20%) of the total assets of the cooperative but not less than Five Thousand Pesos (P5,000.00).

Section 16. Examination of the Books of Accounts.

The Authority may cause the examination of the books of accounts and other financial documents of the cooperative during the winding up period through an Independent Certified Public Accountant.

Section 17. Request for Lifting of Order of Liquidation

If, during the winding up period, the Liquidator/s finds evidence that the continued existence and operation of the cooperative may be viable and beneficial to its members and other concerned parties, he may request for the lifting of the Order to Dissolve and the Order to Commence the winding up of affairs.

Section 18. Final Report of Liquidation.

On the final day of the winding up period, the Liquidator/s shall prepare for submission to the Authority the Final Report of Liquidation (Form No. D-31), containing the following information:

- a. The commencement and completion dates of the winding up period;
- b. The total book value of all assets owned by the cooperative as of the commencement date;
- c. The total book value of the assets that were written off;
- d. The total amount realized from the sale of assets which were neither donated nor written off;
- e. The allocation of the amounts pertaining to:
 - (1) The reserve funds;
 - (2) The settlement of all claims against the cooperative; and
 - (3) The amounts returned to the members.
- f. The Report shall be accompanied by the following documents:
 - a. An affidavit from the Liquidator/s stating that all claims against the cooperative have been settled and that the remaining assets, if any, have been returned to the members;

- b. The Statement of Realization and Liquidation (Form No. D-32) and a Summary Statement of Cash Receipts and Disbursements (Form No. D-33) covering the entire winding up period;
- c. Checks that have been cancelled pertaining to creditors, members, and third parties who have not claimed their share in the assets of the cooperative or who are unknown or can no longer be located;
- d. Copies of Deeds of Donation for assets donated to a federation, union, charitable organization or community;
- e. A copy of the Authority's approval to write off worthless properties;
- f. The final income tax return filed with the Bureau of Internal Revenue pursuant to the provisions of the National Internal Revenue Code and R.A. No. 9520, and the proof of payment of taxes, if any; and
- g. Such other documents that the Authority may require.

Section 19. Verification of Final Report by the Authority. The Authority shall act on the Final Report of Liquidation within thirty (30) days upon its receipt from the liquidator(s).

It shall further undertake the following activities:

- a. Determine the accuracy and completeness of the final report and the supporting documents;
- b. Ascertain whether all valid claims against the cooperative have been properly disposed of or settled through any valid mode of payment or donation;
- c. Ascertain whether any balance of the reserve fund and the unexpended balance of the education and training fund have been properly disposed of; and
- d. Ascertain whether all the remaining assets have been returned to the members/shareholders equitably.

Section 20. Issuance of Order of Cancellation of the Certificate of Registration of the Cooperative.

When the Authority has satisfied itself that the winding up activities have been completed in accordance with law and prescribed guidelines, it shall issue an Order of Cancellation of the Certificate of Registration (Form D-34) within forty-five (45) days from receipt of the Final Report.

CHAPTER III CANCELLATION OF CERTIFICATE OF REGISTRATION

Section 1. Legal Basis.

Section 3 (g), RA 6939 (copy)

Art. 69 (2) of RA 9520 quoted as follows:

“Any time during the said three (3) years, the cooperative is authorized and empowered to convey all of its properties to trustees for the benefit of its members, creditors, and other persons in interest. From and after any such conveyance, all interest which the cooperative had in the properties are terminated.”

Par.7, Section 4, Rule 9 Rules and Regulations Implementing Certain Provisions of the Cooperative Code of the Philippines

“Sec. 4. Procedure of Liquidation. The following procedures shall be observed in liquidation:

xxx

*7. Cancellation of the Certificate of Registration xxx.”
(emphasis supplied.*

Section 2. Nature

Upon the expiration of the winding up period of three (3) years and the submission of the Board of Liquidators/Trustees of the Liquidation’s Final Report, the Authority shall order the cancellation of the Certificate of Registration. Subject to the provision of par. 2 of Art. 69 of RA 9520 quoted as follows:

“Any time during the said three (3) years, the cooperative is authorized and empowered to convey all of its properties to trustees for the benefit of its members, creditors, and other persons in interest. From and after any such conveyance, all interest which the cooperative had in the properties are terminated.”

Section 3. Effects

The cancellation of the Certificate of Registration of a cooperative will result in the delisting of the name of the cooperative in the Cooperative Registry and cessation of the existence of a cooperative as a cooperative body for all intents and purposes. Thus, claims for or against the cooperative will no longer be enforceable.

Section 4. Procedural Guidelines

- a. The Certificate of Registration of a cooperative shall be cancelled after the Liquidation process has been completed and the submission of the Board of Liquidators' Final Report. In case the liquidation process has been completed before the end of the three (3) year winding up period, the Authority shall issue an Order to cancel the Certificate of Registration.
- b. The Authority through its Extension Office/Central Office, whichever is applicable, shall, then, cancel the Certificate of Registration.
- c. The Authority, at its own discretion, shall out rightly cancel the Certificate of Registration of a cooperative under the following conditions:
 - i. Proven to have no assets after actual verification by the Authority; or
 - ii. Can no longer be located despite notice, posting and Certification from the Barangay. The proof/evidence shall be stated in the Order of Cancellation.
- d. The Order of Cancellation of the Certificate of Registration of the cooperative shall take effect immediately upon issuance of the Order of Cancellation. The Order of Cancellation (Form D-34) shall set forth the following:
 - a. The circumstances as to the dissolution of the cooperative, whether voluntary or involuntary;
 - b. The name(s) of the Liquidator(s) and the date of their appointment;
 - c. The commencement date and the winding up period and its date of completion;
 - d. That such dissolution and winding up process were undertaken in accordance with law, and the implementing rules and regulations on the dissolution and liquidation of cooperatives;
 - e. A statement releasing the liquidator(s) from his/their functions and responsibilities; and
 - f. The date of effectivity of the Order of Cancellation of the Certificate of Registration of the cooperative.

The Authority shall provide copies of the said Order to the cooperative through its Board of Liquidator(s).

- e. Posting of copies of the Order by the Liquidators.

Upon receipt of the copy of the Order of Cancellation of the Certificate of Registration of the cooperative, the Liquidator(s) shall post

copies of the said Order in at least three (3) conspicuous places in the community where the cooperative has its principal office.

CHAPTER IV DELISTING OF COOPERATIVES

Section 1. Legal Basis. Pursuant to Rule 9, Sec 4 (7) of the Implementing Rules and Regulations of the Philippines Cooperative Code of 2008, otherwise known as RA 9520, and MC No.2006-11 of the Cooperative Development Authority, hereby adopts and promulgates the following:

“Section 4. PROCEDURE OF LIQUIDATION

The following procedure shall be observed in liquidation:

Xxx

7. Cancellation of the Certificate of Registration and delisting of the name of the cooperative in the Cooperative Registry.”

Section 2. Scope. This Chapter shall cover the delisting of the cooperative name from the updated Registry of Cooperatives.

Section 3. Definition.

Delisting - shall refer to the act of striking out or deleting the registered cooperative name from the *Registry of Existing Cooperatives* after its Certificate of Registration has been ordered cancelled.

Section 4. Procedural Guidelines

a. For Central Office

- a. The Registration Division shall submit report/list of tertiary cooperatives, electric cooperatives and cooperative banks, recommended for delisting duly noted by Legal and Registration Department Director;
- b. The Executive Director recommends approval for delisting of cancelled cooperatives to the Board of Administrators;
- c. The Board of Administrators issues resolution approving the delisting of cancelled cooperatives; and
- d. The Registration Division delist cooperative name from registry.

b. For Extension Offices

- a. The Extension Office Director shall submit report/list of cancelled primary/secondary cooperatives recommended for delisting to the Executive Director through the Registration Division of the Central Office;
- b. The Registration Division prepares memorandum to the Board of Administrators through the Executive Director duly noted by the Legal and Registration Department Director;
- c. The Board of Administrators issues resolution approving the delisting of cancelled cooperatives;
- d. The Registration Division delist cooperative name from registry;
- e. The Registration Division communicates to Extension Office concerned notifying the approval of the recommendation for delisting of cooperative; and
- f. The Extension Office shall follow the Guidelines on the Disposition of Records of the Delisted Cooperatives.

**CHAPTER V
DISPOSITION OF THE RECORDS RELATIVE TO LIQUIDATION
OF CANCELLED COOPERATIVES**

Vital records of a cooperative which has been liquidated should be kept by the Authority for a period of five (5) years after the issuance of the Order of Cancellation of the Certificate of Registration of the cooperative, unless the liquidation is the subject of civil, criminal and administrative proceedings. These documents and records shall serve as ready references in clarifying issues and questions which may subsequently arise regarding the operation and liquidation of the cooperative.

The following are the guidelines to be observed for the proper disposition of the records of the cooperative after liquidation.

Section 1. Procedural Guidelines

1. The Liquidator(s) shall be responsible for the proper safekeeping of the records of a cooperative from the winding up period until the issuance of an Order of Cancellation of the Certificate of Registration of the cooperative. Thereafter, the Liquidator(s) shall turn over these records to the Authority who shall be the custodian for a period of five (5) years.

2. The Authority shall keep the documents and records under its care for a period of five (5) years from the date of its receipt from the Liquidator(s).

Thereafter, the Authority may dispose them in a manner provided by law (Par. 4 Art. 52, RA 9520).

3. The records to be kept shall pertain to all the vital documents of the cooperative during the period of liquidation, and the immediate preceding five (5) years. These documents shall be generally composed of the following:
 - a. Books of accounts, subsidiary ledgers, and all other accounting documents, records and reports;
 - b. Records of the membership, including the register of members, and the share and transfer book, if any;
 - c. Resolution and minutes of the meetings of the General Assembly and the Board of Directors approving the dissolution;
 - d. Copies of contracts and memoranda of agreements wherein the cooperative is a party; and
 - e. Copies of the documents, records and reports concerning the liquidation of the cooperative.
4. Compilation of pertinent documents and records by the liquidator(s).

The Final Liquidation Report shall include all pertinent records and documents; arranged chronologically, and list of such records to be submitted to the Authority.

5. Safekeeping of the documents and records by the Authority.

The Authority shall then keep these documents and records for a period of five (5) years, unless the liquidation is the subject of civil, criminal and administrative proceedings. The rationale of this is to make these documents and records available as references in clarifying issues and questions which may arise after the liquidation regarding the operation and liquidation of the cooperative.

6. Burning of documents and records of the liquidated cooperative.

At the end of the five-year safekeeping period, the Authority may burn, mutilate or shred such documents and records to make them unusable by any party.

CHAPTER VI

ACCOUNTING AND FINANCIAL REPORTING ASPECTS OF LIQUIDATION

Presented in this section are the accounting policies and procedural guidelines to be adhered, and the reporting requirements to be met, for the proper accounting, monitoring, controlling and reporting of the liquidation of cooperatives to the proper authorities and

interested parties. These Guidelines cover only those transactions and reporting requirements that are peculiar to a cooperative undergoing liquidation. The accounting treatment of all transactions shall be in accordance with the generally accepted accounting principles applied consistently with the practice of the cooperative before its liquidation. Likewise, these Guidelines were formulated from the liquidation point of view rather than from the “going-concern” point of view, viz:

1. Assets are recorded on the basis of the value upon the disposition;
2. Liabilities are recorded and reported at the value after the settlement of the obligations; and
3. The current value of the cooperative’s assets become more relevant than the amortized cost value since the assets will already be disposed of and will no longer be used in the operations.

Section 1. Accounting Aspects

The following are the major requirements peculiar to a cooperative undergoing liquidation:

1. Determination of and accounting for the estimated realizable value of the cooperative assets;
2. Accounting for the unexpired portion of prepaid expenses, and the unamortized portion of the organization expenses and deferred credits;
3. Accounting for the realization of the cooperative assets;
4. Accounting for the expenses incurred during the liquidation;
5. Accounting for the settlement of liabilities;
6. Accounting for the disposition of balances of the various statutory funds; and
7. Accounting for the return of any remaining asset to the members/shareholders.

Section 2. Procedural Guidelines

1. The Liquidator(s) shall be responsible for the proper accounting of records;
2. Unless otherwise specified, the accounting policies being observed and the accounting procedures being employed during the normal operation of the cooperative prior to the liquidation shall be observed;
3. The Liquidator(s) need not open and maintain another set of books of account separate from the books of accounts of the cooperative. He (They) shall continue using the same books of accounts in accounting for the liquidation process;
4. In addition to the general ledger accounts presently used by the cooperative, the following accounts shall be established:

a) Estimated gain/loss on realization account

This is a real account which should be debited/credited for the estimated gains/losses arising from the increase/decline in the realizable value of the cooperative's assets. It shall be debited/credited upon the actual disposal in the Statement of Financial Condition as addition/deduction from the member's equity account.

b) Allowance for loss on realization account (Specify the type of assets, e.g. building)

This account is also a real account. It shall be debited upon the actual disposal of assets and shall be credited for the estimated losses arising from the decline in the realizable value of the cooperative's assets if the estimated realizable value is significantly less than the net book value. The balance of this account shall be deducted from the affected asset account when preparing the Statement of Assets and Liabilities.

c) Realized Gains or losses

This is a nominal account. It shall be used to accumulate actual gains or (loss) on the realization of the cooperative's assets. This account is debited for losses incurred on realization. A debit balance in this account represents net loss on realization and a credit balance of this account presents net gain on realization. The net balance of this account shall be closed to the undistributed Gain or Loss on Realization Account.

d) Undivided Net surplus/Loss

This account represents the Undivided Net Surplus or Loss of the cooperative after the other items in the Statement of Operation. It shall be closed to the members' equity account.

5. Amortization of costs like depreciation shall be discontinued starting from the commencement date of the winding up of the cooperative's affairs.
6. During the winding up period, the liquidator(s) shall close the books of accounts of the cooperative only twice, as follows:
 - a. The first closing of the books shall be done immediately upon receipt of the authorization to proceed with the winding up of the affairs of the cooperative.

This first closing of the books shall be done after the liquidator(s) has undertaken an investigation of the financial condition of the cooperative, and has updated the books of accounts to reflect the estimated realizable value of the assets; unrecorded assets, liabilities, revenue and expenses, and other adjustments needed to correct the books of accounts; and

It is intended to establish the true financial condition of the cooperative as of the start of the winding up of the affairs, and further, to determine the accountability of the liquidator(s).

- b. The second and last closing of the books shall be done after all of the assets have been realized or declared worthless, all the liabilities have been settled; and balances of the reserves have been disposed of.

It shall be preparatory to the final distribution of the remaining assets to the members. And as evident from the foregoing, the books of accounts of the cooperative shall not be closed at the end of its accounting period as normally done when the cooperative is still a “going-concern”.

7. Determination of and Accounting for the Estimated Realizable Value of the Cooperative Assets:

- a. The Liquidator(s) shall, immediately upon receipt of the authorization to proceed with the winding up of the affairs of the cooperative determine the estimated realizable value of the cooperative assets. Specifically, he shall:
 - a.1 Conduct a physical count of the cooperative’s inventories and fixed assets and determine their respective estimated realizable values. The estimated realizable value shall be the estimated market value less disposition cost;
 - a.2 Review the cooperative’s receivables and determine their estimated realizable values. The estimated realizable values of the receivables shall be the total amount of the receivables less allowance for accounts that are determined to be doubtful of collection and the estimated costs of collection or factoring cost; and
 - a.3 Review the cooperative’s investment and ascertain its estimated realizable value. The realizable value for the investment shall be the estimated market value less the cost of disposition.

- b. If the estimated realizable value of the assets as determined is significantly less than the value carried in the books, the liquidator(s) shall take up in the books the decrease in the realizable value of the assets. Presented in Item 1 of Chart A is an illustrative accounting to take up the decrease in the realizable value of the assets.
- c. The Liquidator(s) shall maintain a detailed listing of all the property, plant and equipment (PPE) counted during the inventory taking, and shall include the following:
 - c.1 The description of the assets;
 - c.2 The cost of the assets;
 - c.3 The accumulated depreciation;
 - c.4 The net book value; and
 - c.5 The estimated realizable value at the start of the winding up period.

This listing will be useful in the subsequent accounting for the correct gain or loss on the disposal of assets.

- d. If the Liquidator(s) is constrained to record and report the cooperative's assets at "going-concern" values because of the absence of a sound basis for determining the estimated net realizable value, this shall be noted in the quarterly financial reports to be submitted to the Authority and other concerned parties.
8. Accounting for the Unexpired Portion of Pre-paid Expenses, Unamortized Portion of Organization Expenses, and Deferred Credits.

Upon receipt of the authorization to proceed with the winding up of the cooperative, the Liquidator(s) shall:

- a. Immediately charge to expense the unexpired portion of all the pre-paid expense, any unamortized portion of the organization expense; and
- b. Deferred credits should likewise be credited to the appropriate income account except for portions that are refundable to customers or debtors.

Presented in Item(s) 2 and 3 of Chart A are the illustrative accounting entries to charge to expenses the unexpired portion of pre-payments and the unamortized portion of organization expenses, and to credit to income any deferred credits.

9. Accounting for the Realization of the Cooperative Assets

- a. The Liquidator(s) shall accumulate the gain or loss from the realization of the cooperative's assets in a "Realized Gain or (Loss) on Asset" control account; and
- b. The Liquidator(s) shall maintain subsidiary records to support and keep track of the details of the "Realized Gain or (Loss) on Asset" control account.

This will serve as reference in preparing the detailed schedules to support the Statement of Income and Expenses in Liquidation as well as in resolving tax and other questions which may subsequently arise.

Presented in Item 4 of Chart A is the illustrative accounting entry to record the realization of the cooperative's assets. A loss on realization was assumed for purposes of the example.

10. Accounting for the Cost of Liquidation

- a. The Liquidator(s) shall accumulate the actual expenses incurred during the liquidation in the appropriate cost and expense control accounts as shown in the standard chart of accounts for cooperatives (Refer to the *Accounting Manual for Multi-purpose Cooperatives*).
- b. The Liquidator(s) shall likewise maintain subsidiary records to support and keep track of the details of the cost and expense control accounts, and to serve as basis in preparing the detailed schedules of expenses incurred in liquidation. Presented in Item 5 of Chart A is the illustrative accounting entry to take up in the books the actual expenses incurred in liquidation.

11. Accounting for the Settlement of Liabilities

- a. The Liquidator(s) shall settle the liabilities of the cooperative in the order of priority earlier prescribed. The liabilities may, however, be settled as they fall due and regardless of the order of priority if the assets of the cooperative are adequate to pay for all the liabilities.
- b. The Liquidator(s) shall maintain adequate records of paid and unpaid liabilities in order to monitor the balances of the liabilities, and to document the settlement of the liabilities. These records shall serve as reference in resolving questions which may arise in the future.

- c. The Liquidator(s) shall record in the books the settlement of liabilities in the usual manner as shown in the illustrative accounting entry in item 6 of Chart A.

12. Accounting for the Disposition of Balances of the Statutory and Other Funds

- a. When all of the cooperative's assets have been realized or declared worthless, and all its liabilities have been settled, the Liquidator(s) shall close the books of accounts in the following manner (see items 7a to 7b of Chart A for illustrative accounting entries):
 1. The balances of all other nominal accounts shall be closed to the undistributed gain or loss on realization account.
 2. The balance of the "undistributed gain or loss on realization" account if debit balance (meaning net loss) shall be closed to the general reserve fund. Net losses that cannot be absorbed by the general reserve fund shall be closed to the member's equity account.
 3. The balance of any accumulated deficit shall be closed to the general reserve fund.
 4. The balances of the Cooperative General Reserve Fund and Cooperative Education and Training Fund, Optional Fund and Community Development Fund shall be disposed in accordance with Article 6 of R.A. 9520 and Rule 10 of its Implementing Rules and Regulations as follows:

The General Reserve Fund shall not be distributed among the members but the general assembly may resolve:

- (i) Art. 86 (c) (ii) Art. 86 2(b)

ARTICLE 86. Order of Distribution.

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(c) Upon the dissolution of the cooperative, the reserve fund shall not be distributed among the members. The General Assembly may resolve:

- i. To establish a usufructuary trust fund for the benefit of any federation or union to which the cooperative is affiliated; and*
- ii. To donate, contribute, or otherwise dispose of the amount for the benefit of the community where the cooperative operates. If the members cannot decide upon the disposal of the reserve*

fund, the same shall go to the federation or union to which the cooperative is affiliated.

2. *An amount for the education and training fund shall not be more than ten per centum (10%) of the net surplus. The by-laws may provide that certain fees or a portion thereof be credited to such fund. The fund shall provide for the training, development and similar other cooperative activities geared towards the growth of the cooperative movement.xxx''*

ii. The Other Statutory Funds shall be closed based on the purpose for which it has been established. If it is for community development, then it will be donated to the community. If it is for land and building and/or social concern for members, then it will be closed to members' equity.

13. Accounting for the Return of Remaining Assets to the Members/Shareholders

- a. After finally closing the books of accounts of the cooperative, the Liquidator(s) shall determine the share of each member/shareholder in the balance of members' equity account. The share of each member/shareholder shall be proportionate to each equity contribution. Preferred shareholder shall be paid ahead of the common shareholder.
- b. The Liquidator(s) shall record in the books the final distribution of the remaining assets to the members/shareholders as shown in the illustrative accounting entry in Item 9 of Chart A.

Section 3. Financial Reporting Aspects

A. The following financial reports are intended to promptly and properly apprise all interested parties of a cooperative undergoing liquidation.

1. Reports to be prepared and submitted upon filing of the Notice of Voluntary Dissolution;
 - a. Statement of Affairs (Form D-26);
 - b. Statement of Financial Condition (Form D-24); and
 - c. Statement of Operations (Form D-25).
2. Reports to be prepared and submitted immediately upon receipt of the authorization to commence the winding up of affairs:
 - a. Statement of Financial Condition (Form D-24); and
 - b. Statement of Operations (Form D-25).

3. Reports to be prepared and submitted quarterly during the three (3)-year winding up period:
 - a. Statement of Financial Condition (Form D-24);
 - b. Statement of Income and Expenses in Liquidation (Form D-35);
 - c. Statement of Cash Receipts and Disbursements (Form D-33); and
 - d. Statement of Realization and Liquidation of Assets (Form D-32).
4. Reports to be prepared and submitted upon completion of the winding up of the affairs:
 - a. Statement of Collections and Expenses during the liquidation (Form D-36); and
 - b. Statement of Cash Receipts and Disbursements (Form D-33).

The foregoing are the basic financial reports to be prepared and submitted at the inception, commencement, duration, and completion of the liquidation. As mentioned in the earlier sections of this manual, certain schedules, like the schedule of Accounts Receivable and the Inventory of Property, Plant and Equipment (PPE), should be prepared and submitted to support and provide details on specific items in the basic financial statements.

B. Nature and Guidelines in Preparation

1. **Statement of Affairs (Form D-26)**

- a. Nature
 1. The report presents the financial position of a cooperative from a "Liquidation point of view".
 2. In this report, assets are presented at their appraised value in addition to their book value.
 3. Assets are also classified in accordance with the classification of liabilities, which is by the order-of-settlement priority or preference of credits.

The Statement of Affairs will aid the Board of Liquidator/s, the Authority, the Members and the Creditors of the cooperative in assessing whether a cooperative contemplating liquidation has sufficient assets to pay for all claims against the cooperative, specially unsecured creditors.

b. Guidelines in Preparation

1. The Board of Liquidators of the cooperative shall cause the preparation of the Statement of Affairs.

This report shall be prepared only once. It shall be prepared within ten (10) days after the appointment of the members of the Board of Liquidator/s. It shall be prepared on the basis of the balance

s of assets, liabilities, and the member's equity in the general ledger, the appraised value of the cooperative's assets, and the estimated cost of the liquidation.

2. **Statement of Financial Condition (Form D-24)**

a. Nature

The statement of financial condition shall show the financial position of the cooperative from a "going-concern" point of view, which shall be submitted to support the statement of affairs. In this report, assets are presented at their book value

b. Guidelines in Preparation

1. The Board of Liquidators shall cause the preparation of this report.
2. The report shall be prepared to support the Statement of Affairs.
3. The report shall be prepared only once. It shall be prepared within ten (10) days after the appointment of the members of the Board of Liquidators.
4. This report shall be prepared on the basis of the balances of the assets, liabilities, member's equity, and reserves in the general ledger.

The Statement of Financial Condition will inform the Authority and other concerned parties of the net gain or loss on the realization of the cooperative's assets.

3. **Statement of Operation (Form D-25)**

a. Nature

This report shows the results of operation of the cooperative during the reporting period. It supports the Statement of Affairs and Statement of Financial Condition to be submitted by the Board of Directors to the Authority upon filing of the Notice of Voluntary Dissolution. It also supports the Statement of Assets and Liabilities to be submitted by the liquidator(s) to the Authority upon receipt of the authorization to commence with the winding up of the affairs of the cooperative.

b. Guidelines in Preparation

1. The Board of Liquidator(s) shall be responsible for the preparation of this report.
2. The Statement of Operation shall be prepared within ten (10) days after the appointment of the members of the Board of Liquidators.

The Statement of Operation which the liquidator(s) is required to prepare and submit to the Authority upon receipt of the authorization to commence the winding up of the cooperative's affairs shall be prepared on the basis of the account balances in the general ledger.

4. **Statement of Assets and Liabilities (Form D-37)**

a. Nature

This report compares the assets and liabilities of a cooperative as of the reporting date and as of the commencement date of the winding up of its affairs. As shown in Form D-37, the format of this report is similar to that of an ordinary balance sheet of a cooperative except that in this report, assets are presented at their net realizable value.

This report is useful to the Authority and other interested parties in assessing the progress of the winding up of the cooperative's affairs.

b. Guidelines in Preparation

1. The Liquidator(s) shall be responsible for the preparation of this report.
2. This report shall be prepared and submitted to the Authority immediately upon receipt of the authorization to commence the winding up of affairs and every quarter thereafter until the activities have been completed. The deadline for the submission of this report shall be on the tenth (10) day of the succeeding quarter.
3. This report shall be prepared on the basis of the account balance in the general ledger and the statement of assets and liabilities as of the date immediately preceding the month.

5. **Statement of Income and Expenses in Liquidation (Form D-35)**

a. Nature

This report represents the amount realized from the disposal of the cooperative's assets and the related costs and expenses incurred in the liquidation for the current month and the year to date. It also

informs the Authority and other concerned parties of the net gain or (loss) on the realization of the cooperative's assets.

b. Guidelines in Preparation

1. The Liquidator(s) shall be responsible for the preparation of this report.
2. It shall be prepared and submitted to the Authority every quarter starting from the commencement until the completion of the winding up of affairs. The deadline for the submission of this report shall be on the tenth (10) day of the succeeding quarter.
3. It shall be prepared on the basis of the general ledger and other records of asset disposal, cost and expenses incurred.

6. Statement of Cash Receipts and Disbursement (Form D-33)

a. Nature

This report provides the detailed information on the movement of cash for the current quarter and year to date of a cooperative in liquidation. It is primarily intended to inform the Authority and other users on how the liquidator(s) utilized the cash realized during the winding up of affairs.

b. Guidelines in Preparation

1. The Liquidator(s) shall be responsible for the preparation of this report.
2. This report shall be prepared and submitted to the Authority every quarter starting from the commencement until the completion of the winding up of the affairs. The deadline for the submission of this report shall be on the tenth (10) day of the succeeding quarter.
3. This report shall be prepared on the basis of the general ledger, cash receipts, cash disbursements book and the preceding month's cash receipts and disbursement.

7. Statement of Realization and Liquidation (Form D-32)

When a financially distressed entity undergoes rehabilitation or liquidation, the trustee, assignee, or receiver renders periodic reports on the results of operations or progress made by preparing a Statement of Realization and Liquidation.

a. Nature

The Statement of Realization and Liquidation is a special report summarizing results of operations and progress made in the liquidation process. It shows what have been done with non-cash assets and liabilities and the corresponding effects on cash and

member's equity. Accordingly, it provides for sections on assets, liabilities, and revenue and expenses. Inasmuch as changes in cash and members' equity are not included therein, these are shown in supporting schedules.

CHAPTER VII FINAL PROVISIONS

Section 1. INTERPRETATION. In case of doubts as to the meaning of any provisions in this Manual, the same shall be resolved and interpreted liberally in favor of the cooperatives.

Section 2. APPLICABILITY. This shall cover all cooperatives registered under R.A. 9520.

Section 3. SEPARABILITY. If any provision of this Manual is declared null and void or unconstitutional, the other provisions not affected thereby shall continue to be in force and effect.

Section 4. REPEALING CLAUSE. All CDA issuances, rules and regulations except MC No. 2006-10 that are inconsistent with the provisions of this Manual are hereby repealed or modified accordingly.

Section 5. EFFECTIVITY. This Manual shall take effect upon approval by the Board of Administrators of the Cooperative Development Authority and fifteen (15) days after publication in the Official Gazette or in newspaper of general circulation.

APPROVED on July 13, 2012 PER CDA BOARD RESOLUTION NO. 169, s-2012.

FOR THE BOARD OF ADMINISTRATORS

By:


EMMANUEL M. SANTIAGUEL, Ph.D.

Chairman