

August 13, 1974

PRESIDENTIAL DECREE NO. 538

CREATING AND ESTABLISHING THE PHIVIDEC INDUSTRIAL AUTHORITY AND MAKING IT A SUBSIDIARY AGENCY OF THE PHILIPPINE VETERANS INVESTMENT DEVELOPMENT CORPORATION DEFINING ITS POWERS, FUNCTIONS AND RESPONSIBILITIES, AND FOR OTHER PURPOSES

WHEREAS, it is the policy of the Government to encourage, promote and sustain the economic and social growth of the Country;

WHEREAS, the provision of well-planned areas with the appropriate infrastructure facilities will encourage and facilitate the establishment of industries which in turn contribute to economic and social growth;

WHEREAS, maximum benefit from such industrial areas can be derived by creating an Authority with the responsibility to plan, coordinate and when necessary, actually undertake the construction of such areas as well as manage their operations in a professional and efficient manner;

WHEREAS, it is also the policy of the State to harness the full potentials and capabilities of veterans and AFP retirees so that they could participate fully in the enhancement of the economic development of the county;

WHEREAS, the PHIVI DEC was created for the purpose of pooling the economic resource potentials of these veterans and retirees;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution of the Philippines, in order to effect the desired changes and reforms in the social, economic and political structure of our society do hereby create the PHIVIDEC Industrial Authority and make as part of the law of the land the following;

SECTION 1. Declaration of Policy. - It is hereby declared and reiterated to be the policy of the Government to encourage, promote and sustain the economic and social growth of the country and that the establishment of professionalized management of well-planned industrial areas shall further this objective.

SECTION 2. Creation of the PHIVIDEC Industrial Authority. -To carry out the above policy, a body corporate to be known as the PHIVIDEC Industrial Authority is hereby created. The Authority as hereinafter referred to shall be a subsidiary of the PHILIPPINE VETERANS INVESTMENT DEVELOPMENT CORPORATION created under PD 243, as amended by PD 353. The functions of the Authority are hereby declared governmental and proprietary.

SECTION 3. Creation of the PHIVIDEC Industrial Areas. —To further carry out the above policy, there are hereby created the PH IVI DEC Industrial Areas, hereafter referred to as the Areas, which shall hereafter be proclaimed, designated and specified by Presidential Proclamations.

The public land and foreshore and offshore areas portion of the Areas so proclaimed shall be surveyed by the Bureau of Lands and conveyed in absolute ownership to the Authority, except as hereinafter provided, for the nominal sum of one peso for each parcel of land. Thereafter, the proper Register of Deeds shall register the same and issue the corresponding original certificate of title to the Authority.

The first Area which the Authority shall develop shall be that located in the municipalities of Tagoloan and Villanueva in the Province of Misamis Oriental, bounded on the West by Macajalar Bay, on the North by the Tag-anga Creek, on the East by the Kiamo and Kirahon plateaus and the South by the Tagoloan River containing an area of 3,000 hectares more or less: Provided, however, that the foreshore area from Tagoloan River, Municipality of Tagoloan, up to the Tag-anga Creek, Municipality of Villanueva, and the offshore area 400 meters toward the sea from the inshore limit between the Tagoloan River and the Tag-anga Creek, shall be ceded, transferred and conveyed in absolute ownership to the National Steel Corp. for the nominal sum of one peso. The meters and bounds of this Area are specified in Annex "A" which is hereby made an integral part hereof.

The Authority shall respect existing private rights until such time that it takes possession of the properties acquired either by voluntary or forced sale for the construction of infrastructural facilities and other facilities needed by the Area; and provided, further, that any new improvements to be introduced by landowners or claimants during this period shall be first approved by the Authority in writing.

SECTION 4. Purpose and Specific Powers. —The purposes and specific powers of the Authority are as follows:

- a. To operate, administer and manage the PHIVIDEC Industrial Areas and other areas which shall hereafter be proclaimed, designated and specified in subsequent Presidential Proclamation; to construct, acquire, own, lease, operate and maintain infrastructure facilities, factory, buildings, warehouses, dams, reservoirs, water distribution, electric light and power systems, telecommunications and transportation networks, or such other facilities and services necessary or useful in the conduct of industry and commerce or in the attainment of the purposes and objectives of this Decree;
- b. To take water from any public stream, river, creek, lake, spring, waterfall or underground aquifers as may be necessary for the attainment of the purposes of this Decree; to alter, straighten, obstruct or increase the flow of water in streams or in water channels intersecting or connecting therewith or contiguous to its works or any part thereof; and to undertake land reclamation as well as own, hold, purchase or lease foreshore areas within or adjacent or approximate to the Areas;

c. To acquire and hold agricultural lands in excess of the areas permitted to private corporations or associations by the Constitution;

d. To determine and regulate the enterprises to be established within the Areas in order to ensure the implementation of its plans for the sound development and operation of the Areas in furtherance of the herein declared national policy;

e. To construct, operate and maintain or otherwise to grant the use of or to rent, lease or let, for a consideration and under such terms, arrangements and conditions it may deem reasonable and proper, any and all port facilities, including stevedoring and port terminal services, or any concession properly incident thereto or in connection with the receipt, delivery, shipment and transfer in transit, weighing, marking, tagging, fumigating, refrigerating, icing, storing and handling of goods, wares and merchandise; Provided, however, that where the piers and/or harbors are owned and/or operated by private persons, the fees and charges to be levied shall not exceed that being collected by the Government for similar services;

f. To fix, assess and collect charges and fees, including rentals, for the lease, use or occupancy of lands, buildings, structures, warehouses, all the facilities and services mentioned herein and other properties owned and administered by the Estate; and to fix and collect the fees and charges for the issuance of permits, licenses and the rendering of services not enumerated herein, the provisions of law to the contrary notwithstanding;

g. To sell, lease or otherwise dispose of, lands and other properties owned or administered by the Authority for such use by the Area enterprises, for such housing or commercial purposes within the Areas and for such maximum industrial development of the Areas;

h. To levy, assess and collect a real property tax on real properties within the Areas. The appraisal values and tax rates shall be in accordance with the rules and regulations promulgated by the Secretary of Finance for chartered cities. The Authority, shall retain three-fourths of the real property tax collected and the remaining one-fourth shall be turned over to the local government or governments, as the case may be, which, previous to the establishment of the Areas were collecting a real property tax from real properties within the area; Provided, that such share of the real property tax of the local government or governments shall not be less than what they were receiving prior to the establishment of the Areas; provided, finally, that realty taxes accruing within the Areas at the time the Authority has not taken over actual possession of a portion or portions of the properties therein shall continue to be collected by the respective local governments;

i. To grant such franchise for and to operate and maintain within the Areas electric light, heat or power systems, transportation, communication within, to and from the Areas, warehousing, ice plant or cold storage;

- j. To prescribe and enforce within the Areas rules and regulations for pollution control;
- k. For the due and effective exercise of the powers conferred by law and to the extent requisite therefore, to exercise exclusive jurisdiction and sole police authority over the Areas;
- l. To promulgate such rules and regulations as may be reasonable, necessary and desirable for the attainment of the objectives of this Decree; such rules and regulations shall be binding on the persons, proprietorships, partnerships and corporations residing or located in the Areas;
- m. To recommend the establishment of other Industrial Areas as it may deem advisable, and to recommend the issuance of a proclamation to fix and delimit the site of the Areas;
- n. When essential to the proper administration of its corporate affairs or when necessary for the proper transaction of its business or for carrying out the purposes of this Decree, to contract indebtedness and issue bonds;
- o. To create and operate and/or contract to operate such agencies, functional units, office and departments of the Authority as it may deem necessary or useful for the furtherance of any of the purposes of this Decree;
- P. To adopt, alter and use a corporate seal which shall be judicially notice, make contracts, lease, own or otherwise dispose of personal and real property; sue and be sued, and otherwise do and perform any and all acts and things that may be necessary or proper to carry out the purposes of this Decree;
- q. To perform all other functions enumerated in Section 2 of Presidential Decree No. 243, as amended by Presidential Decree No. 353.

SECTION 5. Capitalization. —The capital of the Authority shall consist of (1) all such properties as may be contributed to the Authority by the Government to form part of capital, (2) all capitalized surplus, and (3) cash contribution by the government in the amount of Two Hundred Million Pesos (P200,000,000.00), which is hereby appropriated out of any fund in the National Treasury not otherwise appropriated, be they collections from all taxes accruing to the general funds or proceeds from loans, the issue of bonds, treasury bills or notes or derived from any other sources of income, by or of the National Government, which amount shall be programmed and released by the Budget Commission in accordance with the schedule of development and expenditures to be prepared and submitted by the Authority.

SECTION 6. Exercise of Corporate Powers. The affairs and business of the Authority shall be directed and its properties managed, controlled and preserved, unless otherwise provided in this Decree, or in the exercise of the powers vested in the Authority, by the Board of Directors of the Philippine Veterans Investment Development Corporation, who may appoint an Estate Administrator assisted by a staff, or a Board of

Management, if it is so desired, who shall be chosen from veterans of good standing with formal business training and/or experience in law, or commerce, or finance, or management on recommendation of the President of said corporation. Insofar as the Authority is concerned, the Board of Directors of the Philippine Veterans Investment Corporation is hereby empowered to exercise governmental and proprietary functions in the administration and operation of the Authority in all the areas so proclaimed, any provision of law to the contrary notwithstanding.

SECTION 7. Power to Issue Bonds or Incur Indebtedness. -The Authority shall have the authority to contract loans, credits and other indebtedness, or to issue bonds, notes, debentures, securities and other instruments of indebtedness for the development and/or operation of the Areas.

The bonds and other instruments of indebtedness which the Authority is authorized to issue under this Section and any income derived therefrom shall be exempt from the payment of all taxes imposed by the Republic of the Philippines, its agencies, instrumentalities or political subdivisions, which fact may be expressed on the face thereof, and shall be eligible as collateral in any transaction with the national or any local government, its agencies and instrumentalities, including government-owned or controlled corporations and government banking and financial institutions, in which collateral is required. Any or all loans or instruments of indebtedness which the Authority is authorized to contract or issue under this Section shall be unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines whenever the President of the Philippines, by himself or through his duly authorized representative, may deem such guarantee by the Government of the Republic of the Philippines to be advisable and necessary, in which case, the President of the Philippines or his duly authorized representative is hereby authorized to execute and deliver said guarantee of the Government of the Republic of the Philippines.

The Central Bank of the Philippines or any of its authorized agent banks shall extend to the Authority priority in the allocation of foreign exchange and in the availment of the assistance and resources of the Central Bank in a manner that shall facilitate the contracting or issuance by the Authority of the loans or instruments of indebtedness which the Authority is authorized to contract or issue under this Section or the repayment thereof. In case, where the Authority is required to surrender or sell to the Central Bank foreign currencies qualified to form part of its international reserves, the Authority is hereby given the right to repurchase any or all of said foreign currencies out of any and all loans and instruments of indebtedness payable in foreign currency contracted or issued by it pursuant to this section at the same rate or rates at which said foreign currencies were respectively sold to the latter, subject to the payment of foreign exchange premium or fees as the Central Bank may deem reasonable.

In the negotiation, contracting and issuance of any loan, credit and evidence of indebtedness under this Section, the President of the Philippines may, if deemed by him upon recommendation of the Authority to be necessary or justified and when made a condition by the foreign creditor to the issuance of such loans, credits, or instruments of indebtedness, agree to waive the application of any law granting preference or imposing restrictions on international competitive bidding, such as, but not limited to, Commonwealth Act Numbered Five Hundred Forty-one: Provided, however, that in every case where competitive bidding is

agreed upon in the purchase of machineries, equipment, materials and supplies financed out of proceeds of such loans, credits and instruments of indebtedness preference may be granted in favor of such machineries, equipment, materials and supplies produced, processed or manufactured in the Philippines at such rate and in such manner as may be agreed upon from time to time with the entity or institution providing financing for the project.

SECTION 8. Tax Treatment of Merchandise in the Areas. -Raw materials, supplies, articles, equipment, machineries, spare parts and wares of every description, except those prohibited by law, brought in the Areas and utilized in the production, storing, packing and shipment of goods meant for foreign markets, shall not be subject to customs duties and internal revenue taxes, and laws and regulations relating thereto, nor to local tax ordinances, the provisions of law to the contrary notwithstanding.

Determination of those commodities, or the portion thereof, to be accorded these privileges shall be vested in the Authority subject to the approval of the Secretary of Finance. For this purpose, the Secretary of Finance is hereby empowered to rule on the provision of tax exemption of merchandise imported into the Areas by enterprises operating therein.

SECTION 9. Tax Exemption of Enterprises Operating in the Areas. —Aside from the tax privileges accorded those of the enterprises operating in the Areas who are likewise registered with the Board of Investments, all industries or firms operating in the Areas shall be exempt from the payment of local taxes to the barrio, municipality, city or province, as the case may be, where their respective Areas are located. However, as stipulated in Section 4(h), a real property tax shall be collected by the Authority from each of the enterprises operating within the Areas, one fourth of which shall be turned over to the local governments concerned.

SECTION 10. Profit Character of the Authority; Exemption from Taxes. —The Authority shall be operated for profit and fifty (50) percent of such profit shall be turned over to the Philippine Veterans Investment Development Corporation and the remaining balance shall be plowed back for operation, maintenance and administration of the Industrial Areas and the Authority, to pay its indebtedness and obligations, in furtherance and effective implementation of the policy enunciated in Section 1 of this Decree. In consonance therewith, the Authority is hereby declared exempt from all internal revenue taxes as well as tariff and customs duties on imports of capital goods required for its operations, as well as all wharfage dues and such other customs fees, charges and dues, of whatever nature and kind, in the conduct and exercise of its powers, functions and operations.

The foregoing exemptions may however be entirely or partially lifted by the President of the Philippines upon recommendation of the Secretary of Finance if the President shall find the Authority to be self-sustaining and financially capable by them to pay such taxes, customs duties, fees and other charges, after providing for debt service requirements of the Authority and its projected capital and operating expenditures.

SECTION 11. Road Networks in the Areas —The road networks within the Areas are hereby declared to be exclusive property of the Authority. However, as part of the governmental function of the Authority, they shall get priority in the allocation of monies coming from the highway special fund to be used in the construction, repair or maintenance of such roads, therein, the provisions of law, executive orders, rules and regulations to the contrary notwithstanding.

SECTION 12. Eminent Domain. - For the acquisition of rights of way, or of any property for the establishment or expansion of the PH IVI DEC Industrial Areas, or for housing projects for the employees working in such Areas, or properties for the establishment and construction of residential and commercial areas as may be necessary for the proper attainment of the objectives of this Decree or for the protection of watershed areas, or properties for the construction of dams, reservoirs, wharves, piers, docks, quays, warehouses and other terminal facilities, structures and approaches thereto, or for the acquisition of any properties for use by the Authority in the necessary course of its affairs, business and the exercise of its powers herein, the Authority shall have the right and power to acquire the same by purchase, by negotiation or by expropriation proceedings. For the maximum industrial development of the Areas, the properties so acquired or expropriated may thereafter be re-sold or leased by the Authority to Area enterprises under such terms and conditions it may impose. Should the Authority elect to exercise the right of eminent domain, expropriation proceedings shall be maintained by and in the name of the Authority and it may proceed in the manner provided for by law.

SECTION 13. Miscellaneous. - Without prejudice to the provisions of this Decree, nothing herein provided shall divest or deprive courts of justice, civil or military, of their jurisdiction, in the proper cases, over civil or criminal suits or actions arising from acts or omissions within the Areas.

All heads of Departments, Agencies, Offices and instrumentalities of the National Government as well as political subdivision are hereby enjoined to extend full cooperation and assistance to the Authority in the exercise of its powers and duties and for the maximum accomplishment of the policy declared herein.

SECTION 14. Repealing Clause. -The provisions of all laws, decrees, instructions, executive orders, proclamations, administrative orders, rules and regulations or parts thereof which are inconsistent with the provisions of this Decree are either repealed or modified accordingly.

SECTION 15. Separability Clause. —The provisions of this Decree are hereby declared to be separable; and in the event any one or more of such provisions are held unconstitutional, the validity of other provisions shall not be affected.

SECTION 16. Effectivity. —This Decree shall take effect upon its approval.

Done in the City of Manila, this 13th day of August, in the year of Our Lord, nineteen hundred and seventy-four.

MALACAÑANG
RESIDENCE OF THE PRESIDENT OF THE PHILIPPINES
MANILA

EXECUTIVE ORDER NO. 1031

REORGANIZING THE PHIVIDEC INDUSTRIAL AUTHORITY

WHEREAS, the PHIVIDEC Industrial Authority (PIA) was established to plan, coordinate and undertake the construction of well-planned industrial areas with appropriate infrastructure facilities, which will encourage and facilitate the establishment of industries to promote, contribute and sustain the economic and social growth of the country;

WHEREAS, to enable the PTA to effectively discharge its functions and attain its purposes and objectives, there is a need to strengthen and upgrade the corporate structure and management of the PIA by making its Board of Directors, separate and distinct from that of the PHIVIDEC;

Now, therefore, I, FERDINAND MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and by law, particularly Presidential Decree No. 1416, as amended, do hereby order the re-organization of the PHIVIDEC Industrial Authority, as follows:

SECTION 1. Section 6 of Presidential Decree No. 538, as amended, is hereby further amended to read as follows:

"Sec. 6. Exercise of Corporate Power - The affairs and business of the Authority shall be directed, and its properties managed, controlled and preserved, by a Board of Directors, hereinafter referred to as the Board, which shall be composed of the following: the Minister of Finance or his duly designated representative as ex-officio member, the Minister of Trade and Industry or his duly designated representative as an ex officio member, and seven (7) other members to be appointed by the President of the Philippines, upon the recommendation of the Minister of National Defense, for a term of (3) years from among qualified veterans and retirees of good standing, their dependents, or persons who are in active military service: Provided, that no person shall be appointed member of the Board, unless he is of unquestioned integrity and has experience and expertise in finance, management, economics, law or government administration. Should there be any vacancy by reason of death, permanent incapacity, removal or resignation of any appointive member, the person appointed to fill the vacancy shall serve only for the unexpired portion of the term of his predecessor."

"The President of the Philippines shall designate the Chairman of the Board from among the appointive members. In case of absence or temporary incapacity of both the Chairman and Vice Chairman, the Board, by a majority vote, shall designate an acting Chairman from among its members.

The chief executive officer of the Authority and ex-officio Vice Chairman of the Board shall be the Administrator appointed by the President of the Philippines from among the members of the Board. The Board shall determine the other executives and officers of the Authority. The Board shall meet regularly at least once a month, and as often as the exigencies demand. The presence of at least five (5) members shall be necessary for the adoption of any resolution, decision, rule, regulation, or any other act of the Board. For every meeting actually attended, each member of the Board shall receive a per diem of P300.00, unless the Board shall fix a higher amount therefore".

SECTION 2. The present members of the Board shall holdover until their successors shall have been duly appointed and qualified pursuant to this Executive Order; Provided, that the Ministers of Finance and Trade and Industry, or their duly designated representatives, shall immediately sit as member of the existing Board.

SECTION 3. Any provision of law, decree, executive order rule or regulation, inconsistent of this Executive Order, is hereby repealed, amended or modified accordingly.

SECTION 4. This Executive Order shall take effect immediately.

Done in the City of Manila this 11th day of June in the year of Our Lord, nineteen hundred and eighty-five.

(SGD) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD) JUAN C. TUVERA
Presidential Executive Assistant

Republic of the Philippines
Office of the President
PHIVIDEC INDUSTRIAL AUTHORITY
Sta. Cruz, Tagoloan, Misamis Oriental

**RULES AND REGULATIONS TO IMPLEMENT THE INTENT AND PROVISIONS OF
PRESIDENTIAL DECREE NO. 538, AS AMENDED**

Pursuant to paragraph (I) of Section 4 of Presidential Decree No. 538, as amended, the following Rules and Regulations are hereby prescribed and promulgated for the guidance of all concerned:

RULE I. DEFINITION OF TERMS

SECTION 1. For purposes of these rules and regulations the following shall apply:

- a. "DECREE" shall refer to Presidential Decree No. 538.
- b. "AUTHORITY" shall mean the PHIVIDEC INDUSTRIAL AUTHORITY
- c. "BOARD" shall refer to the Authority's Board of Directors.
- d. "ESTATE" shall refer to the area or areas delimited by Presidential Proclamation(s) as PHIVIDEC INDUSTRIAL AREAS.
- e. "ESTATE ENTERPRISE" shall refer to any individual, firm association, partnership or other forms of business organizations, which has been registered and authorized to establish and operate a business, or engage in any economic activity inside the estate.
- f. "PRINCIPAL OFFICERS" shall refer to the members of the board of directors of a firm, association or corporation and to the persons appointed or elected by such board; in the case of a single proprietorship, the proprietor and the persons occupying managerial and other responsible positions and the managing or managing partner of a partnership and such persons performing policy determining functions therein.
- g. "MATERIAL FALSEHOOD AND MISREPRESENTATION" shall refer to any act or deed as has influenced the Authority into accepting the applicant and without which registration would not have resulted.
- h. "FORTUITOUS EVENT OR FORCE MAJEURE" shall mean an event which is unforeseen or even if foreseen, is inevitable, and which is the immediate and proximate cause of withdrawal from business or suspension of operations.

- i. "MERCHANDISE OR GOODS" shall collectively refer to raw materials, supplies, equipment, machineries, spare parts, packaging materials, or wares of every description to be used in connection with the registered, activity of an Estate Enterprise.
- j. "PROHIBITED MERCHANDISE" shall mean those items enumerated in Section 101, Book 1, Republic Act No. 1937 otherwise known as the Tariff and Customs Code of the Philippines as amended by Presidential Decree No. 34, and such other articles which may be prohibited by special laws.
- k. "RAW MATERIALS" shall refer to materials in their original form or composition used in processing or manufacturing during the course of which their nature or form is altered.
- l. "SEMI-FINISHED COMPONENT" shall mean an article, which in relation to the particular product it is intended to be used as a direct input in unfinished or incomplete, but possessed an essential character of a finished product.
- m. "REJECTS/SECONDS" shall mean finished products or semi-finished components defective or inferior in quality such that any further processing or manipulation thereof is not technically or economically feasible as to satisfy the standards of the buyer.
- n. "SPARE PARTS" shall mean the usual components of machinery and/or equipment, which are the subject to wear and tear arising from normal use, utilization and operation.
- o. "PRODUCTION PROCESS" shall refer to the activity starting from the transformation of a raw material into a semi-finished component and the processing of the latter into a finished product.
- p. "PRODUCTION AREA" shall refer to the plant, factory, and warehouse where the production process is carried on, including the Estate pier(s).
- q. "IMPORTATION" shall refer to the act of bringing into the Estate raw materials, supplies, articles, equipment, machineries, spare parts and wares of every description, of foreign origin whether or not exempt from customs duties, internal revenue taxes, rules and regulations and local tax ordinances.
- r. "MEANT FOR FOREIGN MARKETS" shall mean the actual exportation of goods by the registered enterprises and shall include the acceptance by the consignee or buyer thereof.

- s. "PACKING" shall refer to the process by which materials and goods are prepared for shipment.
- t. "CUSTOM TERRITORY" shall mean the national territory outside the Estate.
- u. "CIVIL WORKS" shall refer to the preparation, clearing and surveying of a tract of land and the construction therein of buildings, plants, factories, and offices, and such other facilities as may be needed in business.
- v. "OFFICE PERSONNEL" shall refer to the highest ranking officer down to the lowest ranking employees of a firm, association, corporation, and other organizations whether engaged in business or not.
- w. "WORKING HOURS" shall, with reference to office personnel, mean the particular shift to which an employee belongs.
- x. "EXCLUSIVE AREAS" shall refer to restricted area which has a security interest of extreme importance and which requires the highest degree of protection.
- y. "START OF OPERATIONS" shall mean the date specified in the Registration/Permit Agreement, or the date when an Estate Enterprise actually begins production of the registered product or provides services to its clients, whichever comes first irrespective of phases, modules or schedule of development.
- z. "CERTIFICATE OF REGISTRATION" shall mean the certificate issued by the Authority to the Developer/Operator, Utilities, Facilities, Manufacturing-Processing, Tourism or Information and Communication Technology Firm upon its registration The date appearing thereon, unless otherwise indicated, shall be conclusively deemed the date of registration.
- aa. "PERMIT TO OPERATE" shall mean the permit issued by the Authority to a Service firm upon its registration. The date appearing thereon, unless otherwise indicated, shall be conclusively deemed the date of registration.
- bb. "APPLICANT" shall refer to any corporation, individual, firm, association, partnership or other forms of business organization applying to be an Estate Enterprise operating within the Estate.
- cc. "REGISTRATION AGREEMENT/PERMIT AGREEMENT" shall refer to the final agreement executed by the Authority and the Estate Enterprise setting forth the terms and conditions for the latter's operation of business or engagement of economic activity within the Estate.

- dd. "DEVELOPER/OPERATOR" refers to a business entity or concern duly registered with and/or licensed by the Authority to develop, operate and maintain an Estate or any or all of the component Industrial Estate, Tourist/Recreational Center and the required infrastructure facilities and utilities such as light and power system, water supply and distribution system, sewage and drainage system, pollution control facilities as maybe required by the Authority. The term shall include the Authority and/or the local government unit when by themselves or in joint venture with a qualified private entity shall act as developers/operators of the Estate.
- ee. "UTILITY FIRM" refers to a business entity or concern within the Estate duly registered with and/or franchised/licensed by the Authority with or without the incentives provided under Republic Act No. 6957 as amended (The Build-Operate Transfer Law) and/or with or without financial exposure on the part of the Authority, such contractors/operators of light and power systems, water supply and distribution systems, communications and transportation systems within the Estate and other similar or ancilliary activities as maybe determined by the Board.
- ff. "FACILITY FIRM" refers to a business entity or concern within the Estate duly registered with/and or franchised/licensed by the Authority with or without incentives provided under Republic Act No. 6957 as amended (The Build-Operate-Transfer Law) and/or with or without financial exposure on the part of the Authority, such contractor/operator of building, structure, warehouse, site development and road network, ports, sewage and drainage systems and other facilities for the development, operation and maintenance of the Estate and other similar or ancilliary activities as maybe determined by the Board.
- gg. "MANUFACTURING-PROCESSING FIRM" refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the Authority to engage in manufacturing/processing activity falling within the purview of this decree.
- hh. "TOURISM FIRM" refers to an individual, association, partnership, corporation or other business organization duly registered with the Authority proposing to engage in the establishment of the operation of tourist-oriented accommodations, restaurants operated as an integral part of tourism facility (e.g. hotels, resorts, recreational centers), sports and recreational facilities within the Estate.
- ii. "INFORMATION AND COMMUNICATION TECHNOLOGY FIRM" refers to an individual, association, partnership, corporation or other business organization duly registered with the Authority proposing to engage in the establishment and operation of IT services, IT enabled services, ICT support activities and IT Parks and Buildings.

- jj. "IT SERVICES" include activities such as IT project management, application systems, development, application services providers, web development and management, database design and development, computer networking and data communications software development (system software, middleware, application software), and ICT facilities operation/management.
- kk. "IT-ENABLED SERVICES" refer to business lines that can be transformed through the means of information technology. These include activities such as business process outsourcing and shared services, engineering and design, animation and content, creation, knowledge, management, remote education, market research, travel services, finance and accounting services, human resource services, and other administrative services (e.g. purchasing).
- ll. "ICT SUPPORT ACTIVITIES" cover activities such as research and development of high value added ICT products and services, education and manpower development in ICT incubation of IT service provider, provision of internet services, community access, and electronic governance in support of GISP.
- mm. "IT PARK" is an area which has been developed into a complex capable of providing infrastructures and other support facilities required by IT Enterprises, as well as amenities required by professionals and workers involved in IT Enterprises, or easy access to other amenities.
- nn. "IT BUILDING" is a building the whole or part of which has been developed to provide infrastructures and other support facilities required by IT Enterprises, and which may also provide as required by professionals and workers involved in IT Enterprises, or easy access to other amenities.
- oo. "SERVICE FIRM" refers to a business entity or concern within the Estate such as but not limited to those engaged in custom brokerage, stevedoring and arrastre services, trucking forwarding services, parcel services, janitorial services, security services, insurance and/or banking services, consultancy services, restaurant, or such other services within the Estate as maybe determined by the Board, duly registered and/or licensed by the Authority.

RULE II. APPLICATION AND REGISTRATION

SECTION 1. The Authority shall register all qualified business firms or concerns applying to be an Estate Enterprise. The Authority shall issue standard application form and require submission of pertinent documents to the proper department which shall act thereon in the most expeditious manner possible. The Authority shall issue to the qualified Estate Enterprise a certificate of registration if a manufacturing, utilities, facilities developer/operator or tourism firm attesting to their registration or a permit to operate if

qualified as service firm. After the issuance of certificate or permit, whichever is applicable, the Estate Enterprise shall periodically submit reports prescribed by the Authority.

SECTION 2. Qualification of Applicants. - Any person, firm, association, partnership, corporation, or any form of business organization, regardless of nationality, control and/or ownership of the working capital thereof, organized and existing under Philippine laws may apply in writing for registration as an Estate Enterprise. No person or organization shall be allowed to operate inside the Estate without first registering with the Authority.

SECTION 3. Forms. - All applications shall be made upon forms prescribed by the Authority, (accomplished in seven copies)

SECTION 4. Supporting documents- - The documents to be submitted by an applicant in support of the application are:

I. In the initial stage which is before the briefing, the Applicant shall submit a Letter of Intent containing the following information:

For Manufacturing -Processing/Utilities/Facilities including IT Building/Developers including IT-Park/ Operators/Tourism Firms:

- a. Company Name
- b. Name of the Project
- c. Description of Project stating the raw materials and product description
- d. Percentage of product to be exported (if applicable)
 1. Foreign corporations -at least 70%
 2. Domestic corporations - at least 50%
- e. Project Cost/Funding Source
- f. Area Required (Minimum and Maximum):Ha.
- g. Power Requirement; kW / mo.
- h. Water Requirement; _____ cu. m. / mo.
- i. Employment
- j. Time Table of the Project Implementation

For Service Firms / Information and Communication Technology Firms:

- a. Company Name
- b. Name of the Project
- c. Description of the Project
- d. Capitalization
- e. Employment/Manpower
- I. Time Table of the project implementation

II. The Applicant, subsequent to the briefing, negotiation and site tour, shall submit the following documents:

For Manufacturing -Processing/Utilities/Facilities including IT Building/Developers including IT Park/ Operators/Tourism Firms

1. Feasibility or Project Study;
2. Business Plan;
3. Environmental Plan (at least 10% of the site area shall be used as green area, if applicable);
4. Process Description and Process Flow;
5. Certificate of Registration of Business Name;
6. In case of a corporation, partnership, cooperative, or other entity, certified copies of its articles of incorporation and by-laws, constitution and by-laws or articles of partnership or association and amendments thereof, duly registered with the Securities and Exchange Commission, Cooperative Development Authority, and other licensing or registering government agency;
7. Income Tax Returns for the last three (3) preceding years if applicable. Otherwise, only income tax return during the applicant has been operating and tax clearance certificate;
8. Audited Financial Statements for the last three (3) years if applicable, otherwise, only financial statements for the period the applicant has been operating;
9. In case of a corporation, a list of Directors and Principal Stockholders together with their respective bio-data. In case of a single proprietorship, the name of its principal owner, and in case of a partnership or other entities, a list of the major partner, stockholder or controlling members together with their respective bio-data;
10. Development Plan and Proposed Activities for 2 year period;
11. Resolution of the Board of Directors of a corporation or other entity authorizing the filing of the application and nominating its representative to the Authority. In case of a partnership or a single proprietorship, an equivalent declaration under oath;
12. When applicable, certified copies of its certificate of registration with the Board of Investment under the Investment Incentives Law, Republic Act No. 5186; or the export Incentives Law R.A. No. 6135; or under similar laws granting incentives to enterprise.

The Applicant shall comply with the following requirements:

1. Pro Forma Lease Contract;
2. Pro Forma Registration Agreement;
3. Deed of Undertaking that no building, structures or other facilities shall be constructed and no improvements or building structures or facilities shall be made in the Estate without previous written approval of the Authority and consenting to demolition or dismantle said building, structures or facilities or improvements thereto upon order of the Authority or upon its failure or refusal to do so authorizing the Authority to undertake the demolition or dismantling thereof, at the applicants or owner expense;
4. A Resolution of the Board of Directors or a deed of undertaking, whichever is applicable, formally accepting the terms and conditions for registration;
5. Anti-graft Certificate;
6. Such other documents that the Authority may require.

For Service Firms/Information and Communication Technology Firms:

1. Feasibility or Project Study (if applicable);
2. Service Description and Process Flow;
3. Certificate of Registration of Business Name;
4. In case of a corporation, partnership, cooperative, or other entity, certified copies of its
Articles of incorporation and by-laws, constitution and by-laws or articles of partnership or
association and amendments thereof, duly registered with the Securities and Exchange
Commission, Cooperative Development Authority, and other licensing or registering
government agency (if applicable);
5. Income Tax Returns for the last 3 preceding years if applicable, otherwise only income tax
return during the applicant has been operating and tax clearance certificate;
6. Audited Financial Statements for the last 3 years if applicable, otherwise, only financial
statements for the period the applicant has been operating;
7. In the case of a corporation, a list of its directors and principal stockholder together with
their respective bio-data. In case of a single proprietorship, the name of its principal
owner,
and in the case of a partnership or other business entities, a list of the major partner,
stockholders or controlling members together with their respective bio-data;
8. Resolution of the Board of Directors of a corporation or other entity authorizing the filing
of the application and nominating its representatives to the Authority. In the case of a
partnership or a single proprietorship, an equivalent declaration under oath.

The Applicant shall comply with the following requirements:

1. Deed of Undertaking that no building, structure or other facilities shall be constructed and no improvements or building structures or facilities shall be made in the Estate without previous written approval of the Authority and consenting to demolition or dismantle said buildings, structure of facilities or improvements thereto upon order of the Authority or upon its failure or refusal to do so authorizing the Authority to undertake the demolition or dismantling thereof, at the applicant's or owner's expense;
2. Anti-Graft Certificate;
3. Pro-Forma Permit Agreement;
4. Such other documents that the Authority may require.

SECTION 5. Filing of Application. -The Application shall be filed with the Authority upon payment of the corresponding application fee. The schedule of fees shall be that as approved by the Board, to be reviewed every three years.

SECTION 6. Forfeiture of Filing Fee. - If, for any cause not attributable to the Authority,

the application is withdrawn, the application fee shall be forfeited in favor of the Authority. The same rule shall apply when at anytime, the registration is declared null and void.

SECTION 7. The Authority shall only issue the Certificate of Registration or Permit to Operate, whichever is applicable, to a qualified Estate Enterprise, if in its assessment, such issuance will promote the policies set forth in the Decree and these rules.

SECTION 8. Certificate of Registration. - The Certificate of Registration or Permit to Operate shall be issued whenever it can be shown that the applicant has:

- a. Complied with all the application and registration requirements;
- b. Presented a statement that with the exception of those which the Board has been duly advised, there are no substantial changes in the information previously submitted;
- c. Paid the registration fee.

SECTION 9. Board Action: NOTICE OF APPLICANT -The approval or disapproval of the application shall be by resolution of the Board. The action taken therein shall be communicated in writing to the applicant within Five (5) working days from the approval/disapproval of the Board.

SECTION 10. Not later than 10 working days following the said Board approval, the Authority shall issue the Certificate of Registration/Permit to Operate, whichever is applicable, to the Estate Enterprise.

SECTION 11. Issuance of the Certificate of Registration or Permit to Operate, whichever is applicable, shall entitle the Estate Enterprise to all the incentives and privileges as well as the obligations under this Decree and these rules and other rules that may be promulgated by the Authority.

SECTION 12. The Certificate of Registration issued by the Authority shall be valid as long as the Estate Enterprise remains to be qualified to continue its business operation within the Estate under similar terms and conditions for which the original Certificate was issued.

The Permit to Operate issued by the Authority shall be valid for a period of one year from issuance thereof renewable every first month of the calendar year upon payment of the prescribed fee, unless terminated for a cause.

SECTION 13. The Authority shall charge reasonable fees for the acceptance, processing, issuance, and renewal of all applications, permits, certificates and other similar documents that may be required under these rules.

SECTION 14. Revocation, Suspension or Cancellation of Certificate of Registration or Permit to Operate-Without prejudice to the imposition of penalties prescribed under the pertinent provisions of the Tariff and Customs Code of the Philippines and the National Internal Revenue Code of the Philippines, the Certificate of Registration or Permit to Operate issued by the Authority to any Estate Enterprise may be revoked, suspended or cancelled for any of the following grounds:

- a. Failure to maintain the qualifications for registration or permit as required by the Decree;
- b. Violation of any provision of Philippine law, the Decree and/or these Rules;

- a. Violation of the specific terms of the Registration or Permit Agreement between the Authority and the Estate enterprise. Provided, that, the Authority may prescribe and impose administrative penalties, fines and sanctions in lieu of the revocation, cancellation or suspension of the Certificate of Registration for minor violations. The Authority may graduate the penalties, fines or sanctions to be imposed based on the gravity and frequency of the violations concerned.

RULE III - PROVISIONS COMMON TO REGISTRATION AND PERMIT AGREEMENT

SECTION 1. An Estate Enterprise shall observe and abide by the provisions of the Decrees and the Authority's rules and regulations and shall take adequate measures to ensure that its obligation thereunder is faithfully discharged.

SECTION 2. Any material falsehood or misrepresentation contained in the application for registration of an Estate Enterprise or in any other document submitted to the Authority in connection with said application shall render the application null and void from the beginning.

SECTION 3. An Estate Enterprise shall, during working hours, allow the duly authorized representatives of the authority to look into pertinent records and documents of the said enterprise to ascertain compliance with these rules and regulations.

SECTION 4. An Estate Enterprise shall, when requested, furnish the Authority with copies of reports which by law or regulation is required to submit to appropriate government agencies.

SECTION 5. An Estate Enterprise shall use domestic raw materials in the manufacture of its products whenever said raw materials are locally available and manufactured in sufficient quantity, are of satisfactory quality, and are available at reasonable prices.

SECTION 6. Whenever an Estate Enterprise decides to withdraw, suspend or cease its registered activity or operation, written notice thereof shall be sent to the Authority two months prior to implementation of the action.

Subject to the provision of pertinent laws and rights of mortgage creditors, the withdrawal or cessation from business operation for a continuous period of two months, unless extended upon written request of the firm and approval of the Authority, shall have the effect of automatically canceling the Certificate of Registration/Permit to Operate without the need of Board Action. Upon such withdrawal or cessation from operation, the Estate Enterprise shall cease to be entitled to the incentive provided for in the Decree and this regulation.

SECTION 7. Violations of any of the provisions of these rules and regulations, and/or the terms and conditions of the registration and permit agreement, and/or non-compliance and/or non-fulfillment by an Estate enterprise of the representations/commitments set forth in its application for registration, and/or other lawful order or directive of the authority, shall be a sufficient cause for the annulment and/or cancellation of the registration of the Enterprise without need of judicial approval and without prejudice to the recovery

by the Authority of any and all types of damages occasioned thereby; provided; however, that the annulment and/or cancellation shall be effected only after the enterprise shall have been given due notice and hearing before the Authority's Administrator or his duly designated investigator; provided further, that failure of the Enterprise to appear at the scheduled hearing despite notice shall be deemed as waiver to adduce evidence on its part and the hearing shall then proceed exparte; provided furthermore, that any order/decision for annulment and/or cancellation shall become final and executory unless appealed by the enterprise to the Authority's Board of Directors within ten (10) working days from its receipt thereof and the Board's decision shall be final and unappealable; provided, finally, that a party who waived presentation of evidence on its part may not appeal from the order/decision of annulment and/or cancellation.

An Estate Enterprise may not bring an action against the Authority for any alleged violation of its right as provided hereunder unless it shall have previously sought redress from the Authority.

SECTION 8. The Registrant shall immediately inform and notify the Authority in writing any vital information affecting its corporate existence, which among others include changes in its corporate name, ownership and/or corporate control, changes of address of its principal office, etc.

SECTION 9. The incentives enjoyed by an Estate Enterprise pursuant to its registration are not nontransferable nor can it be assigned to any individuals, firms, and corporation.

SECTION 10. The Estate Enterprise shall refrain from knowingly doing an act which shall be prejudicial to its viability or to its stockholders and creditors, or which shall unlawfully deprive the Philippine Government of revenues.

SECTION 11. No Estate Enterprise shall engage in any undertaking or activity other than the project] activity covered by its original registration. In the event it does so, it shall register this new activity with the Authority and give notice thereof to the Authority within ten days from the start of the said undertaking or activity, install an accounting system adequate to identify the investments, revenues, costs, profits or losses of the project not covered by the original registration separately from those of the old enterprise, and make available during working hours for inspection and examination by the duly authorized representatives of the Authority, and other documents that may be required by the Authority. Non-compliance of this requirement shall be a valid ground for the Administrator to suspend the operation of the new activity until a new Certificate of Registration is issued. (Amended by PIA Board Resolution No. XIX 389, series of 1997).

SECTION 12. The Estate Enterprise shall punctually pay its obligations to the Authority, to the government or to any government instrumentality.

SECTION 13. In order to ensure a fair and reasonable price of the imported capital machinery, equipment and spare parts, the Authority may require international bidding and/or canvassing, except in the following cases:

- a. If the total cost of the importation is less than US Dollar 1,000.00;
- b. If there is only one known manufacturer of the machinery/equipment or spare parts; or
- c. If the importation is caused by the expansion of the registered enterprise and such will be acquired from the same manufacturer of the costing equipment; or
- d. When the Authority has other means of determining the reasonableness of the procurement cost.

SECTION 14. The Estate Enterprise shall comply with pollution control regulations prescribed by the Authority.

SECTION 15. No importation shall be exempt from payment of taxes and duties unless the importation is certified by the Authority to be within the purview of Section 8 of the Decree.

The Authority may coordinate with other competent government entities in its determination whether or not the merchandise are duty and tax free. The Estate Enterprise shall submit a written application for tax and duty exemption.

The Estate Enterprise shall submit a written application for tax and duty exemption. The application shall be supported with:

- a. Original duplicate of overseas Bill of Lading, Commercial Invoice, and/or Packing List
- b. Proof of Payment of filing fee; or
- c. Sworn Statement certifying that the merchandise or goods will be utilized in the production, storing, packing, and shipment of goods meant for foreign market, as stated in the process description and process flow as required in Rule II, Section 4 of this Implementing Rules and Regulations.

The Authority shall favorably recommend to the Department of Finance the granting of said application for Tax and Duty Exemption upon showing of clear proof that the raw materials, equipment, supplies, articles, machineries, spare parts, and wares of every description will be utilized in the production, storing, packing, and shipment of goods meant for foreign market, and therefore, duty/tax free goods.

SECTION 16. No buildings, structure or other facilities shall be constructed, and no improvements on building, structures or facilities shall be made within the Estate without the written approval of the Authority.

An Estate Enterprise desiring to introduce improvement or construct any building, structure or other facilities within the Estate shall notify the Authority through the Administrator of such intention. The Authority shall then inform the said Estate Enterprise in writing of such approval/disapproval. Repairs may be made on existing structures subject to the foregoing requirements of written notice and approval from the Authority.

Violation of the above provision shall be sufficient ground for the Authority to order the demolition or dismantling of said building, structures or facilities or any part thereof, with costs chargeable against the owner thereof, or his duly authorized representative.

SECTION 17. In case of dispute between or among Estate Enterprises, the parties shall promptly meet and exert best effort towards amicable settlement of the dispute in good faith. The Authority may, on its discretion, conciliate or mediate the dispute.

SECTION 18. Any dispute that is not amicably settled may be resolved by arbitration or judicial action before competent courts in the Philippines having jurisdiction over such issue.

RULE IV - ENTRY AND EXIT OF GOODS

SECTION 1. Domestic or local merchandise or articles may be taken into or out of the estate only in accordance with the documentation and security procedures promulgated by the Authority.

SECTION 2. The application for the entry or exit of goods shall be filed by the Estate enterprise or entity concerned in the form prescribed by the Authority. The Authority may require the submission of shipping commercial and other pertinent documents relative to the importation, exportation, or entry into the customs territory of said goods. The corresponding filing and processing fees shall be collected for each entry and/or exit application.

SECTION 3. When applicable, imported goods destined for the Estate shall be clearly marked in bold letters indicating its destination, thus:

DESTINED FOR THE PHIVIDEC INDUSTRIAL ESTATE MISAMIS ORIENTAL PHILIPPINES

SECTION 4. All-outward-bound shipments of goods, manufactured, assembled, processed, packaged or manipulated within the Estate shall likewise be marked in such manner as would clearly indicate that such goods originated from the said Estate,

MADE IN THE PHIVIDEC INDUSTRIAL ESTATE PHILIPPINES

SECTION 5. An Estate Enterprise shall, whenever practicable, unload importation and load exportations at the port within the Estate or at the port of entry of nearest the same. In case the loading or unloading is done outside the Estate, the dates of arrival or departure shall be conveyed to the Authority well in advance so that arrangements can be made with customs authorities for the expeditious handling of the cargo and so that an escort service can be provided and scheduled.

SECTION 6. Consistent with the objectives of the Decree, an Estate Enterprise engaged in the production, processing, packing or manipulation of export products shall export its entire output or production. However, in meritorious cases, the authority may allow a portion of the production to enter the customs territory; provided that the corresponding taxes and duties shall be paid therefore.

SECTION 7. Products made in the Estate, samples thereof and/or raw materials exempted from all customs duties and internal revenue taxes shall not be given nor sold by an Estate Enterprise to its visitors, workers, or employees without prior written permission from the Authority.

SECTION 8. All exports from the Estate shall satisfy duly established quality standards and regulations pertinent thereto.

RULE V - TAX TREATMENT OF MERCHANDISE IN THE INDUSTRIAL ESTATE

SECTION 1. Raw materials, supplies, articles, pieces of equipment, machineries, spare parts and wares of every description brought into the Estate shall be exempted from all custom duties, internal revenue taxes, and local tax ordinances. These are also exempted from wharfage dues if these are brought after January 1, 1977 through wharves and piers constructed by the importer with his/its private funds, provided that:

- a. They are brought into the Estate by an Estate Enterprise duly registered with the Authority
- b. They are not prohibited by law
- c. They are to be used in the production, storing, packing and shipment of goods meant for foreign market. This requirement, however, shall not prejudice incentives given to 801-registered enterprises; and
 - a. Their importation is duly approved by the Department of Finance.

SECTION 2. Raw materials, supplies, articles and wares of every description brought into the Estate as tax exempt under Section 1 above shall be taxed by the appropriate government agencies accordingly when used as inputs in the production, manufacture, packing, or storing of goods sold and/or transferred in any manner to the domestic market.

SECTION 3. Merchandise of foreign origin brought into the Estate which have not undergone any processing, manufacturing or manipulation while in the Estate, shall, when sent therefrom to the customs territory, be subject to the laws and regulations governing imported merchandise. Where said foreign merchandise is combined with or made part of any domestic articles, the duties and taxes to be assessed on the final product shall be based on the value of such imported merchandise (except when the final product is exempt) and the internal revenue taxes on the value added.

SECTION 4. Merchandise of foreign origin brought into the Estate for transshipment to another foreign port shall be free from taxes and duties provided that such merchandise, while inside the Estate, shall be separately stored and conspicuously labeled and identified so as to prevent their commixture with any other articles.

SECTION 5. Domestic merchandise on which all internal revenue taxes have been paid if subject thereto, as well as foreign merchandise on which the duty or tax have been paid, or which have been admitted free of duty may be taken into the Estate from the customs territory of the Philippines and be brought back thereto free of quotas, duty or tax; domestic/foreign merchandise on which all internal revenue

taxes, if subject thereto have been paid, and destined to a foreign port be brought into the Estate and out therefrom to its destination free of duty and tax; Provided, that said merchandise shall have preserved its identity at the time of transfer from the Estate to the customs territory. A merchandise shall be deemed to have lost its identity when at the time of transfer, there has been change in its physical or mechanical characteristics and/or electromagnetic or chemical properties.

SECTION 6. When the identity of an article entered into the Estate has been lost, such article, shall, when removed from the Estate and taken to the customs territory, be treated as foreign merchandise entering the country for the first time.

SECTION 7. Articles produced or manufactured in the Estate and exported therefrom shall, on subsequent importation into the custom territory, be subject to the import laws applicable to like articles manufactured in a foreign country.

SECTION 8. Subject to the provisions of Section 3 hereof rejects seconds and recoverable wastes, when taken from the Estate to the customs territory shall be taxed in accordance with the applicable provisions of the Customs and Internal Revenue Laws and Regulations of the Philippines.

SECTION 9. In the event an Estate Enterprise fails to justify to the satisfaction of the Authority, discrepancies between actual inventories and inventory reports hereafter required by the Authority, the same shall be resolved in accordance with the applicable provisions of the Customs and Internal Revenue Laws and Regulations of the Philippines.

SECTION 10. Any article or merchandise found in the Estate, the ownership of which is not known, shall be declared as abandoned in accordance with the applicable provisions of the Tariff and Customs Code, as amended.

RULE VI - CONDITIONS FOR AVAILMENT OF INCENTIVES AND OTHER PRIVILEGES

SECTION 1. The Estate Enterprise shall observe and abide by the provisions of the Decree, and these Implementing Rules and Regulations and take adequate measure to ensure that its obligation there under as well as those of its officers, employees and stockholders are faithfully discharged.

SECTION 2. The Estate Enterprise shall comply with all the pre-registration and registration conditions as required by the PIA Board and/or as stipulated in its registration agreement or permit issued by the Authority at specified periods therein defined.

RULE VII - INCENTIVES TO THE ESTATE ENTERPRISE

SECTION 1. Subject to the provisions of Section 8 of the Decree, an Estate enterprise shall be exempted from all customs duties, internal revenue taxes, local taxes and wharfage dues on merchandise

brought after January 1, 1977 through piers and wharves constructed by the enterprise with its private funds, utilized in the production, storage, packing and shipment of goods meant for foreign markets.

SECTION 2. An Estate Enterprise shall be exempt from payment of all local government taxes provided, that unless otherwise specified, real estate taxes may be collected by the Authority on lands purchased or leased by an enterprise, as the case may be, and on all privately-owned buildings and/or machineries, as well as improvements thereon not directly related to the activity for which an enterprise is registered with the Authority.

SECTION 3. An Estate Enterprise shall have the following rights:

- a. To freely engage in business, trade, manufacturing, financial or service activity, and to import and export freely all types of goods into and out of Estate, subject to the provisions of the Decree, these rules and other regulations that may be promulgated by the Authority;
- b. To employ foreign nationals, subject to evidence of the unavailability of comparably-skilled Filipinos within the Philippines.

RULE VIII - SALE/LEASE/TRANSFER OF LAND AND BUILDING IN THE ESTATES

SECTION 1. Lands within the Estate can be leased or sold only to Estate Enterprise authorized by or registered with the Authority and owned or controlled either by Philippine nationals or by aliens under such terms and conditions as the Board may formulate and subject to compliance with the nationality requirements under the Philippine Constitution. With respect, however, to lease of lands to an Estate Enterprise wholly owned or controlled by aliens, the following limitations and conditions shall apply:

- a. The lease period shall not exceed fifty (50) years extendible once for a period not more than twenty-five (25) years.
- b. The leased premise shall be used exclusively for the purpose of investment as approved by the Authority and other government agencies, if applicable. In case the leased premise or any part thereof is used for any other purpose different from that as approved or not related thereto or connected therewith, without prior written approval by the Authority, the lease may be considered terminated and/or cancelled by the Authority without prejudice to the penalties provided under Section 7 of RA 7652 otherwise known as the Investors Lease Act, and compensation for damages suffered by the lessor.
- c. The leased premises shall comprise only such areas as may be reasonably required for the project contemplated in the investment. Additional areas for future or intended expansion may also be leased upon satisfactory showing of the viability of the proposed expansion and the payment of reservation fee for the land within a period as may be determined by the Board.

SECTION 2. LEASE STANDARDS FOR RAW LANDS AND ESCALATION RATES. The Lease Standard for Raw Land and Escalation Rates shall be that as provided by pertinent Approved Board Resolution.

SECTION 3. All leasehold rights acquired under long term lease contracts in accordance with these Rules and Decree may be sold, transferred, assigned or conveyed upon prior written consent of the Authority. Provided that if the transferee or assignee is a Filipino citizen or a firm wholly owned by Filipino citizen, the limitations contained in Section 1 hereof with respect to the maximum period of lease shall not apply; Provided finally, that the transferee or assignee shall be a registered Estate enterprise or possesses all the qualifications and none of the disqualifications to be eligible for registration as an Estate enterprise to be determined by the Authority.

SECTION 4. Any long term lease contract referred to in Section 1, hereof may be canceled at the instance of the Authority, if the project is not initiated within the period as stated in the contract or three(3) years from date of lease contract whichever comes earlier, unless an extension is granted by the Authority upon valid meritorious grounds.

SECTION 5. An Estate Enterprise duly registered with the Authority may construct or buy building(s)/ structure(s) subject to the terms and conditions as may be prescribed by the Board.

RULE IX - EMPLOYMENT OF FOREIGN NATIONALS

SECTION 1. An Estate Enterprise desiring to employ foreign nationals must secure prior approval of the Authority. The Estate Enterprise must comply all relevant Philippine Laws and Regulations on employment of foreign nationals.

SECTION 2. An Estate Enterprise shall submit to the Authority the name of foreign nationals under its employ within fifteen (15) days from commencement of their assumption of duties in the Estate. Termination of employment of foreign personnel shall also be reported to the Authority.

RULE X. CONSTRUCTION AND INSPECTION OF PLANTS AND BUILDINGS

SECTION 1. An Estate Enterprise desiring to build and/or construct any building, house, warehouse, private road or bridge and other similar structure and infrastructure inside the Estate must submit their building and/or construction plan for approval by the Authority. Failure to do so would entitle the Authority to order the stoppage of the construction. For the violation of the above provision, an Estate Enterprise shall pay a fine in an amount to be determined by the Authority plus damages, without prejudice to any action which the Authority may deem appropriate.

SECTION 2. During the actual construction of work, the Authority shall conduct such inspection, as it may deem necessary to ensure compliance with technical and engineering standards or with rules and regulations set forth by the Authority.

SECTION 3. The Authority, may at anytime, order the exclusion from the Estate of goods, chemicals, materials, processes or operations that in its judgment is detrimental to the public interest, health or safety.

RULE XI. SECURITY MEASURES

SECTION 1. The security of the Estate and the maintenance of peace and order therein shall be the responsibility of the Authority; However, the internal safety and security of each Estate Enterprise shall be the sole responsibility of such Enterprise or the security agency whose services are contracted for by the said enterprise, as the case may be. To this end, an Estate Enterprise shall be free to manage and supervise its own security force, or contract for the services of an independent security agency, which shall be cleared by and registered with the Authority.

The Estate Enterprise security force shall coordinate, support and cooperate with the Authority's security force in the performance of the latter's responsibility of maintaining peace and order. The firm's security force may be permitted to carry licensed firearms within the premise of the particular firm subject to the approval of the Authority and compliance with these Rules.

SECTION 2. The Estate Enterprise may, as necessary, request assistance from the Authority security forces/agents to enforce security for their facilities. Such security agents shall act in cooperation with the Authority security force and shall adhere to such rules and regulations as the Authority' may promulgate.

SECTION 3. The movement of persons, vehicles and cargo inside the Estate, their entry and exit therefrom, and their identification while inside the Estate shall be governed by security rules and regulations of the Authority.

SECTION 4. All Estate workers and office personnel shall be subjected to registration and clearance procedure of the Authority. The Authority reserves the right to deny any person's access to the Estate for reasons of security.

SECTION 5. The movement inside, the Estate shall be governed by the security rules of the Authority. No inspection or control initiated by other governmental agencies shall take place within the Estate Enterprise without prior coordination with the Authority.

SECTION 6. Whenever a breach of security has occurred inside the premises of an Estate Enterprise, the Enterprise concerned shall report and endorse the case immediately to the Estate Police for appropriate action. The Estate Police shall have the exclusive power to investigate any and all cases involving security inside the Estate.

RULE XII - INVENTORY OF FINISHED PRODUCTS AND RAW MATERIALS

SECTION 1. All Estate Enterprise shall submit reports of receipt and utilization ‘of raw materials and/or semi-finished components used in the production of finished goods, the quantity of goods manufactured and their disposition. Such reports shall be in the form prescribed by the Authority.

SECTION 2. The Authority may, at anytime conduct an inventory of the stocks of finished product work in process, raw materials, and machineries and equipment, as well as spare parts, of all Estate Enterprise. In case of discrepancies between the inventory and the reports required in the preceding section, the Estate Enterprise shall explain the discrepancies, subject to the provisions of Rule IV.

RULE XIII - ENVIRONMENTAL REGULATIONS

SECTION 1. The Authority, in coordination and in collaboration with appropriate agencies, shall implement established policies and guidelines to ensure environmentally and socially acceptable development of industrial areas in the Estate under its jurisdiction. Specific regulation to protect and conserve the environmental quality in the Estate as maybe promulgated by the Authority shall be consistent with those of the national government and shall aim to maintain the water, sound, light, vibration and air quality standard established by Department of Environment and Natural Resources (DENR).

SECTION 2. Each Estate shall be required to establish and adopt a sound management program specifically but not limited to solid waste, sludge, and effluents. Said program shall be monitored and validated by the proper authorities on a periodic basis with the Authority as the lead agency.

SECTION 3. All Philippine Environmental laws particularly PD No. 984, 1151,1152 and 1586 as well as RA Nos. 6969 and 7588, including rules and regulations of the Department of Environment and Natural Resources and other government agencies concerning environmental, pollution and pollution control insofar as these rules and regulations are not inconsistent with these Rules, are hereby adopted.

RULE XIV - PROVISION OF UTILITIES AND SERVICES

SECTION 1. Utilities- It is the responsibility of the Authority to provide all required utilities and services inside the Estate.

- a. Any manufacturing or service firm may provide its own water supply from the deep wells only upon prior written approval of the Authority; provided, however that such approval shall be issued only after verification of proper future integration of the system into over-all Estate water distribution system.
- b. Contracts for the purchase of public utilities and/or service shall be subject to the prior approval of the Authority provided, however that similar contracts existing prior to the effectivity of these Rules and Regulations shall continue to be in full force and effect.
- c. All Estate Enterprise shall participate in the operation and maintenance of pollution abatement facilities like sewage treatment plants, incinerators, and air/water

monitoring and measuring devices.

SECTION 2. Facilities. - The Authority may enfranchise any organization to render, operate, and maintain, any service facility such as transportation, communication, etc. inside the Estate.

SECTION 3. Rates. - The Authority shall determine and regulate utility and facility rate inside the Estate. Such rates shall be circularized by the Authority from time to time.

RULE XV- TRANSITORY PROVISIONS

SECTION 1. All Estate Enterprise duly registered with the Authority shall be entitled to the incentives and privileges provided for in the Decree.

SECTION 2. The operation of shipping related businesses and container terminals within the Estate shall be subject to such rules and regulations as the Authority may prescribe.

SECTION 3. An applicant or Estate Enterprise may apply or transact business with the Authority using electronic data messages or electronic documents in accordance with the appropriate guidelines that the Board may prescribe pursuant to R.A. 8792, otherwise known as the Electronic Commerce Act of 2000, and other pertinent laws.

SECTION 4. An Estate Enterprise whose registration is declared null and void under Section 2, Rule III, and which has taken advantage of the incentives granted by the Decree shall be liable for customs duties and internal revenue taxes and be subject to all applicable laws, rules and regulations, and local tax ordinances.

SECTION 5. The Authority may amend, supplement, suspend or revoke these rules and regulations or any portion thereof as may be necessary: provided, however that the enterprise directly affected thereby shall have been properly notified and given the opportunity to present their views in a public hearing called for the purpose.

SECTION 6. Unless otherwise provided herein or in the corresponding Board action or by any other component government authority, in no case shall any subsequent board action impair whatever rights may have been previously granted to a duly qualified applicant.

SECTION 7. If any clause, sentence, provision, or section of these regulations shall be held invalid or unconstitutional, the remaining parts shall not be affected thereby.

SECTION 8. All circulars, resolutions or orders inconsistent with or contrary to the provisions of these Rules and Regulations are hereby repealed and/or modified accordingly.

SECTION 9. These Rules and Regulations and amendments thereto shall take effect Fifteen (15) calendar days following the date of publication thereof in a newspaper of general circulation or in the Official Gazette.

PROMULGATED AND APPROVED at Sta. Cruz, Tagoloan, Misamis Oriental, Philippines
on July 30 2002.

SGD. GEN. LISANDRO C. ABADIA (RET)
Chairman

SGD. GABRIEL B. EVANGELISTA
Vice Chairman /Administrator

SGD. BGEN. TRIUNFO P. AGUSTIN (RET)
Director

SGD. RD. NINFA U. ALONG ALBANIA
Ex-Officio Director

SGD. ATTY. HENRY J. BACAL
Director

SGD. MARIANO V. BADELLES JR.
Director

SGD. EFREN E. DEANG
Director

SGD. ASEC. ELEANOR F. DE LA CRUZ
Ex- Officio Director

SGD. BGEN. ROGELIO F. VILLANUEVA (RET)
Director

ATTEST:

SGD. ATTY. RAUL D. RAGANDANG
Corporate Secretary