



**CEZA ADMINISTRATIVE ORDER (CAO)**

NO. 18-001 apl.

**SUBJECT: SEIZURE AND FORFEITURE PROCEEDINGS AND  
SUBSEQUENT DISPOSITION OF SEIZED, ABANDONED  
AND FORFEITED ARTICLES IN THE CUSTODY OF CSEZFP**

**Introduction.** This CAO implements Section 6(k) and (l) of RA 7922 or the *Cagayan Special Economic Zone Act of 1995*, Sections 54, 81 and 177 of the Rules implementing RA 7922 and pertinent provisions of RA 10863, otherwise known as the "*Customs Modernization and Tariff Act*" (CMTA).

**Section 1. Scope.** This Order shall cover the seizure and forfeiture proceedings and all modes of disposition of seized, abandoned, and forfeited articles by the Cagayan Special Economic Zone and Free Port (CSEZFP) pursuant to the Rules Implementing the Cagayan Special Economic Zone Act of 1995 and related provisions of the CMTA.

**Section 2. Objectives.**

2.1. To provide for a streamlined rules and procedures for the disposition of seized, abandoned and forfeited articles by the Cagayan Economic Zone Authority pursuant to the provisions of the Rules Implementing the Cagayan Special Economic Zone Act of 1995 and of the CMTA.

2.2. To provide for the speedy disposition of articles in order to maximize revenues, to ensure that articles injurious to public safety and health shall be properly disposed and to protect the interest of the government.

2.3. To utilize information and communications technology (ICT) and other modern techniques in the monitoring and disposition of seized, abandoned and forfeited articles.

**Section 3. Definition of Terms.**

3.1 **Articles** - refers to any goods, wares, merchandise, raw materials, supplies, equipment, machinery, packaging materials and generally, anything that may, under the Tariff and Customs Code of the Philippines, as amended, in consonance with the Rules of the CEZA, be made the subject of importation into or exportation from the CSEZFP.

3.2 **Prohibited Articles/ Merchandise** - shall refer to goods, wares, merchandise, equipment or machinery the importation of which is prohibited by law as enumerated in Section 102 Book 1 of 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 goods or merchandise which may be prohibited by special laws or by the CEZA.

3.3 **“As is Where Is”**– refers to a condition of sale where no warranty is given as to the quality, state and condition of the goods.

3.4. **Clustering System** – Clustering occurs when the difference between the highest and the second highest bid is within ten percent (10%) of the highest bid.

3.5. **Forfeiture Fund** – refers to the account where all proceeds from public auction sale after deduction of the charges are deposited and subject to claim of the owner, importer or consignee of impliedly abandoned goods.

3.6 **Perishable Goods** – refers to goods liable to perish or goods that depreciate greatly in value while stored or which cannot be kept without great disproportionate expense, which may be proceeded to, advertised and sold at auction upon notice if deemed reasonable.

3.7. **Qualified Bidders** – are persons or entities duly accredited by the Chairman of the Auction Committee to participate in the public auction.

#### **Section 4. General Provisions.**

4.1. **Prohibited Articles:** Any kind or class of articles may be admitted into the CSEZFP from a foreign country, the Customs Territory, a Customs Bonded Warehouse, Export Processing Zone of Special Economic Zone, except articles prohibited under the laws of the Republic of the Philippines. (Section 54)

4.2. **Articles not in Accordance with Permit to Import-** Articles brought into the CSEZFP which are not in accordance with the permit to import issued by the CEZA to the CEZA Enterprise or Resident may be proceeded against by CEZA; Provided, that this is without prejudice to other remedies available to CEZA, including but not limited to the cancellation of an Enterprise’s or Resident’s Certificate of Registration or Residency, franchise, license, permit, lease contract, joint venture agreement and the like; provided, further, that if the articles brought in are absolutely prohibited importations, *i.e.* dangerous drugs, contraband, etc. or those that are strictly regulated and were brought in without the proper permits, *i.e.* firearms, they and others involved may be proceeded against pursuant to the provisions of the Tariff and Customs Code and other pertinent laws of the Philippines. (Section 81)

4.3. **General Authority to Dispose of Abandoned, Foreclosed, Forfeited or Unclaimed Articles.** The CEZA has the authority, consistent with the Constitution and existing laws to sell, destroy, or convert to its own use articles and merchandise that have been abandoned, left unclaimed, foreclosed or forfeited to the CEZA in the CSEZFP, and to establish procedures for sale, destruction or conversion. (Section 177)

## **Section 5: Forfeiture and Seizure Proceeding.**

5.1. **Issuance of Notice of Seizure or Forfeiture** – When the Administrator finds that any article has been brought into the CSEZFP in violation of RA 7922 and its IRR, applicable provisions of RA 10863, and other pertinent laws of the Philippines, he shall issue the corresponding Notice of seizure or forfeiture to the owner and consignee thereof.

5.2. **Contents of the Notice of Seizure or Forfeiture** – The Notice shall indicate the following information:

- 5.2.1. Alleged violation(s) of RA 7922 and its IRR, the CMTA and other related laws and regulations;
- 5.2.2. Description and quantity of the property sought to be seized
- 5.2.3. Owner(s) of the property sought to be seized, if known;
- 5.2.4. Address of the owner(s) of the property, if known;
- 5.2.5. Location of the goods to be seized; and
- 5.2.6. Date issued.

5.3. **Service of Warrant of Seizure and Forfeiture** - The Administrator through the apprehending or alerting unit shall serve the Notice of Seizure or Forfeiture to the owner of the article or to his/her authorized representative, either by personal service or through registered mail. For the purpose of serving the Notice, the importer, consignee, or person holding the bill of lading or airway bill shall be deemed the owner of the article. For the same purpose, authorized representative shall include any agent of the owner, and if the owner or the agent is unknown, any person having possession of the article at the time of the seizure;

5.4. **Answer** - Within a period of five (5) days from receipt of Notice, the owner or authorized representative shall file a verified answer/position paper to the allegations in the Notice.

5.5. **Decision of the Administrator**—The Administrator shall render a decision within five (5) calendar days upon the filing of the Answer or within three (3) calendar days in case of perishable goods. The decision of the Administrator shall include a declaration of forfeiture or release, the imposition of a fine or redemption of the goods, or such other action as may be proper.

Copies of the decision rendered by the Administrator shall be served to all concerned parties within three (3) calendar days from the date of issuance. Such service shall preferably be by personal service or, if not practicable, by registered mail. Proof of such service shall be attached to the record of the case.

Should the owner-respondent fail to file an answer, the Administrator shall declare him in default and a Notice of Finality of Order of Seizure or Forfeiture shall be issued.

5.6. **Appeal to the Board of Directors** - The Decision of the Administrator is appealable to the CEZA Board of Directors. An appeal should be filed within five (5)

days upon the receipt of the decision of the Administrator. The Board shall render its decision within fifteen (15) days from submission of the last pleading.

**5.7. Issuance of Notice of Finality of Order of Seizure or Forfeiture –** When the respondent defaults, fails to appeal, or upon the resolution of the Appeal by the Board, the Administrator shall issue a Notice of Finality of Order of Seizure and Forfeiture which shall include a list and particular description, classification, and valuation of the articles seized and valuation of identical or similar goods or articles.

**Section 6: Articles Subject to Disposition.** Articles in the custody of CEZA that are in the following condition and status shall be subject to disposition:

6.1. Abandoned articles or goods;

6.2. Forfeited articles or goods, other than prohibited, restricted and regulated articles or goods;

6.3. Perishable Goods, as certified by the CEZA Port Officer, which are the subject of seizure proceeding may be sold at a public auction within five (5) calendar days after a three (3)-day notice during the pendency of the forfeiture proceedings in the following cases:

6.3.1. Upon motion by the importer; or

6.3.2. Upon a written Order of the Administrator in order to protect the interest of the government after the importer was given the opportunity to comment.

The proceeds of the auction sale of perishable articles or goods shall be held in escrow until the final resolution of the forfeiture proceedings.

**Section 7: Mode of Disposition.** Articles referred to in the preceding section may be disposed in the following manner:

7.1. Articles or goods when suitable may be donated to another government agency or declared for official use of the Authority after approval of the Administrator or sold at a public auction within thirty (30) calendar days after ten (10) day notice.

7.2. Articles or goods which cannot be disposed under the preceding subsection may be re-exported as government property or sold through a negotiated sale.

7.3. Goods which are liable to perish or to deteriorate, when certified by the Authority as such, may be sold at a public auction within five (5) calendar days, after a three (3) day-notice. The Administrator shall immediately coordinate with the appropriate government agencies for the disposition of such goods.

7.4. Articles or goods, which in the opinion of the Administrator are injurious to public health, shall be disposed through destruction in an appropriate manner or orders its re-exportation.

7.5. Prohibited articles, as provided in Section 118 of the CMTA, shall be destroyed, except paragraph (d) thereof which shall be turned over to the *Bangko Sentral ng Pilipinas* (BSP). All articles suitable for shelter, foodstuffs, clothing materials or medicines may be disposed in accordance with Section 1141 of the CMTA.

7.6. Restricted articles or goods, as described in Section 119 of the CMTA, shall be disposed pursuant to Section 1147 of the said Act.

7.7. Regulated articles or goods shall be disposed of in a manner to be determined by the appropriate regulatory agency. In the event that the regulatory agency allows the disposition of the regulated articles with commercial value and capable of legitimate use, these shall be disposed of in accordance with Section 1141 of the CMTA.

7.8. Smuggled articles, when forfeited, shall be subject to destruction.

The port concerned shall ensure that all offices/divisions of the Authority and other concerned government agencies are invited to witness the disposition of articles or goods.

## **Section 8. Public Auction.**

8.1. **Place of Disposition of Articles.** Upon order of the Administrator, articles may be sold or otherwise disposed of at the port where the same are located, unless the Administrator shall direct its transfer to another port.

8.2. **Guidelines in Setting the Floor Price.** Floor prices of articles subject to public auction shall not be less than their landed cost, taking into account their obsolescence, condition or normal depreciation, and shall be computed in any of the manner below:

8.2.1. The domestic wholesale price arrived through backward computation using as basis the average of three canvassed retail prices of similar articles in the usual and ordinary course of trade.

8.2.2. The average of at least three (3) values of similar articles at the time of importation or at least three months prior to, plus applicable duties and taxes, if applicable.

8.3. **Notice of Public Auction.** The Notice of Public Auction shall be approved by the Administrator containing the following information:

8.3.1. Specific time, date and place for auction sale and opening of sealed bids;

8.3.2. Lot number, indicating the Seizure Identification or Abandonment Proceeding number(s) and name(s) of consignee;

8.3.3. Specific description of goods including their quality, condition, volume or quantity and date of arrival. In no case shall the articles be described in general terms. In case of motor vehicles, the Notice shall specify the year model, make or brand, Vehicle

Identification Number (VIN), chassis and engine numbers, except when sold as scrap;

8.3.4. As to perishable goods, the expiry date shall be stated;

8.3.5. Floor price per lot;

8.3.6. Specific date, time and place for the viewing of all lots or articles which shall at least be one (1) day prior to the auction date; and

8.4. The terms and conditions of the public auction, such as, the registration requirements, sealed bid system, clustering, failed bidding, second auction, awarding and payment, offer on a "As Is Where Is" basis.

8.5. **Publication and Posting of the Notice of Sale** -- The Notice of Auction Sale, regardless of the aggregate amount, shall be posted at a public place at the port where the articles are located and published electronically thru the Official website of the Authority or in a newspaper of general circulation.

8.6. **Accreditation of Bidders** -- The Authority shall provide for the accreditation of bidders who shall be eligible to participate in the public auction. Accreditation shall be valid for three (3) years. Applicants for accreditation shall comply with the following requirements:

- a. Duly accomplished notarized Bidder's Information Sheet;
  - b. Certified true copy of latest income and/or business tax returns of the entity duly stamped and received by the Bureau of Internal Revenue (BIR) and validated with the payments made thereon;
  - c. At least two (2) government issued IDs for the participating bidder/representative;
  - d. 2 x 2 ID picture of the participating bidder/representative;
  - e. For Corporate Entities:
    1. SEC Registration and latest General Information Sheet duly stamped and received by SEC.
    2. Secretary's Certificate indicating the approval of the Board of Directors to the participation of the company in the public auction
    3. The name of the duly authorized representative who must be an officer/employee of the company.
- For DTI registered businesses:
1. DTI registration duly stamped and received.
  2. If the owner will be represented, a duly notarized Special Power of Attorney designating a representative who must be an officer/employee of the company.
- f. For private individuals, the latest Community Tax Certificate; and
  - g. Payment of Accreditation Fee of Php1,000.00.

Notwithstanding the above requirements, accreditation of bidders may be dispensed with in case of disposal of less value articles or where the floor price of a sale lot is less than Php20,000.00.

**8.7 Disqualification to Participate in Auction Sale -** No CEZA Port Officer or employee, their spouses or relatives within the fourth degree of consanguinity or affinity shall be allowed to bid directly or indirectly, in any CEZA auction.

**8.8 Auction Committee -** There shall be an Auction Committee composed of the following:

Chairman	-	Senior Deputy Administrator
Vice Chairman	-	Corporate Board Secretary
Members	-	To be designated by the Chairman
Secretariat	-	To be designated by the Chairman

**8.9. Duties and Responsibilities of the Auction Committee.** The Auction Committee shall have the following duties and responsibilities:

8.9.1. Provide formalities and procedures on auction sales consistent with, and pursuant to this Order;

8.9.2. To impose, administer and/or recommend to the Administrator the imposition of administrative and/or such other sanctions as maybe appropriate against any bidder, person or entity found to have committed disorderly act or any act prejudicial or inimical to the interest of the Government or violated any law, rules and regulations, in connection with any auction sale;

8.9.3. To reject any and all bids or offers or any part thereof and accept bids or offers that are most advantageous to the interest of the government and consistent with the objective of this Order;

8.9.4. Recommend to the Administrator the reduction of Floor Price for lots which have remained unsold due to being declared as failed bids or lots without registered bidders;

8.9.5. Recommend to the Administrator additional requirements or safeguards to be imposed during the public auction.

**8.10. Registration and Participation in Public Bidding.** Only those who comply with the following requirements shall be allowed to participate in the public auction:

8.10.1. Certification issued by the Chairman of the Auction Committee as eligible bidder;

8.10.2. Filling up of the duly accomplished registration form two (2) working days prior to the date of public auction as published;

8.10.3. Payment of non-refundable Registration Fee of Php5,000.00 and Legal Research Fee of Php50.00.

8.10.4. Posting of a bond in cash or manager's check in an amount not less than 20% of the floor price for each sale lot. The bond shall be refunded to the losing bidder after the closing of the auction. The bond shall not,

however, be required when the floor price of a sale lot is less than Php20,000.00.

8.10.5. In auction sales involving regulated commodities, the bidder shall also submit proof of qualification at least three (3) calendar days before the day of the auction.

8.11. **Offer on "AS IS WHERE IS" Basis.** All articles subject of disposition pursuant to this Order shall be offered for sale on an "AS IS WHERE IS" basis.

The quantity, number, weight or measurement of the articles subject of sale and/or as listed in the Notice of Sale shall be deemed subject to proper determination by the Chairman of the Auction Committee prior to delivery. In case any excess is discovered, the winning bidder shall be required to pay for the difference in his bid price, otherwise, the excess shall not be deemed included in the sale and shall be returned to the Authority.

8.12. **Sealed Bid System.** The sealed bids shall be submitted and opened in public by the Auction Committee at a time, date and place specified in the Notice of Auction Sale. The highest bid shall be declared as the winner except when clustering occurs.

In case there is a tie for the highest bid, the subject item or lot shall be subject of another auction through sealed bids among the highest bidders involved in the tie. In case of another tie, the winner shall be determined by draw lots.

In case of multiple sale lots, the opening of the sealed bids, announcement of the winning bidder and payment of 50% upon announcement of the winning bid, shall be done on a per lot basis. Subsequent sale lots shall not be opened unless the 50% of the winning bid price has been paid or declared a "failed bidding".

8.13. **Clustering System.** When clustering occurs, an open-bidding shall be conducted among all the bidders who participated for sale lot with the highest bid serving as the new floor price. Only bids raised by three percent (3%) more than the new floor price shall be considered and the highest bid in the open bidding shall be declared as the winner. Otherwise, the highest sealed bid shall be declared as the winner.

8.14. **Payment.** At the end of each bidding, the highest bidder shall be required to pay in cash or manager's or cashier's check fifty percent (50%) of the bid price "on the spot" upon announcement of the winning bid as duly certified to by the Auction Committee. The remaining balance shall be paid within the business hours of the succeeding business day.

When the winning bidder fails to pay the 50% "on the spot" payment, the subject sale lot shall be re-offered during the same public auction to all the bidders of the said sale lot. The bond posted by the defaulting bidder shall be forfeited without prejudice to any sanction/s that the Committee may impose. Should the remaining balance of the "full payment" be left unpaid, all payments made thereon shall be forfeited without prejudice to any sanction/s that the Committee may impose.

In case the "full payment" has not been made, the subject articles shall be re-offered immediately, with same floor price, upon compliance with the publication requirements of this Order.

8.15. **Awarding of Sale.** A Certificate of Award shall be given to the winning bidder upon full payment of the bid amount.

8.16. **Delivery.** When the winning bidder fails to claim and receive delivery of the articles or lots awarded to him within thirty (30) calendar days from the date of award, he shall be deemed to have abandoned said articles and to have renounced all his rights thereto including forfeiture of all payments made thereon, except upon justifiable reasons, as determined by the Administrator, upon recommendation of the Auction Committee.

Once declared abandoned, it can no longer be appealed and can be disposed of in any of the manner allowed in this Order.

8.17 **Failed Bidding.** An auction shall be declared as a failed bidding by the Auction Committee when any of the following circumstances occurs:

8.17.1. When there is no bid;

8.17.2. When there is only one sealed bid, in which case the same shall not be opened;

8.17.3. When there are two or more sealed bids but there is only one bid higher than the floor price;

8.17.4. When the highest bidder fails to comply with any of the payments required hereof, said bidder shall be disqualified from participating further in the auction sale and when applicable, the negotiated sale thereof, without prejudice to the forfeiture of the cash bond and any payment made and imposition of other sanctions as may be warranted.

8.17.5. When there are less than two (2) qualified bidders.

8.18. **Second Bidding.** When a failed bidding is declared, the sale lot shall be re-offered after five (5) calendar days without need of further advertisement or posting, at the same floor price. In case of perishable goods, the second auction shall be conducted after three (3) calendar days without need of further advertisement or posting.

New bidders may participate, subject however to compliance with the accreditation and registration requirements stated in this Order.

Subsequent viewing of articles subject to sale may be requested, but the expenses arising from said subsequent viewings shall be paid by the interested bidder, which shall be done one (1) day before the second bidding.

8.19. **Subsequent Re-Offer after Second Failed Bidding and Adjustment of Floor Price.** If the articles subject to sale remains unsold after the second bidding, the Auction Committee may recommend to re-offer the unsold lot at a reduced floor price, subject however to the written approval of the Administrator.

The re-offer of articles at a reduced floor price shall be subject to the following conditions:

8.19.1. Compliance with the publication or posting requirements under Sub-Section 8.5 of this Order;

8.19.2. Viewing of the articles after the scheduled viewing during the first offer, may be allowed, but the expenses arising from the said subsequent viewings shall be borne by the interested bidder, which shall be done one (1) day before the date of bidding;

8.19.3. New bidders may be allowed to participate, subject however to compliance with the accreditation and registration requirements stated in Sub-Sections 8.6 and 8.10 of this Order; and

8.19.4. The re-offer of articles at a reduced floor price shall in no case be lower than the landed cost adjusted for normal depreciation or taking into consideration the condition of the goods and the wholesale selling price of similar goods sold in the domestic market.

8.20. **Disposition of Proceeds.** The following expenses and obligations shall be paid from the proceeds of the sale in the order provided:

8.20.1. Customs duties, if applicable, except in the case of forfeited articles;

8.20.2. Taxes and other charges due the government;

8.20.3. Government storage charges;

8.20.4. Expenses for the appraisal, advertisement, and sale of auctioned articles;

8.20.5. Arrastre and private storage charges and demurrage charges;

8.20.6. Freight, lighterage or general average, on the voyage of importation, of which due notice shall have been given to the Administrator.

The Administrator is authorized to determine the maximum charges to be recovered by private entities concerned under this subsection.

8.21. **Forfeiture Fund.** All proceeds from public auction sales after deduction of charges as provided in Sub-Section 8.20 and subject to the claim of the owner or importer of an impliedly abandoned articles as provided in Section 1130 of the CMTA shall be deposited in a Forfeiture Fund.

The Fund shall be in the name of and shall be managed by the Authority, subject to the usual government accounting rules and regulations, to utilize it for the following purposes:

8.21.1. To outsource, subject to the rules on government procurement established by law, the management of the inventory, safekeeping, maintenance and sale of articles enumerated in Section 6 of this Order to private providers: *Provided*, That the Authority shall retain jurisdictional control and supervision over these articles as well as the operations of the service providers so contracted;

8.21.2. To facilitate seizure, abandonment and forfeiture proceedings and the disposition of articles under Section 6 of this Order, particularly disposition of articles other than by public sale;

8.21.3. To enhance intelligence and enforcement capability to prevent smuggling; and

8.21.4. To support the modernization program and other operational efficiency and trade facilitation initiatives of the Administrator.

## **Section 9. Donation.**

9.1. **Articles Subject to Donation.** Articles subject to disposition which remain unsold after at least two public auctions for want of bidders or for lack of an acceptable bid may be donated to another government agency.

If the articles are suitable for use as shelter or consist of foodstuffs, clothing materials or medicines, it may be donated to the Department of Social Welfare and Development.

9.2. **Requests for Donation.** All requests for donation shall be coursed through the Administrator for determination of the availability of the items requested for donation.

9.3. **Deed of Donation and Acceptance.** The Administrator shall cause the preparation of Deed of Donation and Acceptance.

## **Section 10. Negotiated Sale.**

10.1. **Committee on Negotiated Sale.** A Committee on Negotiated Sale is hereby constituted which shall be composed of the following:

Chairman – Senior Deputy Administrator  
Vice Chairman – Corporate Board Secretary  
Members – To be designated by the Chairman  
Secretariat – To be designated by the Chairman

10.2. **Duties and Function of the Committee.** The Committee shall have the following duties and functions:

10.2.1. Implement the provisions of this Order relating to the conduct of negotiated sale;

10.2.2. Conduct an ocular inspection of the sale lots;

10.2.3. Reject any or all offers or any part thereof and consider offer/s most advantageous to the interest of the government;

10.2.4. Disregard offers rendered by disqualified offerors specified under this Order;

10.2.5. Recommend to the Administrator for acceptance of the offer/s most advantageous to the interest of the government;

10.2.6. Issue orders necessary to implement this Order.

**10.3. Duties and Functions of the Secretariat.** The Secretariat shall have the following duties and responsibilities:

10.3.1. Cause the publication of the appropriate Notice in at least one (1) newspaper of general circulation specifying the date, place, and time of inspection of the lots described therein. Publication shall be at least five (5) calendar days prior to the date indicated therein and in case of perishable articles or goods, at least three (3) calendar days;

10.3.2. Coordinate with the Chairman of the Committee on the posting requirements;

10.3.3. Prepare the Report of the Proceedings of the Committee Meetings;

10.3.4. Maintain records related to the functions or activities of the Committee.

**10.4. Grounds for Disqualifications:**

10.4.1. Employees or officials of the Cagayan Economic Zone Authority;

10.4.2. Importers or consignees of the goods being auctioned;

10.4.3. Defaulting offerors unable to comply with the payment requirements under this Order, and those disqualified by the ports for other infractions in the last twelve (12) months immediately preceding the date of Negotiated Sale;

10.4.4. Offeror/s or his or her authorized representative/s who are not present during the opening of the sealed offers;

10.4.5. Offeror/s or his or her authorized representative/s who failed to comply with any of the documentary requirements of the Negotiated Sale Committee.

**10.5. Procedure in Negotiated Sale.**

10.5.1. The participant shall tender his sealed offer in a format designed for the purpose in a sealed drop box within the prescribed period of time indicated in the Notice. No offer to buy shall be entertained if submitted after the said period of time.

The Participants must indicate their name and contact number on the face of their sealed bids, for facility in communicating with them.

10.5.2. The sealed offers shall be opened in the date, time and place indicated in the Notice, with the presence of a Resident Commission on Audit (COA) representative and participants in the negotiated sale.

The presence of the offeror/s or his/her duly authorized representative during the opening of the sealed offers is required. Otherwise, the offer of the said person or entity shall not be considered.

**10.6. Payment Procedure.**

10.6.1. The participant whose offer is considered the most advantageous to the interest of the government shall be required to pay a guarantee cash deposit in an amount equivalent to twenty percent (20%) of the offer within twenty-four (24) hours from receipt of notice by the Committee prior to referral to the Administrator for consideration which shall be deposited in a Special Trust Account. For this purpose, CEZA shall open a special trust account.

10.6.2. An additional thirty (30%) percent of the offer shall be paid in cash or manager's check within forty-eight (48) hours from receipt of the notice from the Committee of the approval of the offer by the Administrator. The fifty percent (50%) remaining balance shall be paid in full within the succeeding business day.

10.6.3. In case of a failed negotiated sale, the subject sale lot may be disposed of according to the modes of disposition available under this CAO.

10.6.4 In case of failed negotiated sale or failure to comply with any of the payment requirement provided under this Section, the offeror shall automatically be disqualified from participating further in any negotiated sale and public auction sale without prejudice to the forfeiture of any payment/s made thereon.

10.6.5. When the offer is rejected by the Administrator, the guarantee cash deposit shall be refunded.

10.7. **Awarding of Sale.** Upon full payment of the articles subject of negotiated sale and presentation of Official Receipts by the winning offeror, the Secretariat shall issue a Notice of Award and shall forward the records of the same to the Administrator.

10.8. **Approval or Disapproval by the Administrator.** The Administrator shall approve or disapprove the offer in a negotiated sale within fifteen (15) calendar days from transmittal of the records of the Committee. After the lapse of fifteen (15) days, the offer shall be deemed accepted.

10.9. **Refund of Payment.** Payments made by the offeror which has been disapproved by the Administrator shall be refunded within fifteen (15) calendar days from receipt of notice of disapproval.

10.10. **Disposal of Less Value Goods.** Items with a value of Php20,000.00 below or those in the nature of personal effects shall be disposed of through garage sale.

## **Section 11. Condemnation.**

11.1. **Articles Liable for Condemnation.** The following articles shall be condemned by rendering, crushing, burning, breaking, shredding, or any other appropriate method by which the articles cannot be used for the purpose for which they were originally intended, and in the form that would not be injurious to public health and safety:

11.1.1. Articles that are unfit for use or sale;

11.1.2. Articles that are absolutely prohibited unless the mode of disposition is specifically provided by the CMTA;

11.1.3. Articles that are prohibited by law to be released, unless the mode of disposition is specifically provided by the CMTA;

11.1.4. Articles that have no commercial value; and

11.1.5. Articles that are injurious to public health.

11.2. **Detailed Condemnation Plan.** Upon receipt of the Notice of Finality of Order of Forfeiture and Decree of Abandonment, a Detailed Condemnation Plan shall be prepared for the destruction/condemnation of the goods identified for destruction. The written plan shall contain the following:

11.2.1. Nature of the items or goods to be destroyed or condemned, including their packaging;

11.2.2. Reasons the articles are recommended to be destroyed or condemned, *i.e.*, final Order of forfeiture or abandonment;

11.2.3. Laws or rules requiring the destruction of goods or other justifications;

11.2.4. Special or technical requirements needed to ensure their complete destruction and to prevent their subsequent retrieval by persons or even by animals;

11.2.5. Condemnation plan to be in compliance with the requirements to be determined by the appropriate government agency in case of regulated goods.

11.2.6. Notice and invitation to government agencies to witness or supervise the destruction or condemnation process and to ensure that their own regulations on such activities are observed;

11.2.7. The anticipated difficulties with emphasis on the problem or crowd control, looters and scavengers and in general security concerns and contingency measures thereto;

11.2.8. Needed reports to be submitted after the destruction or condemnation by the signatories thereof.

11.3. **Condemnation Committee.** A Condemnation Committee is hereby constituted which shall be composed of the following:

Chairman	-	Senior Deputy Administrator
Vice Chairman	-	Senior Corporate Counsel
Members	-	To be designated by the Chairman
Secretariat	-	To be designated by the Chairman

**11.4. Functions of the Condemnation Committee.** The Condemnation Committee shall perform the following functions:

11.4.1. Provide certain formalities and procedures consistent with, and in pursuance to this Order, in connection with Condemnation;

11.4.2. Evaluate the Detailed Condemnation Plan and make corrections, if necessary;

11.4.3. Evaluate applications for accreditation of contractors;

11.4.4. Choose an accredited contractor to perform the destruction or condemnation of goods liable for destruction;

11.4.5. Prepare an Order of Condemnation for the approval of the Administrator; and

11.4.6. Recommend to the Administrator the imposition of administrative or criminal sanctions as maybe appropriate against any contractor, person or entity found to have violated the CEZA law, CMTA or other related laws, rules and regulations in connection with any condemnation activity;

**11.5. Order of Condemnation.** The Condemnation Committee shall cause the preparation of the Order of Condemnation for the approval of the Administrator, containing the information stated in the Detailed Condemnation Plan and the contractor who will perform the destruction or condemnation of articles.

In selecting the contractor/s that will perform the condemnation, the Condemnation Committee shall observe the following guidelines:

11.5.1. Only accredited contractors shall be authorized to perform condemnation;

11.5.2. Suspended contractor/s of the port, as well as of other ports, must not be appointed to perform condemnation;

11.5.3. Only contractors with sufficient facility or equipment or machineries to perform the required mode of condemnation will be considered;

11.5.4. Track record or reputation of the contractor;

11.5.5. For containerized cargoes, the preferred or nominated accredited contractor of the shipping lines shall be strongly considered.

**11.6. Accreditation of Contractors.** Interested contractors shall be accredited by the Administrator, which shall be valid within three (3) years from its accreditation, subject to the annual submission of updated documents. The applicant for accreditation for contractor shall comply with the following requirements:

11.6.1. Letter of Intent (duly signed by the registered owner or authorized representative);

- 11.6.2. Company Profile;
- 11.6.3. List of Services offered;
- 11.6.4. Diagram of Operation for all the services being offered;
- 11.6.5. Plant / Facility Layout;
- 11.6.6. Machineries, Equipment and other facilities owned and located at the facility / plant (with photos);
- 11.6.7. For Corporate entities, Articles of Incorporation, By-Laws and latest General Information Sheet duly received and stamped by the SEC (Securities and Exchange Commission);
- 11.6.8. Current Mayor's Permit;
- 11.6.9. Current Environmental Compliance Certificate and allied permits;
- 11.6.10. Current Transporter Registration Certificate, if applicable;
- 11.6.11. Updated Sanitary Permit to Operate, if applicable;
- 11.6.12. Updated City / Municipal Environment Certificate;
- 11.6.13. Duly stamped and received Income Tax Return for the two (2) previous years before application;
- 11.6.14. Audited Financial Statement for the two (2) previous years before application.
- 11.6.15. Payment of Accreditation Fee of Php10,000.00
- 11.6.16. Posting of annual bond of Php1,000,000.00.

11.7. **Disputes and/or Complaints.** Disputes and/or complaints pertaining to the decisions or actions of the Condemnation Committee shall be resolved by the Administrator.

11.8. **Sanctions.** In case the accredited contractor defaulted in condemning the goods, and are found to be in violation of any rules, the Accreditation Committee shall recommend the imposition of the following sanctions to the Administrator, to wit:

- 1st Offense : Suspension for one (1) year
- 2nd Offense : Suspension for five (5) years
- 3rd Offense : Perpetual disqualification

The Administrator upon receipt of the recommendation shall immediately issue a Suspension or Disqualification Order against the erring contractor.

11.9. **Gatepass & Clearance for the Release of Condemned Goods.** After the approval of the Administrator of the Order of Condemnation, a corresponding Gatepass and Notice of Condemnation for the release of goods will be issued by the Chairman of the Condemnation Committee to the chosen accredited contractor. The Port Officer shall issue transfer note and shall assign a Customs Guard who will secure the goods up to its final destination.

11.10. **Presence of other Representatives.** The Chairman of the Condemnation Committee shall always coordinate with the Authority's COA Resident Auditor, representatives from the regulating agencies (if regulated commodity), which may send their respective representatives to witness and monitor the activity. The assigned Port Guard shall be responsible in ensuring that the goods to be

transferred to the contractor's facility shall be delivered and that the condemnation is completed.

Notices shall be given to the above-mentioned authorities at least two (2) calendar days prior to the date of condemnation.

#### **Section 12. Other Modes of Disposition.**

12.1. **Turn-over to Armed Forces of the Philippines (AFP) or the Philippine National Police (PNP).** Dynamite, gunpowder, ammunition and other explosives, firearms and weapons of war and parts thereof, shall be turned over to the Armed Forces of the Philippines or the Philippine National Police.

12.2. **Turn-Over to the Dangerous Drugs Board (DDB).** Marijuana, opium, poppies, coca leaves, heroin, or other narcotics or synthetic drugs which are or may hereafter be declared habit forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, including opium pipes and parts thereof, of whatever material shall be turned over to the DDB through the Philippine Drug Enforcement Agency (PDEA).

12.3. **Turn-Over to BSP.** Any article manufactured in whole or in part of gold, silver or other precious metals or alloys and the stamp, brand or mark which does not indicate the actual fineness of quality of the metals or alloys shall be turned over to the BSP.

12.4. **Turn-Over of Other Prohibited and Regulated Goods.** Whenever deemed appropriate, the Administrator may turn over goods which cannot otherwise be disposed through the different modes provided under this Order to the concerned agency for proper disposition.

The turn-over shall be made with a corresponding Gate Pass, Clearance and Notice of Turn-Over issued by the Administrator.

**Section 13. Authority of the Administrator to issue Supplementary Rules and Regulations.** The Administrator may issue supplementary rules and regulations to effectively implement the provisions of this CAO.

**Section 14. Penal Provision.** Violations of this CAO committed by any person, officer, or employee shall be penalized in accordance with Section 176 of CEZA IRR and other applicable penal provision.

**Section 15. Separability Clause.** If any part of this Order is declared unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

**Section 16. Effectivity.** This Order shall take effect immediately upon approval of the CEZA Board of Directors.



SEC. RAUL L. LAMBINO  
ADMINISTRATOR/CHIEF EXECUTIVE OFFICER

APPROVED:

CEZA BOARD OF DIRECTORS



March 08, 2019

**CERTIFICATE OF PUBLICATION**

THIS IS TO CERTIFY THAT THE CAGAYAN SPECIAL ECONOMIC ZONE AND FREE PORT INTER-  
 ACTIVE GAMING RULES AND REGULATIONS OF 2017 AND CEZA ADMINISTRATIVE  
 ORDER (CAO) No. 18-001, SUBJECT: SEIZURE AND FORFEITURE PROCEEDINGS  
 AND SUBSEQUENT DISPOSITION OF SEIZED, ABANDONED AND FORFEITED ART-  
 ICLES IN THE CUSTODY OF CSEZFP

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CAGAYAN ECONOMIC ZONE AUTHORITY

*[Signature]*  
 EFRON T. LALLALUZ  
 Chief, Composing Division

