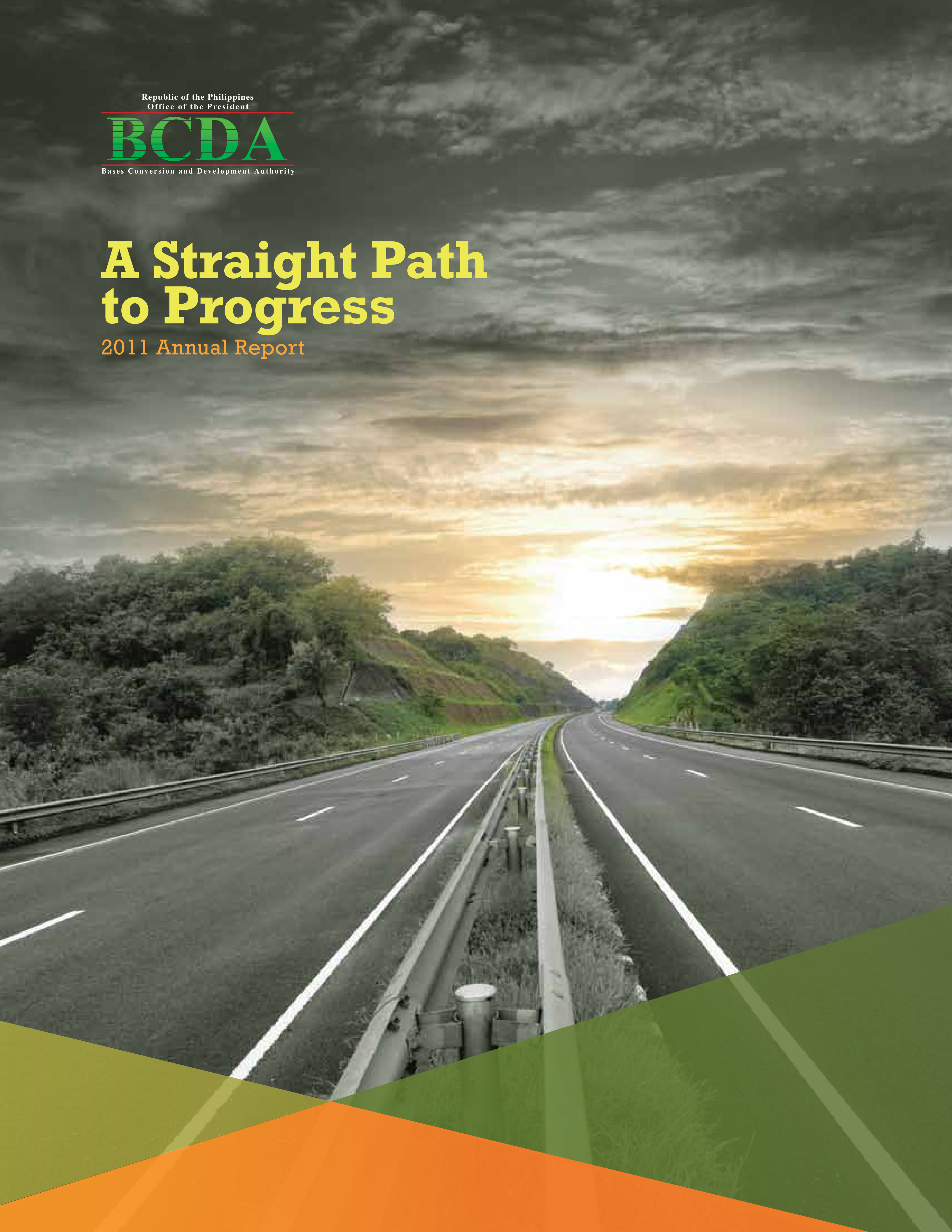
Republic of the Philippines
Office of the President

BCDA

Bases Conversion and Development Authority

A Straight Path to Progress

2011 Annual Report



A Straight Path to Progress

Message of His Excellency
Benigno S. Aquino III

My warmest greetings to the **Bases Conversion and Development Authority** (BCDA) on the publication of your **2011 Annual Report**.

As the primary agency tasked with maximizing the economic and social benefits from the conversion of former military bases for productive civilian use, the BCDA has been at the forefront of our agenda in government to establish inclusive growth. The significant revenues that your agency contributes to the national coffers have indeed aided many government programs. And in this era when the careful management of the assets and resources has been among our top priorities, you have created opportunities and stimulated development not only in your economic zones but also in your surrounding communities.

Your theme for this annual report, "A Straight Path to Progress," sums up our nation's direction in this time of transformation; the push for transparency in the bureaucracy has strengthened our movement for revitalization, with growing business confidence and citizen participation. The BCDA remains an important partner in investment generation and infrastructure development, thus helping provide our countrymen with opportunities to advance their welfare. I wish you continued success as you fulfill your mandate of stewardship, guided by the values of passion, integrity, and excellence.

BENIGNO S. AQUINO III
President
Republic of the Philippines

Message of the Chairman

My appointment as Chairman of the Bases Conversion and Development Authority (BCDA) came exactly on the 19th year of the Agency's creation with the passage of Republic Act 7227. As one of the main authors of the Law, and member of the Legislative-Executive Bases Council that formulated a list of alternative uses for the country's military baselands, it is heartening to see that the Agency has successfully accomplished much of its conversion tasks.

Thus, after all the years of hard work in transforming the former baselands into premier industrial and economic zones, the BCDA is now primed to focus on its other mandate—to assist in the development of Central and Northern Luzon, as well as the other regions.

The difference is that, under the inspiration and leadership of President Aquino, BCDA's development thrust starting in 2011 has become more inclusive as it strives to enfold other marginalized sectors in and around the former baselands as well as the regions outside Metro Manila and Central Luzon.

To achieve this inclusive development agenda, the present BCDA Board has initiated and laid down policy that aligned our business plans with the President's "Matuwid Na Daan" policy of transparency, accountability, good governance and professionalism.

One key initiative that BCDA is keen on pursuing and championing is the government's Public-Private Partnership (PPP) program that should enable not only inclusive growth but also provide livelihood and employment opportunities for more people, including farmers and fisherfolk and others not employed inside the economic zones.

The PPP program is a thrust of the President that we would like to pursue, being the principal author of the Build-Operate-Transfer law that is currently one of the most potent vehicles for public-private partnership programs in the country.

More importantly, the BCDA has the resources, experience and expertise in the PPP field and should therefore continue to become a catalyst in harnessing private sector participation towards meaningful national development.

The agency has partnered with major private developers in the successful conversion of both Fort Bonifacio and Villamor Air Base in Metro Manila into what are now bustling commercial and business centers that continuously create opportunities and employment for thousands of Filipinos.

The special economic zones under BCDA's wing have likewise become economic dynamos in Central and Northern Luzon. These zones are managed by member organizations of the Bases Group, composed of the Bataan Technology Park, Inc. (BTPI), Clark Development Corporation (CDC), the Clark International Airport Corporation (CIAC), the John Hay Management Corporation (JHMC), and the Poro Point Management Corporation (PPMC). Through the years, the joint efforts of these entities have successfully enabled these former military baselands—including those that were devastated by Mount Pinatubo and by the withdrawal of US military forces—to generate significant economic opportunities in what would otherwise have been barren wastelands.

Our signature infrastructure project, the Subic-Clark-Tarlac Expressway (SCTEX), may be considered a PPP model after BCDA successfully concludes with an expressway operator a Business and Operations Agreement (BOA) for the latter to operate the 94-kilometer toll road which BCDA built with a loan from the Japan International Cooperation Agency (JICA) a few years ago. Under the terms of the BOA, BCDA expects to be relieved of its debt service obligations and looks to receiving extra future cash flows from its gross revenue share.

The BCDA Board has identified several key development projects to pursue, including an ambitious "green and smart city" within the Clark subzone that should translate to thousands of new jobs in the long-term, as well as the construction of the proposed Clark International Airport to help decongest the Ninoy Aquino International Airport in Metro Manila.

There are also plans to construct an elevated monorail to connect the Bonifacio Global City and Newport City with the other business districts in the southern part of the capital region, thereby improving traffic and mobility for residents of Metro Manila and suburban areas. This is one way we can help address a problem that successful development creates. We also intend to follow the SCTEX model by bidding out the Operations and Maintenance to the private sector, not

The BCDA has the resources, experience and expertise in the PPP field and should therefore continue to become a catalyst in harnessing private sector participation towards meaningful national development.

only to relieve BCDA of its debt service burden for the project but also to be provided with a continuing source of cash flows long after its Metro Manila land assets had been sold.

The BCDA leadership, as now constituted, is highly professional, competent, and above all mindful of President Aquino's desire to alleviate poverty and provide tangible hope to our people.

The men and women of the agency are similarly highly competent, idealistic and driven to serve the country. Their selfless dedication has been on display for the past 19 years, and this should serve us well for another two decades and beyond.

As long as we remain guided by our firm belief in God, our respect and duty to preserve our environment, and by putting the interest of the marginalized and the poor above all other considerations, then doing what is right should not be very difficult.

In behalf of the Board of Directors, I thank our locators, investors, business partners, the members of the communities where we operate, our employees and other stakeholders for helping BCDA remain a relevant and active development agency dedicated to the service of God and our people.

FELICITO C. PAYUMO
Chairman

Message of the President and Chief Executive Officer

The year 2011 will be remembered as a major turning point in the chronicles of the Bases Conversion and Development Authority (BCDA) when the agency shifted to a new direction in line with the leadership example set by President Benigno S. Aquino III focusing on public service, accountability, transparency and integrity.

This 2011 Annual Report is thus aptly titled, "A Straight Path to Progress," to reflect how the agency has been pursuing the successful transformation of the country's former military base lands into productive economic zones since its formation in 1992, during the term of President Corazon C. Aquino.

It was during the early part of 2011when the President put in place a new set of leaders in BCDA—from the Chairman and members of the Board of Directors, including the President and CEO, down to the members of the Board of the BCDA's various subsidiaries.

This new set of leadership quickly moved to focus on the agency's development mandate, now more than ever, to serve as a catalyst for nation-building and economic growth, founded on the values of honest and competent leadership, good governance, integrity, stewardship and excellence.

We in the BCDA Management thus decided that any growth, to be meaningful and reflective of the popular will, must be inclusive and equitable, providing everyone the space and opportunity to excel within the proper environment for the realization of the Filipino dream. With these clear-cut social missions, it became easy for us to move forward and focus on the bigger picture towards national development—that is about people and the environment, and to do the right thing for the right cause and the right reasons.

Our biggest challenge was to effect a change in the people's mindset and to cross bureaucratic boundaries to get things done faster, but with integrity and skills to realize the full potential of the organization as a steward of public property.

One of our first priorities was to move BCDA and all its subsidiaries towards one direction to create a synergy that would harness the core competencies of each and every subsidiary, in the process creating what we now call the Bases Group.

While we recognized the role of each subsidiary as a potent force to continue bringing about development in the regions where they operate, we also saw the opportunity to play a bigger role in national development by leveraging on each other's strengths, by harmonizing all our processes and systems and juxtaposing our individual business plans to get things done faster, together.

Towards this end, we called for a three-day caucus to bring together leaders of the Clark Development Corporation (CDC), Clark International Airport Corporation (CIAC), Poro Point Management Corporation (PPMC), John Hay Management Corporation (JHMC), the Bataan Technology Park, Inc. (BTPI), the North Luzon Railways Corporation (Northrail) and the BCDA Management and Holdings, Inc. (BMHI) for the first time in the history of BCDA.

Through this, we were able to set a long-term goal for the Bases Group, identified deliverables and priority projects that would have the biggest impact towards achieving our overall target of providing the country with modern infrastructure such as tollways, airports, seaports and urban economic centers.

Among the flagship projects that we hope to start, if not complete, during the term of President Aquino is the modern techno city in the Clark subzone, which we called the Clark Green City, a new city half the size of Metro Manila, and an elevated monorail which will decongest central business districts in the cities of Makati, Taguig and Pasay.

With these projects, we hope to spark a new economic impetus in Central and Northern Luzon while at the same time contribute to the decongestion of Metro Manila by creating alternative urban centers and viable transport hubs and gateways in the countryside, a field where the BCDA has gained much expertise and experience in its 19 years of existence.

While laying down the foundations for these high-value projects, we continued improving on BCDA's previous undertakings and enhancing our ongoing investments. We have also dramatically improved BCDA's financial situation as reflected in our financial statements, yet another proof of what prudent and responsible leadership can achieve.

First, our assets grew to Php129.7 billion in 2011, up from the Php125.5 billion during the previous year. This asset growth is doubly significant considering that we dramatically increased our contribution to the modernization program of the Armed Forces of the Philippines (AFP) in 2011 to Php1.6 billion from only Php249 million in 2010.

BCDA likewise posted a significant increase in revenues in 2011 to Php3.7 billion, or an increase of more than Php1.2 billion from the Php2.4 billion revenues recorded in 2010.

Overall, however, BCDA recorded a net loss of Php510 million in 2011, mainly on the account of unrealized foreign exchange losses as a result of a stronger Japanese yen versus the local currency, since the bulk of the foreign currency transactions of BCDA is comprised of the yen-denominated loan used to finance the construction of the Subic-Clark-Tarlac Expressway (SCTEX). It should be noted that the 2011 net loss is much smaller—compared to the Php2.8 billion net loss posted in 2010—and has little or no material impact on BCDA's financial viability.

In fact, BCDA's cash and cash equivalents portfolio stood at a substantial Php7.1 billion by end-2011—clearly manifesting the agency's strong liquidity.

The various subsidiaries under BCDA also performed quite credibly in 2011—all registering revenue growths during the year.

These revenue growths are the direct results of very positive economic climates in the various economic zones namely the Clark Freeport, Poro Point Freeport Zone (PPFZ), John Hay Special Economic Zone (JHSEZ) and the Bataan Technology Park (BTP).

These four special economic zones employed a total of 67,137 people in 2011, representing a 7.38 percent increase from 2010, with all zones registering increases in the number of workers year-on-year.

This new set of leadership quickly moved to focus on the agency's development mandate, now more than ever, to serve as a catalyst for nation-building and economic growth, founded on the values of honest and competent leadership, good governance, integrity, stewardship and excellence.

Likewise, actual investments in the four special economic zones increased alongside tourist arrivals, an indicator of the healthy and vibrant economic conditions in these regional commercial hubs.

But more than these, BCDA continued pursuing its noble mandate of providing for the modernization of the AFP with its remittance of Php2.1 billion in 2011 alone to the National Treasury.

The BCDA has so far generated some Php53.3 billion from the sale, joint venture and lease transactions it has entered into in the process of disposing Metro Manila military baselands under its Charter. The AFP is the biggest recipient of the proceeds of these disposition activities with a total of Php21.5 billion from 1993 up to end-December 2011.

The disposition of lots in all Metro Manila camps covered by the BCDA Charter is expected to be completed in the next two or three years. We have submitted a list of the remaining assets to the President for a final decision on these properties and afterwards, BCDA will focus all its attention and resources towards its development mandate.

As we mentioned earlier, 2011 has been a major turning point for BCDA for it was during the year that the foundations for a new path to progress were laid down. It is a straight and narrow path, but with the very hardworking sets of directors in BCDA and its subsidiaries, and with the shining example of President Benigno S. Aquino III, we are confident of reaching our destination.

The BCDA has always been a professional organization; the men and women making up the agency are its best asset. It should thus be able to rise to the challenge of pursuing its new path with accountability and transparency, anchored on its core values and inspired by the President's vision of a prosperous nation for all.

We enjoin our fellow BCDA workers, business partners, investors and locators to join us in this noble journey because our collective work has only just begun.

ARNEL PACIANO D. CASANOVA, ESQ.
President and Chief Executive Officer

The Bases Group :

Harnessing Synergy for Inclusive National Development

One of the most historic events for the Bases Conversion and Development Authority (BCDA) in 2011 is the forging of a new development platform that allow its various subsidiaries to work together, thereby maximizing their substantial assets and resources while leveraging their collective expertise to make BCDA a major catalyst in national development.

By forging such dynamic working relationship and platform for close inter-agency cooperation, the BCDA and its subsidiaries formally gave birth to the Bases Group—whose zone of influence and economic activities encompass almost the entire island of Luzon from the Ilocos Region down to Metro Manila.

The Bases Group and its new development agenda emerged after a top-level caucus held at Camp John Hay in Baguio City from October 24 to 26, 2011, the first time that such gathering was called in the history of BCDA. It was attended by BCDA President and CEO Arnel Paciano Casanova and the heads of BCDA's subsidiaries, namely: the Clark Development Corporation (CDC), Clark International Airport Corporation (CIAC), North Luzon Railways Corporation (Northrail), John Hay Management Corporation (JHMC), Poro Point Management Corporation (PPMC), Bataan Technology Park, Inc. (BTPI) and BCDA Management Holdings, Inc. (BMHI).

In a Manifesto issued during the so-called Presidents' Caucus, the leaders of BCDA and its different implementing arms affirmed their vital, strategic and collective role in serving as a potent catalyst for national development in partnership with other government agencies involved in managing major infrastructure projects, economic zones and investment generation programs, among others.

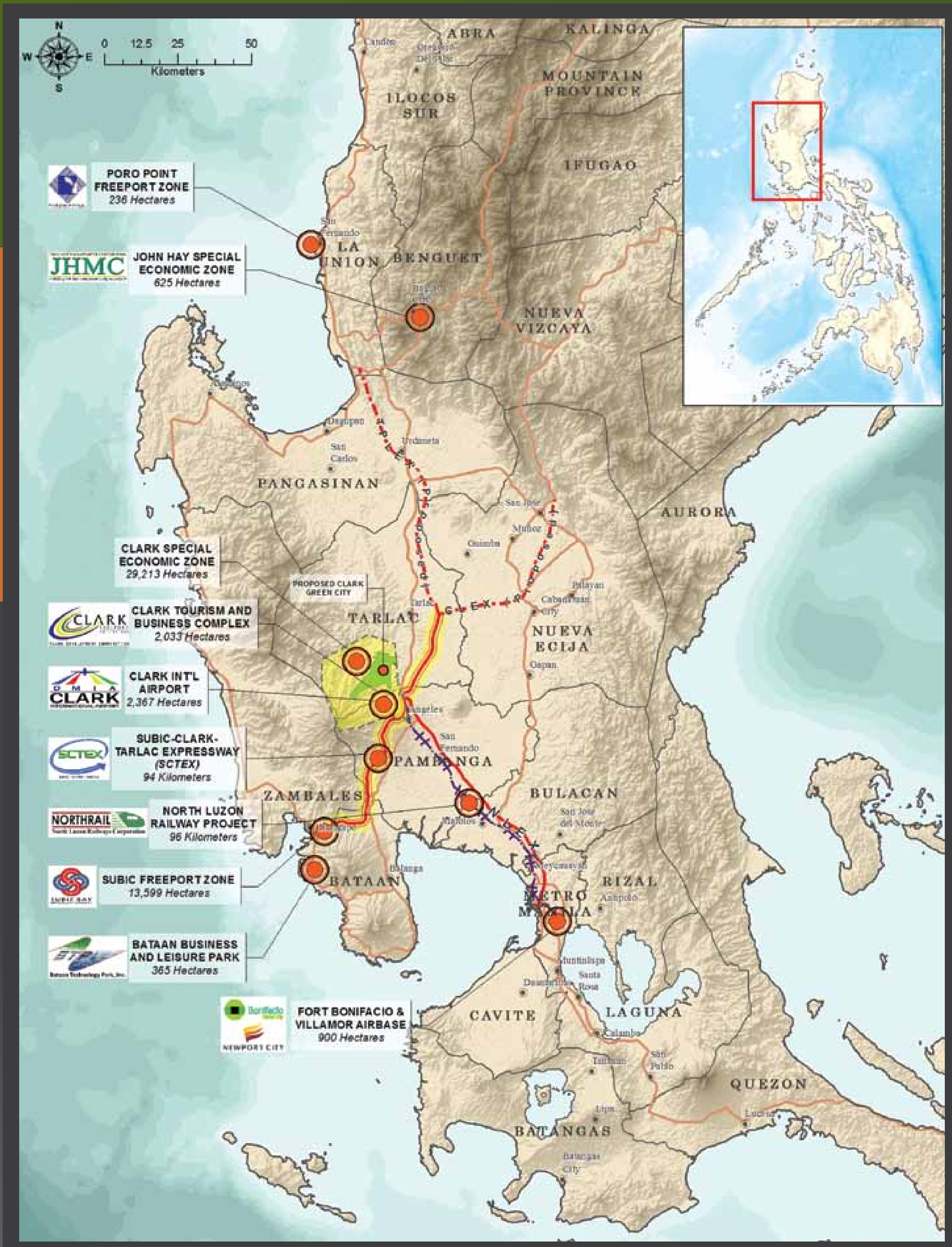
"By complementing and harnessing the strengths of each member, the Bases Group commits to carry out an integrated, coordinated and well-planned effort in developing and gearing the Subic-Clark-Tarlac Expressway (SCTEX), the Clark International Airport, the San Fernando Airport and Seaport, and the rail projects to propel the former military installations into dynamic and global competitive economic zones of foreign and local trade, investments, new growth areas and tourism," the Manifesto declared.

Among the agreements during the groundbreaking meeting was the adoption of a unified master plan for regional development and urban planning by 2012. It covers all BCDA properties—including airports, seaports, toll roads and railways—which shall be harnessed to transform the various BCDA economic zones into competitive and sustainable centers of economic activities.

Other fields of cooperation identified by the Bases Group include infrastructure, business, tourism, trade and investments, marketing and promotions, social development initiatives and national security.

The Bases Group also resolved to fulfill its mandate through transparent and ethical leadership in line with the "Matuwid Na Daan" vision of President Benigno S. Aquino III for good governance and inclusive economic growth.

The Bases Group and its Economic Hubs



FREEPORTS AND ECOZONES

Creating Livelihood Opportunities in the Countryside

The special economic zones under the Bases Conversion and Development Authority (BCDA) continued their pivotal roles in 2011 as important drivers of economic development by providing optimal climates for investment that, in turn, generate livelihood opportunities for a vast number of people particularly in the countryside.

These dynamic economic hubs, composed of the Clark Freeport, the John Hay Special Economic Zone (JHSEZ), the Poro Point Freeport Zone (PPFZ), and the Bataan Technology Park (BTP), collectively employed a total of 67,137 people in 2011, up by more than 7 percent from the previous year's 62,523 registered workers.

These special zones were carved out from erstwhile American military facilities and a former refugee processing center spread across Central Luzon and Northern Luzon, which have been successfully converted by BCDA into productive industrial and commercial centers spanning the two regions.

These dynamic economic hubs, composed of the Clark Freeport, Poro Point Freeport Zone, John Hay Special Economic Zone and the Bataan Technology Park, collectively employed a total of 67,137 people in 2011, up by more than 7 percent from the previous year's 62,523 registered workers.

1. Friendly service at the Clark International Airport, soon to be a leading player in the regional aviation industry
2. The massive Texas Instruments-Clark plant, built following the Leadership in Energy and Environmental Design (LEED) Green Building Rating System.
3. Employees at work at the La Rose Noire Factory in Pampanga
4. La Rose Noire exporter of French and Swiss delicacies and cake shop products to over 30 countries
5. Solid waste management solutions at the 15,700-squre meter facility of Semirecycling Co., Inc.

The Clark Freeport accounted for the biggest chunk of employment with 64,055 workers by end-2011, a 6.47 percent increase from the 60,162 registered in 2010, while the three other special economic posted double digit employment growths that indicated sustained positive environments for job creation.

Aside from providing favorable investment climates, the ecozones also remained among the country's major tourist gateways with more than 1.2 million tourist arrivals in 2011, representing a 5.5 percent increase from the previous year.

Clark Freeport Zone

The Clark Freeport Zone is an expansive tract of land covering a main zone of 4,400 hectares, which used to be the United States' Clark Air Base, and a much bigger sub-zone of approximately 23,000 hectares, where BCDA envisions a technology-based modern and environment-friendly city.

Presently, the main zone is further divided into two distinct areas. One of them is the industrial and tourism estate that is under the Clark Development Corporation (CDC), a BCDA subsidiary. The other area is the Clark Civil Aviation Complex which hosts the Clark International Airport, managed by the Clark International Airport Corporation (CIAC), now under the Department of Transportation and Communications (DOTC).

Clark Development Corporation posted revenues of Php978.25 million in 2011, 9.7 percent higher compared to its 2010 revenues of Php 889.13 million. More than half of the revenues came from rental income at Php593 million, a 6.7 percent increase from the Php555.4 million in 2010.

Only two years after the adoption of the 3-2-1 Growth Roadmap—translated into USD3 billion in investment, USD2 billion in annual exports, and 100,000 in actual employment—Clark exports already exceeded the USD2 billion mark in 2011. Total exports of goods alone already reached USD2.258 billion. Economic activities performed at the CFZ last year, across its many variants, put in over USD300-million value added in the context of the global supply chain. The USD1.53 billion exports of Texas Instruments (TI) Clark and the USD124 million in estimated service exports of the zone's Information and Communications Technology-Business Process Outsourcing (ICT-BPO) sector brought up total exports to USD 3.912 billion. Further, in contrast with the estimated 5 percent drop in the country's electronics exports due to weak demand in Western economies, Clark's electronics exports rose by 60 percent.

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6. Viskase, the industry's leading supplier of casing solutions for processed meat, locates its Asia Pacific manufacturing plant in the country.
7. Clark ODE County, a 10-storey condominium property built by Donggwang Construction, one of South Korea's largest construction companies
8. CIAC President and CEO Victor Luciano (third from left) with Executives of Air Asia Philippines during the signing of a Memorandum of Agreement for the establishment of Air Asia's hub operations in Clark.

Actual employment grew by 6 percent from last year's 60,162 to 64,055. This strong employment generation is due to the steady growth in the electronics, garments and other manufacturing sub-sectors, along with the expansion of the Information Technology/Telecommunications sector. The continuing success in employment generation/preservation is due in part to institutionalized programs in partnership with Clark Investors and Locators Association (CILA), industry associations from the private sector as well as local government units through the Metro Clark Advisory Council (MCAC) and their Public Employment Service Offices (PESO).

CDC entered into a total of 207 business contracts in 2011, of which 78 were new agreements while 15 were expansion contracts and 98 were for renewal. The contracts covered investment commitments amounting to Php21.04 billion for the first year and Php19.8 billion in the next five years.

The new signed contracts are expected to create an additional 8,000 jobs at the Freeport that would sustain Clark as one of the biggest job providers in the entire Central Luzon region.

On the other hand, CIAC posted revenues of Php355.2 million from its airport and aviation-related operations, 13 percent higher than its 2010 revenues of Php314 million.

A big bulk of the revenues were from toll and airport terminal fees followed by landing and parking fees, while the third biggest revenue source was from renting activities.

The Clark International Airport saw a 19 percent increase in international passenger volume that reached 725,023 passengers in 2011 compared to 607,704 passengers in 2010. The increase was largely attributed to additional flights from Seair and Jin Air.

Seair started flying to Hong Kong, Macau and Bangkok in the first quarter of 2011 in addition to its existing flights in Singapore. Further, Jin Air increased its weekly flights from Incheon, South Korea to four in 2011 from only one weekly flight in 2010.

Another milestone for CIAC is the signing of a Memorandum of Agreement with Air Asia Philippines in March 2011 for the establishment of Air Asia's hub operations in Clark. The airline's first brand new A320-200 aircraft landed at the airport in August 2011, direct from the Airbus factory in Toulouse, France.

Air Asia Philippines commenced operations in the first quarter of 2012 with domestic flights to Davao, Kalibo and Puerto Princesa, while international flights to Kuala Lumpur and Bangkok were slated for the second half of 2012.

Poro Point Freeport Zone

Poro Point Freeport Zone, the former US Wallace Air Station, has been experiencing a robust surge during the past several years mainly on account of its main locator, Thunderbird Pilipinas Hotels and Resorts, Inc. (TPHRI), which has committed billions of pesos in investments for its tourism complex in the special economic zone off the coast of San Fernando, La Union.

In 2011, BCDA extended Thunderbird's 25-year lease at Poro Point for another 25 years. In return, Thunderbird committed an additional Php1.52 billion in investments that would cover the expansion of its hotel and other entertainment facilities as well as further real estate and commercial developments in its leased area.

Poro Point Management Corporation (PPMC), BCDA's implementing arm in operating the San Fernando Airport and in overseeing the operations of the San Fernado International Seaport, reported revenues of Php59.8 million in 2011, more than 14.74 percent higher than its 2010 earnings of Php52.2 million. More than two thirds of its 2011 revenues were from Thunderbird's operations.

Actual investments in the Poro Point Freeport Zone reached Php1.37 billion in 2011, up from Php1.29 billion the year before.

On the other hand, PPMC reported a 24 percent rise in employment, from 1,242 in 2010 to 1,542 in 2011. This figured is expected to increase as the Poro Point Freeport Zone began attracting investments from the business process outsourcing (BPO) industry. One of the industry's players, SITEL, has considered the zone's Information and Communications Technology (ICT) Park as the next hub for its fast growing operations in the Philippines.

San Fernando Airport is currently the leading choice of aviation schools for their cross-country training, with no less than 29 aviation schools using the airport for their students' flight training.

PPMC sought to continuously improve airport security and safety through the successful bidding and delivery of crash, fire and rescue (CFR) equipment and runway sweeper in the early part of 2011.

While PPMC continued its efforts into developing the entire freeport zone, it also pursued projects to improve the lives of people in the surrounding communities. Through its "PPMC H.E.L.P.S." Program, PPMC was able to give aid to the local community focusing on five key areas—Health, Education, Environment care, Livelihood Programs, and Strengthening of Linkages.

PPMC is looking into the possibility of privatizing the operations, maintenance and further development of the airport through a public-private partnership scheme—in line with the present thrust of the Aquino government. Four big companies have expressed interest to bid for the privatization plan of the airport.

Poro Point Management Corporation continued the improvement and development of the airport with the successful bidding and delivery of crash, fire and rescue (CFR) equipment and runway sweeper in the early part of 2011.

1. Classic Mediterranean architecture of Thunderbird Resorts in Poro Point
2. Improved safety facilities at the Poro Point San Fernando Airport with its new crash, fire and rescue (CFR) equipment
3. Family fun at the 500-square meter infinity pool of Thunderbird Resorts
4. Poro Point's jewel in the north, the San Fernando International Seaport
5. Future pilots of the flying school, Leading Edge International Aviation Academy

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Alongside plans to dispose other assets for business development, John Hay Management Corporation continues to ensure the protection of the forest watershed within Camp John Hay that currently accounts for more than 50 percent of the remaining forest cover of Baguio City.

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1. Le Monet, another first-class hotel in the John Hay Special Economic Zone
2. BCDA President and CEO Arnel Paciano Casanova, RMACC President Pierre Yves Cote, JHMC Chairman Silvestre Afable, Jr., and JHMC President and CEO Jamie Agbayani sign an Agro-forest Management Agreement with Rocky Mountain Arabica Coffee.
3. One of the coffee plantations of Canadian-based company Rocky Mountain Arabica Coffee in Baguio City
4. A memorable flight above a canopy of pine trees at the Treetop Adventure
5. BPO industries are on the rise at the 12-hectare Ayala Technohub, a fully integrated, community

John Hay Special Economic Zone

Camp John Hay in Baguio City remains to be one of the city's main tourist destinations, with its well-preserved ecology and rich cultural historical heritage. It continues to generate business opportunities in the John Hay Special Economic Zone (JHSEZ).

The Zone and its adjacent forest watershed reservation are being administered by BCDA subsidiary, John Hay Management Corporation (JHMC), which is mandated to develop Camp John Hay into a premier mountain tourism haven and economic zone that provides economic opportunities for the people of Baguio and nearby municipalities.

In 2011, JHMC generated revenues of Php79.3 million, up by 25 percent from the Php63.3 million revenues in the prior year. An indication of the improved investment climate was the dramatic increase in the number of locators in the zone. From 78 business enterprises, the Ayala Techno-Hub brought to 92 the number of locators operating in the JHSEZ. The 1,410 being employed in the zone has increased by 39 percent compared to the previous year. Total investment of Ayala Land in the said project has been estimated at half a billion pesos including the construction of two business processing outsourcing (BPO) buildings and retail shops.

Further, the contract renewal of the SC Reservations (Philippines), Inc./Intercontinental Hotels Group (IHG) for another five years, has been providing 30 percent of the jobs in the zone. The IHG is a hotel reservation BPO facility for 10 hotel brands and more than 4,000 hotel chains worldwide.

To better serve existing businesses in the zone and increase efficiency in the issuance of permits, the One Stop Action Center (OSAC) strengthened alliances with national government agencies. At present, a total of 11 line agencies, namely, the Department of Trade and Industry (DTI), the Philippine Economic Zone Authority (PEZA), the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), the City Government of Baguio, the Department of Environment and Natural Resource (DENR), the Securities and Exchange Commission (SEC), the Department of Labor and Employment (DOLE), Pag-Ibig Fund, Philhealth and the Social Security System (SSS) are among its partners. A total of 3,228 permits and licenses were issued at the OSAC in 2011, as a result of the shortened processing time of 30 minutes.

A major business development milestone in 2011 was the Agro-Forest Management Agreement that BCDA and JHMC signed with Rocky Mountain Arabica Coffee Company, Inc. (RMACC) in October. RMACC was granted the right to develop the JHMC Plantation within the John Hay Reservation Area. RMACC intends to grow Arabica coffee in the plantation with a density of about 1,500 plants per hectare in an area that shall not exceed 100 hectares. The company will harvest, process and distribute the coffee at its own expense, and JHMC will get 30 percent of the gross revenues from all sales of the coffee beans on the 5th year of its operation.

On the other hand, tourism remained the biggest economic driver for John Hay, with visitors reaching 124,798 in 2011, a 9.2 percent increase from 115,324 of 2010.

The Tree Top Adventure, the sole adventure park at the JHSEZ, remained a top tourist drawer at the Historical Core. Among park highlights are the cable rides that span more than 700 meters starting at the back of the Bell House and traversing the Yellow Trail at the Historical Core.

Further, a total of 36,830 visited the Historical Core area in 2011, representing a 31 percent increase from the 28,218 visitors in 2010. This translated to a 14 percent increase in ticket sales and venue rentals at the Historical Core, reaching Php2 million. Gross revenues from the marketing events held at the Historical Core likewise increased 21 percent to Php 681,376 in 2011 from Php560,960 in 2010.

Showing its firm commitment to efficient land distribution within the John Hay Reservation Area (JHRA), the JHMC Board reactivated the Inter-Agency Technical Working Group (IATWG) on Barangay Segregation in October 2011. The IATWG is tasked to implement the efficient disposition of lots to legitimate occupants within the 13 barangays in the JHRA.

By end-2011, eight of the 13 barangays have submitted resolutions stating their consent to be surveyed, an initial step for the effective implementation of barangay segregation. Through this, BCDA and JHMC expect a stronger partnership with the village leaders—key to building model barangays in the City. This commitment to barangay segregation is within the parameters of the 19 conditionalities set by the Baguio City government as promulgated in SP Resolution No. 362 (1994).

The Bataan Technology Park has also been converted in a special economic zone under BCDA subsidiary Bataan Technology Park, Inc. and currently has nine locators, with actual investments in 2011 reaching Php8 million, a 60 percent hike from the previous year's Php5 million.

1. The Blessed John Paul II Memorial Shrine, a pilgrimage site
2. Nature lovers, cycling enthusiasts enjoy interesting bike trails that feature historic Indo-Chinese monuments
3. Buddhist Temple Monument, one of the historic treasures preserved at the Park
4. Team building participants aboard the Park's vehicle service, the Philippine jeepney
5. Pockets of green for simple family picnics and small gatherings

Another significant development is the plan to rehabilitate the mini-hydroelectric plant in the JHRA that was damaged in the 1990 earthquake. JHMC has initiated discussions with a prospective investor for the revival of the estimated 3.5 megawatt power plant built in the 1930's by the Americans.

Alongside plans to dispose other assets for business development, JHMC continues to ensure the protection of the forest watershed within JHSEZ that currently accounts for more than 30 percent of the City's remaining forest cover.

A multipartite monitoring team composed of various stakeholders in Baguio City continues to monitor all activities within Camp John Hay especially those that concern solid and toxic waste management and the preservation of air and water quality as well as the rich diversity of the areas within the entire reservation.

Under its new administration, JHMC seeks to strengthen the zone as a major tourist drawer through its promotion of investment opportunities in educational, wellness and medical tourism that should fit perfectly with Camp John Hay's invigorating and relaxing atmosphere.

Bataan Technology Park

The Bataan Technology Park (BTP) located at the Morong Special Economic Zone is the former Philippine Refugee Processing Center (PRPC) that accommodated hundreds of thousands of "boat people" from Vietnam, Laos and Cambodia who fled violent political oppression in Indo-China in the late 1970s. The 365-hectare park, which is mostly rolling hills and flat terrain, still maintains many of the original infrastructure and accommodation facilities built for the refugees, and as such has become a pilgrimage and tourist destination for the surviving refugees and their descendants.

The Bataan Technology Park has also been converted into a special economic zone managed by BCDA subsidiary, the Bataan Technology Park, Inc. (BTPI). It currently has nine locators, with actual investments in 2011 reaching Php8 million, a 60 percent hike from the previous year's Php5 million.

In 2011, the upstart economic zone continued attracting more visitors, with a total of 8,035 tourists in 2011, up by 17.78 percent compared to 6,822 visitors in 2010.

On the other hand, two new business contracts forged by BTPI in 2011 were the New Best Victory Philippines Corporation, a metal furniture production company which committed to invest USD1 million in the next three years, and Bien J and J Corporation, a company which will build the Language School and Baseball Academy, which pledged to bring in Php2 million during the same period.

While there were still relatively few locators, BTPI continued to improve its facilities including the asphalt overlay of the 2.5-kilometer UN Avenue costing Php17.8 million which came from the Countryside Development Fund of Rep. Herminia Roman. The UN Avenue is a main road which provides an alternate route from the Morong town proper to the Bataan Technology Park and to the Subic Seaport. Its rehabilitation led to the decongestion of traffic at the Morong-Sabang-Mabayo Road. Further, it traverses the Bataan National Park and is linked to internal roads that enable easier access to the Park's historic monuments.

Another 2011 undertaking was the concreting of the 275-meter road leading to the Papal Shrine and the apartelle areas costing Php3.3 million sourced from the President's Bridge Program. These undertakings were made in preparation for the inauguration of a pilgrimage site inside the Bataan Technology Park in May 2011 called the Blessed John Paul II Memorial Shrine. The inaugurated site marks the place where the late pope celebrated Mass before some 20,000 Cambodian, Vietnamese and Laotian refugees on February 21, 1981.

Other developments in the Park included plans to upgrade the communications and power facilities in the zone to cope with the increasing demand from locators and tourists/pilgrims.

Also, BCDA, through BTPI, has tapped Subic Enerzone, an Aboitiz-owned distribution utility servicing the nearby Subic Bay Freeport Zone, to provide the increasing energy requirements of the Bataan Technopark. At the same time, BTPI officials have initiated talks with PLDT and Smart to boost the existing communications capability in Morong, Bataan to augment the communications facilities for BTPI locators and subsequently attract more investors to the zone.


The
mind

ASSET DISPOSITION PROGRAM

Growth and Equity Through Balanced Development

In 2011, the Bases Conversion and Development Authority (BCDA) remitted to the National Treasury a total of Php2.137 billion that will largely form part of the modernization fund for the Armed Forces of the Philippines (AFP) as mandated by the law that created BCDA.

The amount came from the proceeds of lease and joint-venture agreements entered into by BCDA involving properties that used to be parts of former Metro Manila military camps—the biggest of which are portions of Fort Bonifacio and Villamor Air Base.

Fort Bonifacio has since been developed into the Bonifacio Global City while parts of Villamor Air Base became Newport City, two of the country's most dynamic and upscale commercial business districts to date.

1. "Transformation" by Arch. Lor. Calma, one of the BGC's public art installations managed by the Bonifacio Art Foundation, Inc. (BAFI)
2. The T-Rex exhibit at the Earth Gallery of the Mind Museum
3. A well-balanced and healthy lifestyle at the BGC's themed parks
4. Dining pleasure at the Bonifacio High Street Central, BGC's newest dining and shopping destination.
5. World-class patient care facilities at the St. Luke's Medical Center

The faithful remittance of significant amounts to the AFP Modernization Fund arises from BCDA's exercise of prudence in the stewardship of the state's resources and its commitment to deliver on its mandate of generating revenues for the AFP Modernization Program through the sound transformation of former military camps into world-class economic hubs.

For the year 2011, the BCDA Board and top management revisited the agency's disposition plans and programs to align them with the thrusts and directions of President Benigno Aquino III. All of its disposition activities were coursed through the Economic Cluster Cabinet of the National Government to ensure harmony with national plans and programs.

The disposition activities were carefully explored and deliberated on to ensure that maximum revenues and optimal value can be derived from the remaining BCDA properties especially in light of new and improved economic and real estate conditions.

BCDA generated total gross proceeds of Php1.499 billion in 2011, lower than the Php3.506 billion in 2010. This is attributable to the ongoing review of several proposed disposition activities submitted to the Economic Cluster. The plans are currently on hold until the best solutions and strategies have been crafted to ensure their smooth implementation in the next few years.

Joint venture transactions accounted for 69 percent of the generated proceeds for 2011, with the rest categorized as either sale at 6 percent, or lease transactions, representing a 23 percent share in BCDA's revenues for the year.

This showed a marked shift in the BCDA's asset disposition activities compared to previous periods, when the bulk of disposition revenues leaned heavily on the outright sale of assets.

Bonifacio Global City

BCDA continued to oversee the rise of new developments in the 150-hectare Bonifacio Global City (BGC)—one of the most beautiful developments in the country. BCDA's remarkable partnership with the powerful consortium of real estate leader Ayala Land, Inc. (ALI) and the Campos Group's Evergreen Holdings, Inc., resulted to meaningful landmarks that promote the convergence of leisure and business.

One of these landmarks is BCDA's prime condominium project, Serendra, which was forged in joint venture (JV) with ALI in 2003. To date, the JV has generated cumulative revenues of Php3.147 billion. On the other hand, the lease of the area where ALI's retail mall Market! Market! stands yielded cumulative revenues of Php2.343 billion. In 2011 alone, total disposition proceeds for Serendra and Market! Market! totalled Php407.535 million and Php226.209 million, respectively.

One of the newest landmarks launched in 2011 is the world-class science educational facility, the Mind Museum, which sits on a 12,500-square meter facility. The project is a brainchild of the Bonifacio Art Foundation, Inc. (BAFI), composed of representatives from BCDA, ALI, the Campos Group of Companies, and property owners in BGC. This massive, highly interactive facility is the first science museum of its scale in the Philippines.

Photo shows an aerial view of a portion of the 150-hectare Bonifacio Global City (BGC) where vast opportunities for work-life, leisure and a healthy lifestyle abound. BGC is known today as the "Home of Passionate Minds."

Now a landmark in this bustling district is the 16-storey St. Luke's Medical Center, a 600-bed capacity hospital with an 11-storey medical arts facility. It has made a name in providing excellent patient care with its cutting edge technology and world-class medical facilities. The center is equipped with free Internet connection, a 24/7 concierge, a grand lobby, a piano bar, comfortable dining area and a vast collection of Filipino art.

Meanwhile, BGC is also host to prestigious institutions such as the Manila Japanese School, British School Manila, International School Manila, Systems Technology Institute, Every Nation Leadership Institute, among others. Areas leased to these schools yielded combined revenues of Php83.7 million for the year.

The year also saw the launch of Bonifacio High Street (BHS) Central, a destination offering a distinct dining and shopping experience amidst a dynamic environment highlighted by an amphitheater, and a water plaza.

By 2012, the BGC is projected to house a total floor area of 2.9 million square meters and surpass the Ortigas Central Business District (CBD) and equal the Makati CBD in terms of number of residential units. To date, over 40,000 jobs have been generated from investments in the BGC.

University of the Philippines

In 2011, BCDA also signed a memorandum of agreement with the University of the Philippines for the conveyance to the state university of a 4,300-square meter lot at the BGC's Institutional Area where UP intends to establish a satellite campus.

The proposed campus, to be called the UP Professional Schools, will offer post graduate courses in law, business administration, engineering, statistics, architecture, and other continuing education courses and seminars. It intends to serve students residing in Makati and other areas in western and southern Metro Manila as well as those from the suburbs. Soon, the UP Professional Schools will join other notable academic institutions already operating at the BGC Institutional Area.

JUSMAG (Joint United States Military Advisory Group) Area

The BCDA is set to receive its first annual guaranteed revenue share from the 34.5-hectare JUSMAG Area joint venture project amounting to Php873.41 million.

The agency entered into a joint venture with prominent developer Megaworld Corporation (Megaworld) in 2010 for the development of approximately 34.5 hectares of the prime JUSMAG Area along Lawton Avenue in Fort Bonifacio.

Photo shows BCDA President and CEO Arnel Paciano Casanova and UP President Alfredo Pascual (2nd and 3rd from right), after signing the Memorandum of Agreement with Deed of Conveyance for the construction of the UP Professional Schools in the BGC. Looking on are Senator Franklin Drilon and BCDA Chairman Felicito Payumo.

The agreement called for the development of the property into a mixed-use complex with residential, office and commercial blocks. BCDA contributed the land to the joint venture while Megaworld committed to invest no less than Php22 billion within a 20-year period to maximize the property's development potentials.

Aside from the annual share of Php873.4 million that is guaranteed to BCDA under the agreement, BCDA also received an upfront Php1.5 billion in advance revenue shares upon the signing of the joint venture accord in 2010.

Newport City

As of 2011, proceeds from the disposition and development of Newport City reached Php2.350 billion, consisting of Php745.253 million in cash, of which Php438.189 million in JV proceeds and Php307.064 million in sales proceeds as well as Php1.298 billion cost of replication and relocation of military and community facilities.

Located at the former Villamor Air Base, Newport City is a Php7.64-billion township development which sits across the Ninoy Aquino International Airport Terminal 3 (NAIA3). It hosts the six-star, all-suites Maxims Hotel, the five-star Marriott Hotel Manila, the budget-class Remington Hotel, the 24/7 entertainment complex Resorts World Manila and residences such as the Residential Resort. The Residential Resort is envisioned to comprise 16 medium-rise buildings within landscaped gardens. Megaworld expects to complete over 4,000 mid-rise condominium units at the Newport City.

Resorts World Manila, a project of Travellers International Hotel Group, Inc. (a partnership between Megaworld and Malaysia's Genting Berhad Group), is home to the 1,000-seater Newport Performing Arts Theater, which guarantees state-of-the-art viewing experience for guests.

Also located at the Newport City CyberPark area is Asia-Pacific's leading cruise line operator Star Cruises, Ltd. The area is expected to pave the way for more employment opportunities as it is envisioned to launch Business Process Outsourcing (BPO) offices, as well as cargo logistics and airline-related businesses to complement the NAIA3.

Investments in the area are expected to reach Php50 billion.

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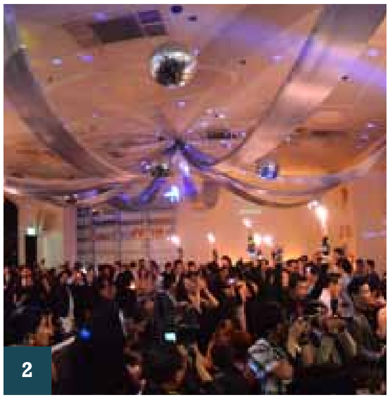
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1. Shoppers at the high-class shopping mall at Resorts World Manila
2. A grand nightlife experience at the Opus Restaurant and Lounge
3. The modern, affordable Remington Hotel
4. The country's first six-star all-suites Maxims Hotel

1. An exquisite dining experience at the Maxims
2. The state-of-the-art Newport Performing Arts Theater
3. Special and memorable moments at the five-star Marriott Hotel Manila
4. A majestic view of the Residential Resort and the Marriot

Collectively, recurring income from lease and joint venture developments projects in the Bonifacio Global City and Newport City is expected to reach Php30.4 billion in the next 20 years. To date, these two districts have already generated over 60,000 jobs in the country and have provided local government units with tax revenues that can help improve services for their respective constitutents.

McKinley Hill

BCDA received Php248.373 million as its revenue share from the McKinley Hill project for 2011, part of the guaranteed minimum Php1.77 billion share of the agency under its joint venture agreement with Alliance Global Group, Inc. (AGGI) which offered to develop the former Lawton Parkway property in 2003. As of 2011, BCDA has generated some Php2.263 billlion from the joint venture.

As an accredited project of the Philippine Economic Zone Authority (PEZA), McKinley Hill offers incentives to BPO companies to locate into the more than 17,000 square meters of prime office spaces within the project to spur its commercial development and maximize its value potentials.

Still, McKinley Hill remains a predominantly residential enclave with more than 4,700 condominium units and 482 individual residential lots that are spread out in various themed developments. These include the upscale McKinley Hill Village, the mid-rise Garden Villas, and the Italian-themed Tuscany Private Estates.

McKinley Hill has an aggregate land area of 24.6 hectares which BCDA contributed to the joint venture while AGGI committed a minimum Php2.06 billion investment for its development. BCDA's share in the project is in the form of commercial and residential units for sale or lease. AGGI, through its marketing arm, also takes care of offering BCDA's units to interested buyers.

North Bonifacio

To develop its remaining 8.38-hectare North Bonifacio lots located within the BGC, BCDA entered into a joint venture agreement with Megaworld in November 2009 to privatize and develop the property.

Following its earlier JVAs, BCDA contributed all its titles and interest in the North Bonifacio lots as its share while Megaworld agreed to undertake all the planning, construction, development, marketing and management of the property.

5

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5. A Venetian-themed mall at the heart of the beautiful McKinley Hill township development
6. BPO companies converge at prime office spaces along 20 Upper McKinley Road.
7. Professionals enjoying a walk along One World Square, Megaworld's first BPO building within McKinley Hill.

The minimum investment commitment of Megaworld for the North Bonifacio lots is Php15.6 billion, with a development timetable of no more than 20 years. This will transform the 516,249-square meter property into Bonifacio Uptown, a mixed-use, high-density complex.

BCDA's annual revenue share from the project is Php306 million for 12 years starting in 2011. The upfront cash payment received in 2009 was Php .959 million.

In March 2011, BCDA, together with Federal Land Incorporated (FLI) of the Metrobank Group, unveiled the 66-storey Grand Hyatt Hotel. It will soon rise as one of the tallest buildings, standing on a 1.5-hectare prime land.

Further, Megaworld is mandated to invest at least Php500 million for the construction of transport facilities in North Bonifacio to enhance the property's accessibility from the BGC and enhance its commercial value.

Heritage Park

Inventories at the Heritage Park increased considerably from Php194.078 million in 2010 to Php607.260 million in 2011 due to the recording of unrecognized Heritage Park Investment Certificates (HPICs). On the other hand, sale of HPICs, through Heritage Park's accredited brokers, yielded revenues amounting to Php24.78 million in 2011.

The 76-hectare Heritage Park is situated along C-5, Taguig City on what used to be part of Fort Bonifacio. It is one of the country's premiere memorial services provider.

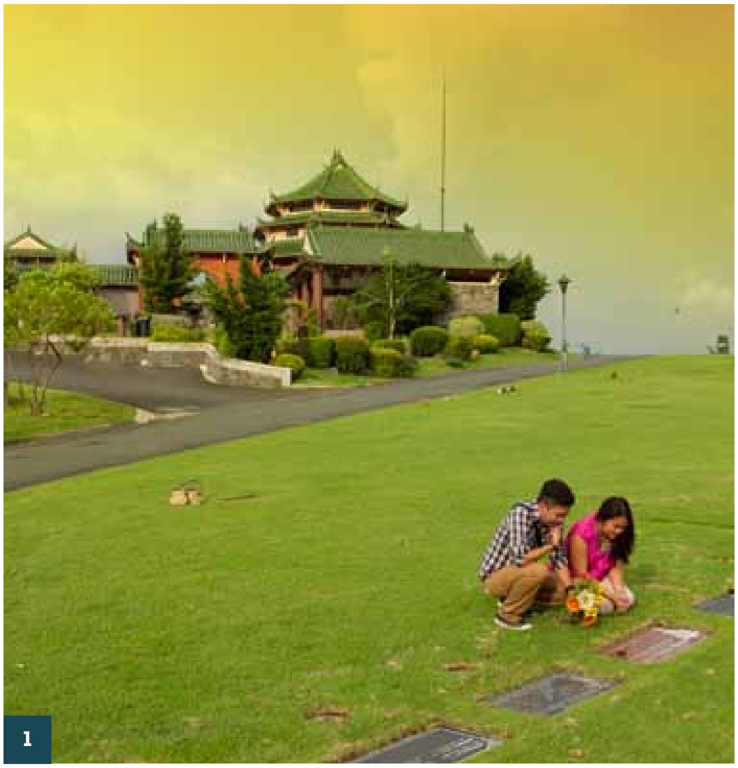
The Heritage Park, which started operations in 2001, is preparing for the launch of new products in 2012. Among these products are the Pavilion Terraces, which will offer prime memorial plots; the Church Terraces, which will offer new headstone lawn lots and smaller products ; and, a new inventory of columbary niches. The aggregate value of these new products is estimated at Php441.91 million.

Remittance to the National Treasury

From May 1993 to December 2011, the agency has generated a total of Php53.357 billion from sale, joint venture and lease transactions with private sector partners in the disposition of BCDA assets.

Overall, sale transactions accounted for 66 percent of the revenues generated from BCDA's asset disposition program at Php35.159 billion, followed by joint ventures at 25 percent or Php13.4 billion, and lease transactions at 8 percent or Php4.2 billion.

The AFP, as the biggest beneficiary of BCDA disposition activities, has received a total of Php21.555 billion during the same period, representing 40.4 percent of all disposition revenues. The amount is earmarked for the Armed Forces' modernization program and the replication of its facilities affected by the disposition program.



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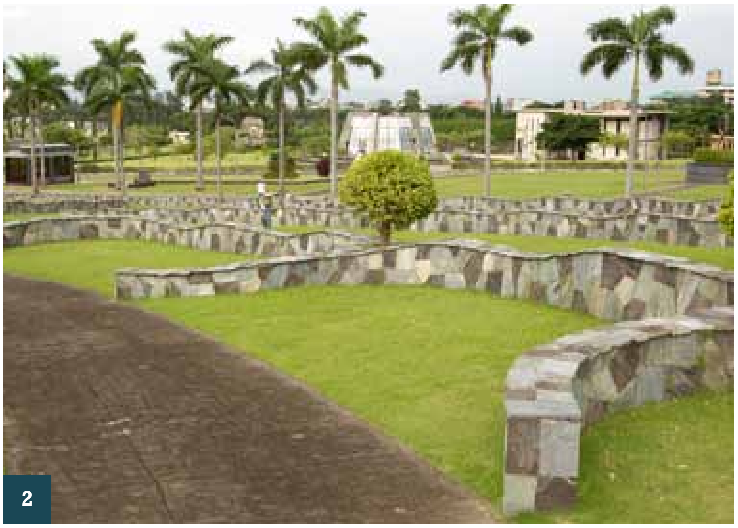

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1. The Heritage Park Pavilion conforms to the strict requirements of Feng Shui beliefs.
2. Walled estate lots and lush greenery in a sprawling first-class memorial complex.

Replication and Relocation

By end 2011, a total Php9.496 billion was remitted to the Bureau of Treasury for the replication of military facilities. These facilities include the Philippine Army (PA) Officers' Quarters, which was replicated for Php829 million, the PA Hospital at Php254 million, the Villamor Apron/ Taxiway Project at Php162.2 million and the PA Clubhouse at Php54.7 million. In addition to this, BCDA also directly remitted to the AFP Php300 million to advance the initial funding for the preparation of the relocation sites intended for the AFP units affected by the disposition of Metro Manila camps. This is in fulfillment of the provisions of a 2004 Memorandum of Agreement (MOA) with the Department of National Defense (DND).

This amount does not yet include the over Php1.145 billion to bankroll the replication of Philippine Air Force (PAF) facilities and community facilities at the Villamor Airbase. Another Php700 million is allocated for the replication of AFP Housing Facilities, in support of the disposition and development of the JUSMAG area.

On the other hand, non-military relocation expenses for the Philippine Merchant Academy, the National Intelligence Coordinating Agency, the National Defense College of the Philippines, among others totaled Php619 million.

Future Disposition

The disposition of lots in the former military camps of Fort Bonifacio and Villamor Airbase is expected to be completed within the next three years.

BCDA has submitted a list of the remaining assets to President Benigno S. Aquino III for a final decision on their disposition. The prime properties that have been submitted to the President for possible disposition include a premium lot at the vicinity of Market! Market! at the Bonifacio Global City and an area at the 25.8-hectare Navy Village at the former Fort Bonifacio.

There are other BCDA assets outside of Metro Manila that have yet to be disposed or converted into productive civilian economic use pending the approval of President Aquino. These include a 25-hectare property within the Poro Point Freeport Zone (PPFZ) that can be utilized as a light industrial area; a large portion of the Bataan Technology Park (BTP) in Morong, Bataan; and the wide expanse of property at the subzones of the Clark Freeport Zone (CFZ).

Shown above is President Benigno Aquino III in a firm handshake with BCDA President and CEO Arnel Casanova, after receiving government's share amounting to Php504.6 million from the BCDA. This brings to Php2.6 billion total BCDA remittances to the National Treasury. The turnover of over a half billion pesos will augur well for government's anti-poverty programs and provision of better government services. Looking on are Department of Finance Secretary Cesar Purisima, Vice President Jejomar Binay and BCDA Chairman Felicito Payumo.

INFRASTRUCTURE DEVELOPMENT

Supporting Public-Private Partnership Initiatives

One of the strengths of the new leadership at the Bases Conversion and Development Authority (BCDA) is its proven expertise in undertaking new projects through public-private partnerships (PPP). This track record in modern infrastructure development makes BCDA one of the most important players in the fulfilment of the Aquino government's vision of inclusive growth for the Filipino nation.

Armed with the resources, expertise and long experience in partnering with the private sector, BCDA has in fact lined up a list of big-ticket developments in its 2011-2016 Plans and Programs which the agency hopes to undertake with significant private participation.

The SCTEX

BCDA's biggest undertaking that is projected to become a PPP showcase is the 93.7-kilometer Subic-Clark-Tarlac Expressway (SCTEX). Presently, the agency is looking to privatize the operations and maintenance of the world-class highway—subject to the policies of the National Government—to establish it as a good business model for PPPs being pushed by President Benigno S. Aquino III as a linchpin for national economic development.

To fund the construction of the SCTEX, the BCDA was able to secure a 40-year soft loan from the Japan International Cooperation Agency in 2001. The loan has a 10-year grace period with a concessionary interest rate of .95 percent per year, a benefit that can be passed on to the private concessionaire to make an Operations and Maintenance (O&M) agreement for the toll road more attractive.

In 2011, vehicular volume in the SCTEX reached a total of 8,130,903, or an average of 22,276 vehicles daily. Despite the 4.91 percent decrease in volume compared to 8,550,970 vehicles in 2010, revenues surged to Php796.306 million, up by 27.03 percent over Php626.846 milllion in 2010.

Of the more than eight million toll road users in 2011, 6.7 million vehicles or 82.4 percent were light vehicles such as cars, vans, pick-ups, and jeepneys. On the other hand, buses and trucks posted a combined usage of 17.6 percent, a two percent increase from the 2010 usage of 15.6 percent by such heavier vehicles.

Seven years after it opened commercially, the SCTEX has remained a source of immense pride for the BCDA as the tollroad demonstrated not only the commercial viability of the expressway but its crucial role as a trailblazer that opened up large areas of Central Luzon to economic activities.

This affirms the role of SCTEX in promoting inclusive growth as it stimulates private investments in the region that creates more jobs and livelihood opportunities for its people. More importantly, the emerging economic development in the Central Luzon countryside helps alleviate congestion in other urban centers particularly in Metro Manila.

The success of SCTEX has since spawned another PPP project—the Tarlac-Pangasinan-La Union Expressway or TPLEX. The project is being undertaken by a consortium of Philippine companies and is aimed at further opening up agriculture, fisheries and tourism markets in Baguio, Ilocos, Pangasinan and even up to Cagayan Valley.

Development of the Clark International Airport Gateway Terminals

The BCDA is also looking at other major projects like the construction and development of the Clark International Airport in cooperation with the Department of Transportation and Communications (DOTC).

The move is being supported by the Clark International Airport Corporation (CIAC) and the Clark Development Corporation (CDC), both fully owned subsidiaries of BCDA. The show of corporate solidarity means that the project will be undertaken through teamwork and the leveraging of expertise of the individual strengths of several government agencies.

BCDA will be the lead agency in building the Clark International Airport using its legal mandate, an experienced team of engineers and financial resources, while CIAC will focus on its expertise of operating the airport and attracting airlines to Clark to make the project more viable.

The development of the Clark International Airport is expected to boost tourist arrival and create more investment opportunities and employment particularly at the Clark Freeport which is under the management of CDC.

Elevated Monorail

Another major project that BCDA is eyeing is the construction of a mass transport system—an elevated monorail—that will interconnect with the existing rail systems in Metro Manila. This transport infrastructure is expected to improve traffic and mobility by making possible seamless travel between and among the major business districts in the southern metropolis including the Bonifacio Global City (BGC) and Newport City.

To be called the Global Cities Mass Transit Project, the medium-term project is to link up with the Metro Rail Transit Line 3 (MRT-3) station in Guadalupe, Makati City, and end at NAIA3, passing through the BGC in Taguig City and Newport City in Pasay City.

Further upon its implementation, the proposed monorail can be extended and linked with the Light Rail Transit Line 1 (LRT-1) in Baclaran, Pasay City and the Philippine National Railways (PNR) system that traverses Metro Manila up to Southern Luzon—to form a loop that will complete the rail system around the metropolis.

Again, BCDA is looking at a PPP arrangement for the monorail project which is expected to be undertaken in the next five years. Engineers are looking at an elevated system because of its simple beam and sleek guideway design that easily blends with the architecture of the developed areas in the BGC in Taguig City and neighboring cities of Makati and Pasig.

With such major projects in the pipeline, BCDA is in a good position to continue maximizing the utilization of its resources and contribute immensely to the task of nation-building. More importantly, it will complete BCDA's transformation from a purely conversion-focused agency to one that is at the forefront of inclusive economic development.

Likewise, its strong support and initiative for public-private partnerships will enable a more vibrant private sector participation in the country's infrastructure development program, a legacy that should endure the test of time.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

A Better Life for Our Community

The Bases Conversion and Development Authority (BCDA) embarked on various corporate social responsibility undertakings in 2011 that reflected the agency's vibrant spirit of giving back to society that benefited various communities around the country.

While BCDA's CSR programs were inevitably focused on communities where it has ongoing projects, the involvement of its employees in reaching out to those in need gave more meaning and a deeper dimension to the agency's efforts to make a difference in the lives of others.

The advent of devastating typhoons during the year also prompted BCDA to prioritize giving assistance to those who were affected by the calamities which number by the thousands, particularly to residents of Central Luzon where BCDA's Subic-Clark-Tarlac Expressway (SCTEX) project is located.

BCDA swiftly extended a helping hand to several families in two municipalities in Bataan that were severely affected by typhoon *Kabayan* in early August. The agency donated a total of 100 sacks of rice that were coursed through the local government units of Dinalupihan and Hermosa towns, and which were subsequently distributed to the typhoon victims.

In October of the same year, BCDA again responded to cries for help from residents of La Paz town in Tarlac who suffered greatly when typhoons *Pedring* and *Quiel* struck one after the other. BCDA officials donated 50 sacks of rice that were also coursed through the LGU.

A bigger and much more disastrous calamity struck in December of 2011 when tropical storm *Sendong* inundated large areas of the cities of Cagayan de Oro and Iligan in Mindanao that displaced hundreds of thousands of families.

As pleas for help came from the victims and even from the United Nations which recognized the scope of the devastation, the BCDA joined the entire nation in helping the victims with a Php200,000 donation that it coursed through the Department of Social Welfare and Development which was at the forefront of the Sendong relief efforts.

More importantly, rank and file employees of BCDA, moved by the utter devastation, passed the hat and contributed more than Php34,000 in cash from their own pockets aside from various food and clothing items that became the employees' personal and generous contribution to aid the typhoon victims.

In December of 2011, BCDA gave Php30,000 as a Christmas gift for some 50 street children under the care of the Reach Youth Ministries, Inc., a private entity that extends help to residents of poor communities as part of its ministry.

BCDA also continued its institutionalized CSR program in 2011 through its enduring partnership with the municipality of Floridablanca in Pampanga, one of the many towns hosting the 93.7 kilometer SCTEX.

The municipality of Floridablanca, with the support of BCDA, established the BCDA-Floridablanca Skills Training Center (FSTC) that is located in a resettlement area for those who were displaced by the SCTEX project. The project had a seed fund of Php1 million from the state-run agency and was formally launched in July 2010.

The FSTC is an offshoot of BCDA's continuing involvement with project-affected persons, which were initially extended short-term livelihood support and medical services until the local government unit proposed the establishment of the skills training center. Since its establishment, the BCDA-FSTC has conducted various livelihood and skills training programs that benefitted hundreds of residents of the Floridablanca resettlement area. The courses included Computer Hardware Servicing; Computer Literacy; a Barista Course; and Massage Therapy, among others.

In 2011, the BCDA-FSTC continued offering other courses including cosmetology, hairdressing, manufacturing of soap and fabric conditioner, automotive repair, and even a Korean language proficiency module. By the end of 2011, the skills training center has graduated a total of 449 people, mostly out-of-school youths, with a significant number of housewives and unskilled parents also taking advantage of the opportunity to learn new livelihood and vocational skills.

BCDA FINANCIAL REPORT 2011

Stronger Balance Sheet, More Revenues from Joint Venture Transactions, and Collection Efficiency

BCDA's success in achieving its mandates is better seen in the cash it has generated from its disposition activities which amounted to Php1.422 billion and Php3.3 billion in 2011 and 2010, respectively. An Asset Disposition Report for the period 1993-2011 is included in this report to complement the discussions under each of the financial statements presented herein.**

For the second straight year, the Commission on Audit (COA) has issued an unqualified opinion stating that BCDA's 2011 Financial Statements "present fairly, in all material respects, the financial position of the BCDA as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines."

Parent Company Balance Sheets*

December 31, 2011 and 2010

		2011		2010 (as restated)
ASSETS				
Current Assets				
Cash and Cash Equivalent	P	**7,172,564,292**	P	1,186,982,135
Short-term investments		**195,929,291**		7,304,838,058
Receivables		**3,399,732,074**		1,335,851,234
Inventories		**1,000,965,739**		612,519,961
Prepayments and other current assets		**933,319,185**		848,349,539
Total Current Assets		**12,702,510,581**		11,288,540,927
Non-Current Assets				
Investments in and advances to subsidiaries/affiliates		**24,203,959,133**		22,746,542,332
Joint venture investments		**18,131,739,892**		16,595,422,125
Property and equipment-net		**70,064,937,370**		70,422,591,654
Other investments and non-current assets		**4,562,422,763**		4,458,083,081
Total Non-Current Assets		**116,963,059,158**		114,222,639,192
TOTAL ASSETS	P	**129,665,569,739**	P	125,511,180,119
LIABILITIES AND EQUITY				
Current Liabilities				
Payables	P	**179,172,127**	P	166,180,737
Inter-agency payables		**2,470,328,850**		3,362,606,829
Intra-agency payables		**3,183,549,286**		2,419,554,626
Current portion of loans payable		**1,093,146,424**		1,012,613,792
Other payables		**1,216,307,184**		1,198,739,804
Total Current Liabilities		**8,142,503,871**		8,159,695,788
Non-Current Liabilities				
Loans Payable		**31,184,771,657**		30,286,350,137
Deferred Credits		**6,729,575,016**		7,257,144,747
Total Non-Current Liabilities		**37,914,346,673**		37,543,494,884
TOTAL LIABILITIES		**46,056,850,544**		45,703,190,672
EQUITY		**83,608,719,195**		79,807,989,447
TOTAL LIABILITIES AND EQUITY	P	**129,665,569,739**	P	125,511,180,119

**The financial statements presented are only for the BCDA as Parent Company and do not include the financial circumstances of its subsidiaries.*
P43.928:$1 (as of December 31, 2011)

CY 2011: Financial Position

Total assets of BCDA increased by Php4.2 billion from Php125.5 billion in 2010 to Php129.7 billion in 2011 which was primarily attributable to the following:

a. accrual of receivable of Php873 million from Megaworld for BCDA's 1st minimum annual revenue share in the JUSMAG joint venture project.

b. increase in Investment in Joint Venture corresponding to the value of land (North Bonifacio Lot) invested by BCDA in the Joint Venture Agreement (JVA) with Megaworld with a value of Php2.3 billion;

c. increase in total receivables by Php1.6 billion arising from the Clark Development Corporation (CDC) and Clark International Airport Corporation (CIAC) inter-company settlement of accounts, pursuant to E.O. No. 716 which transformed CIAC as a subsidiary of BCDA; and

Total liabilities increased by Php354 million, from Php45.7 billion to Php46.1 billion which was the net effect of increase in loans payable due to upward restatement of the Japan International Cooperation Agency (JICA) loan (Php.5638:¥1 in 2011; Php.5374:¥1 in 2010) and decrease in deferred credits from Php7.2 billion to Php6.7 billion. Total Equity grew to Php83.6 billion in 2011 from Php79.8 billion in 2010, as a result of the increase in the appraised value of North Bonifacio Lot property.

**By virtue of the laws governing the sharing of asset disposition proceeds, BCDA follows a unique accounting and business model which is not easily discernible from the traditional financial statements presentation. Depending on the applicable law (RA No. 7227, as amended by RA No. 7917 or EO No. 309), BCDA distributes from 50 percent to 72 percent of the net proceeds from its asset disposition activities to the different beneficiaries stated in the applicable law, but chiefly to the AFP for its modernization program. The remaining BCDA share is used to fund the conversion and viable development of the former military baselands undertaken by its subsidiaries or by BCDA itself, such as financing partly the construction and maintenance of the Subic-Clark-Tarlac Expressway (SCTEX).

As a further complication, RA 7227 provides that BCDA record its share in the net disposition proceeds as additional paid-up capital from the National Government if the asset disposition activity is an outright sale. If the disposition is a lease, joint venture, or a transaction other than sale, proceeds are recorded as revenue in its Income Statement. In view of this, the Income Statement of BCDA reflects only the non-sale disposition activities of BCDA, while the sales transactions have to be gleaned from the changes in the Equity in the Balance Sheet and the Statement of Cash Flows.

Parent Company Statement of Income

For the Years Ended December 31, 2011 and 2010

		2011		2010 (as restated)
REVENUES				
Share from the income of joint venture operations	P	**1,922,821,513**	P	774,092,870
Lease Income		**410,266,574**		395,016,510
SCTEX toll collection		**768,848,503**		629,073,986
Income from subsidiaries/affiliates		**563,525,486**		614,265,563
Other business income		**9,258,933**		22,069,221
TOTAL REVENUES		**3,674,721,009**		2,434,518,150
CASH EXPENSES				
Personal Services		**242,225,981**		294,425,469
Maintenance and Other Operating Expenses (MOOE)		**2,426,025,875**		1,067,022,741
TOTAL CASH OPERATING EXPENSES		**2,668,251,856**		1,361,448,210
INCOME BEFORE OTHER INCOME (EXPENSES) & NON-CASH ITEMS		**1,006,469,153**		1,073,069,940
OTHER INCOME (EXPENSES) & NON-CASH ITEMS				
Depreciation		**(310,693,633)**		(1,468,708,668)
Bad Debts		**(145,593,942)**		(17,527,283)
Loss on foreign exchange*		**(1,554,021,150)**		(1,977,754,700)
Impairment Loss **		**-**		(312,209,681)
Others***		**547,607,922**		(115,332,040)
LOSS BEFORE INCOME TAX		**(456,231,650)**		(2,818,462,432)
INCOME TAX		**(53,802,933)**		(3,931,605)
NET LOSS	P	**(510,034,583)**	P	(2,822,394,037)

* *The loss on foreign exchange represents the difference in the closing rates of the Japanese Yen vs. Phil. Peso from ¥1.8608 last year to ¥1.7737 this year for the JBIC loan drawdown used for the SCTEX Project. Any gain or loss on translation does not involve actual cash transaction but recognized in the Profit & Loss Statement in compliance with the provision of International Accounting Standard No. 21.*

** *Impairment loss pertains particularly to the value of BCDA's terminated projects which was recognized pursuant to International Accounting Standard No. 36.*

***Others include Financial Expenses, Government Subsidy, Dividend Income, Interest Income, Gain on redemption of FBDC preferred shares and Gain on disposal of properties.*

CY 2011: Results of Operations

For this year, total revenues generated by BCDA amounted to Php3.7 billion, an increase of 51 percent as compared to the previous year's revenues of Php2.4 billion. Share from joint venture operations (Serendra, McKinley Hill, Newport City, Jusmag, North Bonifacio) rose to Php1.9 billion from Php774 million in 2010. Such increase came from the additional revenues generated from JUSMAG and North Bonifacio joint venture projects amounting to the accrued Php873 million and Php307 million, respectively. Note though that the Php774 million revenues in 2010 did not include the upfront cash from the privatization of the JUSMAG property in the amount of Php1.5 billion which are recorded in the deferred credits account. On the other hand, revenues from Lease Income increased from Php395 million in 2010 to Php410 million in 2011. Moreover, revenues from SCTEX toll collections increased by 22 percent from Php629 million in 2010 to Php769 million in 2011.

MOOE expenses increased by 127 percent from Php1.1 billion in 2010 to Php2.4 billion in 2011 due to the remittance of the share of the Armed Forces of the Philippines (AFP) from the various disposition proceeds which jumped by about Php1.3 billion from Php249 million. Depreciation decreased by 79 percent to Php1.1 billion as a result of the adoption of a more appropriate depreciation method for the SCTEX from straight-line to output method. Other notable changes in MOOE were taxes, insurance premiums and other fees which increased to Php19 million from Php10 million in 2010 and increase of Php142 million in advertising and promotion due to the aggressive marketing campaign of BCDA to promote its projects and increase awareness of the public of its contribution to the AFP modernization program.

Income before non-cash and other income/expense items was flat at Php1.01 billion in 2011 from Php1.1 billion in 2010. After considering all other income and expenses, BCDA registered a Php510 million accounting loss, resulting mainly from unrealized foreign exchange loss of Php1.6 billion from the translation of the Japanese Yen denominated loan relating to the SCTEX project of the government undertaken by BCDA.

Parent Company Statement of Cash Flows

For the Years Ended December 31, 2011 and 2010

		2011	(as restated) 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of transferred properties		**58,910,045**	39,858,412
Proceeds from Joint Venture Projects		**799,982,661**	2,091,951,278
Proceeds from leases		**405,598,921**	583,180,213
Sub-total		**1,264,491,627**	2,714,989,903
Proceeds from toll operations		**816,230,513**	629,132,077
Interest Income from cash equivalents and short/long term investments		**290,780,995**	150,965,334
Dividends received		**454,289,187**	453,541,553
(Increase)/Decrease in short-term investments & receivables		**7,382,158,817**	(2,711,058,515)
Operating expenses		**(1,036,235,015)**	(1,124,400,790)
Remittance to Bureau of Treasury		**(2,136,654,676)**	(2,075,963,427)
Net cash from (used in) operating activities		**7,035,061,448**	(1,962,793,865)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of preferred shares		**5,415,530**	450,000,000
Acquisition of property and equipment and payment of various infrastructure projects		**(63,130,124)**	(151,230,837)
Investment/Advances in subsidiaries and affiliates		**(532,895,670)**	(319,660,030)
Net cash used in investing activities		**(590,610,264)**	(20,890,867)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity from National Government		**423,991,609**	91,600,287
Payment of financing charges		**(518,847)**	(18,864,573)
Partial payment of JICA loan		**(857,363,698)**	-
Partial settlement of notes payable		**(25,085,910)**	(27,299,373)
Net cash from (used in) financing activities		**(458,976,846)**	45,436,341
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**107,819**	153,597
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,985,582,157**	(1,938,094,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,186,982,135**	3,125,076,929
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P**	**7,172,564,292**	P 1,186,982,135

CY 2011: Cash Flows

Operating

Operating cash flows from BCDA's asset disposition program (ADP), i.e. sale, joint venture projects, and leases, generated an aggregate of Php1.264 billion in 2011, down from Php2.715 billion in 2010, with the difference of Php1.451 billion primarily attributable to the collection of upfront cash amounting to Php1.500 billion from the successful bidding of the JUSMAG project in 2010.

Proceeds from SCTEX toll operations increased by Php187 million which was mainly due to the toll rates increase in 2011. Also, interest income increased from Php151 million in 2010 to Php291 million in 2011, while dividends from investments in subsidiaries and affiliates have remained almost constant.

Short term investments (considered as non-cash equivalents), which are investments in instruments bearing maturities of more than 3 months, increased by Php3.006 billion in 2010, while it decreased by Php7.265 billion in 2011 as cash was invested in instruments with maturities of 1 to 3 months.

Cash operating expenses decreased by Php88 million and remittance to Bureau of Treasury increased by Php61 million, from Php2.075 billion in 2010 to Php2.136 billion in 2011.

Investing

Cash flows from investing activities resulted in a net cash outflow of Php591 million in 2011 from Php21 million in 2010. The higher investment outflows of Php533 million were used to fund the operating and capital requirements of the BCDA Group (subsidiaries), which develops and manages the Special Economic Zones.

Financing

This year's financing activities resulted in a net cash outflow of Php459 million, attributable to the amortization payment of the JICA loan of Php857 million and an increase in the National Government (NG) equity in BCDA due to the NG subsidy for the CDC-Mexico-Clark 230 KV Transmission Project of Clark Development Corporation (CDC) amounting to Php424 million.

Parent Company Statements of Changes in Equity

For the Years Ended December 31, 2011 and 2010

	2011	2010 (as restated)
CAPITAL		
Beginning Balance	**P 75,174,043,288**	P 74,928,710,884
Share in Disposition Proceeds for Sales	**608,408,966**	
Other Equity Adjustments	**62,648,088**	153,732,117
Subsidy from National Government	**1,424,513,831**	91,600,287
Ending Balance	**77,269,614,173**	75,174,043,288
DONATED CAPITAL	**1,137,658**	1,137,658
RETAINED EARNINGS		
Beginning Balance	**4,632,808,501**	(2,451,298,343)
Net Loss	**(510,034,583)**	(2,822,394,037)
Revaluation Capital	**2,215,193,446**	9,906,500,881
Ending Balance	**6,337,967,364**	4,632,808,501
TOTAL	**P 83,608,719,195**	P 79,807,989,447

In 2011, the most significant changes in Equity were the increase of Php2.2 billion in the assessed/investment value of North Bonifacio Lot property which was disposed thru Joint Venture, the current net loss of Php510 million and the recognition of equity subsidy from National Government of Php1.4 billion.

Asset Disposition Report

In 2011, the biggest percentage of revenues was derived from joint venture agreements (JVAs), which yielded 69 percent or Php1.035 billion of the total disposition proceeds slightly lower than 2010 disposition proceeds of Php3.506 billion. Since 2010, the percentage of revenues for the sale of properties were at 4 percent and 6 percent in 2011 showing that sale was the least preferred mode of disposition for the past two years. This reflects a dramatic shift in disposition activities in the past two years compared to 2009 where majority of disposition revenues were derived from JV mode at 88 percent.

Since the implementation of the Asset Disposition Program (ADP) in May 1993 until December 2011, majority of total proceeds were derived from sale activities at 66 percent, followed by JVAs at 25 percent, lease at eight percent and other receipts at one percent.

Total Disposition Proceeds

The total disposition proceeds from May 1993 to December 2011 now stand at Php53.357 billion, up by three percent from Php51.858 billion in 2010. The increase for CY2011 comes from the collection of existing contracts.

2011 Disposition

The total disposition proceeds from BCDA's ADP in 2011 was Php1.499 billion, bulk of which came from JVAs representing 69 percent of the total, with outright sale representing only six percent.

Distribution of Disposition Proceeds

As mandated by law, BCDA annually remits to the National Treasury bulk of the proceeds from its disposition program for distribution to its various beneficiaries led by the Armed Forces of the Philippines (AFP) for its modernization program.

After remittance to the National Treasury, the utilization and distribution of the remittances become the responsibility of the Department of Budget and Management (DBM), which releases the share of the beneficiary agencies pursuant to budget execution guidelines and approved fiscal program of the government.

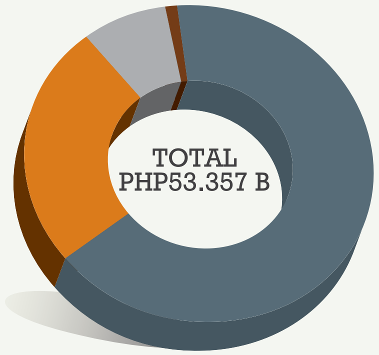
As of end 2011, the AFP share from the total disposition proceeds of Php53.357 billion stands at 41 percent or Php21.555 billion, mainly for AFP Modernization Program and replication of military facilities affected by the conversion of former military bases and camps to civilian use.

BCDA share from the disposition proceeds of Php10.684 billion accounts for 20 percent of the total, followed by the share of other beneficiary agencies of Php7.143 billion or 13 percent share. A further Php619 million has been incurred for non-military replication expenses representing one percent of the overall proceeds, while the share of contiguous municipalities takes Php462 million or one percent.

Expenses related to the dispositions which are deducted from the gross proceeds, include Php4.299 billion or eight percent of the total in taxes, duties and fees and direct expenses of Php7.037 billion or 13 percent of the total, mainly for site development and infrastructure projects, relocation of informal occupants, survey, titling, appraisal, and administrative expenses. A total of Php1.558 billion or three percent of the total proceeds was remitted during the GOCCs Dividends Day for the beneficiary agencies in accordance with Republic Act 7917 and Executive Order 309.

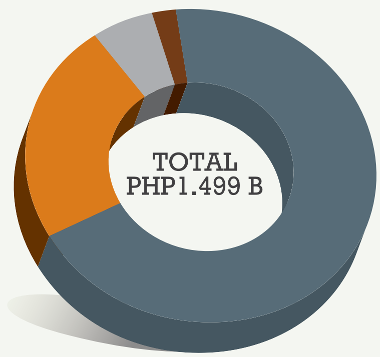
DISPOSITION PROCEEDS

For the period covered May 1993-December 2011



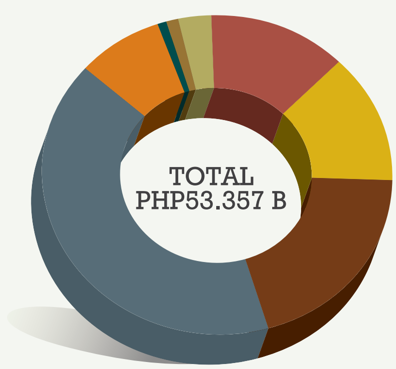
DISPOSITION PROCEEDS

For the period covered January - December 2011



BREAKDOWN OF DISPOSITION PROCEEDS

For the period covered May 1993 - December 2011

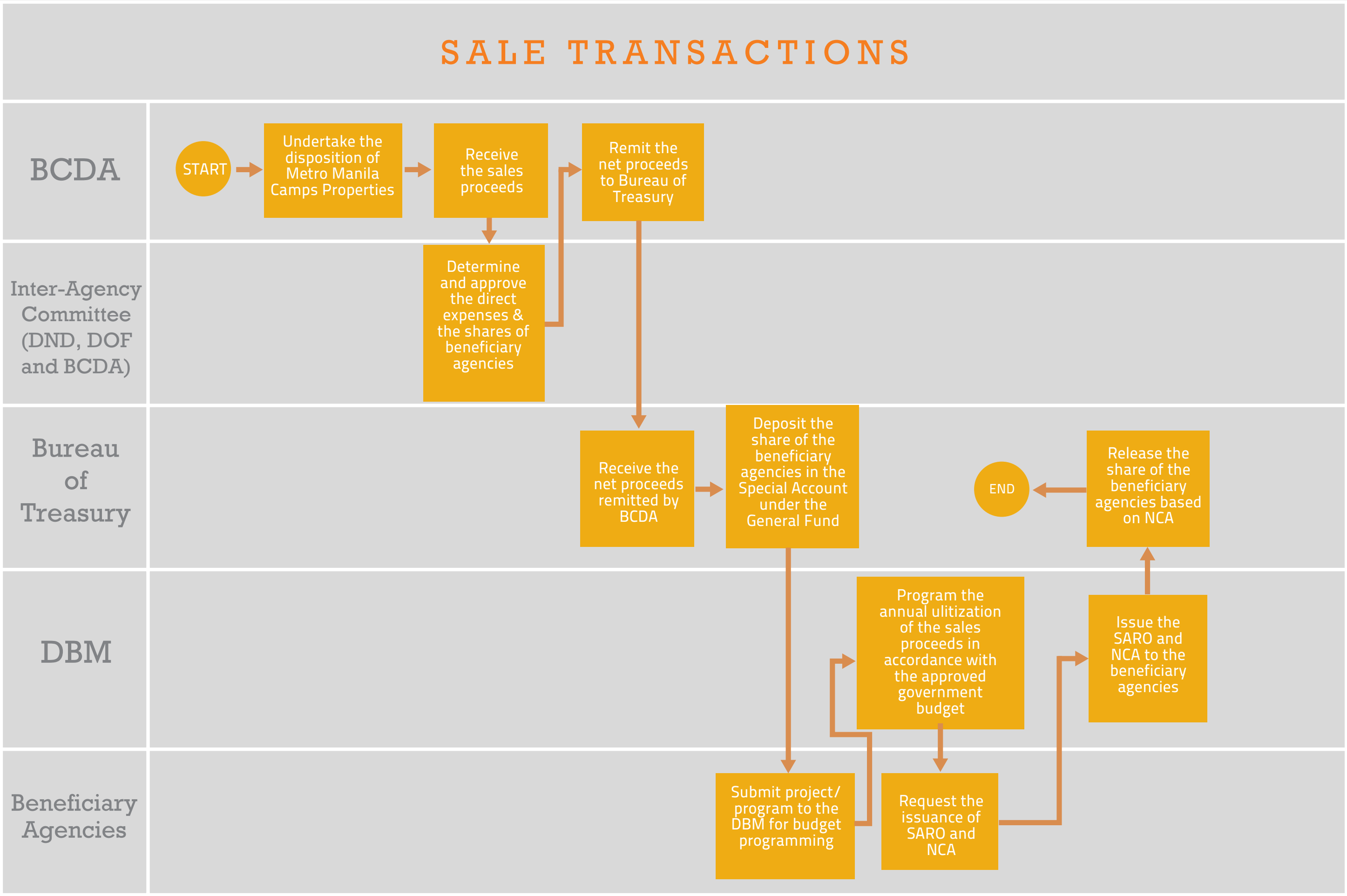


BCDA adopts two different procedures in the determination and remittance of disposition proceeds, depending on whether the disposition is in the nature of sale transaction or non-sale transaction, e.g. joint ventures, leases. The determination of expenses related to non-sale transactions is jointly approved by the BCDA and the Department of National Defense (DND). On the other hand, expenses related to the sale transactions are determined and approved by the Inter-Agency Committee created under Administrative Order No. 236 (1996) composed of representatives from DND, BCDA and the Department of Finance (DOF). Following shows the process involved:

Sale Transactions pursuant to A.O. 236

1. The BCDA undertakes the sale of properties within the Metro Manila camps covered by the conversion program and receives the proceeds or payments from the buyers.
2. An Inter-Agency Committee (IAC) composed of the DND, DOF and BCDA then determines and approves the direct expenses to be deducted from the sales proceeds, and computes the share of the beneficiary agencies to be remitted to the National Treasury.
3. After securing the IAC approval, BCDA remits the net proceeds to the National Treasury.
4. The Bureau of Treasury receives the remittance and deposits the shares of beneficiary agencies in Special Accounts under the General Fund.
5. The beneficiary agencies submit the projects and program for funding from the disposition proceeds to the Department of Budget and Management (DBM).
6. The DBM, in turn, programs the annual utilization of the sales proceeds in accordance with the approved government fiscal program, taking into consideration the submitted project and program of the beneficiary agencies.
7. The beneficiary agencies would then request the DBM for the issuance of Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA).
8. The DBM issues the SARO and NCA for the shares of the beneficiary agencies based on budget execution guidelines.
9. The Bureau of Treasury releases the shares of the beneficiary agencies based on the NCA.

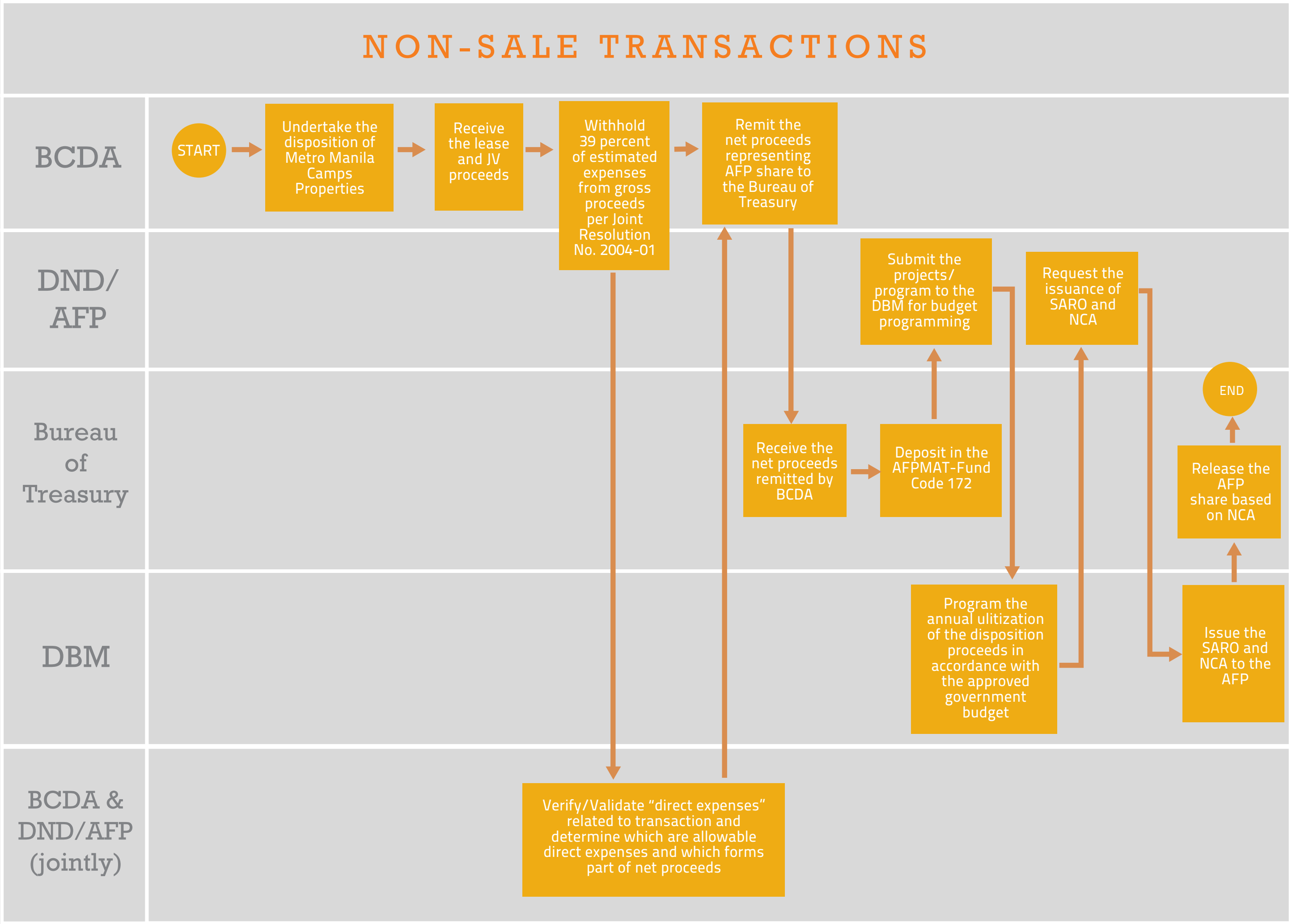
Based on Administrative Order No. 236, January 8, 1996 (Prescribing Rules and Regulations on the Collection, Remittance and Utilization of Sales Proceeds under Republic Act No. 7227, as amended by Republic Act No. 7917)



Non-Sale Transactions pursuant to E.O. 309
(e.g. Leases and Joint Ventures)

1. The BCDA enters into a joint venture or lease contract on properties within the Metro Manila camps covered by the conversion program and receive the lease rentals or joint venture proceeds.
2. After deducting the 39 percent estimated expenses from the gross proceeds pursuant to DND/AFP-BCDA Joint Resolution No. 2004-01, BCDA remits the 50 percent of the net proceeds representing the share of the AFP to the National Treasury.
3. Then BCDA and the DND/AFP jointly determine the actual expenses related to the disposition and compares this with the retained 39 percent estimated expenses. In the event that the actual verified expenses related to the transaction exceed or fall short of the corresponding 39 percent retained expenses, the variance shall be treated as follows:
   - o Excess of actual expenses over the 39 percent retained expenses will be charged against the succeeding proceeds from non-sale transactions irrespective of the area concerned;
   - o Excess of the 39 percent estimated expenses over the actual expenses will be equally divided between the DND/AFP and BCDA and the AFP share will be remitted to the National Treasury.
4. The Bureau of Treasury receives the remittance and deposits it to the AFP Modernization Act Trust Fund (AFPMAT-Fund) under Code 172.
5. The DND/AFP submits to the DBM projects and programs to be funded by their share of the disposition proceeds.
6. The DBM programs the annual utilization of the disposition proceeds in accordance with the approved government fiscal program.
7. The DND/AFP requests the DBM for the issuance of SARO and NCA based on their submitted programs for funding from the disposition proceeds.
8. The DBM issues the SARO and NCA for the AFP share based on budget execution guidelines.
9. The Bureau of Treasury releases the shares of the AFP based on the NCA.

Based on Executive Order No. 309, November 3, 2000 (Prescribing Rules and Regulations for the Distribution of Proceeds of Leases, Joint Ventures, and Transactions other than Sale Involving Portions of Metro Manila Military Camps under Republic Act No. 7227, as amended by Republic Act No. 7917)



The BCDA Board has the daunting mandate, under Republic Act 7227, of accelerating the conversion of the former US military bases in Clark and Subic, and their extensions in Camp John Hay and Poro Point into productive economic uses. For this purpose, funds are raised through the sale of Metro Manila camps, such as the Fort Bonifacio and the Villamor Air Base. A large portion of the funds go to the Modernization Program of the Armed Forces of the Philippines (AFP).

As stewards and administrators of government assets, the Board has the dual responsibility of ensuring that they contribute to the socio-economic development, not only of Central and Northern Luzon but of the entire country, while practicing good governance and transparency in the disposal of the land assets.

Fort Bonifacio has been transformed into the Bonifacio Global City (BGC), and Villamor Air Base into the Newport City—development projects that have changed the landscape of south Metro Manila. While disposal of government assets had often been criticized and rocked with irregularities, the BCDA Board has hewed the "Daang Matuwid" path of President Benigno Aquino III by ensuring that land assets disposal are done through transparent and competitive bidding.

To date, total proceeds from land disposition is Php53.3 billion of which Php21.5 billion went into the AFP Modernization. The Board has also pursued with new vigor the collection of major arrears from lessee developers that have grown in the past. In doing their job, the members of the Board have collected a number of lawsuits. This has not deterred them as they consider these suits as part of the hazards of public service.

The initial funds that went into the conversion of Subic and Clark have been repaid many times over from the investments, exports, employment and taxes collected from these zones. Employment in Clark has reached 64,055 as of end-2011 while Subic recorded a strong freeport workforce at 88,957. Likewise, Clark's cumulative investments totaled Php110 billion as of December 2011 while Subic recorded USD8.4 billion.

The construction of the 94-km Subic-Clark-Tarlac Expressway (SCTEX) has created a synergy between the maritime facilities of Subic and the civil aviation complex of Clark by providing an efficient highway connection between the two ecozones. Thus, the investor-locators of both Subic and Clark benefit from this logistics hub that will enable them to deliver their export products to the global market ahead of their competitors—very important in this day of just-in-time production and delivery.

BCDA would want to be remembered not for the government assets it has liquidated but for the legacy projects it will leave behind, such as the SCTEX. As such, BCDA is embarking not only on a high profile but much needed project to address the traffic gridlock between the Central Business Districts of Makati and Taguig.

Success creates new challenges. The successful development of the BGC has created traffic problems that only an elevated monorail project could address. Being elevated, it does not have to contend with traffic, is sleek and could run on single pylon that can loop and turn in tighter angles and with no ugly dangling wires. Connected to the three rail lines—the Metro Rail Transit (MRT), Light Rail Transit (LRT),and the Philippine National Railways (PNR)—the monorail will serve the entire Metro Manila population, thus minimizing the need to travel by bus or cars when commuting to the cities of Makati and Taguig. The Bus Rapid Transit and E-tricycles can serve the last mile, making the system a component of a future multimodal and perhaps Smart Transport System (STS).

Next on the drawing board are major projects in Clark: The construction of the airport terminal expansion in Clark to absorb and help relieve the congestion in the Ninoy Aquino International Airport (NAIA) and the master planning of a "smart and green city" in the 35,000-hectare subzone area. Clark, easily accessible by road, water, and air is an alternative metropolis and government center to the congested Metro Manila.

Being the principal author of the Build-Operate-Transfer (BOT) Law, Chairman Felicito Payumo with the new members of the BCDA Board, continue the success of their predecessors in recognizing the significant role of public-private partnerships (PPP) in the country.

Outgoing Members of the BCDA Board

Left to Right

Aloysius R. Santos
BCDA Chairman (November 2006 to April 2011)

Atty. Jose Luis Martin C. Gascon
Director (October 2010 to April 2011)

Mr. Renato C. Valencia
Director (September 2004 to April 2011)

Gen Narciso L Abaya (Ret)
President and CEO (November 2004 to April 2011)

Dr. Gil E. Divinagracia
Director (June 2009 to April 2011)

Gerard R. Seno
Director (May 2001 to April 2011)

Rafael Julian V. Azanza
Director (May 2001 to April 2011)

Felicito C. Payumo
Chairman

Chairman - Bases Conversion and Development Authority and BCDA Management & Holdings, Inc. and Subic-Clark Alliance for Development since April 2011. Director - Fort Bonifacio Development Corporation and John Hay Management Corporation . Board Adviser - Clark Development Corporation

A three-term Representative of the First District of Bataan, Felicito Payumo also served as Chairman/Administrator of the Subic Bay Metropolitan Authority (SBMA) from 1998 to 2005. This led to the rise in employment in Subic from less than 8,000 in 1998 to 57,000 in 2005. In 2003, he was voted one of three Outstanding Filipinos (TOFIL) by the Philippine Jaycee Senate.

As legislator, he was consistently voted among the Top Ten Congressman from the 8th to 10th Congress. He has authored significant laws—foremost of which are the Build, Operate and Transfer (BOT) Law, which has attracted close to USD21 billion BOT projects to date; the Philippine Economic Zone Authority (PEZA) Law, which has accredited 230 privately funded Special Economic Zones and led to the increase—in exports from USD2.739 Billion in 1994 to USD387 Billion, in employment from 91,880 in 1994 to over 5 million employed workers, and in investments from Php33 billion in 1994 to Php1.7 trillion; the National Irrigation Act; the Water Wells, Spring Development and Water Catchments in Every Barangay Act, and other economic and developmental measures. He authored the Resolution for a Central Luzon Development Plan which served as a template for the Subic-Clark Alliance, which linked the airport facilities in Clark and the maritime center of Subic by means of the BCDA's Subic-Clark-Tarlac Expressway (SCTEX).

Born in Dinalupihan, Bataan, he graduated Cum Laude, with a degree in Economics at the Ateneo de Manila University and holds an MBA from the Harvard University Graduate School of Business on a SC Johnson scholarship. He also finished the Executive Program for Leaders in Development at the John F. Kennedy School of Government (Harvard Institute for International Development).

Arnel Paciano D. Casanova, Esq.
Vice Chairman

President & Chief Executive Officer and Vice-Chairman, Bases Conversion and Development Authority since April 2011. Vice-Chairman, BCDA Management & Holdings, Inc. Vice-Chairman - Clark Development Corporation. Director - John Hay Management Corporation and Fort Bonifacio Development Corporation . Board Adviser - Clark International Airport Corporation

Prior to his appointment to BCDA, Atty. Casanova was the Executive Director for the Philippines of Asia Society, an international non-government organization promoting international relations between the US and Asia, and among Asian countries. He attended the Asia Pacific Economic Council's Business Advisory Council (ABAC) and APEC CEO Summit in 2009 and participated in discussions to craft solutions to address global economic challenges during the 2009 and 2010 Williamsburg Conferences.

Mr. Casanova is one of the few leading legal experts in the transformation of former US military bases into civilian uses. As BCDA's former General Counsel and Corporate Secretary, he led its legal team in all major property development projects such as the Bonifacio Global City and the Subic-Clark-Tarlac Expressway (SCTEX).

Mr. Casanova served the Ramos presidency as part of the peace panel that successfully negotiated peace with former military rebels involved in coup attempts against the late President Corazon Aquino. For this, he became one of the youngest recipients of the Philippine Legion of Honor Medal.

A staunch advocate of military reforms, he testified on military corruption before the Feliciano Commission, during the "Oakwood Mutiny" in 2003. Further, he won a case in Philippine Supreme Court which resulted in the recovery of government property valued at approximately $200 million which was misappropriated by a group of retired and active generals of the military.

Born and raised in Batangas, he graduated from the University of the Philippines, with degrees in Law, English Studies, and Urban Planning. He obtained his Masters degree in Public Administration from Harvard University's Kennedy School of Government as a World Bank scholar and Mason Fellow.

He is one of the founding core group members of *Kaya Natin!* (We Can!), a social movement for good governance and ethical leadership.

Board of Directors

Zorayda Amelia C. Alonzo

Director - Bases Conversion and Development Authority since April 2011• Director - BCDA Management and Holdings, Inc. • Director - Fort Bonifacio Development Corporation

Director Alonzo has over 30 years of financial management experience, with 24 years in top management positions. Her experience with both the private and public sectors spans credit analysis, investment banking, airline finance, real estate finance and mortgage market development.

She has served four Philippine Presidents in cabinet and sub-cabinet levels. President Corazon Aquino first appointed her CEO of the Home Development Mutual Fund (PagIBIG Fund) in 1988. President Fidel Ramos reappointed her to the same position in 1992 and for the first six-months served concurrently as the Chair of the Housing and Urban Development Coordinating Council (HUDCC). In 2001, President Gloria Arroyo appointed her Chair of the Small Business Guarantee and Finance Corporation (SBGFC) and ultimately was named the first Undersecretary of the Department of Trade and Industry for Small and Medium Enterprise Development.

In 1992, Ms Alonzo received The Outstanding Women in the Nation's Service (TOWNS) for her achievements in deepening the relevance of PagIBIG Fund to its stakeholders, the Filipino people.

Ms. Alonzo finished her BA Economics degree from the Philippine Women's University and her MA in Economics from the Universidad de Madrid in Spain and the University of the Philippines. In 1997, she attended courses in Global Social Security Crises and Core Course in Housing Finance in the Harvard Institute of International Development, Harvard University and the Wharton School of Finance, University of Pennsylvania, respectively.

Atty. Teresita A. Desierto

Director - Bases Conversion and Development Authority since October 2010 • Director - BCDA Management and Holdings, Inc. • Director - Fort Bonifacio Development Corporation

Atty. Teresita Desierto has been a public servant for almost 23 years. She quietly served the Republic of the Philippines with integrity, competence, and professionalism under three presidential administrations.

She was a former Commissioner of the Housing and Land Use Regulatory Board (HLURB) and Supervising Commissioner of the HLURB Appeals Review Group and Finance Division. She rose from the ranks of the HLURB which she joined in 1988. Before joining government in 1988, she started her career as a Professor of Law in Surigao del Sur. In 1970, she first engaged in her legal practice as Legal Officer of the Paper Industries Corporation. For 18 years, she was a legal practitioner resolving civil, commercial and criminal cases in Metro Manila and later on as legal consultant to the Real Estate Development, Corp. and Corporate Secretary to other private firms.

Atty. Desierto is the spouse of former Ombudsman of the Philippines, Aniano A. Desierto. As a dedicated mother, in spite of the long working days she spent in her unstinted public service (over 22 years), she was able to successfully raise with her spouse three brilliant professionals. Their children, all scholars, finished among the best students of top educational institutions in the world—such as the Yale University, University of Nottingham, University of Oxford, Macquarie University, and the University of the Philippines.

She is one of the first women law graduates of Lyceum of the Philippines after earning her Bachelor of Arts degree from the University of San Carlos. A student leader, she was recognized by the Municipality (now, City) of Naga, Cebu, as one of the pioneering distinguished women lawyers.

Ma. Aurora Geotina-Garcia

Director - Bases Conversion and Development Authority since April 2011 • Director - BCDA Management and Holdings, Inc. • Board Adviser - Fort Bonifacio Development Corporation

Director Garcia is currently the President of CIBACAPITAL Philippines, Inc., the Philippine affiliate of CBA-Asia, a regional multi-disciplinary professional services organization with other operations in Indonesia, Singapore and Thailand.

Ms. Garcia has served as a consultant in corporate finance to private business and government for over 25 years She has advised clients on capital market issues and has handled projects on financial rehabilitation and studies, joint venture programs and assistance to foreign investors in establishing local companies, among others.

She was responsible for leading the efforts of SyCip, Gorres, Velayo & Co (SGV & Co.) in investment promotions, which involved assistance to locators in special economic zones such as Clark and Subic.

She started her professional career in SGV & Co. as part of the Management Services Division in 1974 and was subsequently promoted to Manager in 1981. Prior to her promotion, she was briefly assigned as staff consultant in the SGV Group office in Malaysia. Later on, she joined SGV's Economic and Financial Consulting (EFC) Division and was promoted to Partner in 1990. As a Partner, she headed SGV & Co.'s Global Corporate Division, (now EY Transaction Advisory Services Inc.) from 1992 up to 2001 until her retirement from the partnership. Since, she remained as Senior Advisor to SGV & Co. until September 2006.

Ms. Garcia is Vice Chairman of the Women's Business Council Philippines, Inc, a Fellow of the Institute of Corporate Directors and a member of professional societies which include the Management Association of the Philippines (MAP) and the Philippine Institute of Certified Public Accountants (PICPA).

Ms. Garcia obtained her BS degree in Business Administration and Accountancy and her Masters Degree in Business Administration from the University of the Philippines.

Vice Admiral Ferdinand S. Golez (Ret)

Director - Bases Conversion and Development Authority since April 2011 • Director - BCDA Management and Holdings, Inc. • Director - Fort Bonifacio Development Corporation

Director Golez has a highly accomplished and well-decorated career in the naval profession. He has profound experience in the leadership and management of major commands of the Navy— the most recent of which was his almost two-year tour of duty at the helm of the Philippine Navy as its Flag Officer In Command—the highest and most coveted position in the Navy.

He rose to the top command as manager and leader of a 23,000-strong soldier and marine force. His expertise spans naval and maritime operations, intelligence and strategic planning, national security administration, resource allocation, and organizational development. Among his major achievements are his establishment and institution of the Philippine Navy Board of Advisers (a multi-governance sector coalition composed of experts and leaders in various sectors of society), and the conduct of Maritime Security Forums from 2008-2010 in different Naval Forces around the archipelago.

After his naval career, he joined the Energy Development Corporation as Senior Manager for its Security Department since August 2010.

His command policy evolves from two (2) basic concerns—the accomplishment of the mission and welfare of his men, bound by the principle of Leadership by Example as a guiding beacon.

Elmar M. Gomez

Director - Bases Conversion and Development Authority since April 2011. Director - BCDA Management and Holdings, Inc.. Director - Fort Bonifacio Development Corporation

Mr. Gomez is currently the President and CEO of Mobile Arts, Inc., a mobile value-added service provider to mobile telecom operators. Prior to this he was its Chief Operating Officer.

He worked as Country Representative for the Philippines of Netlife Singapore Private Limited, a German software company which provides Internet payment solutions to financial institutions. Mr. Gomez then was responsible for starting its operations and developing the business in the country. Earlier on, he worked as Country Manager of Verifone Singapore in the Philippines, where he was tasked to start the local office, develop and increase the business in the country. Verifone is the manufacturer of credit and debit card point of sale materials. Previously, he worked as Marketing Manager of Nokia Telecommunications (Philippines), Inc.

Mr. Gomez attained his Masters Degree in Business Management from the Asian Institute of Management. Earlier, he obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. In college, he co-founded the Ateneo Computer Society in 1978. Furthermore, Mr. Gomez received his Diploma in Industrial Technology with Specialization in Electronics and Electrical Technology from the De La Salle University.

He is currently a member of the board of Trustees of the Archbishop Gabriel M. Reyes Memorial Foundation, Inc. and a member of the Internet and Mobile Marketing Association of the Philippines.

Maximo L. Sangil

Director - Bases Conversion and Development Authority since November 2009 • Director - BCDA Management and Holdings, Inc. since November 2009 • Director - Fort Bonifacio Development Corporation

Mr. Sangil is a former Director of the Clark Development Corporation and the Clark International Airport Corporation. From 1988 to 1998, he was a member of the City Council of Angeles and briefly served a term as City Mayor in 1998.

A veteran journalist who has made a name in the local print and broadcast media, he currently hosts Talakayan aired over 95.1 RW. For over 30 years, he was a reporter of the Philippine Daily Inquirer, Philippine Daily Star and Philippine Daily Express; and a radio commentator of DWGV-FM for the past 15 years. He was formerly a columnist of SunStar Pampanga among other Central Luzon newspapers, a former editor of several provincial weeklies and a Consultant of the Angeles Observer and the Philippine Journal.
A past president of the Rotary Club of Angeles, he was recognized as the Most Outstanding Rotarian in 2002 (Rotary District 3790) and Outstanding Club President in 2005.

He has authored the book Somewhere in Central Luzon and is currently working on three more books.

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