Information Memorandum

The Integrated Information Technology Park
Nampicuan, Nueva Ecija
Republic of the Philippines

Principal

Gallego Institute of Agriculture and Industry, Inc.

giai

progress through education

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I. Introduction

Gallego Institute of Agriculture and Industry, Inc. ("GIAI"), a private Philippine corporation, was founded in 1952 by the late Manuel V. Gallego, Sr. for the purpose of establishing an institution of learning, where students from immediate and outlying rural communities in Central Luzon could obtain general and practical education at the high school and collegiate levels. GIAI was established in Nampicuan, Nueva Ecija when there were no existing public schools in the vicinity and, thus, served a pioneering role in elevating the basic skills and educational attainment of the local community. Until the establishment of the public school in Nampicuan and other colleges and universities in Central Luzon, GIAI fulfilled its social mandate by providing high school and college education with an emphasis on vocational, agricultural and technical courses. Today, GIAI continues to provide high school education to the youth of Nampicuan and produces graduates that, as a whole, consistently test better in standardized government examinations than the graduates of the public high school in Nampicuan.

GIAI's operations include cattle grazing with an integrated mango orchard. Recently, GIAI has slated approximately 103 hectares of its landholdings for an Information Technology ("IT") park development ("The Integrated Information Technology Park" or the "Project"). Such 103 hectares are free from squatters and/or tenants, fenced, secured, titled to GIAI, and, save for GIAI's private compound of about 4 hectares, exempted from CARP (the "Project Site"). The Project Site is divided into two sites: (a) the 87-hectare Main Site and (b) the 16-hectare Residential Site—situated respectively north and south of the Town Proper of Nampicuan. The following table summarizes the composition of the Project Site.

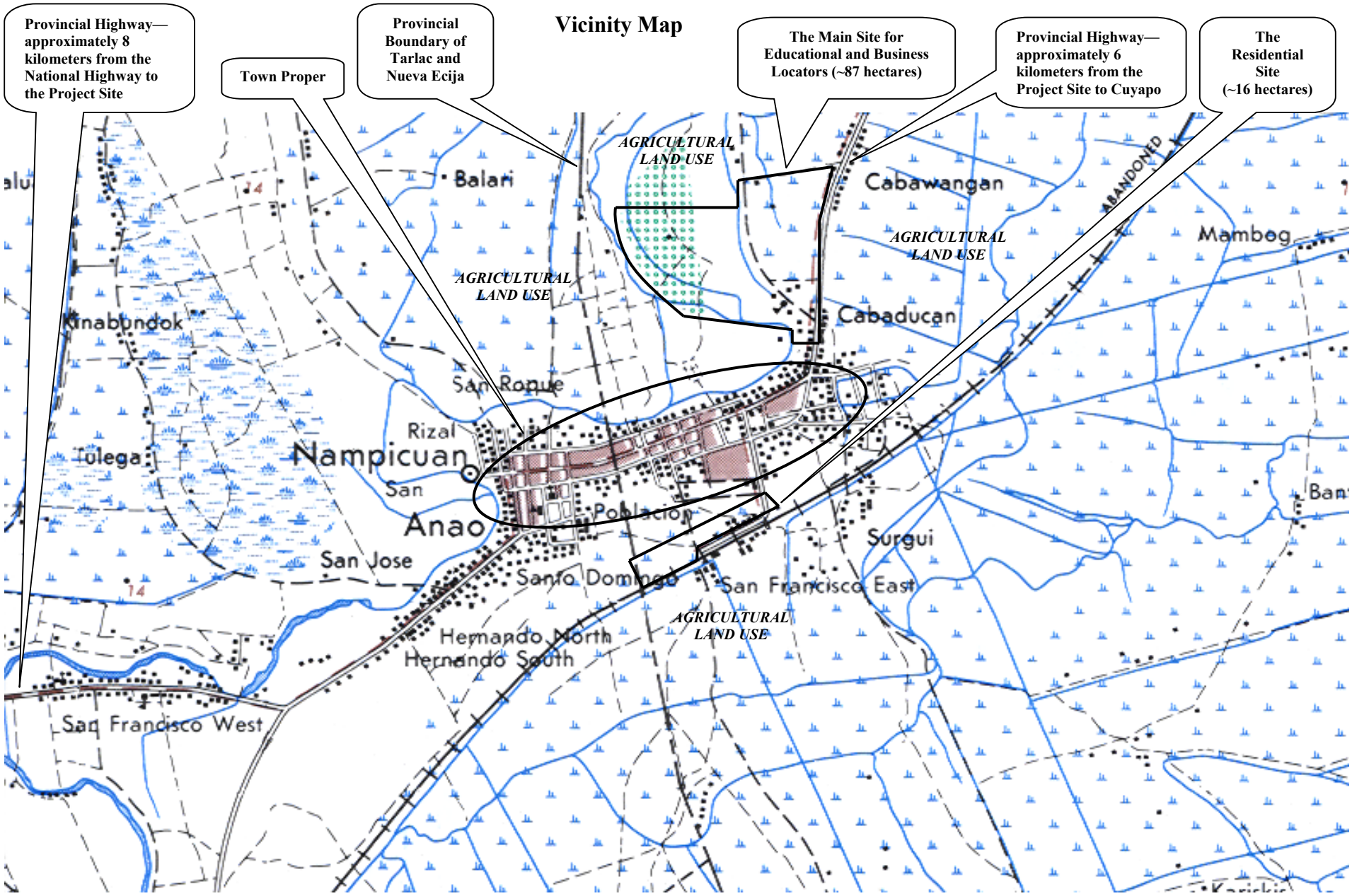
Composition of Project Site

TCT[1] No.	Area in Hectares	Project Site Classification	Basis of CARP Exemption	Date of DAR[2] Order
176064	15.9480	Residential Site	Land is used for educational purposes.	July 8, 1994
180249	26.6813	Main Site		
180251	28.6714	Main Site	Land is used as pastureland.	September 26, 1995
180250	27.6931	Main Site		
180252	1.8616	Main Site	na; private compound	na; private compound
180254	2.1080	Main Site		

[1]Transfer Certificate of Title
[2]Department of Agrarian Reform

The following Vicinity Map illustrates the relative locations of the Main Site, the Residential Site and the Town Proper within the Municipality of Nampicuan.

Vicinity Map



II. The Project

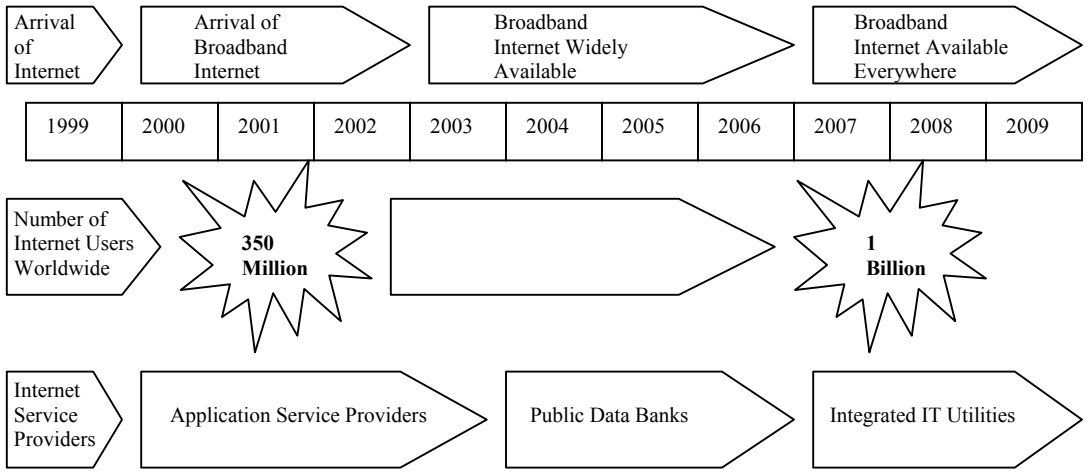
"Progress through education." GIAI's original thrust shall be reinvented through the development of the Project, which shall become the fusion of education and enterprise for the purpose of serving the global IT sector—a 103-hectare master planned community that will integrate a critical mass of IT colleges and enterprises in the context of a green, lush and pollution-free environment.

A. Technical Considerations

The Integrated Information Technology Park concept is based on the fundamental logistical constraints of the Project Site (i.e., Main Site and Residential Site), which is not adjacent to either a seaport or an airport. Consequently, the traditional industrial estate model for manufacturing facilities requiring such outlets for export would not have provided a competitive edge to the Project Site, particularly with the critical mass of such industrial estates in the Calabarzon area and the close proximity of the Luisita Industrial Park in Tarlac. The end products of the Park are skilled IT professionals and IT services, neither of which require traditional outlets, such as seaports and airports, to create export-value in the global IT industry. With the existing technologies in telecommunications, including high-speed internet access via wireless and/or fiber optic broadband infrastructure, world-class IT education and services can be made available even in perceived remote locations, provided the appropriate infrastructure is developed and the critical mass of users is assembled.

The following illustration depicts the evolution of global network technology. The Park will leverage on this irreversible trend, which will enable access to increasingly affordable broadband Internet—one of the critical technology components of the Park.

Global Network/Technology Evolution Roadmap



SOURCE: IDC

The tables below summarize the Key Components of the Park, the Design Parameters and the Estimated Land Area of such Components in the following order:

- Phase 1, Main Site
- Phase 2, Main Site
- Residential Site

MAIN SITE, PHASE 1

Key Components of the Park	Design Parameters	Estimated Land Area
College Park for Educational Locators	• designed for a maximum of twelve (12) educational locators • each lot is approximately one (1) hectare with a proposed 5.6 Floor-to Area Ratio (FAR) for buildings • such FAR shall allow each lot with corresponding building(s) to comfortably accommodate an annual enrollment of 4,000 students or, in the case of all twelve (12) lots and buildings, a total annual enrollment of 48,000 students	12.1 hectares which will surround the existing mango orchard (Orchard Park)
Orchard Park	• the existing mango orchard, which shall be surrounded by the lots for educational locators • landscaped for the use of locators	8.0 hectares
Sports Center	• designed to accommodate a standard 400-meter Olympic oval, within and around which other sports facilities will be integrated (e.g., soccer field, softball diamond, basketball courts, tennis courts, swimming pool, gym, lockers, etc.)	3.9 hectares
Dormitory Area	• designed to accommodate at least forty percent (40%) of the total expected annual enrollment of 48,000 students • based on a proposed 3.2 FAR, which may be increased over time as demand for dormitory space increases	8.0 hectares
Commercial Complex	• envisaged to accommodate commercial establishments such as banks, groceries, bookstores, restaurants, movie theatres, retail outlets, specialty shops, etc. • based on a proposed 3.2 FAR, which may be increase over time as demand for commercial space increases	8.1 hectares
Satellite Parking Areas	• gravel and sand surfacing • situated at three (3) peripheral locations within the Main Site • designed for maximum use of public transport and bicycles, and for minimum use of private cars	3.8 hectares for the entire Main Site (Phase 1 & 2)
Roads	• concrete base and asphalt surfacing • designed for maximum bicycle (includes bike lanes) and minimum vehicular traffic (i.e., mainly public transport) • the roads within the Park shall also serve as the backbone of underground concrete trenches for utilities (i.e., water, electricity, telecommunications, LPG)	19.4 hectares for the entire Main Site (Phase 1 & 2)
Public Transport Stops	• situated at various locations along the roads within the Main Site for the convenience of locators • designed for maximum use of public transport and for minimum use of private cars	na
Site Drainage	• due to the flat topography of the Main Site and its surrounding areas, the water table cannot be lowered by conveying the water to a lower point near the Main Site • drainage shall be accomplished by raising the land surface of the Main Site about one meter above the highest level of the water table	na
Fencing	• flora based fencing for perimeter only • no fencing between phases or lots	na

MAIN SITE, PHASE 1 (CONTINUATION)

Key Components of the Park	Design Parameters	Estimated Land Area
Electricity Supply and Distribution	• electricity may be sourced from either TARELCO, the local electric cooperative currently servicing the Municipality of Nampicuan, or directly from NPC through the installation of a transmission line spur from NPC's high voltage lines to the Main Site and the Residential Site (approximately 7 kilometers using the right-of-way along the Provincial Highway) • electricity distribution within the Main Site may be outsourced to TARELCO or another third-party in the business of electricity distribution • an electricity distributor other than TARELCO will have to carve out the Main Site as a separate electricity distribution franchise area • an electricity distribution system will be installed in the underground trenches alongside the network of roads within the Main Site	na
Telecommunications	• high speed data telecommunications (incoming and outgoing) may be outsourced to PLDT and/or Digitel (telecom franchise holders in Region III) • alternative telecommunication links (including microwave and/or satellite links) may also be outsourced to other service providers • a fiber-optic network will be installed in the underground trenches alongside the network of roads within the Main Site	na
Water Supply and Distribution	• an existing deep well (previously used for irrigation) with a capacity of 1,500 gallons per minute will be reactivated to supply water to locators • as demand for water increases over time, additional deep wells will be installed • a water distribution system will be installed in the underground trenches alongside the network of roads within the Park	na
Water Sewerage and Treatment	• water use at the Main Site will neither be intensive nor industrial in nature • each locator will be responsible for installing their primary sewerage system; whereas, the Project shall be responsible for providing a secondary (final) water treatment facility	na
Solid Waste Management	• solid waste management may be outsourced to a third-party contractor	na
Sub-Total	• Main Site, Phase 1	63.3 hectares

MAIN SITE, PHASE 2

Key Components of the Park	Design Parameters	Estimated Land Area
Business Park	• designed for 59 "anchor" business locators • average lot size is 2,146 square meters; minimum and maximum lot sizes of 1,499 square meters and 3,313 square meters, respectively • based on a proposed 6.4 FAR, each lot could accommodate a medium rise building; in its entirety, the Business Park could comfortably accommodate approximately 50,000 IT professionals • includes a spacious open plaza of nearly 1 hectare	12.7 hectares
Other Enhancements	• River Park, additional open space and greens	11.0 hectares
Sub-Total	• Main Site, Phase 2	23.7 hectares

RESIDENTIAL SITE

Key Components of the Park	Design Parameters	Estimated Land Area
Condominium Lots	• total of eleven (11) condominium lots; minimum and maximum lot sizes of 3,465 square meters and 18,553 square meters, respectively • each lot is envisaged to accommodate a cluster of low to medium rise condominium buildings with residential units for middle-income families • based on a proposed 2.8 FAR, which may be increased over time as demand for middle-income housing increases • in its entirety, the condominium lots with their corresponding buildings are expected to have approximately 2,400 residential units for middle-income families; equivalent to a residential population of about 9,600 people	8.48 hectares
Clubhouse Facility	• for the use of the residential community	0.63 hectares
Other Enhancements	• parks, open space and greens	1.78 hectares
Satellite Parking Areas	• gravel and sand surfacing • situated at two (2) locations within the Residential Site • designed for maximum use of public transport and bicycles, and for minimum use of private cars	1.93 hectares
Roads	• concrete base and asphalt surfacing • designed for maximum bicycle (includes bike lanes) and minimum vehicular traffic (i.e., mainly public transport) • the roads within the Residential Site shall also serve as the backbone of underground concrete trenches for utilities (i.e., water, electricity, telecommunications, LPG)	3.08 hectares
Public Transport Stops	• situated at various locations along the roads within the Residential Site for the convenience of residents • designed for maximum use of public transport and for minimum use of private cars	na
Site Drainage	• due to the flat topography of the Residential Site and its surrounding areas, the water table cannot be lowered by conveying the water to a lower point near the Residential Site • drainage shall be accomplished by raising the land surface of the Residential Site about one meter above the highest level of the water table	na
Fencing	• flora based fencing for perimeter only • no fencing between lots or buildings	na

RESIDENTIAL SITE (CONTINUATION)

Key Components of the Park	Design Parameters	Estimated Land Area
Electricity Supply and Distribution	• electricity supply at the Main Site will be linked to the Residential Site • an electricity distribution system will be installed in the underground trenches alongside the network of roads within the Residential Site	na
Telecommunications	• the telecommunication system at the Main Site will be linked to the Residential Site • a fiber-optic network will be installed in the underground trenches alongside the network of roads within the Residential Site	na
Water Supply and Distribution	• a deep well will be installed at the Residential Site to supply water to residents • as demand for water increases over time, additional deep wells will be installed • a water distribution system will be installed in the underground trenches alongside the network of roads within the Residential Site	na
Water Sewerage and Treatment	• water use at the Residential Site will neither be intensive nor industrial in nature • each locator will be responsible for installing their primary sewerage system; whereas, the Proponents shall be responsible for providing a secondary (final) water treatment facility	na
Solid Waste Management	• solid waste management may be outsourced to a third-party contractor	na
Sub-Total	• Residential Site	15.9 hectares

SUMMARY OF MAIN SITE AND RESIDENTIAL SITE

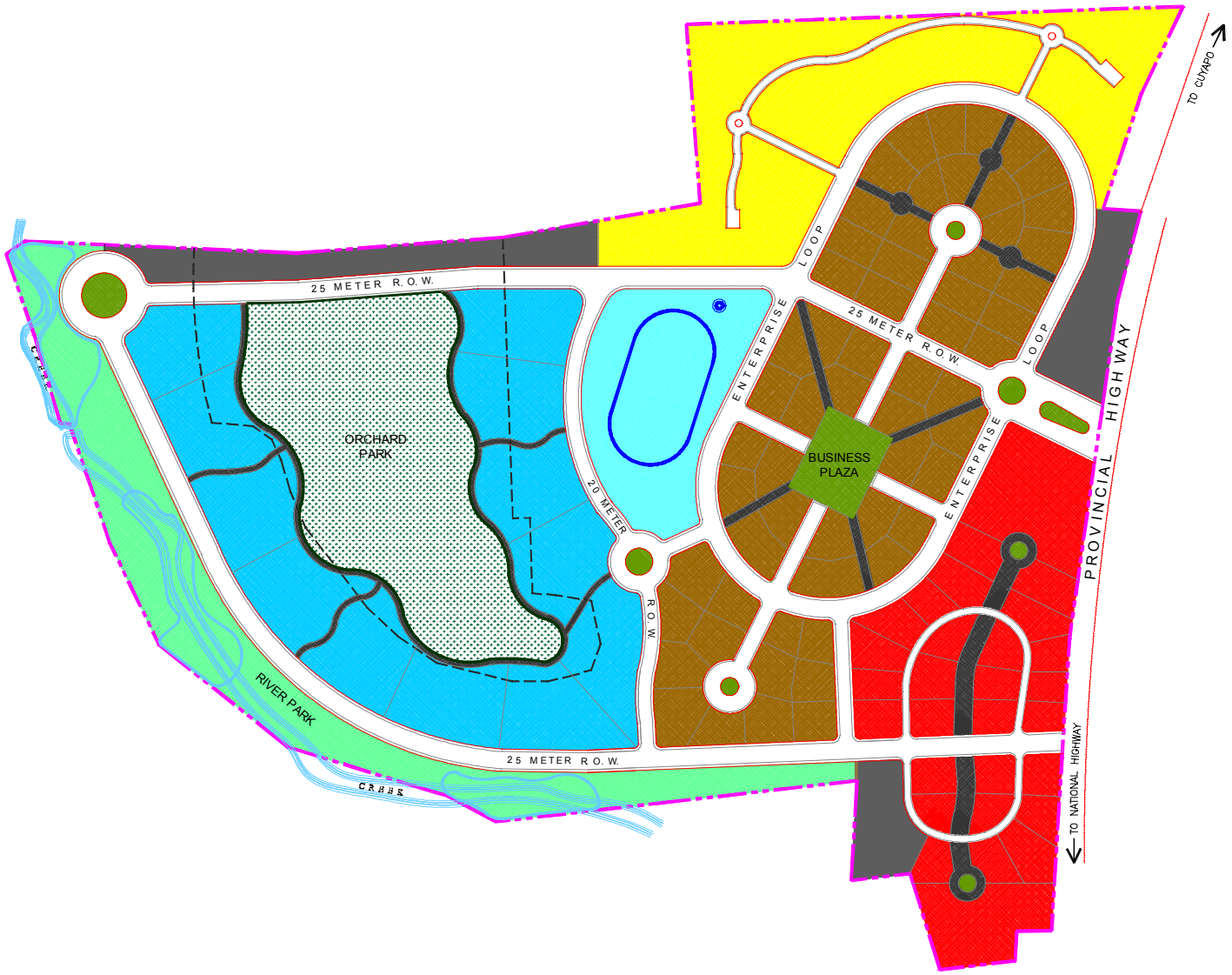
Component of Park	Estimated Land Area
Main Site, Phase 1	63.3 hectares
Main Site, Phase 2	23.7 hectares
Residential Site	15.9 hectares
Total	102.9 hectares

The illustrations below include the following:

- Main Site Land Use Plan
- Main Site 3D Image
- Residential Site Land Use Plan
- Residential Site 3D Image

For more details on the Master Plan of the Park, kindly refer to the attached file of the Master Plan contained in this IM.

Main Site Land Use Plan



LEGEND:

LAND USE	AREA (sq.m.)	%
COLLEGE PARK	120,945	14%
DORMITORY AREA	79,584	9%
BUSINESS PARK	126,619	15%
COMMERCIAL COMPLEX	80,622	9%
SATELLITE PARKING	37,695	4%
ORCHARD PARK	80,058	9%
RIVER PARK	68,378	8%
SPORTS CENTER	39,064	5%
PLAZAS AND NODES	13,675	2%
PEDESTRIAN	29,402	3%
ROAD	194,112	22%
TOTAL	870,154	100%

PROPERTY BOUNDARY

EXISTING DEEP WELL

EXISTING CREEK

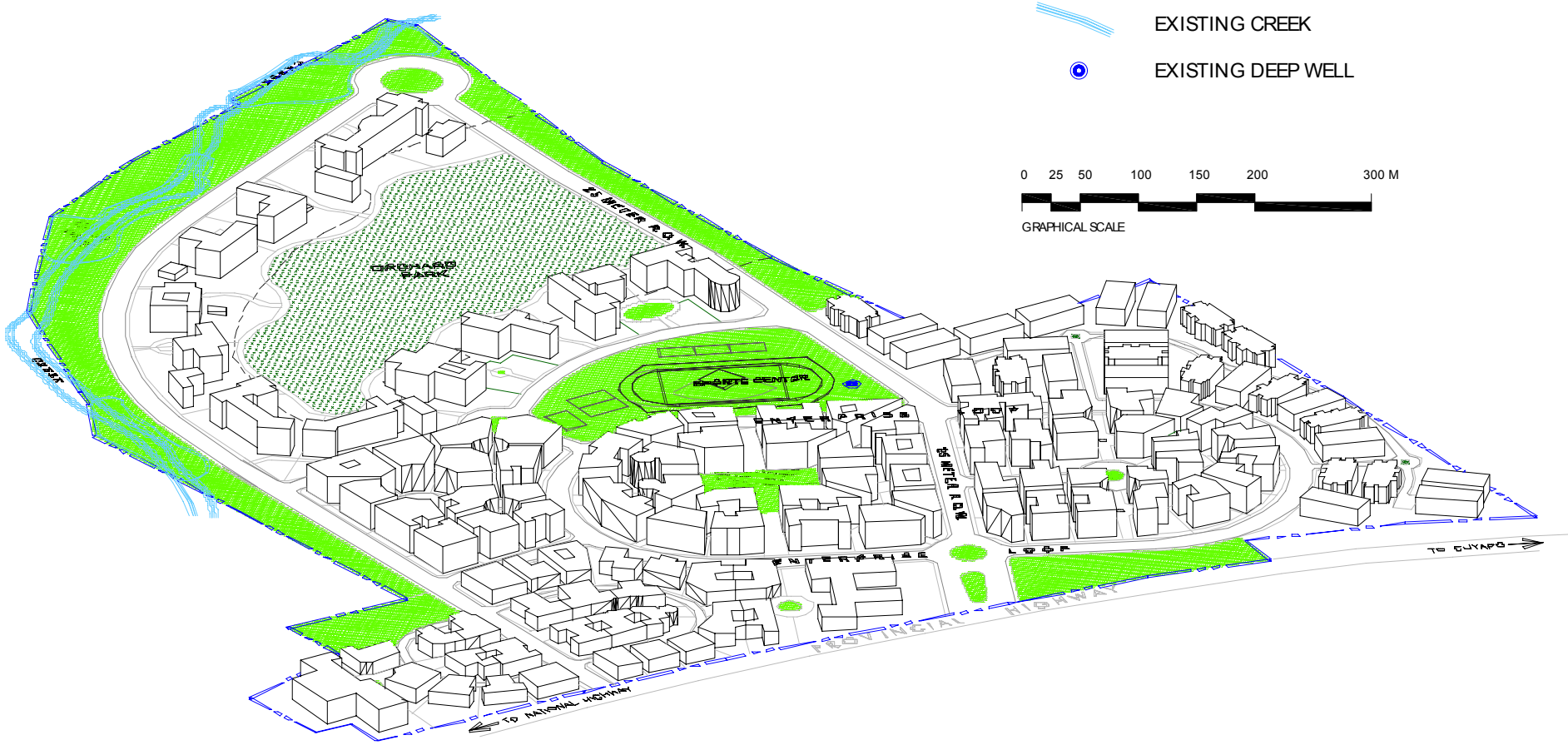
EXISTING MANGO ORCHARD

NORTH

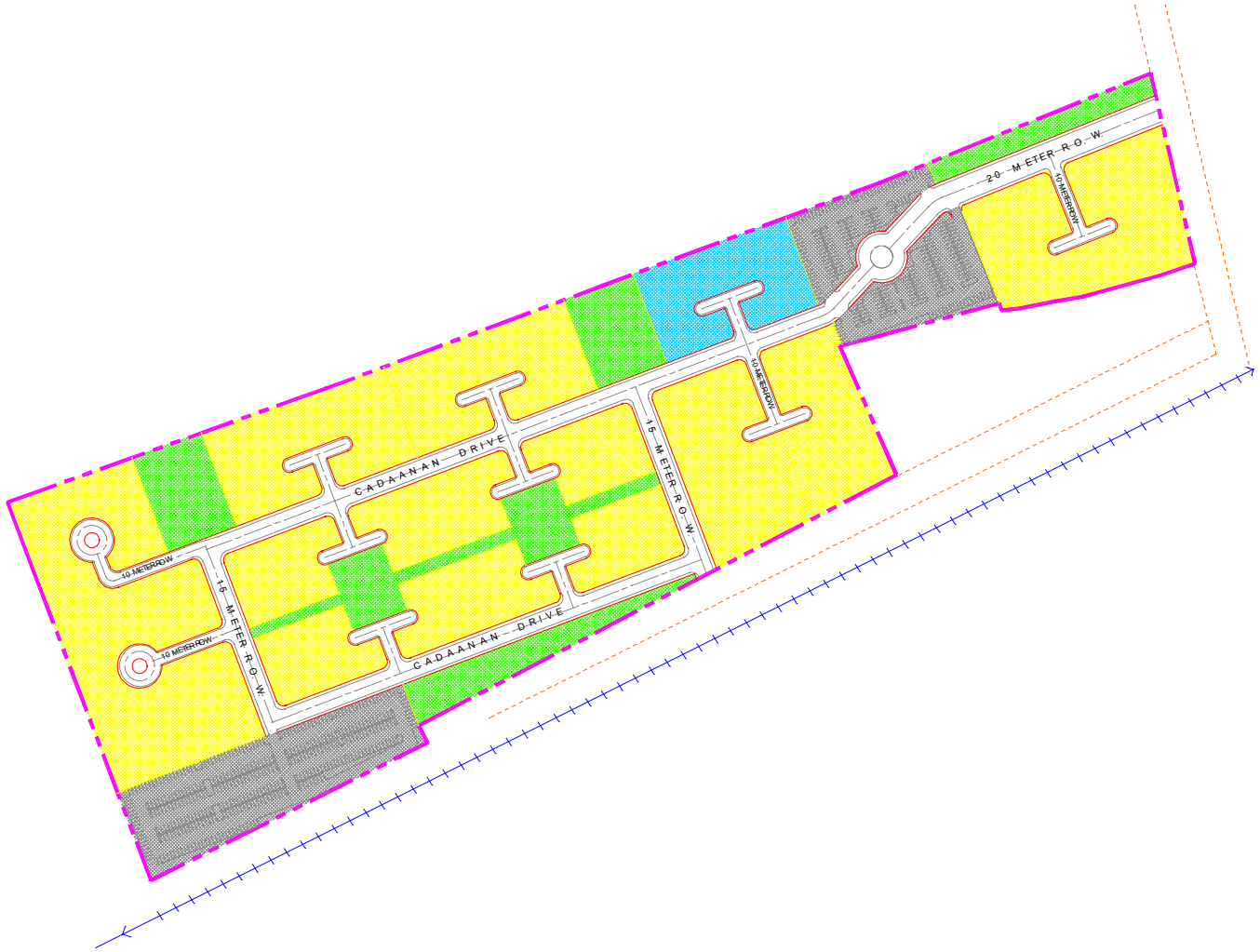
0 25 50 100 150 200 300 M

GRAPHICAL SCALE

Main Site 3D Image



Residential Site Land Use Plan



LEGEND:

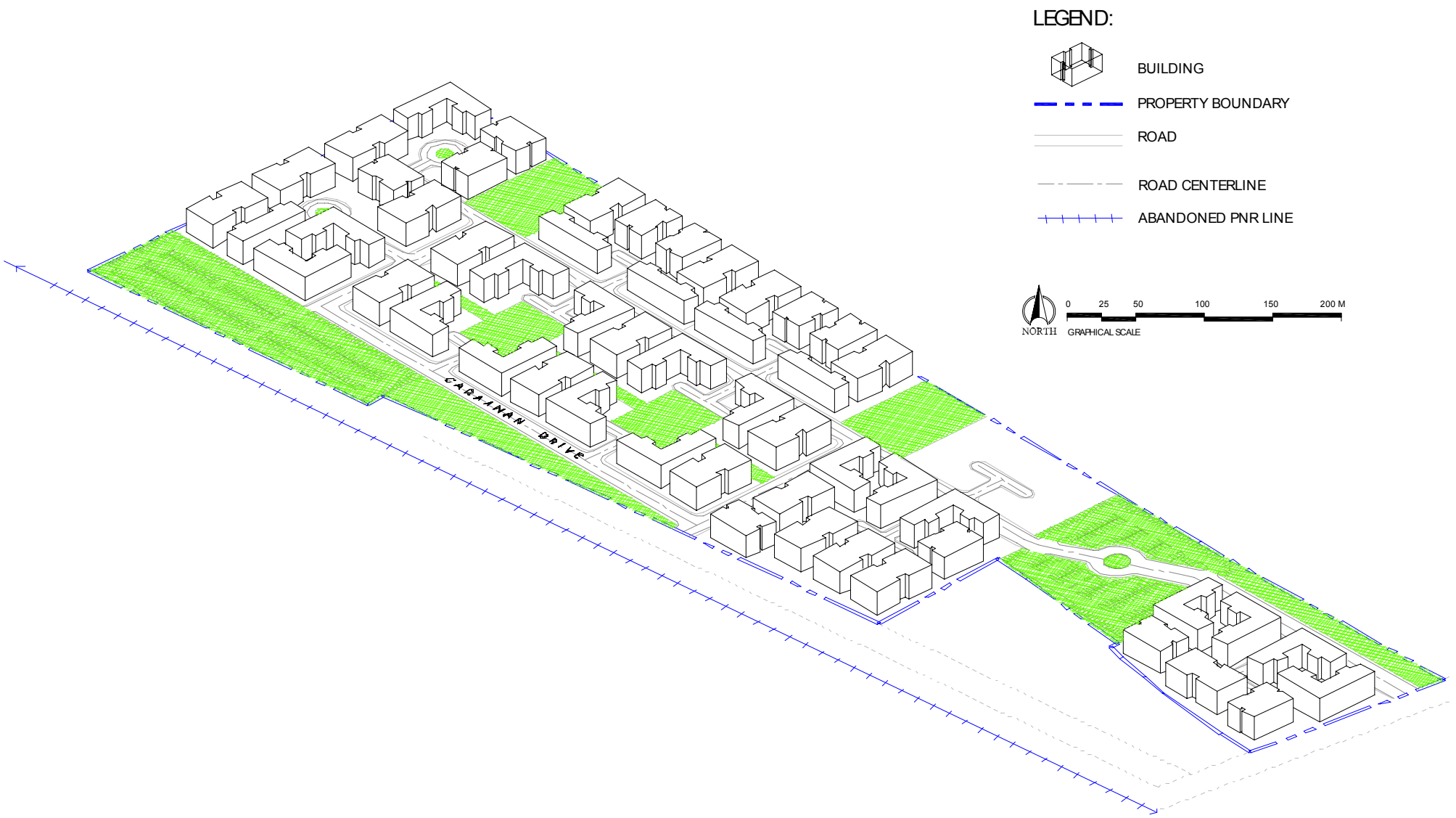
LAND USE	AREA (SQ.M.)	%
RESIDENTIAL	84,774	53%
COMMUNITY FACILITY	6,337	4%
OPEN SPACE	17,806	11%
SATELLITE PARKING	19,311	12%
ROADS	30,792	19%
TOTAL	159,020	100%

NORTH

0 25 50 100 150 200 M

GRAPHICAL SCALE

Residential Site 3D Image



B. Market Considerations

At the height of the global "dot.com" craze in 1999, an estimated half a million IT professionals per annum were required in North America alone. Nearly as much were required in Western Europe and Scandinavia. Inclusive of the demand in Japan, South Korea and the Asia-Pacific region, the global demand for IT professionals would be in the realm of one million per year, even after the correction of the global IT industry. Furthermore, this global demand for IT professionals, which is expected to remain strong over the medium to long term, has been met with a staggering shortage of supply. Phase 1 of the Park, which is slated for educational locators, is configured to accommodate approximately 48,000 college students and to produce approximately 12,000 IT graduates every academic year. Thus, even at a mature stage, the Park would generate only 1.2 percent of the annual global demand for IT professionals.

While India has positioned itself as the lead emerging market to take advantage of the substantial demand for IT professionals and services, the Philippines has likewise recognized the tremendous opportunity for national economic upliftment by riding the wave of the IT sector. Realizing the inherent advantage of a highly literate English-speaking work force, the Philippine Government, by way of legislation and initiatives from the executive branch, has sent clear signals to the marketplace of its willingness to extend the utmost assistance and incentives to IT-related ventures.

Philippine Government Focus on IT Sector

Starting in 1999, the National Government has been aggressively promoting the Philippines as a prime destination for global IT companies. Taking pride in its large pool of highly skilled information technology workers, the National Government is positioning the Philippines to become the next IT hub in Asia after India. President Gloria Arroyo herself has led efforts to promote the Philippines' expertise in IT, an industry where Filipinos have an advantage over their neighbors in the Asian region because of the high literacy rate, high level of IT skills and the ability to speak English better than most countries in the region. The National Government has basically taken two approaches in its initiatives to turn the country as a hub for IT. One approach is to attract foreign companies to outsource their IT needs to local technology companies. Another approach is to attract foreign technology companies themselves to locate in the Philippines.

The W Growth Corridor

In addition to focusing on developing the Philippine IT sector, the National Government has developed an economic vision for Central Luzon, known as "The W Growth Corridor"—the counterpart of Calabarzon in Southern Luzon.

Only 66 kilometers away from Metro Manila, Central Luzon is the gateway to the Northern Luzon regions. It covers a total land area of 18,230 square kilometers, and is divided into six (6) provinces: Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac and Zambales. Central Luzon is one of the leading growth regions in the Philippines. It is strategically located at the heart of Asia, and no other place with sea and air travel and cargo facilities can equal Central Luzon in terms of almost equal travel time in Asia. Its location has been central enough for the area to be the choice of FedEx's Asia One Hub and United Parcel Service (UPS).

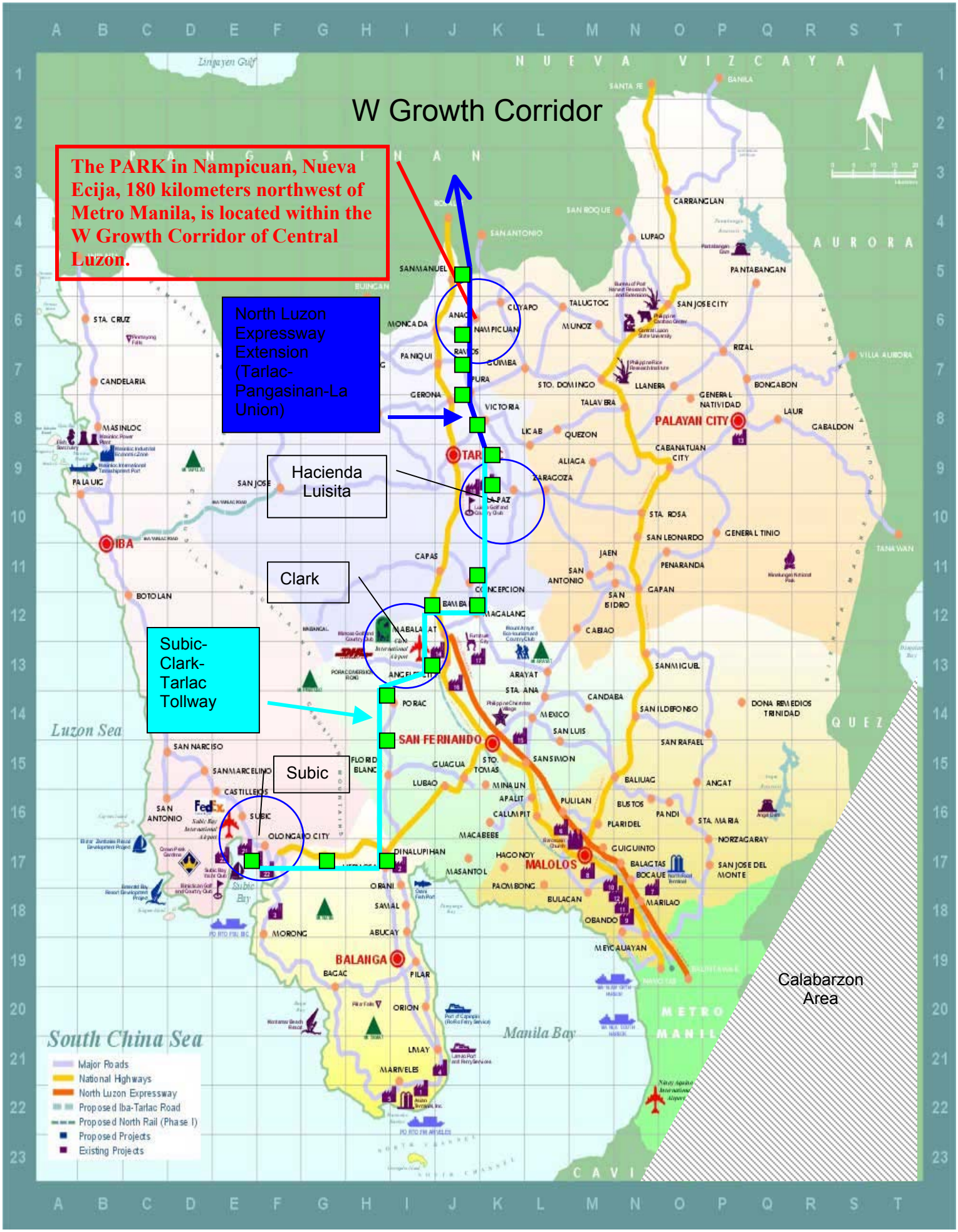
The W Growth Corridor defines Central Luzon's key growth areas. It is a strategic approach in promoting Central Luzon as an investment destination. It comprises Central Luzon's key investment areas for tourism, industry and agriculture. These areas represent the growth municipalities of the region, which when plotted on a map form the shape of a W. In this regard, the National Government has undertaken two major infrastructure projects to support the burgeoning W Growth Corridor; namely, the modernization of the North Luzon Expressway, the construction of the Subic-Clark-Tarlac Toll Road and the North Luzon Expressway Extension from Tarlac to La Union.

The Manila North Tollway Corp. ("MNTC") has undertaken the modernization and upgrading of the North Luzon Expressway (NLE) from Balintawak, Quezon City to Mabalacat, Pampanga. The P15 billion 84-kilometer road project, which was completed in February 2005, will serve as an efficient and reliable trunk line to the fast developing W Growth Corridor.

A joint venture of the Subic Bay Metropolitan Authority ("SBMA") and the Clark Development Corp. ("CDC") with the Bases Conversion Development Authority ("BCDA") as the principal proponent, the P13.5 billion 82-kilometer Subic-Clark-Tarlac Toll Road, which will commence construction in March 2005, is designed to integrate and provide a direct and efficient link among the vital development areas in the "W Growth Corridor." These areas include the Subic Bay Special Economic Freeport Zone in Bataan, the Clark Special Economic Zone in Pampanga and the Central Techno Park in Tarlac.

The North Luzon Expressway Extension will be an extension of the Subic-Clark-Tarlac Tollway from La Paz, Tarlac to Rosario, La Union. In effect, it will provide a continuous, smooth and seamless interconnection from Subic Seaport via Clark Special Economic Zone and the Luisita Industrial Park up to La Union. The 84.5-kilometer tollway will be a 4-lane (2 lanes for both directions) asphalt pavement covering the provinces of Tarlac, Pangasinan and La Union.

With respect to the Park, the alignment of the North Luzon Expressway Extension from Tarlac to Pangasinan specifically provides an interchange or exit east of the existing McArthur Highway between Anao and Nampicuan. As such, the Park is expected to be approximately 3 kilometers from the said interchange or exit. Target project completion of Phase 1 (La Paz, Tarlac to Urdaneta, Pangasinan) is 2008; whereas, target completion of Phase 2 (Urdaneta, Pangasinan to Rosario, La Union) is 2010.


W Growth Corridor
The PARK in Nampicuan, Nueva Ecija, 180 kilometers northwest of Metro Manila, is located within the W Growth Corridor of Central Luzon.
North Luzon Expressway Extension (Tarlac-Pangasinan-La Union)
Hacienda Luisita
Clark
Subic-Clark-Tarlac Tollway
Subic
Calabarzon Area
Luzon Sea
South China Sea
Manila Bay
Major Roads
National Highways
North Luzon Expressway
Proposed Iba-Tarlac Road
Proposed North Rail (Phase I)
Proposed Projects
Existing Projects

Global IT Market

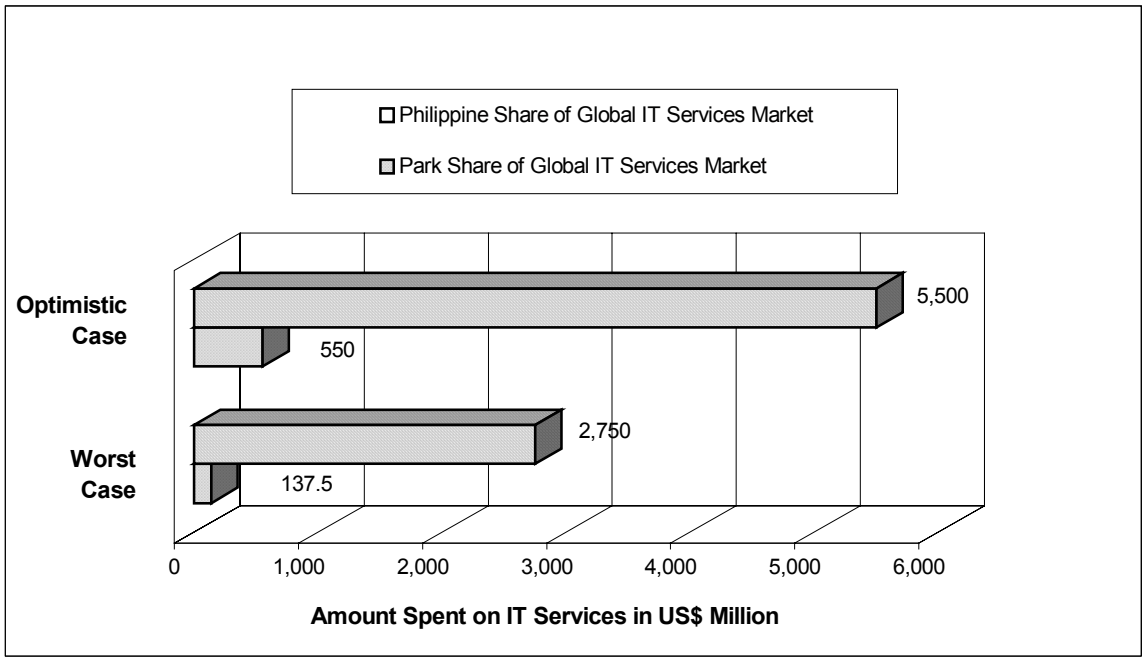
High probability locators in the Park would be those entities engaged in IT outsourcing. As a starting point, Bangalore, which is home to nearly 1,000 software services companies employing 80,000 IT professionals, represents the prime example of the Park's potential. Historically, the large global players such as IBM Global Services, EDS, CSC, and HP have dominated most markets around the Asia-Pacific region. European vendors—such as Debis, Siemens Business Services and Sema Group—have gained strength. More recently, regional IT services companies have moved into the market—with considerable impact. These include Singapore's NCS, Taiwan's Syscom, Korea's Samsung SDS and India's HCL. This growing list of competing companies constitutes the target market of Phase 2. Like India, the Philippines, more particularly the Park, could be one of the most vibrant offshore outsourcing venues in the global IT sector.

Global IT services today may be classified into two general categories: IT services and IT enabled-services. The most educated estimate on the size of the IT services (first category) market today is US$450 billion. This is expected to be a US$1 trillion market before 2010. This figure includes salaries paid to American locals in the US, European locals in Europe, and so on. It also includes all the consulting work that's often farmed out when large-scale change programs involve a fair bit of IT and systems. It also covers the use of contractors or body shopping, which includes a significant portion of non-locals. It includes outsourcing of IT services, with work being done by contractor firms offshore. Finally, it includes large Western conglomerates setting up their own information systems development centers in inexpensive remote locations.

Aside from IT services, there is another growing global outsourcing industry, that of providing back office support functions to the rest of the Western world. We call these IT enabled-services (second category). Some examples include: Filipino accountants processing e-mailed receipt images; Malaysian auditors reviewing airline lift ticket replicas and matching these with travel agent bills online; Chinese typists transcribing medical voice notes sent over the wires; Irish clerks transcribing mountains of litigation documents from US court cases; Filipino data encoders building telephone directory files for US telecom carriers; Indonesian personnel manning headsets and PCs in call centers answering multinational customer help desk calls. Although not IT services per se, these activities cannot be done remotely without IT systems, communications and digital content. Best estimates of this kind of back-office remote business are in the range of US$10 billion a year today. This is expected to be a US$100 billion a year market before 2010. Thus, by 2010, the global IT services market under the two general categories (IT services and IT enabled-services) is expected to be a US$1.1 trillion market.

In the worst case scenario in which the Philippines would capture only one-quarter of a percent (0.25%) of the global IT services market (equivalent to US$2.75 billion a year) and the Park would capture only five percent (5%) of such market, then the Park would generate at least US$137 million a year of value in IT services. Assuming a more optimistic scenario in which the Philippines would capture one-half of a percent (0.5%) of the global IT services market (US$5.5 billion a year) and the Park would capture ten percent (10%) of such market, then the Park would generate US$550 million a year of value in IT services. The following graph illustrates the two IT services market scenarios.

Global IT Services Philippine/Park Market Scenarios



Philippine College Market

With respect to the educational market, college enrolment in the Philippines today is approximately three million students, out of which only 12 percent or approximately 360,000 students would succeed in graduating. Notwithstanding the high mortality rate between college enrolment and college graduates, the Park, through its educational locators, envisions capturing 12,000 of the 360,000 students who would eventually graduate, which would represent only 3.3 percent of the total annual higher education graduates in the Philippines today. Based on an estimated college student expenditure of P80,000 per year and the total projected annual enrollment of 48,000 students in the Park (i.e., 12,000 students per college year multiplied by 4 years of college), the resulting annual turnover in the locality from the educational component alone would be in the realm of P3.84 billion or approximately US$74 million.

Metro Manila offers a compelling concentration of student and work force population, old and new economy infrastructure, and capital for the pursuit of any nationally strategic industry. Further, with PEZA's implementation of IT ecozones within Metro Manila (e.g., RCBC Plaza, Fort Bonifacio Global City, Eastwood City), the National Capital Region would appear to represent the toughest competitor of the Park in terms of attracting IT locators. However, given the current size and the expected growth of the global IT sector, one could reasonably take the view that there are not enough IT ecozones in the Philippines—within or outside Metro Manila—to take advantage of the global opportunities in the IT sector.

The Park aims to assemble and fuse the same critical building blocks that generally exist in Metro Manila in pursuit of a focused globally competitive IT-based community—without the "excess baggage" of Metro Manila. High cost of living, low quality of public services, high exposure to urban crime and vices, degraded urban environment (e.g., severe air pollution, congested roads, etc.) and the like are some of the negative features of Metro Manila. The absence of such urban malaise coupled with the close integration of critical components (i.e., infrastructure, skilled human resources, and capital) would constitute the Park's competitive edge in attracting target locators.

C. Socio-Political Considerations

The Municipality of Nampicuan has a land area of 5,137 hectares and a population of approximately 11,000 people. Over 94 percent of the land is currently used for agriculture and, as expected, most of the population are dependent on the local agricultural economy—which has an annual turnover of approximately P100 million or US$2 million primarily derived from the sale of palay.

The development of the Park will increase the population of Nampicuan substantially over the next ten to fifteen years (i.e., from 11,000 to over 100,000 or an increase of about 90,000 people). Roughly half of this increase in population would constitute those individuals (and their families) pursuing careers (academic and/or professional) in the Park; whereas, the other half would constitute the student population. The student enrollment, although technically transient, may also be considered permanent, as they would be residing in Nampicuan during most of the academic year.

The substantial increase in population is not nearly as significant as the educational and professional profile of such increase in population. Whereas the current population of Nampicuan is mainly composed of farmers, the future influx of population is expected to be the academe, the professionals and the college students of the IT sector. The higher concentration of more educated people generally translates to more knowledgeable and discerning local constituents, which usually results in better local governance. As such, the development of the Park will create a progressive growth spiral that will transform Nampicuan, an agricultural backwater town, into a college / IT regional growth center.

The transformation of Nampicuan would not be unique. It would be similar to the proven model of the "university town"—a common phenomena in the United States. Typically, a college or university is situated in a rural town and would educate mostly out-of-town students. The town itself may have a relatively small population of say 8,000 people, which would increase dramatically to say 30,000 people when the academic year is in session. Understandably, the local economy of the host town would revolve around and build upon the needs and the strengths of the educational institution.

The economic growth path for Nampicuan would be analogous to the proven path of the "university towns" of the United States. One main difference is that many "university towns" were established on land contributed by the United States Government; whereas, the Park is privately owned land and the initiatives therein will be driven by the private sector. The key contribution of the Philippine Government will be the ecozone approval for the 87-hectare Main Site of the Park.

Based on the current economy of the Municipality of Nampicuan, which has an annual turnover of approximately US$2 million, the establishment of the Park and its educational and business locators could increase the economic activity in the locality to over US$620 million per year or over 300 times the current level. These figures do not include the economic turnover associated with the construction of basic infrastructures and buildings of locators within the Park, which are estimated at over US$600 million over the course of the Park's development. These figures represent tremendous employment, economic growth and opportunities for Nampicuan, for Nueva Ecija, and for the Philippines.

D. Environmental Considerations

The Park would resemble in form and in substance a sprawling university campus and office park with low to medium rise buildings. Because the locators in the Park would be IT educational institutions and IT business enterprises, the "output" of such locators would be intellectual in nature (i.e., IT professionals and IT software and services). Such intellectual output would not require traditional manufacturing inputs and processes, which would, in turn, generate pollutants generally associated with the production of hardware goods (e.g., mineral, chemical, plastic, glass, industrial pulp, metal, and semiconductor wastes). Further, the Park will have a relatively low population density as compared to urban re-developments like Rockwell and Eastwood City, which tend to exact a heavier toll on the environment. Water use in the Park (Main Site and Residential Site) will be neither intensive nor industrial in nature. As such, compared to traditional industrial estates and urban re-developments, the Park would be quite environmentally benign. Each locator will be responsible for installing their primary sewerage system; whereas, the Proponents shall be responsible for providing a secondary (final) water treatment facility.

The one variable that will cause a distinct environmental impact to the Municipality of Nampicuan is the accelerated increase in human population, which will be inherent with the development of the Park. However, such increase in population will occur over an estimated period of two decades or more, providing adequate lead-time to construct the appropriate infrastructure and accommodations. Actual construction of basic infrastructures and the buildings and facilities of the locators will also have environmental repercussions on the local community. For the most part, these effects will be economically positive, as these construction activities will provide much needed employment to the local community.

After the PEZA Board has granted its approval of the Project's application, the Project shall undertake to prepare the Environmental Impact Assessment of the Park in connection with securing the corresponding Environmental Compliance Certificate from the DENR.

III. Permitting Process

This section does not purport to provide a complete description of the permitting process required to undertake the development of the Project. However, it is intended to highlight the critical government authorizations needed for the Project to proceed. More particularly, in order to derive the greatest value for the Project and for the locators within the Park, the Project should avail of government incentives provided by the Philippine Economic Zone Authority and the Board of Investments.

Philippine Economic Zone Authority ("PEZA")

The Project should file an application for ecozone approval with PEZA. While the Project Site is comprised of the Main Site and the Residential Site, such PEZA application will cover an ecozone approval for the 87-hectare Main Site only. Based on the Project's inquiry, PEZA typically excludes residential developments from ecozone approvals. As such, with respect to the Main Site, the Project and the locators can avail of PEZA incentives as follows:

Investment Incentives for Ecozone Developers/Operators

- Income Tax Holiday;
- Incentives under the Build-Operate-Transfer Law, which includes government support for accessing Official Development Assistance and other sources of financing;
- Provision of vital off-site infrastructure facilities;
- Option to pay a special 5% Gross Income Tax, in lieu of all national and local taxes;
- Permanent resident status for foreign investors and immediate family members;
- Employment of foreign nationals;
- Assistance in the promotion of economic zones to local and foreign locator enterprises;

Incentives for Ecozone and IT Locators

- Income Tax Holiday (ITH) or Exemption from Corporate Income Tax for four years, extendable to a maximum of eight years; After the ITH period, the option to pay a special 5% Tax on Gross Income, in lieu of all national and local taxes;
- Exemption from duties and taxes on imported capital equipment, spare parts, supplies, raw materials. Also breeding stocks and/or genetic materials or the equivalent tax credit on these items, when sourced locally;
- Domestic sales allowance equivalent to 30% of total sales;
- Exemption from wharfage dues and export taxes, imposts and fees;
- Permanent resident status for foreign investors and immediate family members;
- Employment of foreign nationals;
- Simplified import and export procedures;
- Other incentives under Executive Order 226 (Omnibus Investment Code of 1987), as may be determined by the PEZA Board

For more details on PEZA and PEZAincentives, kindly visit www.peza.gov.ph.

Board of Investments ("BOI")

In light of the exclusion of the Residential Site from the PEZA application, the Project should likewise file a separate application with the BOI for the development of the 16-hectare Residential Site in a Less Developed Area ("LDA"). As such, with respect to the Residential Site, the Project and the locators can avail of the relevant BOI incentives as follows:

A. Income Tax Holiday ("ITH")
   1. BOI-registered enterprise shall be exempt from the payment of income taxes reckoned from the scheduled start of commercial operations, as follows:

      d. New or expansion projects in less developed areas (LDAs) for six (6) years, regardless of status;

   3. New registered pioneer and non-pioneer enterprises and those located in LDAs may avail themselves of a bonus year in each of the following cases:

      b. the ratio of total imported and domestic capital equipment to the number of workers for the project does not exceed US$1,000 to one (1) worker; or

F. Additional Deductions from Taxable Income.
   1. Additional deduction for labor expense (ADLE) For the first five (5) years from registration, a registered enterprise shall be allowed an additional deduction from taxable income equivalent to fifty percent (50%) of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with ITH. This additional deduction shall be doubled if the activity is located in an LDA.

   2. Additional deduction for necessary and major infrastructure works. Registered enterprises locating in LDAs or in areas deficient in infrastructure, public utilities and other facilities may deduct from taxable income an amount equivalent to the expenses incurred in the development of necessary and major infrastructure works. The privilege, however, is not granted to mining and forestry-related projects as they would naturally be located in certain areas to be near their sources of raw materials.

For more details on BOI and BOI incentives, kindly visit www.boi.gov.ph.

Local Government Unit ("LGU")

As the entire Project Site is located within the Municipality of Nampicuan, the Project will be dealing with the said LGU, particularly with respect to securing (a) endorsements for applications with the PEZA and the BOI, (b) additional incentives from the LGU and (c) overall cooperation from the LGU throughout the development of the Project.

Department of Environment and Natural Resources ("DENR")

Prior to entering a Registration Agreement with PEZA, the Project will need to secure, among others, an Environmental Compliance Certificate ("ECC") from the DENR. Securing such ECC for the Project will be an involved process, requiring as much as one year (possibly longer) from the time of application to the time of procurement. It is only after securing such ECC that the Project can enter into a Registration Agreement with PEZA, which will, in turn, allow the Project to commence the full-scale development of the Project Site.

IV. Master Plan of the Park

See accompanying file of the Master Plan.

Erratum: The Master Plan's reference to the Business Park as the intended PEZA Registered Area is still being evaluated.