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MINUTES OF CITEM BOARD OF GOVERNORS MEETING

13 August 2018
Center for International Trade Expositions and Missions (CITEM)
Sen. Gil J. Puyat Ave. cor Roxas Boulevard, Pasay City,

IN ATTENDANCE:

Alternate Chairman

Nora K. Terrado
Undersecretary for Trade and Investments Promotion Group (TIPG)

Board Members

Ms. Wilhelmina C. Mañalac
Bangko Sentral ng Pilipinas

Ms. Pauline Suaco-Juan
CITEM

CITEM Officers

Ms. Ma. Lourdes D. Mediran
Deputy Executive Director

Atty. Anna Grace I. Marpuri
Corporate Board Secretary

I. DETERMINATION AND EXISTENCE OF QUORUM

1. The Corporate Board Secretary determined the existence of a quorum.

II. CALL TO ORDER

1. The Alternate Chairman, Undersecretary Nora K. Terrado, called the meeting to order at 1:20 pm.
2. The Undersecretary welcomed the CITEM Board Members as well as the CITEM officers present in the Board Meeting.

III. APPROVAL AND ADOPTION OF THE AGENDA

IV. ELECTION OF THE NEW CITEM CEO

1. On 07 August 2018, the President appointed a new CITEM Board Member representing the private sector, MS. PAULINA SUACO-JUAN, who took her oath of office before the DTI Secretary, Ramon M. Lopez, on 10 August 2018.
2. Sec. 18 of RA 10149 provides that the Chief Executive Officer (CEO) or the highest ranking officer of the GOCC shall be elected annually by the members of the Board from among its ranks;

60 3. Sec. 17 of RA 10149 and GCG Memorandum Circular 2012-09 specifically provides that:

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62 "Notwithstanding the provisions granting the CEO a fixed term of
63 office, the CEO of every GOCC covered by R.A. No. 10149 has a
64 term of office that coincides with his/her term of office as a member
65 of the Governing Board, unless sooner removed by the Board for
66 cause."

67 4. The President likewise nominated MS. PAULINA SUACO-JUAN, to be elected by the
68 CITEM Board to serve as Executive Director of the Center for International Trade
69 Expositions and Missions until June 30, 2019.

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71 5. Upon motion duly made and seconded, it was ---

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73 "RESOLVED, that the appointment of Ms.
74 Paulina Suaco-Juan , representing the private
75 sector to the CITEM Board, is hereby NOTED
76 (Res. No. BM 2018-08-01)
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79 "RESOLVED, that the nomination of President
80 Rodrigo Roa Duterte for Ms. Paulina Suaco-Juan
81 to be elected by the CITEM Board is hereby
82 NOTED.
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84 (Res. No. BM 2018-08-02)

85 "RESOLVED, that the CITEM BOARD OF
86 GOVERNORS duly elect MS. PAULINA SUACO
87 JUAN as the new CITEM EXECUTIVE
88 DIRECTOR.
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90 (Res. No. BM 2018-08-03)

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92 6. The Undersecretary administered the oath of office of Ms. Paulina Suaco-Juan as the
93 newly elected Executive Director of CITEM.
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95 V. PHILTRADE CONCERNS

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97 1. Overview of the background, related laws, Executive Orders issued in relation to the
98 PHILTRADE area located at Sen. Gil Puyat Ave. cor Roxas Boulevard Pasay.
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100 2. Discussion on the recent developments and issues relating to the 4.9 hectare
101 PHILTRADE AREA, long-term leased to PHILEXPORT and MECI.
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103 3. From the discussion of PHITRADE, the objectives of the CITEM Management are to seek
104 clearance and authority from the Board:
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106 a. For the Head of Agency or any of his/her representative/s to represent CITEM
107 before any organization, committee, body, agency, board, commission or council
108 pertaining to any discussion on development or plans on the PHILTRADE where
109 CITEM's interest is or will be affected
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111 b. To attend in any meeting/s and discussions on issue/s relating to the plans and
112 development on the PHILTRADE
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114 c. For the Alternate Chairman or Head of Agency to negotiate and/or discuss
115 proposal on any improvement or development on the Philtrade area which will
116 adversely affect CITEM properties (Golden Shell Pavilion and/or HallOne)
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- d. To seek opinion before any appropriate government entities on the interpretation of EO 294, series of 1995, particularly on issue of "indemnification".
- e. To sign any document/s, subject to Ratification of the Board, pertaining to any contract, agreement, or understanding on the demolition and/or indemnification of Hallone or any similar fixtures owned by CITEM that will be affected by the development plan of PHILEXPORT/MECI.

128 HOUSEBILL RESOLUTION 1188

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- 4. On the query of Ms. Mañalac on the status of the legislative inquiry before the House Committee on 21 March 2018, the Undersecretary was informed that there were 2 outstanding issues/documents that were being required to be submitted before the Committee:
 - a. Copy of MECI's sublease contract with AAVBEI and PWPIE;
 - b. Copy of the legal opinions of the Office of the President and;
 - c. EDC Position Paper on the matter
- 5. It was further reported that pending endorsement of the DTI Secretary, the EDC position paper has been submitted, and can be summarized as follows:
 - a. Lease and sub-lease contract entered among the RP, MECI and PHILEXPORT are both legal and based on the Executive Orders issued;
 - b. Lease and Sublease agreement entered among DTI, MECI and PHILEXPORT are not disadvantageous to the government;
 - c. The PHILEXPORT has presented its ploughback plan and series of justifications, before the EDC meeting and to the DTI Secretary.

150 DEVELOPMENTS ON THE PHILTRADE

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- 6. PHILEXPORT and MECI (sublessor and sublessee of the lot), in partnership with private entities (Agriventure Agricultural Business Enterprises Inc. (AABEI) and Platinum Wealth Land (Group) Development Ltd., Inc. (PWDPDI), will develop the unutilized portion of the Philtrade Lot.
- 7. They intended to construct a 27-storey office and condotel building, in the area where CITEM Hallone is situated; and a hotel to be constructed at the Macapagal Boulevard, beside the WTC area.
- 8. The construction of an office building and a condotel, which in effect will deprive CITEM of the use of its HALLONE property. By virtue of EO 294, any improvement on the PHILTRADE area, the DTI and its attached agencies will be indemnified in case its structure will be damaged or demolished.

166 INITIAL PROPOSAL / OFFER FROM PHILEXPORT

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- 9. PHILEXPORT President, Mr. Sergio Ortiz Luis, Jr. in its letter dated 11 June 2018 addressed to the Alternate Chairman, signified to indemnify CITEM in case the Hallone structure will be demolished due to the construction of the proposed office building. The content of the letter:
 - a. PHILEXPORT is aware of the indemnification as mentioned under EO 294;
 - b. Alternatively, PHILEXPORT will make arrangement for a space of 2,000 sqm for CITEM at a construction cost estimated at PHP 40,000 PER SQUARE METER.

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- c. That the offer of free space to CITEM is more advantageous as against the indemnification under EO 294, as CITEM is estimated to save PHP160M after the completion of the building
- d. That PHILEXPORT, in addition, can give free space in the same building to DTI and/or CITEM, in a total of 3,000 sqm for free use of CITEM, DTI , One Stop Shop and the Design Center.

10. In response to the offer of PHILEXPORT, the Alternate Chairman, being likewise as OIC of CITEM, will elevate the matter to the CITEM Board.

CITEM MANAGEMENT POSITION
ON PROPOSED DEMOLITION OF HALLONE

11. On 23 July 2018, the CITEM Management elevated its position on the proposed demotion of Hallone:

- a. CITEM Management honors the Lease and Sub-lease agreement executed among the Republic of the Philippines, the PHILEXPORT and the Manila Exposition Complex, Inc. (MECI)
- b. The clearance of the Secretary to demolish HallOne will entitle CITEM to indemnification by virtue of section 1 of EO 294, series of 1996.
- c. The indemnification is to provide additional control measures to safeguard the interest of the government in the land. EO 294 specifically provides that an indemnification shall be due to CITEM and/or to any attached agency of the DTI who shall be affected by any fixed improvement to be introduced. CITEM, which owns and uses Hallone for its events and official activities, will be clearly deprived of its right over the use of Hallone.
- d. The PHILEXPORT, in one of its communication to the DTI, offered that an approximate 3000sqm space in the proposed new building shall be allocated to CITEM in exchange for the demolition of HallONE. Though the offer of 2,000 to 3,000 sqm space is a palatable and very practical offer, this however should be given clearance from the appropriate government authorities, if the offered space to CITEM is an acceptable form of indemnification as contemplated under EO 294.
- e. CITEM Management requests PHILEXPORT to make an offer of commitment to CITEM, addressed to the CITEM Board, so that the latter can appropriately address and discuss the issue in the next Board Meeting schedule.
- f. It was also mentioned that in 1995, a similar offer was made by PNB and SSS, when CITEM was asked to vacate the exhibitions halls (2-8) where it used to hold its office. PNB and SSS asked CITEM to vacate the area and paid the latter relocation cost to defray the cost of constructing a new office. Such relocation cost amounted to PHP96M (P13.5M/hall), shared between PNB and SSS based approximately on their pro-rata equity participation, with PNB shouldering 65% of PHP 65,280,000.00, and SSS the remaining 32% or PHP30, 720, 000.00.

FORMAL OFFER ADDRESSED TO
THE CITEM BOARD

12. On August 1, 2018, Mr. Ortiz-Luis, made a formal offer addressed to the CITEM Board of Governors to indemnify CITEM in the amount of PHP20M as demolition cost for HallOne;

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13. Ms. Mañalac asked whether the php20M demolition cost for Hallone is the final offer from PHILEXPORT and that the former offer of 2000 sqm space for CITEM to the proposed building is no longer considered.
 14. It was confirmed that at present, the PHP20M demolition cost is the standing offer from PHILEXPORT. As a matter of due diligence, CITEM is will engage the services of 3 property assessors to assess the Hallone property in order to determine the reasonableness of the PHP20M demolition offer.

244 PROPOSED COUNTER-OFFER

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15. As a counter-offer, the CITEM Board proposed that:
 - a. Demolition cost in the amount of PHP20M as offered is accepted, subject to assessment by the property appraisers; PLUS
 - b. PHILEXPORT will provide to CITEM 3000 sqm space in compliance with Article I, Section 1.2 of the Sub-Lease Agreement Executed between PHILEXPORT and MECI:

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“The Sublessee shall make use of the Lease property for the construction of WTC Complex, provided that a portion of the leased property is made available for the PTC in an approximate built-up floor area of 3,000sqm and of the officer space of the sublessor in an approximate area of 1,000 sqm. The responsibility for funding the cost of constructing the PTC shall be borne by the lessor or the appropriate government agency. The office space of the sublessor referred to above shall be leased by the sublessor from the sublessee on mutually acceptable terms and conditions.

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16. The initial offer of 3000 square meter space in the building to be constructed based on a promise or future fulfillment without the demolition cost in accordance with EO 294, is more likely an iffy and dubious, which will be subject of audit findings in the future.
 17. It was further explained that the 3,000 sqm meter space shall be offered to CITEM at a build-up cost of PHP40,000/sqm, which after the completion of the building in 2020, the value of the space is estimated at PHP 120,000/sqm. The difference of the value less of the build-up cost is the benefit in itself to CITEM, which makes it more advantageous to the agency.
 18. That further, any negotiation, commitment, understanding or agreement, the Alternate Chairman or the Head of Agency will elevate the same to the Board for Ratification.

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19. Having no more comments, the Board Resolve:

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“For the Head of Agency or any of his/her representative/s to represent CITEM before any organization, committee, body, agency, board, commission or council pertaining to any discussion on development or plans on the PHILTRADE where CITEM’s interest is or will be affected”

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“To attend in any meeting/s and discussions on issue/s relating to the plans and development on the PHILTRADE”

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“For the Alternate Chair or Head of Agency to negotiate and/or discuss proposal on any improvement or development on the

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Philtrade area which will adversely affect CITEM properties (Golden Shell Pavillon and/or HallOne)"

"To seek opinion before any appropriate government entities on the interpretation of EO 294, series of 1995, particularly on issue of "indemnification".

To sign any document/s, subject to Ratification of the Board, pertaining to any contract, agreement, or understanding on the demolition and/or indemnification of Hallone or any similar fixtures owned by CITEM that will be affected by the development plan of PHILEXPORT/MECI.

(Res. No. BM 2018-08-04)

20. Furthermore, the Board do hereby resolve:

Resolve that the counter proposal offer of CITEM to be entitled to a demolition cost of PHP20M, subject to validation of independent property appraisers on top of the 3000 sqm space in the building to be constructed at a reasonable build up cost, being in order is hereby APPROVED.

(Res. No. BM 2018-08-05)

VI. SECURE CORPORATE CREDIT CARD AS AN ALTERNATIVE MODE OF PAYMENT

1. The Management asked approval from the Board on the application for a corporate credit card as an alternate mode of payment to suppliers for official transactions. This purpose will likewise help the agency purchase recurring online requirements (i.e. social media, online promotion, advertising and creative requirements).
2. The request is likewise for CITEM to pay make payment to its suppliers and resource partners conveniently, particularly in implementing overseas projects.
3. As discussed, government employees and/or officials on official travel should utilize a corporate credit card instead of cash payment for security and convenience purposes. Also, commercial establishments aboard (i.e. hotels, venues, etc.) do not accept cash, and prefer credit card instead.
4. Ms. Mañalac however shared that BSP, in one of its legal opinions, transactions through the use of a credit card is a form of a loan transaction, and not a simple form of payment.
5. In the meantime, and as an alternative, the Management is tasked to explore on a debit arrangement with banks and other financial institutions, as alternative mode of payment.

VII. ACTS OF MANAGEMENT FOR CONTRACTS FOR THE PERIOD MARCH -JULY 2018

1. There were 10 and 108 contracts for Ratification and for Information of the Board, respectively;
2. These contracts were executed and entered by CITEM from March 2018 to July 2018 for consultancy agreements, contracts of lease, contracts of services, procurement of goods, and MOAs.

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3. As a matter of policy contracts with considerations of Php 1 Million and above should be presented to the Board for Ratification.
4. Having no more comments and clarifications and upon motion duly made and seconded, it was---

"RESOLVED, that the Contracts executed
by CITEM Management for the period March – July 2018,
being in order, is hereby RATIFIED."

(Res. No. BM 2018-08-06)

VIII. OTHER MATTERS

1. No other matters were discussed.

IX. ADJOURNMENT

The meeting adjourned at 2:55 in the afternoon.

This 13th day of August 2018 at the Center for International Trade Expositions and Missions, Sen. Gil J. Puyat Ave. cor Roxas Boulevard, Pasay City, Philippines.


ATTY. ANNA GRACE I. MAPURI
Corporate Board Secretary