



29 April 2019

HON. CARLOS G. DOMINGUEZ III

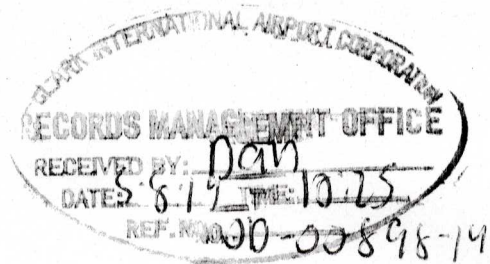
Secretary

Department of Finance

Roxas Blvd., Corner Pablo Ocampo Sr. Street,

Manila 2004

THRU : HON. ANTONETTE C. TIONKO
Undersecretary



Dear **Secretary Dominguez:**

Pursuant to the pertinent provisions of the revised implementing rules and regulations of Republic Act No. 7656, Clark International Airport Corporation (CIAC) is bound to declare and remit the amount of Php161,391,533.50 to the National Government (NG) for CY 2018 net earnings.

However, the same law mindful of the financial status of GOCCs, included under Section 7, circumstances where a GOCC can actually request for a rate lower than the minimum dividend rate.

It is within this purview that CIAC respectfully requests for a downward adjustment of the minimum dividend rate to 0% due to the following justifications:

- a) The retained earnings deficit of CIAC as of 31 December 2018 stands at Php324,928,059.29;
- b) CIAC has earmarked around Php300.0 million for the settlement of the separation incentive pay of its employees in view of the impending take-over by the winning proponent of the O & M of the airport operations;
- c) Reduced revenue of CIAC after the Operations & Maintenance (O&M) private concessionaire takes over about 75% of the present gross revenue of the corporation;
- d) Outstanding loan obligations of CIAC as of 31 December 2018 stands at Php300.0 million.

The first citation on the negative retained earnings is based on Section 7(b) of the revised IRR which provides that where declaration and payment of dividends at the minimum dividend rate exceeds the unrestricted retained earnings, the GOCC may be allowed to request for a downward adjustment of the dividend rate.

The three (3) other aforementioned reasons would obviously deplete the present cash position of CIAC which is vital to ensure the viable operation of the corporation after the transfer of the terminal operations to the private operator.



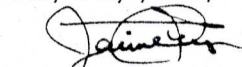
Rec by:



May our humble request be attended to with your usual favorable support as we continue to exert effort to contribute to the national economy by delivering the abridged mandate of the corporation.

Thank you and our best regards.

Very truly yours,



JAIME ALBERTO C. MELO *JP*

Officer In-Charge, President and Chief Executive Officer

CIAC-OP LETTER NO 19-236

Attachments:

1. Board Resolution No. RM 04-03, Series of 2019
2. Unaudited Financial Statements for CY 2018



SECRETARY'S CERTIFICATE

I, **ATTY. MISHEENA JOYCE C. TIATCO**, Acting Corporate Secretary of the Clark International Airport Corporation (CIAC), a corporation duly organized and existing under the laws of the Republic of the Philippines with office address at Corporate Office Building, Civil Aviation Complex, Clark Freeport Zone, Pampanga, hereby certify, that during the 26 April 2019 4th Regular Board Meeting of the Board of Directors of the corporation, the following resolution was approved:

Resolution No. RM-04-03, Series of 2019

WHEREAS, pursuant to R.A. 7656 (The Dividend Pay Law), all covered GOCCs are mandated to declare and remit Dividends directly to the National Government at least fifty percent (50%) of their Net Earnings (equivalent to the computed adjusted taxable income) on or before May 15 of each year;

WHEREAS, based on the formula contained in the Revised Implementing Rules and Regulations (IRR) of R.A. 7656 dated 26 January 2016, CIAC's total adjustable taxable income amounts to PhP 322,783,067;

WHEREAS, following the provisions in the said IRR, CIAC is bound to declare and remit PhP 161,391,533.50 for its net earnings for CY 2018;

WHEREAS, Section 6e of the same IRR provides that in cases where the GOCC may encounter cash flow difficulties in remitting cash dividends to the National Government, it may request an alternative schedule of payment through the submission of a request to the Secretary of Finance on or before May 15 of the year following the Dividend Year;

WHEREAS, Section 7a and 7b further cites that, in the interest of the general welfare and viability of the GOCCs, they may opt to request for a downward adjustment of the dividend rate below the minimum 50% under the following instances:

1. When a GOCC has a negative stockholders equity or where the viability or the purpose for which the GOCC has been established will be impaired by the payment of the required dividends; and
2. Where the declaration and remittance of Dividends at the minimum Dividend rate exceeds the unrestricted retained earnings of GOCC;

NOW, BE IT -

"RESOLVED, that the recommendation of the Management to declare dividends due for the CY 2018 in the amount of PhP 161,391,533.50, and to request from the Department of Finance the downward adjustment of the dividend rate from 50% to 0%, based on the following grounds:

1. CIAC has negative retained earnings in the amount of PhP 188,744,778.68 as of 31 March 2019;





2. The payment of the retirement benefits of the employees who are affected with the implementation of the Clark International Airport Operations and Maintenance (CRK O & M) project will substantially decrease the cash of CIAC;
3. The significant decrease in CIAC's revenue after the implementation of the CRK O & M project; the limited cash inflow is critical to the sustenance of the viability of CIAC's operation,

be **APPROVED**, as it is hereby **APPROVED**."

IN WITNESS WHEREOF, I hereby sign this instrument this 6th day of May 2019 at Clark Freeport Zone, Philippines.

Misheena Joyce C. Tiatco
ATTY. MISHEENA JOYCE C. TIATCO
Acting Corporate Secretary

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