

[EXECUTIVE ORDER NO. 126, February 28, 2013]

**REPEALING EXECUTIVE ORDER NO. 855 (S.2010) AND
AUTHORIZING THE IMPLEMENTATION OF THE EQUITY VALUE
BUYOUT OF THE METRO RAIL TRANSIT CORPORATION AND
PRESCRIBING GUIDELINES THEREFOR**

WHEREAS, the Government, through the Department of Transportation and Communications (DOTC), entered into a Build-Lease-Transfer Agreement (BLT Agreement) with Metro Rail Transit Corporation (MRTC) for the construction of the EDSA Light Rail Transit Phase I (otherwise known as the MRT Line 3);

WHEREAS, about 77% of the original shareholders of MRTC securitized their interest over Equity Rental Payments (ERP) under the BLT Agreement, thereby divesting their economic interest in MRTC, in the form of MRT3 Notes and preference shares;

WHEREAS, in 2008 and 2009, MRTC issued Equity Value Buyout (EVBO) Notices to DOTC pursuant to Section 7.7 of the BLT Agreement requiring the Government to purchase MRTC's right, title and interest in MRT Line 3;

WHEREAS, in January 2009, MRTC filed an arbitration case in Singapore against the Republic of the Philippines due to, among others, failure of the Government to timely pay ERPs;

WHEREAS, to avert said arbitration case and gain control of the MRTC Board, the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP) were instructed by the Government to acquire shares of stock and other securities (including MRT3 Notes and preference shares) representing economic interest in MRTC;

WHEREAS, despite DBP and LBP's acquisition, the arbitration case remains pending, the Government continues to heavily subsidize the operation of the MRT Line 3, and the BLT Agreement constrains capacity expansion initiatives of the Government due to right of first refusal afforded MRTC to supply additional Light Rail Vehicles;

WHEREAS, as banking institutions, DBP and LBP are subject to prudential regulations of the Bangko Sentral ng Pilipinas (BSP), which prohibits banks to indefinitely hold non-allied investments;

WHEREAS, the Government is desirous to (i) provide a more efficient and publicly-safe MRT Line 3 by introducing capacity expansion projects; (ii) put an end to the arbitration case filed by MRTC against the Philippines; and, (iii) manage the financial burden on the part of the Government posed by the BLT Agreement; and,

WHEREAS, towards this end, the Department of Finance (DOF), DOTC, DBP and LBP recommended the implementation of the EVBO pursuant to the terms of the BLT Agreement.