FINAL PROSPECTUS

Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226
Telephone Number: (632) 750-6694

₱504,000,000 Fixed Rate Bonds with an Oversubscription Option of up to ₱504,000,000 Fixed Rate Bonds due 2013

Issue Price: 100% of Face Value
Interest Rate: 5% p.a.

Ayala Land, Inc. ("Ayala Land" or "ALI" or the "Issuer" or the "Company") is offering bonds (the "Bonds") in the aggregate principal amount of ₱504,000,000, with an Oversubscription Option (defined below) of up to ₱504,000,000. The Bonds shall be issued monthly in a series for thirty-six (36) months commencing on April 16, 2010 (the "Initial Issue Date"), or such other date as may be agreed by the Issuer and BPI Capital Corporation (the "Issue Manager and Underwriter"). All series of the Bonds shall mature on the third anniversary of the Initial Issue Date (the "Maturity Date"). Each series of the Bonds will bear interest on its principal amount from and including the Issue Date thereof, at a fixed rate of 5% per annum. Interest will not be compounded and shall be payable on Maturity Date or on the date of effectivity of the Early Payment Application, as may be applicable, less the amount of any applicable withholding taxes.

Each series of the Bonds will be represented by a certificate of indebtedness to be issued and registered in the name of BPI Asset Management and Trust Group as trustee for the Bondholders. The beneficial interests of each Bondholder in the Bonds or series thereof will be shown on and recorded in, and transfer thereof will be effected through, the Register of Bondholders maintained by Standard Chartered Bank as registrar. The Bonds will not be listed or traded in any organized exchange, but may be traded over-the-counter. The Bonds shall be issued and may be transferred in denominations of Five Thousand Pesos (₱5,000.00) and in integral multiples thereof.

The Bonds shall be offered to the public (the "Offer") at 100% of face value through the Underwriter subject to certain conditions in the Issue Management and Underwriting Agreement executed between the Issuer and the Issue Manager and Underwriter.

The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of Ayala Land and shall at all times rank *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of Ayala Land, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Ayala Land's secured debts to the extent of the value of the assets securing such debts and all of its debts that are evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

The date of this Prospectus is March 5, 2010

Issue Manager and Underwriter
BPI CAPITAL CORPORATION

This Offer is primarily targeted to benefit the low to middle-income market segment. Ayala Land's objective is to encourage this segment to save sufficient funds to enable them to own real estate property in the future. To make the Bonds more affordable to the target market, it shall be issued in a series, and the different series of the Bonds shall be issued against monthly payments by the Bondholders over a period of three (3) years. Since this is a debt issuance, holders of the Bonds shall not be entitled to any dividends from the Issuer.

Ayala Land expects that the initial net proceeds of the Offer will amount to approximately ₱6,500,000 or ₱17,400,000, should the Issue Manager and Underwriter exercise in full its Oversubscription Option, after fees and expenses. Thereafter, Ayala Land expects to receive approximately ₱13,500,000 a month or ₱27,300,000 a month, should the Issue Manager and Underwriter exercise in full its Oversubscription Option, over the next 35 months after fees and expenses. Given the amount of the proceeds expected to be received by the Issuer on a monthly basis, such proceeds are not projected to pay for any specific transaction but instead shall be used by Ayala Land for general corporate purposes. For its services as Issue Manager and Underwriter, BPI Capital Corporation will receive up to 1.875% of the aggregate issue amount. Such amount shall be inclusive of underwriting and selling fees.

Ayala Land confirms that this Prospectus contains all information relating to the Company, its subsidiaries and affiliates which is, in the context of the issue and offering of the Bonds, material (including all information required by the applicable laws of the Republic of the Philippines). There are no other facts the omission of which would make any statement in this Prospectus misleading in any material respect. Ayala Land confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. Ayala Land, however, has not independently verified any such publicly available information, data or analysis.

Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. The Issue Manager and Underwriter does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.

The contents of this Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the Bonds receiving a copy of this Prospectus acknowledges that he has not relied on the Issue Manager and Underwriter in his investigation of the accuracy of such information or in his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds. Investing in the Bonds involves certain risks. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on "Risk Factors and Other Considerations".

No dealer, salesman or other person has been authorized by Ayala Land and the Issue Manager and Underwriter to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Ayala Land or the Issue Manager and Underwriter.

Ayala Land is organized under the laws of the Philippines. Its principal office is at the Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226, with telephone number (632) 750-6694.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

AYALA LAND, INC.

By:

(original signed and notarized)
ANTONINO T. AQUINO
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

Before me, a notary public in and for the city named above, personally appeared Antonino T. Aquino with Passport No. XX4033426 issued at Manila on June 25, 2009, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this 5th day of March at Makati City.

Doc No. _____;
Book No. ____;
Page No. ____;
Series of 2010

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FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements". These forward-looking statements have been based largely on the Company's current expectations and projections about future events and financial trends affecting its business. Words or phrases such as "believes," "expects," "anticipates," "intends," "plans," "foresees" or other words or phrases of similar import are intended to identify forward-looking statements. Similarly, statements that describe Ayala Land's objectives, plans or goals are also forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statements. Important factors that could prevent forward-looking events and circumstances from occurring or could cause actual results to differ materially from the expectations of Ayala Land include, among others:

General Economic and Political Conditions

- changes in Philippine and international interest rates
- changes in political, economic and social conditions in the Philippines
- changes in foreign exchange control regulations in the Philippines
- changes in the value of the Peso

Conditions of the Real Estate Industry

- increasing competition in the Philippine real estate industry
- changes in laws and regulations that apply to the Philippine real estate industry

Factors Affecting Ayala Land's Operations

- Ayala Land's ability to maintain and further improve its market share in the various segments of the Philippine real estate market
- demand for Ayala Land's projects in the Philippines
- Ayala Land's ability to enter into various financing programs
- operational and implementation issues that Ayala Land may encounter in its projects
- Ayala Land's ability to manage changes in costs attendant to operations

For a further discussion of such risks, uncertainties and assumptions, see the "Risk Factors and Other Considerations" section of this Prospectus. Prospective purchasers of the Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Prospectus and Ayala Land undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

DEFINITION OF TERMS

As used in this Prospectus, the following terms shall have the meanings ascribed to them:

“Affiliate” shall mean, with respect to Ayala Land, Inc., any corporation directly or indirectly controlled by it, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of management, contract or authority granted by said corporation to Ayala Land, Inc.

“Application to Purchase” shall mean the document to be executed by any Eligible Bondholder.

“Automatic Debit Authority” shall mean the authority given by each Bondholder to the Collecting Agent to debit its, his, her or their account maintained with BPI, BPI Family Savings Bank, or BPI Direct Savings Bank with the amounts needed to pay for its, his, her or their subscription to each series of the Bonds, which authority shall be incorporated in the Application to Purchase.

“Ayala Group” refers to Ayala Corporation and its subsidiaries and affiliates.

“Ayala Land” or **“ALI”** or the **“Company”** or the **“Issuer”** refers to Ayala Land, Inc.

“Ayala Land Property” refers to any property being offered for sale by ALI or its Affiliates.

“Banking Day” or **“Business Day”** shall be used interchangeably to refer to a day on which commercial banks are open for business in Makati City, Metro Manila.

“Beneficial Owner” shall mean any person (and “Beneficial Ownership” shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that a person shall be deemed to have an indirect beneficial ownership interest in any security which is:

i. held by members of his immediate family sharing the same household;
ii. held by a partnership in which he is a general partner;
iii. held by a corporation of which he is a controlling shareholder; or
iv. subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities; provided, however, that the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer:

    a. A broker dealer;
    b. An investment house registered under the Investment Houses Law;

c. A bank authorized to operate as such by the *Bangko Sentral ng Pilipinas*;
d. An insurance company subject to the supervision of the Office of the Insurance Commission;
e. An investment company registered under the Investment Company Act;
f. A pension plan subject to regulation and supervision by the Bureau of Internal Revenue and/or the Office of the Insurance Commission or relevant authority; and
g. A group in which all of the members are persons specified above.

"Bond Agreements" shall mean the Issue Management and Underwriting Agreement between the Issuer and the Issue Manager and Underwriter, Trust Agreement between the Issuer and the Trustee, the Collecting and Paying Agency Agreement between the Issuer and the Collecting and Paying Agent, and the Custodianship and Registry Agreement between the Issuer, the Trustee and the Custodian and Registrar.

"Bondholder" shall mean a person whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.

"Bonds" shall mean to the series of bonds in the aggregate principal amount of ₱504,000,000, with an Oversubscription Option of up to ₱504,000,000, to be issued by Ayala Land over a period of 36 months, all of which shall have the same Maturity Date.

"Bonus Credit" shall refer to a notional credit given to the Bondholder in case such Bondholder decides to apply the aggregate face value and accrued interest (net of applicable withholding taxes) of the Bonds owned by such Bondholder as payment for an Ayala Land Property. This Bonus Credit shall be equivalent to 10.0% of the aggregate principal amount of the Bonds held by the Bondholder, and not the Net Selling Price of the selected Ayala Land Property, at the time of payment application, subject to a maximum of 5.0% of the Net Selling Price of the selected Ayala Land Property; provided however that, should the Bondholder exercise Early Payment Application on or after the first anniversary of the Initial Issue Date, the Bondholder shall be entitled to a Bonus Credit equivalent to 10.0% of the aggregate face value of all Series of the Bonds that would have been subscribed to for 36 months, subject to the maximum of 5.0% of the Net Selling Price of the selected Ayala Land Property.

"BPI" shall refer to Bank of the Philippine Islands, an affiliate of the Ayala Group.

"BPI Family Savings Bank" is a wholly owned subsidiary of BPI and BPI's consumer lending arm.

"BPI Direct Savings Bank" is a wholly owned subsidiary of BPI**.**

"BPI Capital" shall refer to BPI Capital Corporation.

"Certificate of Indebtedness" shall mean the certificate to be issued by the Issuer evidencing and covering such amount corresponding to the particular series of the Bonds issued as of a relevant date.

"Collecting Agent" shall refer to BPI acting through its Treasury Operations Department, being the collecting agent for the Bonds appointed by the Issuer under the Collecting and Paying Agency Agreement.

"Custodian" shall refer to Standard Chartered Bank (Philippine Branch), acting through its Trust & Local Custody Department, being the custodian for the Bonds appointed by the Issuer and the Trustee under the Custodianship and Registry Agreement.

"Designated Account" shall refer to the BPI, BPI Family Savings Bank, or BPI Direct Savings Bank account nominated by the Bondholder from which payments for the purchase of the Bonds shall be periodically debited and to which the principal and/or interest payments, net of applicable withholding taxes, shall be made on Maturity Date, unless otherwise applied to payment for an Ayala Land Property.

"Eligible Bondholders" shall refer to Filipino citizens or resident alien individuals, domestic corporations and resident foreign corporations.

"Expresslink Automatic Debit Arrangement Facility" shall mean the facility maintained and operated by the Collecting Agent that will enable the Company to collect and receive payments from or make payments to the Bondholders by means of the Collecting Agent's Automatic Debit Arrangement software-programs, which debit the Designated Accounts of the Bondholders and credits the debited amounts in lump sum to the Company's accounts opened and maintained with BPI, BPI Family Savings Bank or BPI Direct Savings Bank for purposes of paying the Bondholders' subscription to the Bonds, or which facility debits the pertinent accounts of the Company in favor of the Bondholders' Designated Accounts for principal and interest, net of applicable withholding taxes, on Maturity Date.

"IAS" shall mean International Accounting Standards.

"Initial Issue Date" shall mean the date on which the first series of the Bonds shall be issued by the Issuer, which is on [April 16, 2010], or such other date as may be agreed by the Issuer and the Issue Manager.

"Issue Date" shall mean, with respect to each series of the Bonds, the date on which such series of the Bonds or a portion thereof shall be issued by the Issuer.

"Issue Manager" shall refer to BPI Capital, being the issue manager for the Bonds appointed by the Issuer under the Issue Management and Underwriting Agreement.

"Lien" shall mean any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligations.

"Majority Bondholders" shall mean, at any time, the Bondholder or Bondholders who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the Bonds.

"Maturity Date" shall mean the date falling on the third anniversary of the Initial Issue Date; provided that, in the event that the Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be automatically extended to the immediately succeeding Business Day.

"Net Selling Price" shall refer to the list price of the Ayala Land Property, less applicable discounts. It excludes the value-added tax and other applicable charges on the sale of property.

"Offer" shall mean the issuance of Bonds by the Issuer under the Conditions as herein contained.

“Offer Period” shall refer to the period, commencing within two (2) days from the date of the SEC Permit, during which the Bonds shall be offered to the public.

“Oversubscription Option” shall refer to the option of the Issue Manager and Underwriter, in consultation with the Issuer, to increase the Offer size by up to an additional ₽504,000,000, subject to the requirements of the SEC.

“PAS” shall mean Philippine Accounting Standards.

“Paying Agent” shall refer to the BPI, acting through its Treasury Operations Department, the entity appointed by the Issuer as paying agent for the Bonds in accordance with the Collecting and Paying Agency Agreement.

“Payment Date” shall mean each of the following dates at which each Bondholder is required to fund its, his, her or their Designated Account so that payment of its, his, her or their subscription to a Series may be debited: (a) for the first Series, the date which is not later than two (2) Business Days prior to the Initial Issue Date; and (b) for each Series other than the first Series, the relevant Issue Date thereof.

“Pesos,**” “₱”** and **“Philippine currency”** shall mean the legal currency of the Republic of the Philippines.

“PFRS” shall mean Philippine Financial Reporting Standards.

“Philippines” shall mean the Republic of the Philippines.

“PSE” shall refer to the Philippine Stock Exchange.

“Register of Bondholders” shall mean the electronic record of the issuances, sales and transfers of the Bonds to be maintained by the Registrar pursuant to and under the terms of the Custodianship and Registry Agreement.

“Registrar” shall refer to Standard Chartered Bank (Philippine Branch), acting through its Trust & Local Custody Department, being the registrar for the Bonds appointed by the Issuer and Trustee under the Custodianship and Registry Agreement.

“Registry Confirmation” shall refer to the written confirmation issued by the Registrar to the Bondholders representing their beneficial interest in each series of the Bonds.

“SEC” means the Philippine Securities and Exchange Commission or its successor agency/ies.

“SEC Permit” shall mean the Permit to Sell issued by the SEC in connection with the Offer.

“Series” shall mean a portion of the Bonds which is being offered for sale and distribution to the public on the relevant Issue Date.

“SRC” shall mean the Securities Regulation Code of the Philippines (Republic Act No. 8799).

"Subsequent Issue Date" every 16th day of each of the 35 months immediately following the Initial Issue Date, or on the succeeding Business Day if the Subsequent Issue Date is not a Business Day.

"Taxes" shall mean any present or future taxes including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, and taxes on the overall income of the Underwriter or of the Bondholders.

"Trustee" shall refer to BPI, acting through its Asset Management and Trust Group, being trustee for the Bonds appointed by the Issuer under the Trust Agreement.

"Underwriter" shall refer to BPI Capital Corporation, being the underwriter of the Bonds appointed by the Issuer under the Issue Management and Underwriting Agreement.

Titles of sections, subsections and clauses in this Prospectus are used for convenience of reference only and do not limit or affect the interpretation of the sections and subsections hereof. In case of conflict between the provisions of this Prospectus and the Bond Agreements, the provisions of the Bond Agreements shall prevail.

EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective purchasers should read the entire Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" and the financial statements and the related notes to those statements included in this Prospectus.

The Company

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation's existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an initial public offering ("IPO") of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation's effective interest in Ayala Land to 88%. Since then, Ayala Corporation's effective interest has been further reduced to about 53% as of December 31, 2009 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, exchanges under bonds due 1996 and bonds due 2001, disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993. Further reduction of Ayala Corporation's equity in Ayala Land has also been effected by the conversion to Ayala Land Common B Shares of the entire ₱3 billion convertible long term commercial paper publicly issued by the Company in December 1994.

As of December 31, 2009, equity attributable to equity holders of Ayala Land amounted to ₱52.4 billion. It is listed on the PSE with a market capitalization of ₱145.8 billion as of December 31, 2009, based on Ayala Land's common share closing price of ₱11.25 as of that date.

Ayala Land is the largest real estate conglomerate in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses. Its principal businesses include planning and development of mixed-use properties, particularly, the subdivision and sale of high-end, middle-income and affordable residential lots and housing units, leisure community developments, commercial lots and the development and leasing of retail space and land in planned communities. Ayala Land also builds and sells residential condominium and office buildings, and develops industrial and business parks. Ayala Land, through its subsidiaries, also owns hotels and movie theaters, and provides property management and construction services to its own projects and to third parties for industrial building and government infrastructure projects.

The Company's residential products are distributed to a wide range of clients through various sales groups. Ayala Land established a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which exclusively markets and sells high-end properties and condominium projects developed by Ayala Land. Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Alveo Land Corp. (middle-income housing), and Avida Land Corp. ("Avida") (affordable housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers. Ayala Land International

Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI also signed up marketing partners in Bahrain, Saudi Arabia, London and Spain. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi.

Ayala Land's total consolidated revenues for 2009 amounted to ₱30.5 billion, down by 10% compared to ₱33.7 billion for 2008. Net income attributable to equity holders of Ayala Land decreased by 16% to ₱4.0 billion in 2009 from ₱4.8 billion in 2008.

At the start of 2009, the Company budgeted ₱17.4 billion for consolidated project and capital expenditures, broken down as follows:

Shopping centers (AMG)	13%
Corporate business (ABG)	12%
Residential developments (RBG)	50%
Strategic landbank management (SLMG)	17%
Geographic businesses (Vismin / Int'l)	8%
	100%

Project and capital expenditures will be funded from existing cash and cash from operations, pre-selling, additional borrowings and proceeds from the sale of non-core assets. The foregoing includes capital expenditures of unconsolidated affiliates.

As of December 31, 2009, Ayala Land spent ₱16.2 billion for project and capital expenditures, 14% less than the ₱18.9 billion spent during the same period in 2008. Residential development accounted for 60% of total, with shopping centers and corporate business each accounting for 8% of total capital expenditures.

As of December 31, 2009, Ayala Land had ₱108.1 billion in assets. Its equity attributable to equity holders of Ayala Land amounted to ₱52.4 billion. Ayala Land's cash reserves stood at ₱15.5 billion with a current ratio of 1.95:1 as of such date. Bank debt-to-equity ratio was at 0.37: 1, while net debt-to-equity ratio was at 0.06: 1.

New Projects

In 2010, Ayala Land intends to launch more than 9,000 residential units, including more than 1,000 units in the economic housing segment under its subsidiary First Community Realties, Inc. The Company also plans to aggressively expand its shopping centers gross leasable area (GLA) as it continues to roll out its geographic and product expansion of its shopping centers. The Company also completed bulk of its Business Process Outsourcing ("BPO") buildings expansion program – completing 222,000 sqms or 100% of the plan as of end-December 2009.

Ayala Land has several malls in the pipeline including smaller formats under wholly-owned subsidiary Primavera Town Centre, Inc. that will form part of the Company's aggressive mall expansion program. Part of this expansion is the newly opened MarQuee Mall in Pampanga last September 26, 2009 with a total of 37,000 square meters of gross leasable area (GLA), the Abreeza Mall in Davao, which will contribute an additional estimated 53,000 sqms GLA by 2011, as well as the Subic (25,000 square meters of GLA) and Cagayan de Oro (40,000 square meters of GLA) malls.

The Company will adjust its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

Ayala Land's Principal Strengths

Ayala Land's principal strength lies in its involvement in highly diversified business segments such as the development of high-end subdivision lots and residential buildings, middle-income residential projects and affordable housing development, as well as in traditional office, BPO office and shopping center leasing, development and sale of industrial lots, hotel operations, property development and construction. Ayala Land holds the dominant share of the market in most of these business segments.

The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a robust economy, rising foreign inflows, particularly from overseas Filipinos, increased affordability and the availability of attractive financing from banks, resilient consumption spending in retail, and encouraging long-term prospects for office space in the BPO sector.

With over eight decades of experience together with Ayala Corporation, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier central business district and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City, Cebu, and Canlubang.

The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivisions and high-rise, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

With control of 50 hectares of land in the Makati Central Business District and another 33 hectares in Bonifacio Global City, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 1,434-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries Makati Development Corporation and Ayala Property Management Corporation, which are the country's largest and most experienced construction and property management companies, respectively.

The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices. In 2009, the Company was awarded "Best Large Cap Corporate in the Philippines" in the Asiamoney Best Managed Companies Awards 2009 and adjudged "Best Overall Developer in the Philippines" by Euromoney in its 2009 Real Estate Awards.

Attractive Stock. Over the last five years, Ayala Land has delivered an average Total Shareholder Return of 21% per annum.

Ayala Land's Business Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government and NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its headquarter-type offices or locate in its business process outsourcing (BPO) facilities. Ayala Land is also the partner of choice for strategic new partners, such as the Shangri-La and Kingdom Hotels groups, which want to make significant new investments in the country and help prime the Company's strategic growth centers.

Ayala Land plans to maintain and enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on four main pillars that will lay the ground work for the Company's long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control measures and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels and enhance its internal talent pool and support systems ensure that these are supportive of the Company's growth objectives.

Ayala Land's Principal Shareholder

Ayala Land's principal shareholder, Ayala Corporation, effectively owns 53.4% of Ayala Land as of December 31, 2009, and is one of the Philippines' oldest conglomerates, with diversified operations in real estate and hotels, telecommunications, financial services, water distribution, electronics manufacturing, information technology and automotive dealerships.

Ayala Land's Principal Executive Offices

Ayala Land's executive offices are at the 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226. The telephone number at this address is (632) 750-6694 and the fax number is (632) 759-4566.

Risk Factors

Prospective investors should consider carefully all of the information set forth in this Prospectus and, in particular, prospective purchasers should evaluate the specific factors set forth under the section "Risk Factors and Other Considerations" of this Prospectus for risks involved in the purchase of the Bonds. These factors may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the over-all political, economic, and business environment in the Philippines, in general.

As a real estate developer, Ayala Land competes with other developers and developments to attract purchasers of land and condominiums, retail and office tenants, and clientele for the retail outlets, restaurants and hotels in its commercial centers in terms of reputation, reliability, price, and the quality and location of the community in which the relevant project is located. Ayala Land's successful financial and operating performance as a real estate company will impact on its ability to refinance or repay its debt, including the Bonds. Moreover, the issuance of the Bonds should be evaluated in terms of its impact on the consolidated indebtedness of Ayala Land and the operating risks inherent in a further increase in its debt.

Ayala Land is further subject to certain debt covenants for the Bond issuance and its other existing debt. Ayala Land's failure to comply with these covenants could cause a default which, if not waived, could result in the debt becoming immediately due and payable. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of Ayala Land's debt, in which case Ayala Land may not be able to perform its payment obligations under the Bonds. In such case, the Bonds, being unsecured debt, will be effectively subordinated in right of payment to all secured debt of Ayala Land to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

External factors affecting Ayala Land's businesses include the impact of current and future Philippine laws and regulations on certain aspects of real estate development, such as environment, health and safety, the effect of natural catastrophes, and political or economic instability in the country, including foreign exchange rate fluctuations which could impact on the acquisition cost of certain dollar-denominated construction materials and equipment necessary for Ayala Land's business.

Summary of Financial and Operating Data

The following table sets forth financial and operating information and other data of Ayala Land. Prospective purchasers of the Bonds should read the summary financial data below together with the financial statements and the notes thereto, as well as the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus. The summary financial data for the three years ended December 31, 2009, 2008, and 2007 were derived from Ayala Land's audited financial statements, including the notes thereto, which are included in this Prospectus. Ayala Land's financial statements are prepared in compliance with PFRS.

	AUDITED For the year ended December 31		
(in million Pesos)	**2009**	**2008**	**2007**
Income Statement Data			
Revenues	30,455	33,749	25,707
Costs and expenses			
Real estate	18,149	20,410	14,230
Hotel operations	867	876	913
General & administrative	2,793	3,172	2,654
Interest and other charges	2,800	1,843	1,857
Subtotal	24,609	26,301	19,654
Income before income tax	5,846	7,448	6,053
Provision for income tax	1,165	2,065	1,556
Income before income associated with noncurrent assets held for sale	4,681	5,383	4,497
Income associated with noncurrent assets held for sale	-		599
Net Income	4,681	5,383	5,096
Net Income attributable to:			
Equity holders of Ayala Land	4,039	4,812	4,387
Minority interests	642	570	709
	4,681	5,383	5,805
Unappropriated retained earnings,			
Beginning	25,372	21,405	19,973
Cash dividends	(841)	(845)	(782)
Stock Dividends	-	-	(2,172)
Net Income attributable to equity holders of Ayala Land	4,039	4,812	4,386
Unappropriated retained earnings, end	28,570	25,372	21,405
Earnings per share (diluted)*			
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.	₱0.31	₱0.36	₱0.31
Net income attributable to equity holders of Ayala Land	₱0.31	₱0.36	₱0.33

* Based on weighted average number of shares (in thousands): 13,064,859 as of December 31, 2009; 13,034,319 as of December 31, 2008; and 13,177,865 as of December 31, 2007

	AUDITED As of December 31	
(in million Pesos)	**2009**	**2008**
Balance Sheet Data		
Cash and cash equivalents	15,524	15,443
Land and improvements	17,768	15,942
Investment properties – net	25,413	17,769
Total assets	108,071	100,589
Long-term debt-current portion	378	244
Long-term debt (net of current portion)	16,804	15,228
Total liabilities	48,877	45,410
Equity:		
Attributable to equity holders of Ayala Land	52,392	49,028
Minority interests	6,803	6,151
	59,195	55,179

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End-2009	*End-December 2008*
Current ratio [1]	1.95:1	1.89:1
Debt-to-equity ratio [2]	0.36:1	0.35:1
Net debt/(cash)-to-equity ratio[3]	0.06:1	0:03:1
	FY 2009	*FY 2008*
Return on assets [4]	3.9%	5.2%
Return on equity [5]	8.0%	10.2%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity*
[4] *Net income / average stockholders' equity*
[5] *Net income / average stockholders' equity*

SUMMARY OF THE OFFER

Issuer	:	Ayala Land, Inc.
Instrument	:	Homestarter Bonds (the "**Bonds**") in the aggregate principal amount of ₱504,000,000, with an Oversubscription Option of up to ₱504,000,000, to be issued monthly in a series over a period of thirty six (36) months (each a "**Series**"), with each Series having a maximum aggregate principal of up to ₱14,000,000 or, in the event of exercise by the Issue Manager and Underwriter of the Oversubscription Option in full, up to₱28,000,000.
Use of Proceeds	:	The net proceeds of the issue shall be used by Ayala Land for general corporate purposes.
Issue Price	:	100% of face value
Offer Period	:	To start within two (2) days from the date of the SEC Permit and end at 3:00 pm on April 6, 2010, or such other date as may be agreed by the Issuer and the Issue Manager and Underwriter.
Initial Issue Date	:	April 16, 2010, or such other date as may be agreed by the Issuer and the Issue Manager and Underwriter.
Subsequent Issue Date	:	Every 16th day of each of the 35 months immediately following the Initial Issue Date or on the succeeding Business Day if the Subsequent Issue Date is not a Business Day.
Form and Denomination of the Bonds	:	Each Series of the Bonds will be represented by a certificate of indebtedness to be issued and registered in the name of the Trustee for the Bondholders. The beneficial interests of each Bondholder in and to the Bonds or Series thereof will be shown on and recorded in, and transfer thereof will be effected through, the Register of Bondholders maintained by the Registrar. The Bonds shall be issued in denominations of ₱5,000 and in integral multiples thereof. Transfer of the Bonds shall be in its entirety and may be done over-the-counter. The Bonds will not be listed or traded in any organized exchange.
Eligible Bondholders	:	Filipino citizens or resident alien individuals, domestic corporations and resident foreign corporations.
Subscription	:	Each Eligible Bondholder shall be required to subscribe to each Series of the Bonds at a minimum of ₱5,000 per Series, or equal to a minimum aggregate amount of ₱180,000 over three (3) years. Subscriptions in excess of the minimum shall be in increments of ₱5,000 per Series, or ₱180,000 over three (3) years. Subject to the availability of the Bonds, subscriptions to up to ₱100,000 per Series, or ₱3,600,000 over three (3) years, shall be immediately awarded. For subscriptions in excess of ₱100,000 per Series, the excess over ₱100,000 will be queued and awarded fully or partially (in case of oversubscriptions), after the subscriptions not exceeding ₱100,000 have been awarded, also

subject to the availability of the Bonds. The excess over ₽100,000 shall be queued and awarded based on the (a) date and time of submission of the Applications to Purchase and documentary requirements to the Issue Manager, and (b) original subscription amount as indicated in the Applications to Purchase.

Terms of Payment : To facilitate collection, payment by a Bondholder for the principal amount of the Bondholder's subscription for each Series shall be collected from the Bondholder using the Collecting Agent's Expresslink Automatic Debit Arrangement Facility. In the event the Bondholder is not a BPI, BPI Family Savings Bank, or BPI Direct Savings Bank accountholder, such Bondholder shall be required to open an account together with the submission of the Application to Purchase. As a BPI, BPI Family Savings Bank, or BPI Direct Savings Bank accountholder, the Bondholder will also be required to comply with the required minimum daily balance prescribed by BPI, BPI Family Savings Bank, or BPI Direct Savings Bank depending on the type of account opened.

The Application to Purchase shall incorporate an Automatic Debit Authority authorizing the Collecting Agent to debit the account designated by the Bondholder for the payment for each series of the Bonds to be issued (the "**Designated Account**"). Upon acceptance by the Underwriter of the Application to Purchase, the Designated Account shall be debited for the payment of the first Series of the Bonds not later than two (2) Business Days prior to the Initial Issue Date. Thereafter, the Designated Account shall be debited the payment of each Series issued on the Subsequent Issue Dates.

In the event that the Collecting Agent is unable to debit / cause the debit of the Bondholder's Designated Account by reason of closure of the Designated Account or insufficiency of clear, withdrawable and freely available funds for payment of the Bondholder's subscription to the first Series on the Payment Date, the Bondholder's subscription shall be cancelled and deemed withdrawn.

In the event that the Collecting Agent is unable to debit the Bondholder's Designated Account by reason of insufficiency of clear, withdrawable and freely available funds for payment of the Bondholder's subscription to the Series (other than the first Series) on the relevant Payment Date thereof, the Bondholder shall be entitled to effect payment, by way of auto-debit arrangement, but subject to the payment of a penalty interest thereon in the amount equal to ₽0.70 per day for every ₽5,000.00 worth of subscription then remaining unpaid (the "**Penalty Interest**"), within a grace period of four (4) days from Issue Date (the "**First Grace Period**"). For this purpose, the Collecting Agent shall be authorized to debit from the Bondholder's Designated Account on each day of the First Grace Period the amount representing the principal amount of the Bondholder's subscription for such Series plus Penalty Interest. Further, in the event that the Collecting Agent is unable to debit the Bondholder's Designated Account by reason of insufficiency of clear, withdrawable and freely available funds for payment of the Bondholder's subscription to any Series (other than the first Series) on the last day of the First Grace Period, the Bondholder shall be entitled to effect an over-the-counter payment of its subscription plus Penalty Interest thereon (which shall accrue daily from the relevant Issue Date up to the date of such over-the-counter payment) through any of the Collecting Agent's branches in the Philippines, from the day immediately succeeding the First Grace Period up to the last day of the month on which the relevant Issue Date falls (the "**Second Grace Period**", and together with the First Grace Period are otherwise referred to herein as the "**Grace Periods**").

In the event that the Collecting Agent is unable to receive payment from the Bondholder either on the Payment Date and within the Grace Periods, the amount corresponding to the Bondholder's subscription to any Series on the relevant Payment Date thereof, plus Penalty Interest thereon as applicable, the holding of the Bonds by, and the registration of the Bonds in the name of, the Bondholder shall be deemed terminated and its subscription rights shall be deemed cancelled without need for any further act or notice.

Interest Rate : Each Series of the Bonds shall bear interest on its principal amount from and including the Initial Issue Date thereof, at a fixed rate of 5.0% per annum. Interest shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. Interest will not be compounded and shall be payable on Maturity Date or on the date of effectivity of the Early Payment Application, as may be applicable, less the amount of any applicable withholding taxes.

Maturity Date : All Series held by each Bondholder shall mature on the third anniversary of the Initial Issue Date.

Payout Options : Unless otherwise terminated earlier, the principal amount of the Bonds held by a Bondholder and accrued interest thereon, net of applicable withholding taxes, shall be paid on Maturity Date either, at the option of the Bondholder, (a) by application to the full or partial payment for the purchase by the Bondholder of an Ayala Land Property (as defined below) of the Bondholder's choice, or (b) by way delivery of the lump sum amount to the Bondholder, as follows:

(a) Option 1: The Bondholder may opt to apply the sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes, to the full or partial payment (to the extent of such sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes) of a subdivision lot, house and lot or condominium unit listed in the section "Description of the Bonds – Manner of Payment of Bond Principal and Accrued Interest" of the Prospectus (an "**Ayala Land Property**") of the Bondholder's choice in any subdivision or condominium project of the Issuer or any corporation directly or indirectly controlled by the Issuer, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of management, contract or authority granted by said corporation to the Issuer (each an "**Affiliate**"), subject in any case to availability at the time of payment application.

    The sum of the principal amount of the Bonds held by the Bondholder and accrued interest thereon, but net of the applicable withholding tax, shall be applied to the full or partial payment of the purchase price of the Bondholder's selected Ayala Land Property. If such sum can only be applied to the partial payment of an Ayala Land Property, the Bondholder can only avail of Option 1 if such Bondholder is able to fully pay, or obtain firm bank or in-house financing on terms acceptable to the Issuer, based on the independent credit evaluation of the party or third party providing the financing, for the portion of the purchase price of the Ayala Land Property not covered by the aforesaid sum at the time of the payment application.

Under this Option 1, the Bondholder would be entitled to a Bonus Credit (as defined below), in addition to the five percent (5.0%) interest on the Bonds.

The bonus credit is a notional credit given to the Bondholder in case such Bondholder decides to apply the aggregate face value and accrued interest (net of applicable withholding taxes) of the Bonds owned by such Bondholder as payment for an Ayala Land Property (the "**Bonus Credit**"). It is equivalent to 10.0% of the aggregate principal amount of the Bonds held by the Bondholder, and not the Net Selling Price (as defined below) of the selected Ayala Land Property, at the time of payment application, subject to a maximum of 5.0% of the Net Selling Price of the selected Ayala Land Property.

The Bonus Credit may not be availed of in conjunction with other Ayala Group employee discounts, as may be applicable.

The net selling price refers to the list price of the Ayala Land Property, less applicable discounts; it excludes the value-added tax and other applicable charges on the sale of property (the "**Net Selling Price**").

The Bondholder shall be given sixty (60) days from Maturity Date to select an Ayala Land Property to which to apply the total value of the Bond. Interest (at the same rate of five percent (5.0%) per annum) shall accrue on the principal amount of the Bonds during such 60-day period. In the event no Ayala Land property is selected on or before the end of the sixtieth (60^{th}) day from Maturity Date, the total principal plus interest earned until the sixtieth (60^{th}) day after Maturity Date, net of applicable withholding taxes, shall be credited back to the Bondholder's Designated Account on (and no earlier than) the third (3^{rd}) Banking Day after the said sixtieth (60^{th}) day (the "**Final Settlement Date**"). A Bondholder may not, for the duration of the sixty (60)-day period, redeem any amount on any date except on Final Settlement Date.

(b) Option 2: The Bondholder may opt to have the principal plus accrued interest, net of applicable withholding taxes, remitted to the Bondholder's Designated Account on Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment or any interest, on the succeeding Business Day if the Maturity Date is not a Business Day.

No later than ninety (90) days prior to Maturity Date, a letter together with reply forms requesting the Bondholders to express their preferred payout option shall be sent to all Bondholders. In the event no reply is received by the Trustee from the Bondholder on or before the last Issue Date, then it shall be assumed that the payout preference of the Bondholder is Option 1.

The Bondholder shall be assisted by, and coordinate with, the Trustee in the settlement of all matters relating to both Options after Maturity Date.

Early Payment Application	:	At any time prior to Maturity Date, the Bondholder may opt to apply the sum of the aggregate principal amount of the Bonds held by it plus accrued interest thereon, but net of applicable withholding tax, as full or partial payment of an Ayala Land Property of the Bondholder's choice, such application of payment to be made to the extent of such sum. In such an event, the Bonds registered in such Bondholder's name as well as the subscriptions by such Bondholder to any and each Series of the Bonds that have been issued shall be deemed terminated and cancelled. However, the Bondholder can avail itself of this Early Payment Application only if (a) such Bondholder is able to fully pay, or obtain firm bank or in-house financing, subject to the independent credit evaluation of the party providing the financing and on terms acceptable to the Issuer, for the portion of such purchase price not covered by the aforesaid sum at time of payment application; and (b) the Ayala Land Property of the Bondholder's choice is available on the effectivity of the Early Payment Application. Should the Bondholder exercise this option, the Bondholder would be entitled to a Bonus Credit, in addition to the 5.0% interest on the Bonds. The Bonus Credit shall be deducted from the Net Selling Price. Should the Bondholder exercise Early Payment Application on or after the first anniversary of the Initial Issue Date, the Bondholder shall be entitled to a Bonus Credit equivalent to 10.0% of the aggregate face value of all Series of the Bonds that would have been subscribed to for 36 months, subject to the maximum of 5.0% of the Net Selling Price of the selected Ayala Land Property. The Bonus Credit shall not be availed in conjunction with other Ayala Group employee discounts.
Debit Payment System	:	Without the need for prior notice from the Issuer or the Collecting Agent, the Designated Account of the Bondholder as stated in the Bondholder's Application to Purchase shall be automatically debited on the Subsequent Issue Dates for the Bondholder's payment for the subsequent Series of the Bonds to be issued.
Forced Termination	:	In the event that the Collecting Agent fails to receive payment of the amount corresponding to a Bondholder's subscription to any Series, plus Penalty Interest thereon as applicable, on the relevant Payment Date thereof or within the applicable Grace Periods, the holding of the Bonds by, and the registration of the Bonds in the name of, the Bondholder shall be deemed automatically terminated and the subscriptions of the Bondholder to all the unissued Series of Bonds shall be deemed automatically cancelled. In such case, the Bondholder shall be entitled to receive from the Issuer, and the Issuer shall pay the Bondholder, through the Paying Agent, the principal amount of the Bonds held by such Bondholder. The five percent (5.0%) fixed interest on the principal amount of the Bonds shall be forfeited as penalty. Payment shall be delivered by the Paying Agent to the Bondholder by way of credit of

payment to the Bondholder's Designated Account on the immediately succeeding Issue Date. This period may be extended should the Issuer or Paying Agent be unable to pay the principal amount of the Bonds held by the Bondholder for causes not attributable to the Issuer or Paying Agent, as the case may be.

The death or cessation of the corporate existence of a Bondholder shall be treated in the same manner as a Forced Termination.

If the termination results from the death of the Bondholder, the accrued interest on the principal amount of the Bonds shall be paid to the estate of the deceased Bondholder, provided that a claim for such interest is made through the Trustee.

In case of termination at the instance of the Bondholder by giving written notice of termination to the Underwriter at its principal office at the 8th Floor, BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City, Philippines at least five (5) Business Days prior to the next Issue Date, the holding of the Bonds by, and the registration of the Bonds in the name of, the Bondholder shall be deemed automatically terminated and the subscriptions of the Bondholder to all the unissued Series of Bonds shall be deemed automatically cancelled; the Bondholder's Designated Account shall no longer be debited for the payment of the amount corresponding to the Bondholder's subscription to the Series beginning on the Payment Date immediately following the termination of the Bonds. The principal amount of the Bonds shall be paid by the Issuer to the Bondholder, through the Paying Agent, by way of credit of payment to the Bondholder's Designated Account on the second (2nd) Issue Date following the Payment Date on which the Bonds held by the Bondholder were terminated. This period may be extended should the Issuer or Paying Agent be unable to pay the principal amount of the Bonds held by the Bondholder for causes not attributable to the Issuer or Paying Agent, as the case may be. The five percent (5.0%) fixed interest on the principal amount of the Bonds shall be forfeited as penalty.

In the event of a forced termination, BPI Capital Corporation as Underwriter may, from the end of the Grace Periods up to four (4) Business Days immediately preceding the relevant Subsequent Issue Date, find a replacement Bondholder who will pay for the total principal amount (and assume ownership) of the Bonds previously held by the original Bondholder and subscribe to the remaining Series of Bonds held by the latter. For this purpose, each Bondholder irrevocably authorizes the Underwriter, in case of a forced termination, to assign his interests in the Bonds to a replacement Bondholder, and to execute any and all such documents as may be necessary in connection with such transfer. Capital gains tax, documentary stamp tax and other taxes, if any, arising from the transfer of the Bonds pursuant to this subsection shall be for the account of the original Bondholder or transferee Bondholder, as the case may be.

Should the Underwriter fail to find a replacement Bondholder within the aforesaid period, the Bonds held by such original Bondholder shall be automatically retired. Retired Bonds shall not be re-issued.

The Issuer, the Trustee and the Collecting Agent are not under any obligation to inform any Bondholder of any due date for payment of any subscription to a Series, or failure of the Bondholder to deliver payment on the relevant due date thereof.

Taxation	:	Except: (1) tax on a Bondholder's interest income on the Bonds which is required to be withheld by the Issuer, and (2) capital gains tax, documentary stamp tax and other taxes on the transfer of Bonds (whether by assignment or donation), if any and as applicable, which are for the account of the Bondholder, all payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for, and will not gross-up the payments of interest on the principal amount of the Bonds so as to cover any final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations. Documentary stamp tax on the original issue of the Bonds shall be for the Issuer's account. A Bondholder who is exempt from or is not subject to final withholding tax on interest income may claim such exemption by submitting to the Underwriter, together with its Application to Purchase: (i) pertinent documents evidencing its tax-exempt status, duly certified as "true copy" by the relevant office of the Bureau of Internal Revenue; (ii) a letter addressed to the Issuer and the Registrar, requesting both the Issuer and the Registrar not to make any withholding on said Bondholder's interest income; and (iii) an indemnity undertaking wherein the Bondholder shall undertake to indemnify the Issuer for any tax or charge that may later on be assessed against the Issuer on account of the non-withholding of tax on the Bond held by such Bondholder. The tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any state, local or foreign tax laws.
Credit Rating	:	Since the Bond issuance does not amount to more than 25% of the Issuer's net worth, it is exempted from the requirement of being rated by a rating agency accredited by the SEC in accordance with SRC Rule 12-1(6)(c)(iii).
Title and Transfer		The beneficial interest of each Bondholder in and to the Bonds or Series thereof will be shown on and recorded in the Register of Bondholders maintained by the Registrar. Transfer of the Bonds or Series thereof will also be effected through the Registrar, such that any assignment or transfer of a beneficial interest in the Bonds will be effective only upon the registration and recording by the Registrar of such assignment or transfer in the Register of Bondholders.

The Bonds will not be listed or traded in any organized exchange, but may be traded over-the-counter.

Any donation or transfer by a Bondholder of beneficial interest in the Bonds shall be allowed only if made in full and shall be inclusive of: (i) the title and interest of the Bondholder in and to all Series which have been issued as of the transfer date, and (ii) any and all subscription rights to all Series which will be issued subsequent to the transfer date.

A partial transfer of title, interest and rights of the Bondholder shall not be allowed. Any and all taxes, as well as settlement fees and other charges (other than registration fees which shall be paid by the Issuer) that may be imposed by the Registrar in respect of any transfer or change of beneficial title to the Bonds, including the settlement of documentary stamps taxes, if any, shall be for the account of the transferring Bondholder, unless such cost is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Bondholder and its transferee.

The death or cessation of the corporate existence of a Bondholder shall be treated in the same manner as a Forced Termination.

Ranking	:	The Bonds constitute direct, unconditional and unsecured Peso-denominated obligations of the Issuer and will rank *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law.
Trustee	:	Bank of the Philippine Islands – Asset and Management Trust Group The Trustee shall act as legal title holder of the Bonds in trust and for the benefit of the Bondholders under the terms and conditions of the Trust Agreement between the Issuer and the Trustee.
Custodian and Registrar	:	Standard Chartered Bank (Philippine Branch) – Trust & Local Custody Department The Custodian and Registrar shall establish and maintain the Register of Bondholders and shall act as transfer agent in respect of the Bonds, and determine amounts due to Bondholders for principal, interest, and, as may be applicable, Bonus Credits. .
Collecting and Paying Agent	:	Bank of the Philippine Islands – Treasury Operations Department The Collecting and Paying Agent shall receive the funds for payment of the Bonds from the Bondholders and remit the same to the Issuer and receive the funds from the Issuer for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records of the Registrar.

RISK FACTORS AND OTHER CONSIDERATIONS

GENERAL RISK WARNING

- *The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.*
- *Past performance is not a guide to future performance.*
- *There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.*
- *An investor deals in a range of investments each of which may carry a different level of risk.*

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake its, his, her or their own research and study on the trading of securities before commencing any trading activity. Investors may request information on the securities and Issuer thereof from the SEC which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, specially those classified as high risk securities.

RISK FACTORS

An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds. This Prospectus contains forward-looking statements that involve risks and uncertainties. Ayala Land adopts what it considers conservative financial and operational controls and policies to manage its business risks. Ayala Land's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are arranged in the order of their importance to the Company.

1. Ayala Land faces a highly competitive business environment

Ayala Land is subject to significant competition in each of its principal businesses. Competitive pressure is expected to remain as large property developers focus on the value-conscious middle market. Sustained demand growth is not likely to occur without real improvement in employment and real incomes. However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

Ayala Land competes with other developers and developments to attract purchasers of land and residential units, office and retail tenants as well as other construction and property management firms, and hotel operators.

Land and Residential Sales

With respect to land and condominium sales, Ayala Land competes for purchasers primarily on the basis of reputation, reliability, price and the quality and location of the community in which the relevant site is located. With respect to its horizontal residential housing developments, Ayala Land competes for buyers based on quality of projects and reasonable pricing of units.

(a) High-end residential

Ayala Land continues to be the leader in the high-end residential market. It competes with a price premium over other high-end developers but justifies it with superior locations, workmanship quality, timely project completions, and overall reputation in the real estate industry. Through these, it has been able to keep well ahead of other high-end players.

Real estate has always been a major investment vehicle for the affluent. However, in a volatile environment, such as the recent financial crisis and the subsequent global economic downturn, the high-end market tends to “wait and see,” or they simply choose to place their money in other investment instruments. With confidence returning as market risks abated in 2Q09, sales of high-end lots like Westgrove Heights, Abrio and Montecito in NUVALI have recovered from 1Q09 and stabilized since 2Q09 with the absence of new residential projects launched in the second half of the year.

Ayala Land has mitigated the market risks it faces through carefully planned project launches, clear product differentiation, product innovation, and increased market expansion through overseas sales and new segments.

(b) Middle-income residential

In the middle-income market segment, the environment remains challenging due to the number and aggressive moves of competitors. Ayala Land’s middle-income residential business (through its subsidiary, Alveo Land Corp.) was affected as booked units declined in 2008 from 2007. However, Alveo’s performance began to improve in 1Q09 which was generally sustained for the remainder of 2009. Demand is expected to remain strong this year for several reasons: (a) more upbeat economic outlook, (b) strong buying interest from the domestic market and overseas based Filipinos, and (c) emerging preference for condominium living. Ayala Land remains confident that it can compete effectively in this segment because of its superior product offering in terms of location, amenities, features, after-sales service, and very competitive pricing and payment terms.

(c) Affordable residential

Ayala Land offers affordable residential projects through its wholly-owned subsidiary, Avida Land Corporation. In this segment, there is an increase in activities and marketing efforts of major developers to reach their desired target market.

Positive factors, on the other hand, spurring interest because of their long-term effects in the real estate industry:

- Increased developments north of Manila due to the North Luzon Expressway and the opening of the Subic-Clark-Tarlac toll expressway;
- Rehabilitation of the South Luzon Expressway to spur growth in the Cavite, Laguna, Batangas area south of Metro Manila;
- Increasing purchases by the overseas-based Filipino market due to marketing and promotions by various developers; and
- Availability of financing from the Home Development Mutual Fund (Pag-IBIG).

Office Space and Retail Rental

With respect to its office rental properties, Ayala Land competes for tenants primarily based upon the quality and location of the relevant building, the reputation of the building owner, the quality of support services provided by the property manager, and rental and other charges. Under the current environment, lease rates and occupancy levels however are under pressure in the Makati Central Business District where Ayala Land office buildings are located. According to research data provided by Colliers International Philippines, vacancy rate for all grades as of end-December 2009 is estimated at 7.3%, up from end-September 2009's 6.9% level, while average lease rates have gone off by an average of 4% for all office grades during the same comparative periods.

With respect to its retail properties for lease, Ayala Land competes for tenants primarily based upon the ability of the relevant retail center to attract customers, which generally depends on the quality and location of, and mix of tenants in, the relevant retail center and the reputation of the owner and/or operator of the retail center, as well as rental and other charges. The market for shopping centers has become especially competitive and the number of competing properties is expected to grow. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers.

Ayala Land, nonetheless, has maintained healthy occupancy levels and registered favorable lease rates.

Industrial Property Business

The industrial property business is affected by oversupply as well as limited industrial expansion and declining foreign investments. Overall, the industrial property segment is not likely to show significant demand improvement in the medium term.

Ayala Land, through Laguna Technopark, Inc. (LTI), remains the preferred location for locators and has been successfully expanding its offerings at a time when industrial parks in the Calabarzon area have been experiencing the effects of an oversupply of manufacturing and processing facilities. Despite the slow down in export market last year, LTI was able to sell a considerable number of lots when other players in the industry were having difficulties moving their inventory.

Hotel Operations

Although the hotel industry has seen increasing visitor arrivals in the past several years, it is generally subject to the slowdown in business activity due to global financial and local political turmoil and security concerns. Nonetheless, according to the Department of Tourism, the 3.95 million foreign tourists who visited the Philippines from January-August 2009 was a shade higher than the 3.94 million tourists recorded in the same period last year.

Infrastructure, Construction and Property Development

Ayala Land's construction business is exposed to any potential sector-wide slowdown in construction activities.

Notwithstanding stiff competition in the industry, Ayala Land intends to maintain and enhance its position as the leading property developer in the Philippines by continuing its over-all business strategy of developing large-scale, mixed-use integrated communities within growth centers that perpetuate its strong market presence while ensuring a steady revenue growth for the Company. Furthermore, the Company has started to venture into stand-alone opportunities like the TriNoma, The Columns and BPO buildings in various locations within and outside Makati and Bonifacio Global City business districts. Ayala Land further intends to diversify its revenue base by expanding its real estate business into different markets, specifically the economic housing segment, and geographic areas and growth centers across the country where there are significant growth opportunities or where its proposed developments complement its existing real estate business.

2. Ayala Land's leverage creates a number of operating risks and might affect its ability to repay the Bonds

The increase in debt of Ayala Land could have certain adverse consequences. For example, it could:

- reduce Ayala Land's ability to service its existing debt obligations, including the Bonds;
- affect Ayala Land's ability to obtain additional financing for working capital, capital expenditures, debt service and other purposes;
- require Ayala Land to divert a substantial portion of its cash flow from operations to debt service;
- affect Ayala Land's flexibility in reacting to and taking advantage of developments and opportunities in the Philippine economy, the Philippine property development industry and its business; or
- place Ayala Land at a competitive disadvantage to its competitors that have less debt.

As of December 31, 2009, ₱4.0 billion of Ayala Land's consolidated indebtedness of ₱18.8 billion was evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Ayala Land.

Ayala Land's ability to refinance or repay its debt depends on its successful financial and operating performance, which will be affected by a number of factors, many of which are beyond its control. If Ayala Land is unable to refinance its debt, obtain necessary waivers or obtain new financing under these circumstances, Ayala Land would have to consider other various financing options such as sale of assets, procuring additional capital and other options available to Ayala Land under applicable law. Ayala Land might also have to modify, delay or abandon its development and expansion plans. See sections "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Description of Certain Other Debt" of this Prospectus.

3. Ayala Land is subject to certain debt covenants

The Bond Agreements and agreements for certain debts of Ayala Land contain covenants that limit its ability to, among other things:

- incur additional long-term debt to the extent that such additional indebtedness results in a breach of a required debt-to-equity ratio;
- materially change its nature of business;
- merge, consolidate, or dispose of substantially all its assets; and
- encumber, mortgage or pledge some of its assets.

Complying with these covenants may cause Ayala Land to take actions that it otherwise would not take or not take actions that it otherwise would take. Ayala Land's failure to comply with these covenants would cause a default, which, if not waived, could result in the debt becoming immediately due and payable. In this event, Ayala Land may not be able to repay or refinance such debt on terms that are acceptable to Ayala Land or at all. See sections "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Certain Other Debt", and "Description of the Bonds" of this Prospectus.

Ayala Land has historically taken a prudent stance in managing its debt obligations by ensuring that any corporate act, whether or not performed in the ordinary course of business, does not violate any existing debt covenants. In the event that any significant corporate act or business transaction is seen to potentially affect its debt covenants that would lead to accelerating the payment of existing debt, Ayala Land shall endeavor to obtain the necessary waivers in accordance with relevant debt agreements.

4. The occurrence of certain events of default under Ayala Land's other debt could affect Ayala Land's ability to repay the Bonds

A significant portion of the debt of Ayala Land contains terms which allow a lender to accelerate Ayala Land's debt if any event or change in circumstances occurs which, in the sole opinion of such lender, would materially impair Ayala Land's ability to repay its debt. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of the Company's debt. In which case, it may not be able to perform its payment obligations under the Bonds.

Ayala Land has not defaulted in any of its debt obligations while its ₱4.0 billion Bond issue in August 2008 was rated PRS Aaa by PhilRatings. It shall continue its strategy of compliance with its debt obligations by adopting the necessary internal controls in financial management and adopting good corporate governance policies that will ensure that transactions do not violate debt covenants.

5. The Bonds will be effectively subordinated to other debt

The Bonds will be effectively subordinated in right of payment to all secured debt of Ayala Land to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

Under Philippine law, in the event a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt not evidenced by a public instrument. Debt becomes evidenced by a public instrument when it has been acknowledged by the creditor and the debtor before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a *jurat* (a statement by one party of the circumstances in which an affidavit was made) may also be sufficient to make a document a public instrument. Accordingly, it may be possible for debt to become evidenced by a public instrument through the unilateral action of a creditor without the knowledge of the borrower.

As of December 31, 2009, ₱4.0 billion of Ayala Land's consolidated indebtedness of ₱18.8 billion was evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Ayala Land.

Notwithstanding the foregoing, investors are assured of Ayala Land's continuing track record of prudent financial management which has allowed it to be in a net debt-to-equity position of 0.06:1.00 as of December 31, 2009. Thus, in the unlikely event that Ayala Land is dissolved, there will be sufficient assets for disposition that will meet all its debt obligations, whether secured or unsecured.

6. Ayala Land from time to time considers business combination alternatives

Although Ayala Land's loan covenants contain certain restrictions on business combinations, Ayala Land will be able to engage in certain types of combinations. Business combinations involve financial and operational risks and could result in significant changes to Ayala Land's operations, management and financial condition. These changes could adversely affect Ayala Land's ability to fulfill its obligations under the Bonds and reduce the value of the Bonds.

Ayala Land takes into consideration its existing debt obligations and concomitant debt covenants in making any major business investments or acquisitions. Any financial commitments under such business combinations are evaluated in terms of the inflow of revenues of such projects and their ability to service their own financial requirements once fully operational.

7. Successful development of Ayala Land's projects is dependent on various factors

There is no certainty that Ayala Land's current and future projects will be implemented as planned and within the projected timetable. Real estate developments are subject to risks such as delays in obtaining financing and/or finalizing project plans and/or obtaining approvals, increases in construction costs, natural calamities and/or market downturns hereinafter described. Ayala Land's future financial performance may be significantly affected by factors that limit its ability to finance and complete its current and future projects in a timely and cost-effective manner and to market them successfully.

Ayala Land continually looks for growth opportunities in different market segments and geographic areas in order that any negative impact on a particular market segment or geographic area by reason of political, economic or other factors will allow it to pursue its projects or other developments not affected thereby, thus providing it with a steady revenue base.

8. Secondary transfer of the Bonds subject to various market factors

Due to the nature of the Bonds, the Bonds shall not be traded or listed in any organized exchange.

As with other fixed income securities, the Bonds may be sold at prices higher or lower than the initial offering price due to prevailing interest rates, Ayala Land's operations, and the overall market for debt securities, among others. It is possible that a selling Bondholder would receive sales proceeds lower than his initial investment should a Bondholder decide to sell his Bonds prior to maturity.

9. Ayala Land's business is affected by regulation in the Philippines

Ayala Land operates a material part of its businesses in a regulated environment. Ayala Land is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions and the management and disposal of, and exposure to, hazardous materials.

Ayala Land cannot predict what environmental or health and safety legislation or regulations will be amended or enacted in the future; how existing or future laws or regulations will be enforced, administered or interpreted; or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations or to respond to environmental claims.

Ayala Land, through its construction and property management arms, keeps itself abreast of the latest technologies that enable it to implement existing sanitation, environment and safety laws and regulations at cost-efficient means, a strategy which has earned Ayala Land awards from several local and international organizations.

10. Natural catastrophes may affect Ayala Land's businesses adversely

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, volcanic eruptions and earthquakes. The occurrence of such natural catastrophes may materially disrupt and adversely affect the business operations of Ayala Land.

Although there can be no assurance that it will be adequately compensated for all damages and economic losses resulting from natural catastrophes, Ayala Land maintains comprehensive insurance against natural catastrophes to cover its various developments.

11. Government and Economic Factors

The growth and profitability of Ayala Land will be influenced by the general political situation in, and the state of the economy of, the Philippines. Any political or economic instability in the future may have a negative effect on the financial results of Ayala Land and the level of dividends paid and distributions made by Ayala Land's subsidiaries.

Political Considerations

The Philippines has from time to time experienced political and military instability. In February 1986, a peaceful uprising ended the 21-year rule of President Ferdinand Marcos and installed Corazon Aquino as President of the Philippines. Between 1986 and 1989, there were a number of attempted *coups d'etat*, none of which were successful. Political conditions in the Philippines were generally stable during the 1990s following the election of Fidel V. Ramos as President in 1992.

In 2000, Ramos' successor, Joseph Estrada, was subject to allegations of corruption, resulting in impeachment proceedings, mass public protests, withdrawal of support of the military, and Estrada's removal from office. The Vice President, Gloria Macapagal-Arroyo, was sworn in as President on January 20, 2001. In May 2001, violent clashes between government forces and Estrada loyalists occurred when Estrada was imprisoned to face charges of plunder.

On July 23, 2003, a group of more than 200 armed soldiers took over and occupied the Oakwood Premier Ayala Center, a serviced apartment project owned by Makati Property Ventures, Inc., a former subsidiary of Ayala Hotels, Inc., and located at the Ayala Center in Makati City. The group accused the Arroyo administration of corruption and terrorist acts. After hours of negotiations, the group agreed to return to barracks. The soldiers have been demoted following their prosecution in the court martial proceedings.

The Philippines has also been subject to sporadic terrorist attacks in the past five years. The Philippine army has been in conflict with the Abu Sayyaf organization which has been identified as being primarily responsible for kidnapping and terrorist activities in the Philippines. A series of bombings in the southern part of the Philippines also occurred in 2004. On February 14, 2005, three bomb explosions in the Makati financial district in Manila, Davao City and General Santos City resulted in the deaths of eight persons and injuries to more than 100 people.

On May 10, 2004, national presidential elections were held and, on June 24, 2004, pursuant to the Constitution, a joint session of Congress declared Gloria Macapagal-Arroyo as President-elect. President Arroyo began her six-year term on June 30, 2004. Certain opposition candidates including defeated presidential candidate Fernando Poe, Jr. questioned the election results, alleging massive fraud and disenfranchisement of voters. On July 23, 2004, Mr. Poe petitioned the Philippine Supreme Court, acting as the Presidential Electoral Tribunal, to order a recount of votes cast in more than 118,000 precincts nationwide. The petition was eventually dismissed following the death of Mr. Poe on December 14, 2004.

In 2005, the country again experienced political tension following President Arroyo's admission that she called a high ranking official of the Commission on Elections during the May 2004 election campaign. This was followed by the resignation of the Administration's key Cabinet officials as well as the filing of three impeachment complaints alleging that President Arroyo rigged the 2004 elections, none of which prospered.

An impeachment complaint was filed on October 5, 2007 against President Arroyo in connection with bribery allegations involving a government contract awarded to a Chinese telecommunications company. Thus far, no substantial evidence has been found directly linking President Arroyo to the alleged bribery.

On November 29, 2007, a Philippine Senator and former lieutenant, Antonio Trillanes IV, led a group of military officers in walking out of a trial for the occupation of the Oakwood Premier Ayala Center and seizing a hotel in Makati to demand President Arroyo's resignation. The group peacefully surrendered after a 6-hour standoff with government forces.

The upcoming presidential elections in May this year may make the political situation volatile and unstable. Already, election-related tensions and violence are on the rise. In November 2009, an allegedly politically-related massacre in Maguindanao province resulted in the deaths of over 57 individuals, including the family members of a political aspirant, journalists and civilians. The horrific incident led to the complete overhaul of police and army personnel, the suspension of U.S. development projects, and the imposition of martial law in the area, which imposition has been subsequently lifted.

Furthermore, there is no assurance that the future administrations will adopt economic policies conducive to sustaining economic growth. Any future economic, political or social instability in the Philippines could adversely affect Ayala Land's business, financial condition or results of operations.

Economic Considerations

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency, imposition of exchange controls, debt restructuring and electricity shortages and blackouts.

The regional Asian financial crisis in 1997 resulted in, among others, the depreciation of the Philippine peso, higher interest rates, slower growth and a reduction in the country's credit ratings. Since the Asian financial crisis, the country experienced a ballooning budget deficit, volatile exchange rates and a relatively weak banking sector.

The government instituted several reform measures in the fiscal and banking sectors, among others, that strengthened the country's economic fundamentals. As such, real gross domestic product (GDP) rose by 4.6% in 2008, versus a 7.3% growth registered in 2007, the fastest in three decades, due to the robust performance of the industrial and services sectors. While the Philippine economy performed well in 2008, macroeconomic conditions significantly changed in 2009 as GDP growth slowed to 0.99% with the onset of the financial crisis and global economic downturn. Should economic conditions of the Philippines deteriorate, such deterioration could affect Ayala Land's financial condition and results of operations.

To mitigate the abovementioned risks, Ayala Land shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing business, economic, and political environments taking into consideration the interests of its customers, stakeholders and creditors.

RISKS RELATING TO THE BONDS

Liquidity Risk

Due to the nature of the bonds, the bonds shall not be traded or listed in any organized exchange.

Preference

The Bonds are unsecured and will rank *pari passu* and ratably without any preference or priority amongst themselves and at lease *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds by Eligible Bondholders, i.e.*, individuals and corporations that are residents of the Philippines. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus.*

The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident foreign individual" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines.

TAXATION OF INTEREST

The National Internal Revenue Code of 1997, as amended, provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident foreign individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20%. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of ₱1.00 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

Ordinary asset – The gain is included in the computation of taxable income, which is subject to the following graduated tax rates (if the Bondholder is Philippine citizen or resident foreign individual) or to a 30% rate (if the Bondholder is a domestic corporation or resident foreign corporation):

Not over ₱ 10,000*	5%
Over ₱10,000 but not over ₱30,000	₱500 + 10% of the excess over ₱10,000
Over ₱30,000 but not over ₱70,000	₱2,500 + 15% of the excess over ₱30,000
Over ₱70,000 but not over ₱140,000	₱8,500 + 20% of the excess over ₱70,000
Over ₱140,000 but not over ₱250,000	₱22,500 + 25% of the excess over ₱140,000
Over ₱250,000 but not over ₱500,000	₱50,000 + 30% of the excess over ₱250,000
Over ₱500,000	₱125,000 + 32% of the excess over ₱500,000

*Other than minimum wage earners, who are exempt from paying income tax

Capital asset – Gains shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bond for a period of more than 12 months prior to the sale, only 50% of gain will be recognized and included in the computation of taxable income. If the Bond was held by an individual for a period of 12 months or less, 100% of gain is included.

Estate and Donor's Tax

The transfer of the Bonds by a deceased person to his heirs shall be subject to estate tax, which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000.

A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000, and where the donee or beneficiary is other than a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor and lineal descendant or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

USE OF PROCEEDS

This Offer is primarily targeted to benefit the low to middle-income market segment. Ayala Land's objective is to encourage this segment to save sufficient funds to enable them to own real estate property in the future.

To make the Bonds more affordable to the target market, the Bonds shall be issued in series and the different series of the Bonds shall be issued against monthly payments by the Bondholders over a period of 36 months.

Ayala Land expects that the initial net proceeds of the Offer will only amount to approximately Six Million Five Hundred Thousand Pesos (₱6,500,000) or Seventeen Million Four Hundred Thousand Pesos (₱17,400,000), should the Issue Manager and Underwriter exercise in full its Oversubscription Option, after initial fees and expenses. Thereafter, Ayala Land expects to receive approximately Thirteen Million Five Hundred Thousand Pesos (₱13,500,000) a month or Twenty-Seven Million Three Hundred Thousand Pesos (₱27,300,000) a month, should the Issue Manager and Underwriter exercise in full its Oversubscription Option, after fees and expenses, over the next 35 months. Given the amount of the proceeds expected to be received by the Issuer on a monthly basis, such proceeds are not projected to pay for any specific transaction but shall be used for general corporate purposes.

Net proceeds from the Offer is estimated as follows:

		Total
Estimated proceeds from the sale of the Bonds		₱504,000,000
Less: Estimated expenses		
SEC Registration		
SEC Registration Fee	814,500	
SEC Legal Research Fee	8,145	
Underwriting and Other Professional Fees		
Issue Management & Underwriting Fee	9,328,795	
Legal Fee – Underwriter	448,000	
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	5,111,200	
Trustee Fees	720,000	
Custody and Registry Fees	2,980,000	
Collecting and Paying Agent Fees	1,840,000	
Documentary Stamp Tax	2,254,000	
		23,504,640
Estimated net proceeds to Ayala Land, Inc.		₱480,495,360

Net proceeds from the Offer, should the Issuer exercise in full its Oversubscription Option, is estimated as follows:

		Total
Estimated proceeds from the sale of the Bonds		₱1,008,000,000
Less: Estimated expenses		
SEC Registration		
SEC Registration Fee	814,500	
SEC Legal Research Fee	8,145	
Underwriting and Other Professional Fees		
Issue Management & Underwriting Fee	18,657,590	
Legal Fee – Underwriter	448,000	
Marketing/Printing/Photocopying Costs and other out-of-pocket expenses	5,111,200	
Trustee Fees	720,000	
Custody and Registry Fees	2,980,000	
Collecting and Paying Agent Fees	1,840,000	
Documentary Stamp Tax	4,508,000	
		35,087,435
Estimated net proceeds to Ayala Land, Inc.		₱972,912,565

As Issue Manager and Underwriter, BPI Capital will receive up to 1.875% of the aggregate issue amount. Such amount shall be inclusive of underwriting and selling fees.

All other expenses incurred in connection with the issuance of the Bonds, including documentary stamp tax, fees of the Trustee, Custodian and Registrar, Collecting and Paying Agent and Underwriter's Legal Counsel will be for the account of the Issuer.

In the event of any deviation / adjustment in the planned use of proceeds, the Company shall inform the SEC and the stockholders of the same within thirty (30) days prior to its implementation.

DETERMINATION OF OFFERING PRICE

Each Series of the Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

This Offer is primarily targeted to benefit the low to middle-income market segment, particularly those who avail of traditional bank products such as savings account or time deposit. For an initial ₱5,000 investment, an investor could earn 0.500-1.375% gross, if placed in a savings account, and 2.0-2.5% gross, if placed under time deposit. Investors may also invest in trust products with returns ranging from 3.0-8.0%, subject to a minimum initial investment of ₱100,000.

The 5.0% interest rate gives prospective investors a chance to earn (i) a yield significantly higher than those paid by traditional savings and time deposit accounts, and (ii) a comparable yield on trust products, which require a substantially higher minimum amount of investment. Further, should the Bondholder elect to apply entitlements for principal and interest under the Bonds as partial or full payment for an Ayala Land Property, the yield will increase given the entitlement to a Bonus Credit.

PLAN OF DISTRIBUTION

BPI Capital Corporation ("BPI Capital" or the "Issue Manager" and/or "Underwriter", as the context may require), pursuant to an Issue Management and Underwriting Agreement entered into with the Issuer (the "Issue Management and Underwriting Agreement), has agreed to act as issue manager for the Offer and as such, distribute, sell and underwrite the entire ₽504,000,000 Bond issue, or up to ₽1,008,000,000 should the Issue Manager and Underwriter exercise in full its Oversubscription Option, on a best efforts basis, subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

BPI Capital is duly licensed by the SEC to engage in underwriting or distribution of the Bonds. BPI Capital may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Issuer or other members of the Ayala Group of which both the Issuer and Issue Manager form part. BPI Capital is a wholly-owned subsidiary of the Bank of the Philippine Islands (BPI). Ayala Land and BPI are affiliated companies, each having Ayala Corporation as a major shareholder.

As Issue Manager and Underwriter, BPI Capital will receive up to 1.875% of the aggregate issue amount. Such amount shall be inclusive of underwriting and selling fees. The Issuer shall enter into separate agreements with the Trustee, Registrar and Custodian, and the Collecting and Paying Agent, which will set out their respective fees for this Bond issuance.

The Underwriter shall return to the Issuer any unsubscribed Bonds. The Underwriter does not have the responsibility to take up any Bonds from terminated subscriptions as described under "Description of the Bonds". The Issue Management and Underwriting Agreement may be terminated in certain circumstances prior to payment being made to the Issuer of the net proceeds of the Bonds.

BPI Capital has no arrangement with Ayala Land whereby BPI Capital has the right to designate or nominate a member or members of Ayala Land's board of directors.

Sale and Distribution

The distribution and sale of the Bonds shall be undertaken by the Issue Manager and Underwriter who shall sell and distribute the Bonds to qualified third party buyers/investors. Nothing herein shall limit the rights of the Issue Manager and Underwriter from purchasing the Bonds for its own account.

Offer Period

To start within two days from the date of the SEC Permit and end at 3:00 pm on April 6, 2010 or such other date as may be agreed by the Issuer and the Issue Manager and Underwriter.

Application to Purchase

Investors may purchase the Bonds during the Offer Period by submitting to the Issue Manager and Underwriter properly completed Applications to Purchase, together with the other documents listed in Clause 1(c) in the section "Description of the Bonds" of this Prospectus.

Completed Applications to Purchase and corresponding payments must reach the Issue

Manager and Underwriter prior to the end of the Offer Period, or such earlier date as may be specified by the Issue Manager and Underwriter. Acceptance by the Issue Manager and Underwriter of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by the Issuer. In the event that payment of the subscription is not made two Business Days prior to Initial Issue Date, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

Purchase Limits

Each Eligible Bondholder shall be required to subscribe to each Series of the Bonds at a minimum of ₱5,000 per Series, or equal to a minimum aggregate amount of ₱180,000 over three (3) years. Subscriptions in excess of the minimum shall be in increments of ₱5,000 per Series, or ₱180,000 over three (3) years. Subject to the availability of the Bonds, subscriptions to up to ₱100,000 per Series, or ₱3,600,000 over three (3) years, shall be immediately awarded. For subscriptions in excess of ₱100,000 per Series, the excess over ₱100,000 will be queued and awarded fully or partially (in case of oversubscriptions), after the subscriptions not exceeding ₱100,000 have been awarded, also subject to the availability of the Bonds. The excess over ₱100,000 shall be queued and awarded based on the (a) date and time of submission of the Applications to Purchase and documentary requirements to the Issue Manager, and (b) original subscription amount as indicated in the Applications to Purchase.

Allotment of the Bonds

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, subject to the Issuer's right of rejection.

Refunds

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the Underwriter by way of credit of the applicant's BPI or BPI Family Savings Bank account, as may be applicable.

Sale and Distribution by the Underwriter

The distribution and sale of the Bonds shall be undertaken by the Underwriter who shall sell and distribute the Bonds to Eligible Bondholders.

Manner of Distribution

The Issuer shall, in its sole discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Bonds shall be solicited. However, notwithstanding the method of origination selected by the Issuer, the sale of Bonds by the Issuer shall be effected only through the Underwriter.

Unclaimed Payments

Any payment for principal and, if applicable, interest, net of the applicable withholding tax, which cannot be credited to the Designated Account due to dormancy, which Designated Account could not be made active due to the unavailability of the Bondholder, shall be held in trust by the Paying Agent for such Bondholder at the Bondholder's sole risk.

Purchase and Cancellation

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract at any price without any obligation to make pro-rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Secondary Market

The Bonds shall not be traded or listed on any organized exchange.

Term of Appointment

The engagement of the Issue Manager shall subsist so long as the SEC Permit remains valid, unless otherwise terminated by the Issuer and Issue Manager.

Register of Bondholders

The Bonds shall be issued in scripless form. A Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee on behalf of the Bondholders. Legal title to the Bonds shall be shown in the Register of Bondholders to be maintained by the Registrar.

DESCRIPTION OF THE BONDS

The following is a description of certain terms and conditions of the Bonds. This description of the terms and conditions of the Bonds set forth herein does not purport to be complete and is qualified in its entirety by reference to the agreements relating to the Bonds, copies of which are available for inspection at the offices of the Trustee. The terms and conditions set out in this section will, subject to amendment, be set out in the Trust Agreement between the Issuer and the Trustee.

General

The issue, in the aggregate principal amount of ₱504,000,000, with an Oversubscription Option of up to ₱504,000,000, was authorized by a resolution of the Board of Directors of Ayala Land passed on February 26, 2010. The Bonds shall be issued monthly in a Series for thirty-six (36) months commencing on April 16, 2010 or such other date as may be agreed by the Issuer and the Issue Manager and Underwriter, and on the corresponding day of each succeeding month thereafter.

Each Series shall have a maximum aggregate principal amount of up to ₱14,000,000 or, should the Issue Manager and Underwriter exercise in full its Oversubscription Option, up to ₱28,000,000. The Bonds will have a fixed coupon rate of five percent (5.0%) per annum. Interest shall not be compounded and shall be paid on Maturity Date or on the date of effectivity of the Early Payment Application, as may be applicable, less the amount of any applicable withholding taxes. Each Series held by each Bondholder shall mature, and the sum of principal amount thereof and interest thereon, net of applicable withholding taxes, shall be due and payable to the Bondholder, on Maturity Date in accordance with subsection 5 hereof.

The Bonds will be denominated in principal amounts of ₱5,000 and integral multiples thereof. Each Eligible Bondholder shall be required to subscribe to each Series of the Bonds at a minimum of ₱5,000 per Series, or equal to a minimum aggregate amount of ₱180,000 over three (3) years. Subscriptions in excess of the minimum shall be in increments of ₱5,000 per Series, or ₱180,000 over three (3) years. Subject to the availability of the Bonds, subscriptions to up to ₱100,000 per Series, or ₱3,600,000 over three (3) years, shall be immediately awarded. For subscriptions in excess of ₱100,000 per Series, the excess over ₱100,000 will be queued and awarded fully or partially (in case of oversubscriptions), after the subscriptions not exceeding ₱100,000 have been awarded, also subject to the availability of the Bonds. The excess over ₱100,000 shall be queued and awarded based on the (a) date and time of submission of the Applications to Purchase and documentary requirements to the Issue Manager, and (b) original subscription amount as indicated in the Applications to Purchase.

The issuance of the Bonds shall be made pursuant to and under the terms and conditions of the Trust Agreement dated February 26, 2010 executed between the Issuer and the Bank of the Philippine Islands – Asset Management and Trust Group as Trustee. The statements of the terms and conditions of the Bonds set out herein do not purport to be complete and may be qualified by, and are subject to, the detailed provisions of the Trust Agreement and the other Bond Agreements.

A Collecting and Paying Agency Agreement shall be entered into in relation to the Bonds between the Issuer and the Collecting and Paying Agent. The Issuer and the Trustee will execute a Custodianship and Registry Agreement with the Custodian and Registrar.

Copies of the Bond Agreements are available for inspection during regular business hours at the specified offices of the Trustee. The Bondholders are entitled to the benefits of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and the other Bond Agreements applicable to them.

1. Eligible Bondholders and Minimum Purchase

(a) Eligible Bondholders

Only Filipino citizens, resident alien individuals, domestic corporations and resident foreign corporations are entitled to purchase the Bonds; foreign individuals and corporations shall be required to submit their respective alien certificates of registration or license to do business in the Philippines (as the case may be) as proof of residence in the Philippines.

(b) Minimum Purchase

Each Eligible Bondholder shall be required to subscribe to each Series of the Bonds at a minimum of ₽5,000 per Series, or equal to a minimum aggregate amount of ₽180,000 over three (3) years. Subscriptions in excess of the minimum shall be in increments of ₽5,000 per Series, or ₽180,000 over three (3) years. Subject to the availability of the Bonds, subscriptions to up to ₽100,000 per Series, or ₽3,600,000 over three (3) years, shall be immediately awarded. For subscriptions in excess of ₽100,000 per Series, the excess over ₽100,000 will be queued and awarded fully or partially (in case of oversubscriptions), after the subscriptions not exceeding ₽100,000 have been awarded, also subject to the availability of the Bonds. The excess over ₽100,000 shall be queued and awarded based on the (a) date and time of submission of the Applications to Purchase and documentary requirements to the Issue Manager, and (b) original subscription amount as indicated in the Applications to Purchase. Each subscription shall be paid monthly on each Issue Date.

(c) Documentary Requirements

Each Eligible Bondholder shall submit the following documents to the Underwriter:

A. Documents to be provided by Individuals

General Requirements

(1) Duly completed and executed Application to Purchase*;

(2) Securities Account Agreement;

(3) Specimen signature card*;

(4) Client Suitability Test;

(5) Customer Information Sheet;

*For existing BPI Capital Clients, the Eligible Bondholder needs to submit only items 1 and 3 above.

Personal Identification Documents

(6) Photocopy of at least one valid and subsisting identification card issued by an official authority:

i. (a) passport; (b) driver's license; (c) Social Security System identification card; (d) Government Service and Insurance System (GSIS) e-Card; e) Professional Regulatory Commission identification card; (e) Company IDs issued by private entities or institutions registered with or supervised or regulated by BSP, SEC or Insurance Commission (IC); and

ii. In the case of foreign individual Bondholders, Alien Certificate of Registration.

B. Documents to be provided by Corporations

General Requirements

(1) Duly completed and executed Application to Purchase*;

(2) Securities Account Agreement;

(3) Specimen signature card*;

(4) Client Suitability Test;

(5) Customer Information Sheet;

(6) Photocopy of a valid ID of the authorized signatories of the corporation;

*For existing BPI Capital Clients, the Eligible Bondholder needs to submit only items 1 and 3 above.

Corporate Identification Documents and Authorizations

(7) Certified true copy of the articles of incorporation and by-laws or equivalent charter or constitutive documents of the Bondholder with the Certificate of Registration and latest Certificate of Amendment of Articles of Incorporation and By-Laws issued by Securities and Exchange Commission (if any);

(8) For resident foreign corporations, certificate of registration or branch license of the Bondholder issued by the Philippine Securities and Exchange Commission; and

(9) Original notarized certificate issued by the corporate secretary or other authorized officer of the Bondholder (a) attesting to the Bondholder's authority to acquire the Bonds (whether by original subscription, assignment or donation), and to execute, sign and deliver any and all

documents, and perform any and all acts, in relation to the Bonds, and (b) certifying the names, titles, signing procedures and specimen signatures of its authorized signatories for such Bondholder.

C. Documents to be provided by Tax-Exempt Bondholders*

(1) Original or certified true copy of the letter, ruling or opinion issued by the Bureau of Internal Revenue, confirming the tax exempt status of the Bondholder issued not more than one (1) year from the date of submission of the same, specifying the Eligible Bondholder's exemption from taxation of interest income from fixed income securities;

(2) Letter of the Bondholder addressed to the Issuer and the Registrar instructing the Issuer and the Registrar not to make any withholding on said Bondholder's interest income; and

(3) Indemnity undertaking in which the Bondholder claiming the tax-exemption shall undertake to indemnify the Issuer for any tax or other charges that may later on be assessed against the Issuer by the Bureau of Internal Revenue on account of the non-withholding of tax on the Bonds held by the Bondholder.

2. Form, Denomination and Title

(a) Form and Denomination

Each Series of the Bonds will be represented by a certificate of indebtedness to be issued and registered in the name of the Trustee for the benefit of the Bondholders in an amount equivalent to the aggregate principal amount of such Series. Not later than 11:00 a.m. of the relevant Issue Date, the Issuer shall deliver to the Trustee for the authentication by the latter the duly executed certificate of indebtedness for the relevant Series of the Bonds. The Trustee shall thereupon deliver to the Custodian, for the latter's custody and on behalf of the Bondholders, each duly executed and authenticated certificate of indebtedness.

(b) Title

The beneficial interest of each Bondholder in and to the Bonds or Series thereof will be shown on and recorded in the Register of Bondholders maintained by the Registrar. The Registrar shall issue a Registry Confirmation in respect of each Series of the Bonds to each Bondholder whose beneficial interests in such Series of the Bonds are recorded in the Register of Bondholders. A Registry Confirmation shall be deemed cancelled upon the registration of a transfer of the Bonds or in the event of a Forced Termination.

(c) Transfer

Non-trade related transfer of interests in the Bonds may be done over-the-counter through the Registrar, such that any transfer of a beneficial interest in the Bonds will be effective only upon the registration and recording by the Registrar of such assignment or transfer in the Register of Bondholders. The Bonds shall not be traded or listed on any exchange.

Upon receipt by the Registrar of a Transfer File from the Collecting and Paying Agent, the Registrar shall register the transfer in the Register of Bondholders. Transfers shall be made in accordance with Clause 11 hereof.

3. Terms of Payment

The Bondholder shall be required to effect payment of its subscription to the first Series not later than two (2) Business Days prior to the Initial Issue Date, and to each Series thereafter on the relevant Issue Date for such Series.

To facilitate collection, payment by a Bondholder for the principal amount of the Bondholder's subscription for each Series shall be collected from the Bondholder using the Collecting and Paying Agent's Expresslink Automatic Debit Arrangement Facility. (As used in this Clause 3, the Collecting and Paying Agent is also referred to as "BPI"). In the event the Bondholder is not a BPI, BPI Family Savings Bank, or BPI Direct Savings Bank accountholder, such Bondholder shall be required to open an account with either of these banks together with the submission of the Application to Purchase. As a BPI, BPI Family Savings Bank, or BPI Direct Savings Bank accountholder, the Bondholder will also be required to comply with the required minimum daily balance requirement prescribed by BPI, BPI Family Savings Bank, or BPI Direct Savings Bank depending on the type of account opened. The Application to Purchase shall also incorporate an Automatic Debit Authority / Instruction to Debit Authority authorizing the Collecting Agent to debit / cause the debit of the Bondholder's Designated Account for the Bondholder's payment for each Series of the Bonds to be issued. Upon acceptance by the Underwriter of the Application to Purchase, the Designated Account shall be debited / caused to be debited by the Collecting Agent for the payment of the first Series of the Bonds. Thereafter, the Designated Account shall be debited every Payment Date.

In the event that the Collecting Agent is unable to debit / cause the debit of the Bondholder's Designated Account by reason of closure of the Designated Account or insufficiency of clear, withdrawable and freely available funds for payment of the Bondholder's subscription to the first Series on the Payment Date, the Bondholder's subscription shall be cancelled and deemed withdrawn, subject to Clause 7 hereof.

In the event that the Collecting Agent is unable to debit the Bondholder's Designated Account by reason of insufficiency of clear, withdrawable and freely available funds for payment of the Bondholder's subscription to the Series (other than the first Series) on the relevant Payment Date thereof, the Bondholder shall be entitled to effect payment, by way of auto-debit arrangement, but subject to the payment of the Penalty Interest thereon, within the First Grace Period. For this purpose, the Collecting Agent shall be authorized to debit from the Bondholder's Designated Account on each day of the First Grace Period the amount representing the principal amount of the Bondholder's subscription for such Series plus Penalty Interest. Further, in the event that the Collecting Agent is unable to debit the Bondholder's Designated Account by reason of insufficiency of clear, withdrawable and freely available funds for payment of the Bondholder's subscription to any Series (other than the first Series) on the last day of the First Grace Period, the Bondholder shall be entitled to effect an over-the-counter payment of its subscription plus Penalty Interest thereon (which shall accrue daily from the relevant Issue Date up to the date of such over-the-counter payment) through any of the Collecting Agent's branches in the Philippines, within the Second Grace Period.

In the event that the Collecting Agent is unable to receive payment from the Bondholder either on the Payment Date and within the Grace Periods, the amount corresponding to the Bondholder's subscription to any Series on the relevant Payment Date thereof, plus Penalty Interest thereon as applicable, the holding of the Bonds by, and the resignation of the Bonds in the name of, the Bondholder shall be deemed terminated pursuant to Clause 7 and its subscription rights shall be deemed cancelled without need for any further act or notice.

4. Interest

Each Series of the Bonds shall bear interest on its principal amount from and including the Issue Date thereof, at a fixed rate of five percent (5.0%) per annum. Interest shall be computed on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days. Interest will not be compounded and shall be payable on Maturity Date or on the date of effectivity of the early payment application, as may be applicable, less the amount of any applicable withholding taxes.

The Bonds will cease to bear interest from and including the Maturity Date, unless: (a) payment of principal and interest then outstanding, as defined in Clause 5, net of applicable withholding taxes, is not made or is improperly withheld or refused, in which case Clause 16 below will apply; or (b) Bondholders prefer payout Option 1 as defined in Clause 5 below.

5. Manner of Payment of Bond Principal and Accrued Interest

Unless otherwise terminated earlier, the principal amount of the Bonds held by a Bondholder and accrued interest thereon, net of applicable withholding taxes, shall be paid on Maturity Date either, at the option of the Bondholder, (a) by application to the full or partial payment for the purchase by the Bondholder of an Ayala Land Property (as defined below) of the Bondholder's choice, or (b) by way delivery of the lump sum amount to the Bondholder, as follows:

<u>Option 1:</u> The Bondholder may opt to apply the sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes, to the full or partial payment (to the extent of such sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes) of a subdivision lot, house and lot or condominium unit listed below (an "Ayala Land Property") of the Bondholder's choice in any subdivision or condominium project of the Issuer or any corporation directly or indirectly controlled by the Issuer or its Affiliates, including, but not limited to, the following, subject in any case to availability at the time of payment application:

PROJECT	LOCATION	PRICE RANGE AS OF February 23, 2010 (m to mean P'000'000 and k to mean P'000)	20% DP
Avida Towers Sucat	Parañaque City	₱1.2m to ₱3.2m	₱240k to ₱640k
Avida Towers New Manila	Quezon City	₱1.4m to ₱3.9m	₱280k to ₱780k
Avida Towers San Lazaro	San Lazaro	₱1.4m to ₱4.7m	₱280k to ₱940k
Avida Towers Makati West	Makati City	₱3.5m to ₱4.1m	₱700k to ₱820k
Avida Towers San Lorenzo	Makati City	₱1.8m to ₱5.5m	₱360k to ₱1.1m
Avida Village Sta Cecilia (Lots)	Cavite City	₱800k to ₱1.5m	₱160k to ₱300k
Avida Village Sta. Cecilia (House & Lots)	Cavite City	₱1.5m to ₱2.1m	₱300k to ₱420k
Avida Residences Dasmarinas (Lots)	Cavite City	₱850k to ₱1.9m	₱170k to ₱380k
Avida Residences Dasmarinas (House & Lots)	Cavite City	₱2.1m to ₱3m	₱420k to ₱600k
Avida Settings Cavite (Lots)	Cavite City	₱1.5m to ₱2m	₱300k to ₱400k
Avida Settings Cavite (House &Lots)	Cavite City	₱3m to ₱4.5m	₱600k to ₱900k
Avida Settings Nuvali (Lots)	Canlubang, Laguna	₱1.2m to ₱2.5m	₱240k to ₱500k
Avida Settings Nuvali (House & Lots)	Canlubang, Laguna	₱2.4m to ₱3.9m	₱480k to ₱780k
Santarosa Estates (Lots)	Santa Rosa, Laguna	₱4m to ₱6m	₱800k to ₱1.2m
Hacienda Sta. Monica (Farm Lots)	Lipa, Batangas	₱4m to ₱10m	₱800k to ₱2m
Hacienda Sta. Monica (Farm House)	Lipa, Batangas	₱3m to ₱ 5m	₱600k to ₱1m
Avida Residences Sta Monica (Lots)	Lipa, Batangas	₱800k to ₱1.5m	₱160k to ₱300k
Avida Residences the Yards (Lots)	Lipa, Batangas	₱1.5m to ₱2m	₱300k to ₱400k
San Antonio Heights (Lots)	Sto .Tomas, Batangas	₱500k to ₱1.3m	₱100k to ₱260k
San Antonio Heights (House & Lots)	Sto .Tomas, Batangas	₱800k to ₱3m	₱160k to ₱600k
San Rafael Estates (Lots)	Sto. Tomas, Batangas	₱1.5m to ₱2m	₱300k to ₱400k
St. Gabriel Heights (Lots)	Antipolo City	₱1m to ₱2m	₱200k to ₱400k
St. Gabriel Heights (House & Lots)	Antipolo City	₱2m	₱400k
St. Alexandra Estates (Lots)	Antipolo City	₱3.5m to ₱6m	₱700k to ₱1.2m
Avida Settings San Fernando (Lots)	Pampanga	₱1.1m to ₱1.9m	₱220k to ₱380k
Avida Settings San Fernando (House & Lots)	Pampanga	₱3.9m to ₱4.5m	₱780k to ₱900k
Celadon Park Tower 2 Manila	San Lazaro, Manila	₱2.5m to ₱8m	₱500k to ₱1.6m
The Meranti at Two Serendra	Fort Bonifacio	₱4.4m to ₱12m	₱880k to ₱2.4m
Ametta Place	Pasig City	₱7.5m to ₱10m	₱1.5m to ₱2m
Verdana Homes Mamplasan (Lots)	Biñan, Laguna	₱2.2m to ₱4m	₱440k to ₱800k
Park Terraces	Makati City	₱6.3m to ₱45m	₱1.26m to P9m
Santierra	Nuvali, Canlubang	₱7.2m to ₱16m	₱1.44m to ₱3.2m
East Tower at One Serendra	Fort Bonifacio	₱9.2m to ₱54m	₱1.8m to ₱10.8m
Ayala Westgrove Heights	Silang, Cavite	₱4.7m to ₱9.8m	₱940k to ₱1.96m
Ayala Greenfield Estates	Calamba, Laguna	₱4.5m to ₱9m	₱900k to ₱1.8m
Montecito	Nuvali, Canlubang	₱9m to ₱30m	₱1.8m to ₱6m
Anvaya Cove	Morong, Bataan	₱5m to ₱19m	₱1m to ₱3.8m

The sum of the principal amount of the Bonds held by the Bondholder and accrued interest thereon, but net of the applicable withholding tax, shall be applied to the full or partial payment of the purchase price of the Bondholder's selected Ayala Land Property. If such sum can only be applied to the partial payment of an Ayala Land Property, the Bondholder can only avail of Option 1 if such Bondholder is able to fully pay, or obtain firm bank or in-house financing on terms acceptable to the Issuer, based on the independent credit evaluation of the party or third party providing the financing, for the portion of the purchase price of the Ayala Land Property not covered by the aforesaid sum at the time of the payment application.

Under this Option 1, the Bondholder would be entitled to a Bonus Credit, in addition to the five percent (5.0%) interest on the Bonds.

The Bonus Credit may not be availed of in conjunction with other Ayala Group employee discounts, as may be applicable.

The Bondholder shall be given sixty (60) days from Maturity Date to select an Ayala Land Property to which to apply the total value of the Bond. Interest (at the same rate of five percent (5.0%) per annum) shall accrue on the principal amount of the Bonds during such 60-day period. In the event no Ayala Land property is selected on or before the end of the sixtieth (60^{th}) day from Maturity Date, the total principal plus interest earned until the sixtieth (60^{th}) day after Maturity Date, net of applicable withholding taxes, shall be credited back to the Bondholder's Designated Account on (and no earlier than) the Final Settlement Date. A Bondholder may not, for the duration of the sixty (60)-day period, redeem any amount on any date except on Final Settlement Date.

Option 2: The Bondholder may opt to have the principal plus accrued interest, net of applicable withholding taxes, remitted to the Bondholder's Designated Account on Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment or any interest, on the succeeding Business Day if the Maturity Date is not a Business Day.

The Registrar shall, not later than ninety (90) days prior to Maturity Date, send to all Bondholders a letter together with reply forms requesting the Bondholders to express their preferred payout option. In the event no reply is received from the Bondholder by the Trustee on or before the last Issue Date, the Bondholder shall be deemed to have chosen Option 1.

The Bondholder shall be assisted by, and coordinate with, the Underwriter in the settlement of all matters relating to both Options after Maturity Date.

6. Early Payment Application

At any time prior to Maturity Date, the Bondholder shall have the right to apply the sum of the aggregate principal amount of the Bonds held by it, plus accrued interest thereon, but net of applicable withholding tax, as full or partial payment for the purchase of any Ayala Land Property of the Bondholder's choice including, but not limited to, those listed in Clause 5 above, such application of payment to be made to the extent of such sum. In such an event, the Bonds registered in such Bondholder's name as well as the subscriptions by such Bondholder to any and each Series of the Bonds that have been issued shall be deemed terminated and cancelled on the date specified by the Bondholder in the application to be submitted to the Issuer. However, the Bondholder can avail of this early payment application only if (a) such Bondholder is able to fully pay, or obtain firm bank or in-house financing, subject to the independent credit evaluation of the party or third party providing the financing and on terms acceptable to the Issuer, for the portion of the purchase price of the Ayala Land Property not covered by the aforesaid sum at the time of payment application; and (b) the Ayala Land Property of the Bondholder's choice is available on the effectivity of the Early Payment Application.

Should the Bondholder exercise its option under this Clause, the Bondholder would be entitled to a Bonus Credit, in addition to the 5.0% interest on the Bonds. The Bonus Credit may not be availed of in conjunction with other Ayala Group employee discounts, as may be applicable.

7. Forced Termination

In the event that the Collecting Agent fails to receive payment of the amount corresponding to a Bondholder's subscription to any Series, plus Penalty Interest thereon as applicable, on the relevant Payment Date thereof or within the applicable Grace Periods, the holding of all the Bonds held by, and registration of the Bonds in the name of, the Bondholder shall be deemed automatically terminated and the subscriptions of the Bondholder to all the unissued Series of Bonds shall be deemed automatically cancelled. In such case, the Bondholder shall be entitled to receive from the Issuer, and the Issuer shall pay the Bondholder, through the Paying Agent, the principal amount of the Bonds held by such Bondholder. The five percent (5.0%) fixed interest on the principal amount of the Bonds shall be forfeited as penalty. Payment shall be delivered by the Paying Agent to the Bondholder by way of credit of payment to the Bondholder's Designated Account on the immediately succeeding Issue Date. This period may be extended should the Issuer or Paying Agent be unable to pay the principal amount of the Bonds held by the Bondholder for causes not attributable to the Issuer or Paying Agent, as the case may be.

The death or cessation of the corporate existence of a Bondholder shall be treated in the same manner as a Forced Termination.

If the termination results from the death of the Bondholder, the accrued interest on the principal amount of the Bonds shall be paid to the estate of the deceased Bondholder, provided that a claim for such interest is made through the Trustee.

In case of termination at the instance of the Bondholder (by giving written notice of termination to the Underwriter at its principal office at the 8th Floor, BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City, Philippines at least five (5) Business Days prior to the next Issue Date), the holding of the Bonds by, and registration of the Bonds in the name of, the Bondholder shall be deemed automatically terminated and the subscriptions of the Bondholder to all the unissued Series of Bonds shall be deemed automatically cancelled; the Bondholder's Designated Account shall no longer be debited for the payment of the amount corresponding to the Bondholder's subscription to the Series beginning on the Payment Date immediately following the termination of the Bonds. The principal amount of the Bonds shall be paid by the Issuer to the Bondholder, through the Paying Agent, by way of credit of payment to the Bondholder's Designated

Account on the second (2nd) Issue Date following the Payment Date on which the Bonds held by the Bondholder were terminated. This period may be extended should the Issuer or Paying Agent be unable to pay the principal amount of the Bonds held by the Bondholder for causes not attributable to the Issuer or Paying Agent, as the case may be. The five percent (5.0%) fixed interest on the principal amount of the Bonds shall be forfeited as penalty.

In the event of a forced termination, BPI Capital Corporation as Underwriter may, from the end of the Grace Periods up to four (4) Business Days immediately preceding the relevant Subsequent Issue Date, find a replacement Bondholder who will pay for the total principal amount (and assume ownership) of the Bonds previously held by the original Bondholder and subscribe to the remaining Series of Bonds held by the latter. For this purpose, each Bondholder irrevocably authorizes the Underwriter, in case of a forced termination, to assign his interests in the Bonds to a replacement Bondholder, and to execute any and all such documents as may be necessary in connection with such transfer. Taxes, if any, arising from the transfer of the Bonds pursuant to this Clause 7 shall be for the account of the original Bondholder or the transferee Bondholder, as the case may be.

Should the Underwriter fail to find a replacement Bondholder within the aforesaid period, the Bonds held by such original Bondholder shall be automatically retired. Retired Bonds shall not be re-issued.

The Issuer, the Trustee and the Collecting Agent are not under any obligation to inform any Bondholder of any due date for payment of any subscription to a Series, or failure of the Bondholder to deliver payment on the relevant due date thereof.

8. Taxation

Except: (1) tax on a Bondholder's interest income on the Bonds which is required to be withheld by the Issuer, and (2) capital gains tax, documentary stamp tax and other taxes on the transfer of Bonds (whether by assignment or donation), if any and as applicable, which are for the account of the Bondholder, all payments of principal plus interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the same shall be for the account of the Issuer; *provided however that*, the Issuer shall not be liable for, and will not gross-up the payments of interest on the principal amount of the Bonds so as to cover any applicable final withholding tax on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations. Documentary stamp tax on the original issue of the Bonds shall be for the Issuer's account.

A Bondholder who is exempt from or is not subject to final withholding tax on interest income may claim such exemption by submitting to the Underwriter, together with the Application to Purchase, the documents listed in Part C of Clause 1 hereof.

The tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above.

This Prospectus does not purport to address all the aspects that may be important to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any local or foreign tax laws.

9. Ranking

The Bonds constitute direct, unconditional and unsecured Peso-denominated obligations of the Issuer and will rank *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law.

10. Credit Rating

Since the Bond issuance does not amount to more than twenty five percent (25%) of the Issuer's net worth, it is exempted from the requirement of being rated by a rating agency accredited by the SEC in accordance with SRC Rule 12-1(6)(c)(iii).

11. Title and Transfer

(a) Registration

The beneficial interest of each Bondholder in and to the Bonds will be shown on and recorded in the Register of Bondholders maintained by the Registrar. Transfer of the Bonds will also be effected through the Registrar, such that any assignment or transfer of a beneficial interest in the Bonds will be effective only upon the registration and recording by the Registrar of such assignment or transfer in the Register of Bondholders.

(b) Trading and Transfers

The Bonds will not be listed or traded in any organized exchange, but may be traded over-the-counter.

Any transfer by a Bondholder (the "transferring Bondholder") of its beneficial interest in the Bonds (whether by assignment or donation) shall be allowed only if made in full and inclusive of: (i) the title and interest of the Bondholder in and to each Series which have been issued as of the transfer date, and (ii) subscription rights to each Series which will be issued subsequent to the transfer date. A partial transfer of title, interest and rights of the Bondholder shall not be allowed. Any and all taxes, as well as settlement fees and other charges (other than registration fees which shall be paid by the Issuer) that may be imposed by the Registrar in respect of any transfer or change of beneficial title to the Bonds, including the settlement of documentary stamps taxes, if any, shall be for the account of the transferring Bondholder, unless such cost is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Bondholder and its transferee.

The following documents shall be submitted to the Underwriter on or before the seventh (7^{th}) Business Day following the end of the month in which the transferee Bondholder last paid for its subscription to the Bonds in order to effect the transfer of the Bonds (and avoid a Forced Termination) on the next Subsequent Issue Date:

A. Documents to be provided in case of Transfers

(1) Written instructions from the transferring Bondholder, substantially in the form set out in Exhibit 2 of the Custodianship and Registry Agreement, which may be obtained from the Underwriter;

(2) Written consent of the transferee to be bound by the terms and conditions of the Bonds, substantially in the form set out in Exhibit 3 if the Custodianship and Registry Agreement, which may be obtained from the Underwriter;

(3) Original or certified true copy of the notarized document evidencing the or transfer of the Bonds (whether by assignment or donation);

(4) If the transferring Bondholder is a corporation, a notarized certificate of the corporate secretary or other authorized officer of the transferring Bondholder (a) attesting to its authority to transfer its interests in the Bonds (whether by assignment or donation), and (b) certifying the names, titles, signing procedures and specimen signatures of its authorized signatories for such transfer; and

(5) From the transferee, the documents listed in Part A or B and, if applicable, Part C of Clause 1(c) of these terms and conditions.

B. Documents to be provided in case of Donation

(1) All of the documents listed in Part A of Clause 11(b) of these terms and conditions;

(2) Proof of acceptance of the donation, provided that, if the transferee is a minor, the acceptance of the donation of the Bonds should be made by the transferee's parents or legal guardian on his or her behalf, in which case documents showing the relationship between the transferee and his or her parents or guardians must likewise be submitted;

(3) Tax clearance certificate and certificate authorizing registration issued by the Bureau of Internal Revenue in respect of the donation of the Bonds;

(4) Certification issued by the Bondholder attesting to the authenticity of the documents relating to the donation and the payment of the taxes in respect of the same; and

(5) Undertaking of the transferee to hold the Registrar, the Issuer and the Underwriter free and harmless from and against any liability whatsoever arising from or in connection with the transfer of the Bonds pursuant to the donation.

12. Financial Ratios

The Issuer shall maintain, for as long as any of the Bonds remain outstanding a Debt-to-Equity Ratio of not more than 3:1.

As used herein: "Debt-to-Equity Ratio" means the ratio which total liabilities bears to total stockholders' equity; "total liabilities" means the aggregate (as of a relevant date of calculation) of the current liabilities and long-term debt; and "*total stockholders' equity*" means the aggregate (as of a relevant date of calculation) of the par value of the outstanding common stocks, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the Issuer's property, plant and equipment effected in accordance with generally accepted accounting principles in the Philippines, and any reserve for expansion projects, less any intangible assets such as but not limited to goodwill, trademarks, patents, copyrights, leaseholds, treasury stocks, organizational expenses, underwriting expenses and deferred expenses.

13. Negative Pledge

For as long as any of the Bonds remain outstanding, the Issuer covenants that the Issuer shall not, without the prior written consent of the Majority Bondholders, permit any indebtedness for borrowed money to be secured by or to benefit from any Lien in favor of any creditor or class of creditors without providing the Bondholders with a Lien, the benefit of which is extended equally and ratably among them to secure the Bonds; provided, however, that this restriction shall not prohibit:

(a) Any Lien over any asset purchased, leased or developed in the ordinary course of business of such asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

(b) Any Lien constituted for any obligation or credit facility incurred for the purpose of pursuing any infrastructure project or investment therein, whether such infrastructure project is undertaken by the Issuer itself, by its Affiliates, and/or by the Issuer or its Affiliates with third parties, and whether the same is carried on separately from or integrated with any of the Issuer's real estate development, or any Lien constituted by the Issuer on its right to receive income or revenues (whether in the form of dividends or otherwise) from infrastructure projects or related investments therein;

(c) Any Lien created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty; or the validity of which is contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof and adequate reserves having been provided for the payment thereof;

(d) Any Lien to secure, in the normal course of the business of the Issuer or its Affiliates (as hereinafter defined): (i) statutory obligations; (ii) surety or appeal bonds; (iii) bonds for release of attachment, stay of execution or injunction; or (iv) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;

(e) Any Lien: (i) imposed by law, such as carrier's, warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business and not material in amount; (ii) arising out of pledge or deposits under the workmen's compensation laws, unemployment insurance, old age pensions or other social security or retirement benefits or similar legislation; and (iii) arising out of set-off provisions in other agreements of the Issuer relating to its indebtedness; provided that the Bondholders hereunder shall also have, to the extent permitted by applicable law, and upon notice to the Issuer, a similar right of set-off;

(f) Any Lien in favor of banks, insurance companies, other financial institutions and Philippine government agencies, departments, authorities, corporations or other juridical entities, which secure a preferential financing obtained by the Issuer under a governmental program, and which cover assets of the Issuer which have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding ₱5,000,000,000;

(g) Any Lien existing on the date of the Trust Agreement which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Agreement;

(h) Any Lien established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets or the requirements of the *Bangko Sentral ng Pilipinas* on loans and financial accommodations extended to directors, officers, stockholders and related interests;

(i) Any Lien constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement that has been assigned to such Affiliate by the Issuer;

(j) The assignment, transfer or conveyance of the Issuer's right to receive any of its income or revenues from receivables arising out of the sale of property held for sale by the Issuer in the ordinary course of business (the "Project Receivables")

(k) The assignment, transfer or conveyance of the Issuer's right to receive any income or revenues other than from Project Receivables, provided that the constitution by the Issuer of such Lien shall not cause the Issuer to exceed the ratio of the amount of indebtedness of the Issuer secured by any Lien constituted to the Issuer's non-current assets (as computed in accordance with Philippine Financial Reporting Standards and based on the most recent audited financial statements of the Issuer) which ratio shall not be more than 0.5:1;

(l) Any Lien to be constituted on the assets of the Issuer after the date of the Trust Agreement which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Agreement or any Lien for an aggregate loan accommodation not exceeding the equivalent of 10.0% of the market value of the consolidated assets of the Issuer as reflected in the latest appraisal report submitted by an independent and reputable appraiser;

(m) Any Lien constituted over the investment of the Issuer in any of its Affiliates, whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of said Affiliates; or

(n) Any Lien constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement (other than for borrowed money).

14. Events of Default

The Issuer shall be considered in default under the Bonds and the Trust Agreement in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) *Payment Default*

The Issuer fails to pay when due and payable any amount which the Issuer is obliged to pay to the Bondholders under the Trust Agreement and the Bonds, and such failure, if due to causes other than the willful misconduct or gross negligence of the Issuer, is not remedied within five (5) Business Days from receipt by the Issuer of written notice of such non-payment from the Trustee; provided however that, the amount due for payment during the said five-Business Day remedy period shall be subject to the interest specified in Clause 4 hereof.

(b) *Representation/Warranty Default*

Any representation and warranty of the Issuer hereof or any certificate or opinion submitted pursuant hereto proves to have been untrue, incorrect, or misleading in any material respect as and when made, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than fourteen (14) days (or such longer period as the Majority Bondholders shall approve) after the receipt of the written notice from the Majority Bondholders to that effect.

(c) *Other Defaults*

The Issuer fails to perform or violates any other provisions of the Trust Agreement and the Bonds, and such failure or violation is not remediable or, if remediable, continues to be unremedied within the applicable grace period, or in the absence of such grace period, within thirty (30) days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed debt-to-equity ratio and within ten (10) Business Days from the date of occurrence of the said violation with respect to any other covenant or obligation; provided that, the Events of Default constituting a payment default due to the willful misconduct or gross negligence of the Issuer, expropriation, insolvency or closure default, or a violation of a negative covenant shall not be remediable.

(d) *Cross Default*

The Issuer violates any material term or condition of any contract executed by the Issuer with any bank, financial institution or other person, corporation or entity for borrowed money which constitutes an event of default under said contract, or in general, violates any law or regulation, which violation, if remediable, is not remedied by the Issuer within ten (10) Business Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the Bonds; provided however that, no event of default shall occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds ₱500,000,000.

(e) *Expropriation Default*

The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

(f) *Insolvency Default*

The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which term shall include, but shall not be limited to: (i) filing of a petition in any bankruptcy, reorganization (other than a labor or management reorganization), winding-up, suspension of payment or liquidation proceeding, or any other proceeding analogous in purpose and effect; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors; (iv) the admission in writing by the Issuer of its inability to pay its debts; or (v) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization (other than a labor or management reorganization), winding-up, liquidation or appointment of trustee or receiver of the Issuer or a substantial portion of its property or assets.

(g) *Judgment Default*

Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of ₱500,000,000 or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within thirty (30) days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

(h) *Writ and Similar Process Default*

Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of the Issuer's assets and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within thirty (30) days after its issue or levy.

(i) *Closure Default*

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or *force majeure*.

15. Notice of Default

The Trustee shall, within 30 Business Days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that in the case of payment default, as described in Clause 14(a) above, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may pick up an important notice regarding the Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

16. Consequences of Default

(a) If any one or more of the Events of Default shall have occurred and be continuing, the Trustee, upon the written instruction of the Majority Bondholders and by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding.

(b) This provision, however, is subject to the condition that except in the case of an Event of Default specified as a writ or similar process default, the Majority Bondholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such declaration and its consequences upon such terms, conditions and agreement, if any, as they may determine; provided that no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

(c) At any time after any Event of Default shall have occurred, the Trustee may:

(i) by notice in writing to the Issuer, the Paying Agent and the Custodian and Registrar, require the Paying Agent and the Custodian and Registrar to:

(aa) act thereafter as agent of the Bondholders represented by the Trustee on the terms provided in the Collecting and Paying Agency Agreement and in the Custodianship and Registry Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Custodian and Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all Certificates of Indebtedness, all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

(bb) to deliver all subscriptions or Certificates of Indebtedness and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided that such notice shall be deemed not to apply to any document or record which the Paying Agent or Custodian and Registrar are not obliged to release by any law or regulation; and

(ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee. With effect from the issue of any such notice until such notice is withdrawn, provision (aa) above and the Issuer's positive covenant to pay principal plus interest on the Bonds, net of applicable withholding taxes, more particularly set forth in the Trust Agreement, shall cease to have effect.

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, net of applicable withholding taxes, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay Default Interest (as hereinafter defined) on the defaulted amount(s) from the time the amount falls due until it is fully paid.

17. Default Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, net of applicable withholding taxes, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay interest on the defaulted amount(s) at the rate of 12.0% per annum, net of applicable withholding taxes, (the "Default Interest") from the time the amount falls due until it is fully paid.

18. Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, then in any such case, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal, net of applicable withholding taxes, and with Default Interest thereon and, in addition thereto, the Issuer will pay to the Trustee the actual amounts to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

19. Application of Payments

Any money collected or delivered to the Paying Agent and any other funds held by it, subject to any other provision of the Bond Agreements relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first*, to the payment to the Trustee, the Collecting and Paying Agent, the Custodian and Registrar of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second*, to the payment of the interest in default, net of applicable withholding taxes, in the order of the maturity of such interest with Default Interest; *third*, to the payment of the whole amount then due and unpaid upon the Bonds for principal and interest, net of applicable withholding taxes, with Default Interest; and *fourth*, the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

20. Prescription

Claims in respect of principal and interest or other sums payable hereunder will prescribe unless made within ten years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

21. Remedies

All remedies conferred by the Trust Agreement and these terms and conditions to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the provisions of Clause 22 below.

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

22. Ability to File Suit

No Bondholder shall have any right, by virtue of or by availing of any provision of the Trust Agreement or these terms and conditions, to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest, net of applicable withholding taxes, and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder unless (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name; (iii) the Trustee, for 60 days after the receipt of such notice and request, shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement or these terms and conditions, to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement and these terms and conditions, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

23. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Bondholders, waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, expropriation default, insolvency default, or closure default, and its consequences.

In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided that no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

24. Notices

(a) *To the Trustee*

All documents required to be submitted to the Trustee pursuant to the Trust Agreement and these Conditions and all correspondence addressed to the Trustee shall be delivered to:

Attention: AyalaLand Homestarter Bonds 3 Trustee
Bank of the Philippine Islands
Account Management Department 4
Asset Management and Trust Group
17th Floor, BPI Building
Ayala Avenue cor. Paseo de Roxas
Makati City

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Any requests for documentation or certification and other similar matters must be communicated by the Bondholder to the Trustee in writing and shall be subject to review, acceptance and approval by the Trustee. Upon such acceptance and approval, the Bondholder shall pay to the Trustee up front a fee of ₱1,500 (the ***"Activity Fee")*** plus the costs of legal review, courier and the like. The Activity Fee may be adjusted from time to time, at the discretion of the Trustee.

In the absence of any applicable period stated elsewhere in these Conditions, written requests shall be reviewed and, if accepted and approved, addressed by the Trustee within ninety (90) days from receipt. This period may be extended should the Trustee be unable to address the requests for causes not attributable to the Trustee.

(b) *To the Bondholders*

Notices to Bondholders shall be sent to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten days from posting, if transmitted by registered mail; (ii) 15 days from mailing, if transmitted by surface mail; (iii) on date of publication; or (iv) on date of delivery, for personal delivery.

(c) *Binding and Conclusive Nature*

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Collecting and Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretion under the Trust Agreement.

25. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time and from time to time for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) *Notice of Meetings*

The Trustee may at any time call a meeting of the Bondholders, or the holders of 25.0% of the aggregate outstanding principal amount of Bonds may direct the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

(b) *Failure of the Trustee to Call a Meeting*

In case at any time the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of 25.0% of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting within twenty (20) days after receipt of such request, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) *Quorum*

The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) *Procedure for Meetings*

(i) The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall, in like manner, move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Bondholders duly called may be adjourned from time to time for a period or periods not to exceed in the aggregate of one year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) *Voting Rights*

To be entitled to vote at any meeting of the Bondholders, a person must be a registered holder of one or more Bonds as reflected in the Register of Bondholders or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

(f) *Voting Requirement*

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum, except as may otherwise be provided in the Trust Agreement. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous.

(g) *Role of the Trustee in Meetings of the Bondholders*

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

26. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests, the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

27. Governing Law

The Bonds and the Bond Agreements are governed by and are construed solely in accordance with Philippine law.

28. Venue

Any legal action or proceeding arising out of, or connected with, the Bonds shall be brought exclusively in the proper courts of Makati City, each of the Issuer and the Bondholders expressly waiving any other venue.

29. Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("Change of Law") as it refers to the obligations of the Issuer and to the rights and interests of the

Bondholders under the Trust Agreement and the Bonds:

(a) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

(b) Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents; and

(c) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

If any one or more of the events enumerated as a Change of Law shall occur and be continuing for a period of thirty (30) days, subject to Clause 14(c) above, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said thirty (30) day period, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding, subject to the procedural requirements discussed in these terms and conditions.

30. Waiver of Preference

The obligation created under the Bond Agreements and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

INTERESTS OF NAMED EXPERTS

LEGAL MATTERS

All legal opinion / matters in connection with the issuance of the Bonds which are subject of this Offer will be passed upon by SyCip Salazar Hernandez & Gatmaitan for the Issue Manager and Underwriter and by Co Ferrer & Ang-Co Law Offices for the Company.

INDEPENDENT AUDITORS

SyCip Gorres Velayo & Co., independent public accountants and a member firm of Ernst & Young Global, audited Ayala Land's financial statements and schedules as of and for the years ended December 31, 2007, 2008, and 2009, included in this Prospectus.

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

DESCRIPTION OF BUSINESS

Overview

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation's existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an initial public offering ("IPO") of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation's effective interest in Ayala Land to 88%. Since then, Ayala Corporation's effective interest has been further reduced to about 53% as of December 31, 2009 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, exchanges under Bonds due 1996 and Bonds due 2001, disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993. Further reduction of Ayala Corporation's equity in Ayala Land has also been effected by the conversions to Ayala Land common B shares of the entire ₱3 billion convertible Long Term Commercial Paper publicly issued in December 1994.

As of December 31, 2009, equity attributable to equity holders of Ayala Land, Inc. amounted to ₱52.4 billion. It is listed on the PSE with a market capitalization of ₱145.8 billion as of December 31, 2009 based on Ayala Land's common share closing price of ₱11.25 as of that date.

Ayala Land's Businesses

Ayala Land is the largest real estate conglomerate in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses.

Ayala Land's Strategic Landbank Management Group ("SLMG") is involved in the acquisition, development and sale of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, and all the services that make up a vibrant and sustainable community.

The Residential Business Group ("RBG") of Ayala Land develops and sells high-end residential and leisure community developments through Ayala Land Premier; taps the middle-income urban residential segment through its wholly-owned subsidiary Alveo Land Corp.; develops and sells affordable house-and-lot packages and farm/hacienda lots through Avida Land Corp. ("Avida"), also a wholly-owned subsidiary; and caters to the economic housing segment through its subsidiary First Communities Realty, Inc.

The Ayala Malls Group ("AMG") develops shopping centers and leases to third parties retail space and land therein. Through its subsidiaries, Ayala Theaters Management, Inc. and Five Star Cinema, Inc., it also operates movie theatres in these shopping centers. The Company has also ventured into the operation of food courts and entertainment facilities to complement its shopping center operations. A wholly-owned subsidiary Primavera Town Centre, Inc. was also formed to develop, operate and manage smaller retail formats with a size of less than 10,000 sqm GLA called neighborhood centers.

The Company's Ayala Businesscapes Group ("ABG") is involved in the development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings; and fee-based management and operations of office buildings.

Ayala Land's geographic businesses are engaged in the development, sale and lease of the Company and subsidiaries' product offerings in key cities in the Visayas and Mindanao regions. In the international market, it has investments in an Asian real estate private equity fund and its fund management company.

Its support businesses, on the other hand, include construction of Ayala Land and third-party projects, hotels development and management, property management, and waterworks operations and sewage treatment facilities in some of the Company's projects.

Vision

Ayala Land's vision and mission is to enhance its standing and reputation as the Philippines' leading real estate developer, and to be a strong partner in nation building. By developing integrated, masterplanned and sustainable mixed-use communities in vibrant growth centers all over the country, it strives to continually elevate the quality of life for all of its customers.

Ayala Land shall be a responsible corporate citizen, and act with integrity, foresight and prudence. It shall empower its employees to deliver products that exceed its customers' expectations and build long-term value for its shareholders.

Competitive Strengths

Attractive Industry Fundamentals. The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a stable economy, steady foreign inflows, particularly from overseas Filipinos, increased affordability and the availability of attractive financing from banks, strong consumption spending in retail, and encouraging prospects for office space in the BPO sector.

Experience and Track Record. With over eight decades of experience, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier central business district and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City, Cebu, and NUVALI in Canlubang.

Trusted Brand and Unparalleled Product Line-up. The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivision and high-rise, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

Large, Strategic Landbank. With control of 50 hectares of land in the Makati Central Business District and another 43 hectares in Bonifacio Global City, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 1,434-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

Financial and Operating Resources. The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries MDC and APMC, which are the country's largest and most experienced construction and property management companies, respectively.

Strong Management Team and Governance. The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices. In 2009, the Company was awarded "Best Large Cap Corporate in the Philippines" in the Asiamoney Best Managed Companies Awards 2009 and adjudged "Best Overall Developer in the Philippines" by Euromoney in its 2009 Real Estate Awards. The Company was also recognized one of Asia's Best Companies for Corporate Governance by the Corporate Governance Asia last year.

Attractive Stock. Over the last five years, Ayala Land has delivered an average Total Shareholder Return of 21% per annum.

Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government and NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its headquarter-type offices or locate in its business process outsourcing (BPO) facilities. Ayala Land is also the partner of choice for strategic new partners, such as the Shangri-La and Kingdom Hotels groups, which want to make significant new investments in the country and help prime the Company's strategic growth centers.

Ayala Land plans to maintain and enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on four main pillars that will lay the ground work for the Company's long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control initiatives and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels and enhance its internal talent pool and support systems ensure that these are supportive of the Company's growth objectives.

Products / Business and Recent Updates

Ayala Land is the largest and most diversified real estate company in the Philippines. It has organized its operations into several core businesses and support businesses. Its core business units consist of Strategic Landbank Management, Residential Development, Shopping Centers, Corporate Business and Geographic Businesses.

Strategic Landbank Management

SLMG is involved in the acquisition and development of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, and all the services that make up a vibrant and sustainable community.

With a long-term horizon, SLMG views its key landbank areas as launching pads for decades of development. Its approach to landbanking is oriented towards value creation and realization. SLMG applies financial discipline with a focus on yields, cashflows, and the judicious buying and selling of lots at the opportune time. The group develops, updates and refines masterplans, providing clear framework for decision making. It also engages community-based stakeholders such as local government units and other government entities to assure that vital infrastructure is in place to support the long-term development plans. Embedded in all these, and central to value creation and retention over time, is the concept of sustainability.

As of December 31, 2009, Ayala Land has a portfolio composed of 50 hectares in the Makati Central Business District, 43 hectares in Bonifacio Global City and 1,434 hectares in Canlubang, Laguna.

In August 2009, the Company signed a joint-venture agreement with the National Housing Authority (NHA) for the development of a 29.1 hectare North Triangle property in Quezon City into a transit-oriented mixed-use central business district. Other recent moves made by Ayala Land to sustain growth in momentum in future years include the following:

- In Makati: The Ayala Center Redevelopment

  The redevelopment program for Ayala Center involves introducing pioneering mixed use development characterized by higher overall density and more integrated, efficient and forward looking concepts.

The redevelopment program involves the turnover of a 7,377 sqm land located at the corner of Makati Avenue to Kingdom Hotel Investments for the development of a high-end hotel complex.

In December 2008, Ayala Land launched Glorietta 5 which consists of three levels of retail, five levels of BPO and two levels of basement parking.

Meanwhile, Phase 2 of the Greenbelt 5 complex opened in October 2008 complementing Phase 1 of Greenbelt 5 and The Link parking/retail building which opened in October 2007.

Land values remain high in the area. As of end-December 2009, developable land in Makati Central Business District is estimated by Colliers International at ₱284,000 per square meter.

- In Bonifacio Global City: Value Realization

  The Company's priming activities include Market! Market!, Serendra and Bonifacio High Street. Projects such as the recently opened St. Luke's Hospital, Mind Museum, and the Shangri-La Hotel Complex, will further drive land values upon completion.

- In Canlubang / NUVALI: Full Scale Regional Center

  Priming of NUVALI, the Company's showcase township development for environmental, economic and social sustainability, is well underway. Better than expected land values have been realized for the 2,507 residential lots put on the market since the soft launch of all residential brands in October 2007. The first BPO building in the Technopod complex with total gross leasable area ("GLA") of 11,500 sqm became operational by the 4th quarter of 2008. Out of the total GLA, about 54% has been pre-leased as of end-2009. Solenad, the retail component of the development also had its soft launched in May 2009 with the opening of Yellow Cab Pizza Co., Italiannis Restaurant, Conti's Pastry Shop and Restaurant and National Bookstore.

  On the infrastructure side, the North-South road was already completed, as well as the establishment of Wi-Fi access in the lakeside area.

  Total project development cost is estimated at ₱6 billion for phase 1 from 2007 to 2013.

Residential Development

RBG is involved in the sale of high-end residential lots and units (including leisure community developments), middle-income residential lots and units, and affordable lots and units. It caters to domestic and overseas Filipino markets across the high-end, middle-income and affordable segments.

In recent years, overall growth of the residential market has been strong largely as a result of a huge housing backlog of 3.8 million units and affordable mortgage loans. On the international front, the continued growth of OFW remittances has injected new demand into the residential market. In response to these opportunities, Ayala Land will continue to grow its residential business line, which accounted for 47% of total revenues in 2009. A robust project pipeline will enable the Company to expand its product offering in existing areas and accelerate geographic expansion, aided by strategic landbanking and mixed-use development and project management projects.

The Company will strengthen and provide clear differentiation across its three residential brands, each targeting a distinct segment of the market: Ayala Land Premier ("ALP") for the high-end segment, Alveo for the middle-income market; and Avida for the affordable housing segment.

To be more competitive, the Company will continue to enhance margins by leveraging its brand and track record to maximize pricing power where possible, along with managing construction costs and streamlining the project delivery process.

The Company's ongoing residential projects under the Ayala Land Premier brand include Abrio at NUVALI, The Crestwood at Ayala Westgrove Heights, Ayala Greenfield Estates, The Residences at Greenbelt (Laguna Tower, San Lorenzo Tower and Manila Tower), One Serendra and most recently, Park Terraces and Santierra. Ayala Land also introduced in 2005 its first leisure community project, Anvaya Cove Seaside Leisure Community, located in Morong, Bataan. Anvaya Cove, a 320-hectare development, is a high-end seaside residential resort community which offers a wide array of real estate options including residential lots, villas, and beach and nature club, among others.

In 2009, Ayala Land booked over 3,100 units, lower from the year before. The Company was able to add 2,229 units of inventory to buyers in 2009 with strong take up on new projects. Majority of the new units were from new phases of Alveo's Treveia in NUVALI (298 units) and Ametta Place in Pasig (160) and Avida Towers San Lorenzo (605 units), Avida Towers San Lazaro Tower 5 (392 units), and Avida Residences Dasmarinas (240 units).

Sales to Overseas Filipinos ("OF") accounted for 25% of total residential sales in 2009, 34% lower in value terms. Around 37% of the OF sales came from the US market.

As of end-2009, the impact of the US subprime crisis has affected OF sales from the US, as sales from this sector went down from 40% to 37% of total sales with total value falling by 39% year-on-year.

Ayala Land has taken steps to tap into other markets in the US less affected by the subprime crisis such as Chicago, Texas, Florida, Hawaii, Virginia, New York and New Jersey. Aside from the expansion of sales efforts into other US states, Ayala Land is also looking at increasing its penetration in other markets such as Europe, the Middle East, and other fast growing markets like China and Australia.

Shopping Centers

AMG is involved in the development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; and management and operations of malls which are co-owned with partners. Ayala Land operates and manages a total of 14 shopping centers with a combined 1.0 million sqm in gross leasable area (GLA).

Ayala Land operates movie theater complexes with a total of 42 screens and one live performance theater situated in its shopping centers. The movie theaters are operated primarily as a means of attracting customers to its shopping centers. The theaters are managed by Ayala Theaters Management, Inc. and Five Star Cinema, Inc., wholly-owned subsidiaries of Ayala Land.

Leases for retail space within the shopping centers are generally short-term, ranging from one to five years for the initial lease, renewable annually. Land leases, on the other hand, have longer terms, usually up to 50 years in the case of hotel tenants. In general, rental rates for retail space equal the higher of (i) a basic rent plus a percentage of the tenant's gross sales, or (ii) a specified minimum amount. Rental rates for leases on hotel and department store sites are generally based on a percentage of gross sales.

Ayala Land's large-scale mixed-use developments that feature a retail component are greatly enhanced by the quality and distinctiveness of the retail concepts conceived and implemented by AMG. At the Bonifacio Global City, for instance, Serendra and Bonifacio High Street are priming the development in its City Center. Serendra's retail zone complements the suburban lifestyle of the residential development with authentic and unique restaurants and shops.

AMG continuously provides compelling and engaging mall events and promotions which enhance the shopping experience and sustain high pedestrian traffic. More than 10,000 event days or at least 30 events were being held daily, among them product launches, concerts, children's meet-and-greet events and youth-oriented fairs, at the Ayala Malls in 2009.

AMG provides a strong year-round support to all merchants. Merchants are valued as long-term partners. AMG constantly interacts and exchanges ideas with its merchants and provides training and development support where needed.

The average occupancy rates of the consolidated malls were at 92% as of end December 31, 2009. In 2009, rental rates were 5% lower compared to 2008 due to the closure of high-yielding malls Glorietta 1 & 2 from the ongoing Ayala Center redevelopment. TriNoma, which opened in May 2007, had an average occupancy rate of 94% as of end-2009. MarQuee Mall in Pampanga was opened to the public last September 26, 2009, with a total of 37,000 square meters of GLA, and helped boost total GLA despite the ongoing Ayala Center redevelopment.

Ayala Land will pursue expansion plans anchored on the opportunities presented by the continued aspirational and lifestyle spending as well as growing value-consciousness among many families in different geographic areas. To ensure pipeline growth is based on right fundamentals, attention will be paid to selecting strategic sites, developing differentiated and superior product, serving the right markets, and ensuring proper execution of concepts for each new mall.

Expansion is composed of regional malls like the Abreeza Mall in Davao City which is scheduled to open next year and smaller formats called community and neighborhood centers. The Company also entered into a 50-year lease agreement with the Subic Bay Metropolitan Authority (SBMA) and signed a joint-venture agreement with Anflo Management & Investment Corp. and Mindanao Motors Corp. which involves the construction of a shopping mall inside the Subic Freeport Zone and in Cagayan de Oro City, respectively, as part of the Company's geographic expansion program.

Corporate Business

ABG is involved in the development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings; and fee-based management and operations of office buildings. Ayala Land owns and operates 5 traditional and 19 Business Process Outsourcing ("BPO") buildings with a total area of 328,000 sqm. Ayala Land also manages two (2) office buildings with a total area of 20,000 sqm. It has earmarked 50 hectares of land for development to service their corporate business clients and has recently completed the remaining 40,000 sqm under the first phase of its BPO expansion.

Ayala Land aims to be the leading provider of office space for BPOs and significantly built up its BPO portfolio from end-2007 levels of 35,803 sqms GLA. The build-up involved a variety of offerings - in very choice locations - covering stand-alone, build-to-suit office buildings, integrated nodes within large-mixed used developments such as Glorietta 5 and Vertex One in San Lazaro, and entire self-contained BPO and IT campuses like the UP-Ayala Land TechnoHub and One Evotech in NUVALI. As of end-December 2009, the Company had already completed the programmed 222,000 sqm under the first phase of its BPO expansion plan.

While Makati has been well established as the country's premier Central Business District ("CBD") for decades, the prospects are bright for Bonifacio Global City ("BGC") to mirror Makati's success in the future. Large corporates have purchased land and have chosen to build or relocate their offices in BGC.

Occupancy rates are at 96% for traditional office buildings and 55% for BPO buildings as of end-December 2009. Rental rates as of end-2009 were also 8% higher year-on-year for traditional office buildings and 48% up for BPO office buildings.

Geographic Businesses

Ayala Land's geographic businesses are engaged in the development, sale and lease of the Company and subsidiaries' product offerings in key cities in the Visayas and Mindanao regions. In the International market, it has investments in an Asian real estate private equity fund and its fund management company.

Visayas-Mindanao

The Company has been active at all fronts of real estate business in the Visayas and Mindanao regions. Through affiliates Cebu Holdings, Inc. ("CHI") and Cebu Property Ventures Development Corporation ("CPVDC"), the Company offers the full range of Ayala Land's product line-up in the region: residential development, shopping center operations, office and BPO buildings and sale of commercial lots and club shares at City Sports Club Cebu.

It pioneered the seaside residential developments in Cebu with its landmark Amara project and has remained a market leader for the third consecutive year since its launch in 2005. In June 2007, Ayala Land entered the southern Philippine real estate market with the launch in Cagayan de Oro of Alegria Hills, Ayala Land Premier's first development in Mindanao. Two other Ayala Land projects in Negros Occidental continued to set the standards for local residential developments, Ayala Northpoint and Plantazionne Verdana Homes, both located in the suburbs of Bacolod City.

Given Cebu's role as a primary destination and international gateway in the Visayas and

Mindanao, its shopping market has grown significantly and has extended to other key cities in the province. Ayala Land, through CHI, has embarked on a major expansion and renovation of Ayala Center Cebu. Adjacent to the mall, The Terraces opened at Ayala Center Cebu with additional 7,900 sqm of GLA. All in all, Ayala Center Cebu registered an occupancy rate of 95% as of end-December, 2009.

With the growth in IT industry, the demand for office space from both local and multinational companies continues to increase in Cebu. The Company, in partnership with CPVDC, built office spaces for lease to IT and IT-enabled firms and constructed Cebu eBloc, a 12-storey mid-rise office condominium, with a retail space at the ground floor.

As for developments in the Mindanao region, Ayala Land recently entered into a joint venture agreement with the Floirendo family to develop a 3.2-hectare property in Cagayan de Oro City aside from the ongoing construction of the Abreeza Mall in Davao.

International

Outside of the Philippines, Ayala Land is leveraging its current competencies to pursue attractive real estate investment opportunities.

The year 2007 marked the establishment and operation of ARCH Capital and its first Asian property fund, ARCH Capital Asian Partners LP. ARCH Capital Asian Partners is a private equity fund set up to pursue investments in Asian property markets which are in strong growth phases such as China, India and Thailand. The fund has several seeded investments and a number of projects that are moving actively. Among these are significant interests in a middle market residential community development project in Macau, a scaled medium-rise condominium project in Samut Prakarn province, Bangkok, and a high-end condominium project on Rama IV in the heart of Bangkok-Sathorn central business district. The fund's project management team, with its strong residential community development experience and the depth and support of Ayala personnel, has been actively involved in project design and planning stages for these projects.

First Longfield Investments Limited (incorporated in 2006) is wholly-owned by Ayala Land. Through Green Horizons Holdings Limited, it has a 17% stake in Arch Capital Management Co. Ltd, the fund management company established to handle the Asian private real estate equity fund which is co-sponsored by Ayala Land with Ayala Corporation.

Support Businesses

Its support businesses include construction of Ayala Land and third-party projects, hotels development and management, property management, and waterworks operations and sewage treatment facilities in some of the Company's projects.

Construction

A wholly-owned subsidiary of Ayala Land, Makati Development Corporation ("MDC") is engaged in engineering, design and construction of vertical and horizontal developments including roads, bridges and utilities. MDC is responsible for horizontal construction works at Ayala Land's land developments and is likewise engaged in private industrial and government infrastructure projects. MDC also developed residential condominium buildings and mall projects. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors. As of end-December 2009, MDC had a total of 34 projects and ₱7.7 billion in outstanding construction contracts. MDC collaborated with First Balfour, Inc. to build the state-of-the-art 600-bed St. Luke's Medical Center at Bonifacio Global City, which was completed in November 2009 and was opened to the public in January 2010.

Property Management

Ayala Property Management Corporation or APMC, a wholly-owned subsidiary of Ayala Land, is engaged in property management, principally for Ayala Land and its subsidiaries. It also provided its services to third-party clients. Ayala Land's waterworks services pertain mainly to the operations of the water facilities in its residential and industrial developments (Laguna Technopark).

APMC guarantees worry-free ownership and helps property owners over the long haul in such areas as water, power and telecommunications, security, sustainable design and best practices aligned with green buildings, and assistance in managing the properties of owners living elsewhere. It offers a full suite of services not only to Ayala property owners and lessees but also to third party clients, including a centralized 24/7 concierge service as well as manages third party-carparks and is considered one of the largest third party carpark operators in the country today. Among its key third-party clients are the International School Manila, Capitol Golf & Country Club, Makati Medical Center, Philippine Heart Center, ABS-CBN and all of Citibank's buildings, offices and branches nationwide. As of December 31, 2009, APMC has 175 managed facilities and has ₱737 million outstanding property management contracts.

Hotels

Ayala Land is also involved in the development and management of hotels. As of December 31, 2009, Ayala Land has in its portfolio the Hotel InterContinental Manila (334 rooms), the Cebu Marriot (301 rooms) and a 20% stake in a Kingdom Hotel complex composed of a Fairmont Hotel (300 rooms), Raffles Suites (30 rooms) and Raffles branded private residences (189 rooms) to be constructed within Ayala Center.

Other Revenue

In addition to the above business lines, Ayala Land also derives income from its investment activities and sale of non-core assets.

Contributions to Revenue

The table below illustrates the amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for 2009, 2008 and 2007: (in ₱'000)

	2009	2008	2007
Consolidated revenues			
Domestic	30,455,244	33,748,983	25,707,229
Foreign	-	-	-
Net operating income			
Domestic	9,034,000	9,330,607	7,704,392
Foreign	-	-	-

Net income *(Attributable to equity holders of ALI)*			
Domestic	4,039,256	4,812,348	4,386,362
Foreign	-	-	-
Total assets			
Domestic	108,071,463	100,588,883	82,981,245
Foreign	-	-	-

Residential development business contributed 47% of 2009 consolidated revenues. Residential development includes sale of high-end lots and units, leisure properties, middle-income and affordable housing.

Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets over the past three years

Since 2003, Ayala Land has implemented an asset rationalization program involving, among others, the sale of installment receivables and divestment of some non-core assets.

Asset sales in 2005 included sale of a Makati lot and preferred shares in Ayala Infrastructure Ventures, Inc. (“AIVI”), deemed no longer core, with the completion of the MRT-3 rail project. Asset sales in 2006 included sale of the Company’s investment in Makati Property Ventures, Inc., the corporate vehicle for Oakwood Premier Ayala Center, and of ₱1.9 billion of accounts receivables to a bank and a non-bank financial institution. Makati asset sales in 2007 were bannered by the sale of preferred shares in KHI-ALI Manila, Inc. (“KAMI”) to Kingdom Manila, B.V., in connection with the development of a luxury hotel complex within Ayala Center. In March 31, 2008, Ayala Land completed the sale of 100% of its equity shareholdings in three wholly-owned subsidiaries to Megaworld Corporation. The subsidiaries jointly own and operate a public parking facility in Ayala North, Makati Central Business District. The properties are considered non-strategic assets.

Various Diversification/new product lines introduced by the Company during the last three years

In 2005, Ayala Land launched its first leisure community project, Anvaya Cove. This 320-hectare development is located in Morong, Bataan and offers residential lots, villas and beach club shares.

Ayala Land ventured into the development of office buildings catering to business process outsourcing firms and call centers. In October 2006, Ayala Land signed a Contract of Lease with the University of the Philippines for a 38-hectare BPO campus project which broke ground in March 2007. As of September 2009, all of the ten BPO buildings have been completed.

In December 2006, Ayala Land formed Ayala Property Partners Holding Corp (“APPHCo”), a joint venture with Goldman Sachs and Capmark Asia. APPHCo thru its subsidiary ALI Property Partners Corp (“APPCo”) subsequently bought PeopleSupport Center from Ayala Land. The Company’s projects under APPCo include the UP-Ayala Land TechnoHub, Solaris Tower 1 and NUVALI Technopod. In December 2008, Ayala Land was able to take advantage of the opportunity to increase its stake (from 36% to 68%) by purchasing the shares of Capmark Asia. This allowed ALI to have a bigger share in the upside of its BPO investments as the Company continues to believe that the long term fundamentals and growth potential of this industry remain attractive.

Distribution Methods of Products

The Company's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land (parent company) has its own in-house sales team. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 2,000 brokers and sales agents guided by a strict Code of Ethics.

The OF market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI also signed up marketing partners in Bahrain, Saudi Arabia, London and Spain. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi. In addition, One Ayala program, which bundles the products and services of Ayala Land, the Bank of the Philippine Islands and Globe Telecom, gives access to potential Ayala Land clients overseas, e.g. through BPI's 17 overseas offices and 81 tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Avida (affordable housing) and Alveo (middle-income housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

Effective second half of 2008, residential sales support transactions of Ayala Land Premier, Alveo, and Avida is being undertaken by the shared services company Amicassa Process Solutions, Inc. ("APSI") put up by the Company.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its mall business, Ayala Land's main competitor is SM Prime whose focus on mall operations gives SM Prime some edge over the Company in this line of business. Nevertheless, Ayala Land is able to effectively compete for tenants primarily based on its ability to attract customers -- which generally depends on the quality and location of its shopping centers, mix of tenants, reputation as a developer, rental rates and other charges.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner, quality of support services provided by its property manager, rental and other charges.

With respect to residential lot and condominium sales, Ayala Land competes with developers such as Megaworld and Fil-Estate Land. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income/affordable housing business, Ayala Land sees the likes of SM Development Corp, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

Project and Capital Expenditures (Consolidated)

At the start of 2009, the Company budgeted ₱17.4 billion for consolidated project and capital expenditures, broken down as follows:

Shopping centers (AMG)	13%
Corporate business (ABG)	12%
Residential developments (RBG)	50%
Strategic landbank management (SLMG)	17%
Geographic businesses (Vismin / International)	8%
	100%

Project and capital expenditures will be funded from existing cash and cash from operations, pre-selling, additional borrowings and proceeds from the sale of non-core assets. The above includes capital expenditures of unconsolidated affiliates.

As of end-2009, Ayala Land spent ₱16.2 billion for project and capital expenditures, 14% lower than the ₱18.9 billion spent the previous year. Residential Development accounted for 60% of total, with Shopping Centers and Corporate Business each accounting for 8% of total capital expenditures.

The ₱16.2 billion capital expenditures for end-2009 represent 93% of the ₱17.4 billion budget for the year, with the discrepancy resulting from timing difference of disbursements.

The Company will adjust its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

Subsidiaries and Affiliates

As of December 31, 2009, there are several companies which are either subsidiaries or affiliates of Ayala Land. Certain details and the percentage of direct and effective ownership held by Ayala Land of each of these companies are described below:

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
CORE BUSINESS			
Strategic Landbank Management			
Aurora Properties, Inc.	December 3, 1992	70.0	
Vesta Property Holdings, Inc.	October 22,1993	70.0	
Ceci Realty, Inc.	August 22, 1974	60.0	

	Date of Incorporation	Ownership (%) By Ayala Land	By Subsidiary / Affiliate
Emerging City Holdings, Inc.	July 19, 2002	50.0	
Columbus Holdings, Inc.	July 19, 2002		70.0
Bonifacio Land Corporation[(a)]	October 20, 1994	5.3	69.9
Fort Bonifacio Development Corp.[(b)]	February 7, 1995		55.0
Berkshires Holdings, Inc.	December 4, 2002	50.0	
Columbus Holdings, Inc.	July 19, 2002		30.0
Bonifacio Land Corporation[(a)]	October 20, 1994	5.3	69.9
Fort Bonifacio Development Corp.[(b)]	February 7, 1995		55.0
Regent Time International Limited	March 28, 2003	100.0	
Bonifacio Land Corporation [(a)]	October 20, 1994	5.3	4.8
Fort Bonifacio Development Corp[(b)]	February 7, 1995		55.0
Buendia Landholdings, Inc.	October 27, 1995	100.0	
Red Creek Properties, Inc.	October 17, 1994	100.0	
Crimson Field Enterprises, Inc.	October 26, 1995	100.0	
Crans Montana Property Holdings Corp	December 28, 2004	100.0	
Amorsedia Development Corporation	March 6, 1996	100.0	
HLC Development Corporation	June 28, 1996		100.0
Ecoholdings Company, Inc.	September 25, 2008	100.00	
Residential Development			
Avida Land Corp.	October 30, 1990	100.0	
Buklod Bahayan Realty and Development Corp.	November 5, 1996		100.0
First Communities Realty, Inc.	May 29, 2000		100.0
Avida Sales Corp.	December 22, 2008		100.0
Amicassa Process Solutions, Inc.	June 2, 2008		100.0
Alveo Land Corp. (formerly Community Innovations, Inc.	September 29, 1995	100.0	
Serendra, Inc.	June 7, 1994	28.1	38.9
Roxas Land Corporation	March 16, 1996	50.0	
Amorsedia Development Corporation	March 6, 1996	100.0	
OLC Development Corporation	June 28, 1996		100.0
Ayala Greenfield Development Corp.	July 17, 1997		50.0
Ayala Land Sales, Inc.	March 6, 2002	100.0	
Ayala Land International Sales, Inc.	March 29, 2005	100.0	
Shopping Centers			
Northbeacon Commercial Corporation	August 13, 1970	100.0	
Station Square East Commercial Corporation	March 17, 1989	69.0	
Accendo Commercial Corp.	December 17, 2007	56.7	
ALI-CII Development Corporation	August 6, 1997	50.0	
Alabang Commercial Corporation	June 28, 1978	50.0	
South Innovative Theatre Management, Inc.	February 2, 2001		100.0
North Triangle Depot Commercial Corporation	March 20, 2001	49.3	
Lagoon Development Corporation	August 30, 1996	30.0	
Primavera Town Centre, Inc.	December 18, 2009	100.0	
Ayala Theatres Management, Inc.	August 10, 1984	100.0	
Five Star Cinema, Inc.	December 18, 2000	100.0	
Food Court Company, Inc.	November 14, 1997	100.0	
Leisure and Allied Industries Phils., Inc.	October 10, 1997	50.0	

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
Corporate Business			
Laguna Technopark, Inc.	November 15, 1990	75.0	
Asian I-Office Properties, Inc	September 24, 2007	60.0	
ALI Property Partners Holdings Corp.(c)	July 25, 2006	80.0	
ALI Property Partners Corp.(c)	July 26, 2006	20.0	60.0
One Dela Rosa Property Development Inc.	September 4, 2006		100.0
First Gateway Real Estate Corp.	September 4, 2006		100.0
UP North Property Holdings, Inc	March 26, 2007		100.0
Glensworth Development, Inc.	August 23, 2007		100.0
Gisborne Property Holdings, Inc.	August 24, 2007	100.0	
Sunnyfield E-Office Corporation	July 7, 2008	100.0	
Asterion Technopod, Inc.	July 8, 2008	100.0	
Crestview E-Office Corporation	July 8, 2008	100.0	
Summerhill E-Office Corporation	July 7, 2008	100.0	
Hillsford Property Corp.	August 24, 2007	100.0	
Visayas Mindanao			
Cebu Holdings, Inc.	December 9, 1988	47.3	
Cebu Property Ventures & Development Corp.	August 2, 1990	7.8	76.3
Asian I-Office Properties, Inc.	September 24, 2007		40.0
Cebu Leisure Company, Inc.	January 31, 1994		100.0
CBP Theatre Management Inc.	February 1, 1994		100.0
Cebu Insular Hotel Company, Inc.	April 6, 1995		37.1
International			
First Longfield Investments Limited	October 23, 2006	100.0	
Green Horizons Holdings Limited	October 25, 2006		100.0
ARCH Capital Management Co. Ltd.	May 6, 2006		17.0
ARCH Capital Partners L.P.	April 19, 2007		8.0
SUPPORT BUSINESS			
Construction			
Makati Development Corporation	August 15, 1974	100.0	
Property Management			
Ayala Property Management Corporation	August 8, 1977	100.0	
Hotels			
Ayala Hotels, Inc.	April 11, 1991	50.0	
Enjay Hotels, Inc.	July 12, 1990		100.0
Cebu Insular Hotel Company, Inc.	April 6, 1995		62.9
Greenhaven Property Venture, Inc.	July 9, 2008	100.0	
OTHERS			
KHI-ALI Manila, Inc.	January 30, 2007	60.0	
KHI Manila Property, Inc.	August 13, 2007	20.0	
Astoria Investment Ventures, Inc.(d)	February 29, 1996	100.0	
ALInet.com, Inc.	May 5, 2000	100.0	
CMPI Holdings, Inc.	May 30, 1997	60.0	
CMPI Land, Inc.	March 27, 1998		60.0

[(a)] *ALI's effective ownership in Bonifacio Land Corporation is 45.05%*
[(b)] *ALI's effective ownership in Fort Bonifacio Development Corporation is 24.78%*
[(c)] *ALI's effective ownership in APPHC is 80% and in APPCo is 68%*
[(d)] *Pertains to common shares*

Strategic Landbank Management

Aurora Properties, Inc. and *Vesta Property Holdings, Inc.* are 70% owned by Ayala Land, while Ceci Realty, Inc. (incorporated in 1974) is 60% owned. These companies, joint ventures with the Yulo Family, finalized plans for the development of nearly 1,700 hectares of land in Canlubang, Laguna.

Emerging City Holdings, Inc. and *Berkshires Holdings, Inc.*, both 50% owned, served as Ayala Land's corporate vehicles in the acquisition of a controlling stake in Bonifacio Land Corp. / Fort Bonifacio Development Corp. ("FBDC") through Columbus Holdings, Inc. in 2003. FBDC continues to sell commercial lots and condominium units at the Bonifacio Global City while it leases out retail spaces.

Regent Time International Limited, 100% owned by Ayala Land, also owns a stake at Bonifacio Land Corp. / Fort Bonifacio Development Corp.

Residential Development

Alveo Land Corp., 100% owned by Ayala Land, offers various residential products to the middle-income market. Alveo's projects over the past three years include Verdana Homes Mamplasan, Verdana Village Center, Marquee, Treveia NUVALI, Celadon Residences, Celadon Park, The Columns at Ayala Avenue, The Columns at Legazpi Village, Senta and Ametta Place in Pasig.

Avida Land Corp., a 100%-owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots. Avida also ventured into the development and sale of farm/hacienda/commercial lots. Project launches in the past three years included Avida Towers Sucat, Avida Towers New Manila, Avida Towers San Lazaro, Avida Towers Makati West, Avida Settings NUVALI, Avida Residences San Fernando, Avida Residences Sta. Cecilia, and Riego de Dios Village.

Serendra, Inc., 28%-owned by ALI and 39%-owned by Alveo, is engaged in residential development. In 2004, it launched Serendra, a residential complex at the Bonifacio Global City in Taguig.

Ayala Greenfield Development Corporation ("AGDC"), 50-50% owned by Ayala Land and Greenfield Development Corporation, started development of Ayala Greenfield Estates in Calamba, Laguna in 1999. Over the past seven years, AGDC continued to develop and sell lots in this high-end residential subdivision.

Roxas Land Corp., 50% owned, sold-out One Roxas Triangle in 2007. The project was started in 1996 and was completed in September 2001.

Shopping Centers

NorthBeacon Commercial Corporation – formerly Alabang Theatres Management Corporation, is Ayala Land's wholly-owned vehicle for its MarQuee Mall in Pampanga, which commenced development in March 2007 and began operations in September 2009.

Station Square East Commercial Corporation, 69% owned subsidiary of Ayala Land, broke ground in 2002 for Market! Market!, a 150,000-sqm mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 and Phase 1B in 2005.

Accendo Commercial Corp., with a 57% stake, ALI entered into a joint venture agreement with Anflo Group to develop a mixed-use project in Davao City.

ALI-CII Development Corporation, a 50-50% joint venture with Concepcion Industries, continued to operate Metro Point, a mid-market mall at the corner of EDSA and Taft Avenue, which was completed in the fourth quarter of 2001.

Alabang Commercial Corporation, 50% owned by Ayala Land, continued to manage and operate the Alabang Town Center.

North Triangle Depot Commercial Corporation, 49% owned by Ayala Land, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 191,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

Lagoon Development Corporation, 30% owned by Ayala Land, is a joint venture company with Extraordinary Development Corporation. It continued to operate Pavilion Mall which is located in Biñan, Laguna.

Primavera Town Centre, Inc, 100% wholly-owned subsidiary, was also formed to handle the planning, development and management of small-format retail facilities known as “neighborhood centers” within the Company’s existing and planned growth centers across the country.

Ayala Theaters Management, Inc., 100% owned, continued to manage and operate theaters at the Ayala Center in Makati.

Five Star Cinema, Inc., also wholly-owned, continued to manage and operate theaters at the Alabang Town Center.

Food Court Company, Inc., a 100% owned subsidiary of Ayala Land, continued to manage and operate a high-end, trend-setting foodcourt known as Food Choices at the Glorietta 4.

Leisure and Allied Industries Phils., Inc., a 50-50% joint venture of Ayala Land with Australian company, LAI Asia Pte. Ltd., continued to operate family entertainment centers called TimeZone in various Ayala malls, as well as other malls.

Corporate Business

Laguna Technopark, Inc., 75% owned, continued to sell industrial lots to local and foreign company locators. It also leases ready-built factory units within the Laguna Technopark.

Asian I-Office Properties, Inc - In 2008, the Company has been invited by Cebu Property Venture and Development Corporation (“CPVDC”), an ALI affiliate, to be a partner in the Asian i-Office Properties, Inc. (“AiO”) for a 60% stake. Its project is to hold and operate eBloc BPO Building Project, a 12-storey BPO building with a GFA of 25,000 sqm. located in the Asiatown IT

Park in Cebu.

ALI Property Partners Holdings Corp., is the Company's 80%-owned vehicle for its partnership with MLT Investments (Goldman Sachs) which will handle various BPO projects and investments.

Gisborne Property Holdings, Inc., Sunnyfield E-Office Corporation, Asterion Technopod, Inc., Crestview E-Office Corporation, Summerhill E-Office Corporation and Hillsford Property Corp. are wholly-owned entities established to handle, develop and manage all future BPO buildings located at various growth centers within the Philippines.

Visayas-Mindanao

Cebu Holdings, Inc., 47% owned by Ayala Land, continued to manage and operate the Ayala Center Cebu and sell condominium units and lots within the Cebu Business Park. The company also launched Amara, a high-end seaside residential subdivision, and continued to sell club shares at City Sports Club Cebu. Through Cebu Property Ventures Development Corporation, CHI also continued to sell lots at the Asiatown IT Park.

International

First Longfield Investments Limited is wholly-owned by Ayala Land. Through Green Horizons Holdings Limited, it has a 17% stake in Arch Capital Management Co. Ltd, the fund management company established to handle the Asian private real estate equity fund which is co-sponsored by Ayala Land with Ayala Corporation.

Construction

Makati Development Corporation, 100% owned by Ayala Land, continued to engage in engineering, design and construction of horizontal and low-rise vertical developments. It continued to service site development requirements of Ayala related projects while it provided services to third-parties in both private and public sectors.

Property Management

Ayala Property Management Corporation, 100%-owned by Ayala Land, continued to manage properties of Ayala Land and its subsidiaries. It also provided its services to third-party clients.

Hotels

Ayala Hotels, Inc., 50% owned, continued to operate Hotel InterContinental Manila (through Enjay Hotels, Inc.) and Cebu City Marriott Hotel (through Cebu Insular Hotel Company, Inc.). In March 2007, AHI sold its 60% stake in Oakwood Premier Ayala Center to Ascott Residences.

Greenhaven Property Venture, Inc., 100% owned by Ayala Land established to plan, develop and manage the hotel being constructed in Glorietta 1 as part of the Ayala Center redevelopment project.

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Research and Development

While the Company engages in research and development activities, the expenses incurred in connection with these activities are not material.

Employees

Ayala Land - parent company has a total workforce of 481 employees (1,321 including manpower of wholly-owned subsidiaries) as of December 31, 2009. The Company expects to, more or less, maintain its number of employees in the next 12 months.

The breakdown of the ALI - parent company employees according to type is as follows:

Executive	106
Managers	72
Supervisors	85
Rank & File	218
Total	481

In 2007, Ayala Land successfully renewed its Collective Bargaining Agreement for a period of 3 years up to end-2009. In the same year, Ayala Land also rolled out the Employee Housing Program for employees of the Company and its subsidiaries as well as employees of companies in the Ayala Group. The prime objective of the program is to provide employees who have rendered at least one (1) year of service the privilege of owning an Ayala Land property at a special price.

Intellectual Property and Licenses

Intellectual Property

The Company has been licensed by Ayala Corporation, as the owner of the brand and business name “Ayala”, to use the name “Ayala” in all of the Company’s current projects which carries the said brand. The Company is required to obtain the consent and approval of Ayala Corporation for future projects which will carry the brand.

Ayala Land (by itself or through its subsidiaries) has secured registrations for its major brands Ayala Land Premier, Alveo, Avida and Ayala Malls. As a matter of policy, the Company and its subsidiaries also apply for, obtain and maintain tradename registrations for its various developments, projects and events.

In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

Licenses

Phenix Building System. A joint venture agreement between Maison Individuelles, S.A. ("MISA") of France and Avida was organized in June 1998 and subsequently registered with the SEC as Laguna Phenix Structures Corporation ("LPSC") in July 1999.

LPSC, a 50%-50% joint venture, is primarily engaged in the business of manufacturing, installation, erection and construction, marketing and promotion, and wholesaling of buildings, houses and other structures and accessories using the "Phenix" technology (for which a patent has been registered and issued in the Philippines under RP Patent No. 29862). Both MISA and Avida assigned their respective license rights to LPSC since the latter's incorporation.

Regulation

Presidential Decree No. 957, as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for primarily residential purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government which enforces this decree and has jurisdiction to regulate the real estate trade and business.

In this regard, all subdivision plans and condominium project plans of ALI are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, ALI's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant local government unit. ALI, as owner of and dealer in real estate projects, is required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Dealers, brokers and salesmen of real estate projects of ALI are also required to register with the Philippine Regulatory Commission. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party. ALI has been able to maintain these permits and licenses.

Under current regulations, ALI as developer of residential subdivisions is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. On the other hand, as a developer of commercial subdivisions, ALI is required to reserve at least 3.5% of the gross project area for parks or playgrounds. ALI has been compliant with these requirements.

Under the agrarian reform law and the regulations issued thereunder by the Department of Agrarian Reform ("DAR"), land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR. Republic Act No. 9700, the law extending the term of the comprehensive agrarian reform program for another five (5) years, was signed by President Arroyo on August 7, 2009. Prior to undertaking any development of agricultural lands, ALI obtains the necessary conversion as approved by the DAR.

While the 1987 Philippine Constitution prohibits foreigners from owning land, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. To the extent of the foregoing, ALI's foreign market for real estate projects is limited

Republic Act No. 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB. ALI has been compliant with this requirement in accordance with the rules and regulations implementing Republic Act No. 7279.

Construction

The construction industry in the Philippines is subject to regulation by the Government as described below.

Licenses. A regular contractor's license is required to be obtained from the Philippine Contractors Accreditation Board (PCAB). In applying for and granting such license, the PCAB takes into consideration the applicant-contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity, (ii) equipment capacity, (iii) experience of firm, and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate Government agencies prior to actually undertaking each project. Makati Development Corporation is duly accredited by the PCAB as a licensed contractor and maintains all required qualifications in compliance with the PCAB's requirements.

Minimum Philippine Ownership Requirement. Under Philippine law, in order to bid on publicly funded Government contracts, a contractor must be at least 75% owned by Philippine nationals. For purposes of this determination, Ayala Land has maintained at least 60% ownership by Philippine nationals, to be considered owned by a Philippine National for purposes of the foregoing determination with respect to Makati Development Corporation.

Property Laws

Land Registration

The Philippines has adopted a system of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims annotated on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription.

Unregistered land may be brought under the system if, after proper surveying, application, publication, service of notice and hearing, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals. After the lapse of the period of appeal, the Registry of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and issuance of a new title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

In accordance with the said system of land registration, ALI ensures that all properties held or developed are properly covered by valid and subsisting certificates of title.

Zoning

Land use may be limited by zoning ordinances enacted by provinces, cities or municipalities. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. All developments of ALI comply with the applicable zoning classification.

Subdivisions and Condominiums

All subdivision and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the local government unit in which the project is situated. The development of subdivision and condominium projects can commence only after the local government unit has issued the development permit.

The issuance of a development permit is dependent on compliance with required project standards and technical requirements which may differ depending on the nature of the project. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision or condominium project and compliance with applicable laws and regulations. All documents evidencing conveyances of subdivision and condominium units should be registered with the relevant Registry of Deeds.

Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six months from the delivery of title.

The foregoing permits, licenses and approvals are secured by and complied by ALI for its subdivision and condominium developments

Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually. ALI promptly pays the real estate taxes and assessments on the properties it owns.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. As a requisite for the issuance of an ECC, an environmentally critical project must prepare an Environmental Impact Statement ("EIS"), while a project in an environmentally critical area must prepare an Initial Environmental Examination ("IEE"), without prejudice to the power of the DENR to require a more detailed EIS. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

ALI secures ECCs prior to commencement of its real estate projects and exerts best efforts to comply with the conditions specified therein.

DESCRIPTION OF PROPERTIES

LANDBANK / PROPERTIES WITH MORTGAGE OR LIEN

The following table provides summary information on ALI's landbank as of December 31, 2009. Properties are wholly-owned and free of lien unless noted.

Location	Hectares	Primary land use
Makati [1]	50	Commercial/ Residential
Taguig [2]	43	Commercial/ Residential
Makati (outside CBD)	5	Residential
Alabang [3]	18	Commercial
Las Piñas	130	Residential
Quezon City [4]	56	Commercial/ Residential
Manila / Pasay [5]	3	Commercial/ Residential
Pasig [6]	4	Residential
Metro Manila	***309***	
Canlubang [7]	1,434	Residential/ Industrial/ Commercial
Laguna (ex-Canlubang) [8]	642	Residential/ Industrial
Cavite [9]	289	Residential
Batangas/Rizal/Quezon [10]	123	Residential
Calabarzon	***2,488***	
Pampanga [11]	22	Residential
Naga	3	Residential
Cabanatuan/ Baguio	71	Residential
Bataan [12]	289	Leisure/ Residential
Other Luzon Area	***385***	
Bacolod/Iloilo [13]	290	Residential
Cebu [14]	234	Commercial/ Residential
Davao	70	Residential
Cagayan De Oro	153	Residential
Visayas/Mindanao	***747***	
TOTAL	***3,929***	

[1] Makati includes sites of Mandarin Hotel (1.6 has.) and Peninsula Hotel (2.0 has.) which are 50% owned through Ayala Hotels, Inc., and remaining area at Roxas Triangle (0.5 ha.) which is 50% owned..

[2] Taguig includes 9.8-ha. site of Market! Market! under lease arrangement with BCDA; 2-ha. in Serendra which is under joint development agreement with BCDA; 33 has. in Taguig is owned through Fort Bonifacio Development Corporation.

For Market! Market!, the lease agreement with the BCDA covers a period of 25 years (renewable for another 25 years) and involves an upfront cash payment of P700 million and annual lease payments with fixed and variable components.

For Serendra, the joint development agreement with BCDA involves an upfront cash payment of P700 million plus a guaranteed revenue stream totaling P1.1 billion over an 8-year period.

[3] Alabang pertains to the 17.6-ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp. (ACC), 3.7 has. of which is subject of a Mortgage Trust Indenture as security for ACC's short-term loans with Bank of the Philippine Islands.

[4] Quezon City mainly includes 38 has. under lease arrangement with University of the Philippines and the 13-ha. site of TriNoma which is under lease arrangement with the Department of Transportation and Communication. TriNoma is 49% owned by ALI through North Triangle Depot Commercial Corp.

[5] Manila/Pasay includes 2.1 has. (under development) which are under joint venture with Manila Jockey Club, Inc. and 0.3-ha. site of Metro Point which is 50% owned through ALI-CII Development Corp.

[6] Pasig pertains to Alveo's new project – Ametta Place.

[7] Canlubang includes 1,216 has. which are 70% owned through Aurora Properties, Inc. and Vesta Holdings, Inc.; also includes 304 has. which are 65% owned through Ceci Realty, Inc.

[8] Laguna (excluding Canlubang) includes 100 has. which are under a 50-50% joint venture with Greenfield Development Corp.; 19 has. in Laguna Technopark, Inc. which is 61% owned by Ayala Land; and 3-ha. site of Pavilion Mall which is under 27-year lease arrangement with Extra Ordinary Group, with an option to renew every 5 years thereafter (lease payment is based on a certain percentage of gross income).

[9] Cavite includes 20 has. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines.

[10] Batangas includes 17 has. in Sto. Tomas project which is under an override arrangement, while Quezon includes a 39-ha. property.

[11] Pampanga pertains to the site of Avida and Alveo projects, and the newly-opened Marquee Mall.

[12] Bataan pertains to the site of Anvaya Cove which is under joint development agreement with SUDECO.

[13] Bacolod includes 69 has. in Ayala Northpoint which is under override arrangement. Iloilo includes a 21-ha. property.

[14] Cebu includes about 10 has. in Cebu Business Park (including Ayala Center Cebu) which is 47% owned through Cebu Holdings, Inc. (CHI); 0.62-ha. hotel site owned by Ayala Hotels, Inc. and Cebu Holdings, Inc.; 8 has. in Asiatown IT Park which is owned by Cebu Property Ventures and Development Corporation which in turn is 76% owned by CHI; and 22 has. in Amara project, (66% owned by CHI) which is under joint venture with Coastal Highpoint Ventures, Inc. A 9.46-ha. Property (within the Cebu Business Park) which houses the Ayala Center Cebu is subject of a mortgage trust indenture securing term loan with Bank of the Philippine Islands; 0.62 has. is subject of a mortgage trust indenture securing Cebu Insular Hotel Company Inc.'s term loan with Bank of the Philippine Islands.

RENTAL PROPERTIES

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. In the year 2009, rental revenues from these properties accounted for ₱6.4 billion or 21% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

PROPERTY ACQUISITIONS

With 3,929 hectares in its landbank as of December 31, 2009, Ayala Land believes that it has sufficient properties for development in next twenty-five (25) years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, masterplanned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In a disclosure to the Securities and Exchange Commission dated August 27, 2009, Ayala Land, Inc. (ALI) and the National Housing Authority (NHA) signed a Joint Venture Agreement to develop the 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began last October 3, 2008.

ALI's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the NEDA Joint Venture Guidelines, features the development of a new Central Business District (CBD) in Quezon City. The CBD will be developed as the Philippines' first transit-oriented mixed-use central business district that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset into a model for urban renewal. The development will also generate jobs and revenues both for both local and national governments.

ALI's vision for the North Triangle Property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the Property, similar to the development experience in Fort Bonifacio.

ALI's track record, strong branding, and ability to attract top locators will ensure that the development will achieve its highest potential value. In the development and management of CBDs, ALI's signature projects include the master-planned Makati CBD, Bonifacio Global City, Cebu Business Park, and Madrigal Business Park in Alabang.

The total project cost is estimated at ₱ 22 billion, inclusive of future development costs and the current value of the property, which ALI and the NHA will contribute as their respective equity share in the joint venture. ALI expects to start development within two years.

MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES

Of the Company's properties in Makati, 1.37 has. is mortgaged with the Bank of the Philippine Islands in compliance with Bangko Sentral ng Pilipinas ruling on directors, officers, stockholders and related interests while another 0.16 has. is mortgaged with the Government Service Insurance System to secure surety bonds issued in favor of the Bases Conversion Development Authority ("BCDA").

CERTAIN LEGAL PROCEEDINGS

As of December 31, 2009, ALI is not involved in any litigation it considers material. However, certain individuals and entities have claimed an interest in ALI's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning October 1993, ALI filed petitions in the RTC of Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these adverse claimants. A number of these cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The remaining pending cases involve the remaining area of approximately 120 hectares.

ALI does not intend to develop and sell the rest of the Las Piñas properties until the litigation is resolved.

ALI has made no provision in respect of such actual or threatened litigations.

As a result of the explosion which occurred on October 19, 2007 at the basement of the Makati Supermarket Building, the Philippine National Police has filed a complaint with the Department of Justice ("DOJ") and recommended the prosecution of certain officers/employees of Makati Supermarket Corporation, the owner of the building, as well as some employees of ALI's subsidiary, Ayala Property Management Corp. ("APMC"), among other individuals, for criminal negligence. In a Joint Resolution dated April 23, 2008, the DOJ special panel of prosecutors ruled that there was no probable cause to prosecute the APMC employees for criminal negligence. This was affirmed by the DOJ Secretary in a Resolution dated November 17, 2008. A Motion for Reconsideration was filed by the Philippine National Police which remains pending with the DOJ. To date, no civil case has been filed by any of the victims of the incident.

MARKET PRICE OF AND DIVIDENDS ON AYALA LAND'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Ayala Land was incorporated in June 1988 and was listed on the PSE in July 1991.

Market Information

Ayala Land common shares are listed in the PSE.

Stock Prices (in ₽/share)

	High			Low			Close		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
First Quarter	7.30	15.00	13.75	5.00	9.70	13.54	5.70	10.75	13.75
Second Quarter	9.70	11.25	17.75	5.60	9.60	17.25	8.10	9.60	17.50
Third Quarter	12.00	11.25	16.75	8.10	8.40	16.00	11.50	9.20	16.25
Fourth Quarter	12.50	9.40	14.75	10.25	5.30	14.25	11.25	6.40	14.25

The market capitalization of ALI as of end December 31, 2009, based on the closing price of ₽11.25/share, was approximately ₽145.8 billion. ALI's closing price as of February 26, 2010 was P11.25 which translates to a market capitalization of ₽145.8 billion.

Stockholders

There are approximately 11,268 holders of common equity security of the Company as of December 31, 2009 (based on number of accounts registered with the stock transfer agent). The following are the top 20 holders of the common equity securities of the Company :

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
1.	Ayala Corporation	6,934,509,515	53.34%
2.	PCD Nominee Corp. (Non-Filipino)	4,788,953,585	36.83%
3.	PCD Nominee Corp. (Filipino)	898,388,465	6.91%
4.	ESOWN Administrator 2009	38,277,304	0.29%
5.	The Insular Life Assurance Company, Ltd.	20,726,012	0.16%
6.	ESOWN Administrator 2006	14,565178	0.11%
7.	ESOWN Administrator 2005	13,430,271	0.10%
8.	Jose Luis Gerardo Yulo	11,882,458	0.09%
9.	ESOWN Administrator 2008	7,739,220	0.06%
10.	BPI T/A #14016724	5,928,408	0.04%
11.	Estrellita B. Yulo	5,732,823	0.04%
12.	Xavier P. Loinaz	5,621,590	0.04%
13.	Elvira L. Yulo	5,424,000	0.04%
14.	ESOWN Administrator 2007	5,034,400	0.04%
15.	Maria Alexandra Q. Caniza	4,531,026	0.03%
16.	Pan Malayan Management and Investment Corp.	4,002,748	0.03%

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
17.	Ma. Angela Y. La O'	3,728,620	0.03%
18	Lucio W. Yan	3,483,871	0.03%
19	Telengtan Brothers and Sons, Inc.	3,480,000	0.03%
20	BPI-AMTG – AOD Custody Unit	3,182,286	0.02%

Dividends

STOCK DIVIDEND (Per Share)			
PERCENT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
20%	February 1, 2007	May 22, 2007	June 18, 2007

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.11	November 15, 2006	December 5, 2006	December 19, 2006
0.03	November 15, 2006	December 14, 2006	January 4, 2007
0.03	May 9, 2007	June 7, 2007	July 3, 2007
0.03	November 20, 2007	December 20, 2007	January 10, 2008
0.03	May 12, 2008	June 11, 2008	June 27, 2008
0.03	November 6, 2008	December 5, 2008	January 8, 2009
0.03	May 12, 2009	June 11, 2009	June 30, 2009
0.03	November 19, 2009	December 18, 2009	January 19, 2010

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Special cash dividends are declared depending on the availability of cash, taking into account the Company's capital expenditure and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

Recent Sale of Unregistered or Exempt Securities, including Recent Issuance of Securities constituting an Exempt Transaction

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the Executive Stock Option Plan ("ESOP") and the subscription to the common shares under the Executive Stock Ownership Plan ("ESOWN") as follows:

Year	No. of Shares ESOP (exercised)	ESOWN (subscribed)
2007	14.2 Million	5.0 Million
2008	3.2 Million	7.9 Million
2009	1.8 Million	38.3 Million

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

On 30 April 2007, the SEC approved the Company's application for an increase in authorized capital stock from ₽12 billion to ₽20 billion and the corresponding Amendment of Articles of Incorporation and the payment of the 20% stock dividend to all the common shareholders of the Company totaling ₽2.2B shares.

On 18 October 2007, the SEC approved the Company's application for an increase in authorized capital stock from ₽20 billion to ₽21.5 billion to cover the offering and issuance of new ₽ 13.034 billion preferred shares to the common shareholders of the Company.

The common shares described above were not offered publicly, and the Company did not engage any underwriter for the issuance of the common shares.

Stock Options

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the ESOP and the subscription to the common shares under the ESOWN as follows:

Year	No. of Shares ESOP (exercised)
2007	14.2 Million
2008	3.2 Million
2009	1.8 Million

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plan of Operations

Ayala Land's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company.

Principles of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land and the following wholly owned and majority owned subsidiaries as of December 31, 2009:

	Effective Ownership (%)
Real Estate:	
Amorsedia Development Corporation and Subsidiaries	100
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
Alveo Land Corporation	100
Avida Land Corporation and Subsidiaries (Avida)	100
Ayala Land International Sales, Inc.	100
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
Crans Montana Holdings, Inc.	100
Crimson Field Enterprises, Inc.	100
Red Creek Properties, Inc.	100
Regent Time International, Limited (Regent) (British Virgin Islands)	100
Ecoholdings Company, Inc.	100
Asterion Technopod, Incorporated	100
Crestview E-Office Corporation	100
Gisborne Property Holdings, Inc	100
Hillsford Property Corp	100
Summerhill E-Office Corporation	100
Sunnyfield E-Office Corporation	100
NorthBeacon Commercial Corporation (NBCC)	100
Primavera Town Centre	100
ALI Property Partners Holding Corp. (APPHC)	80
ALI Property Partners Corp. (APPCo)	60
Laguna Technopark, Inc.	75
Aurora Properties Incorporated	70
Vesta Property Holdings, Inc.	70
Station Square East Commercial Corporation (SSECC)	69
Serendra, Inc.	67
Ceci Realty, Inc.	60
CMPI Holdings, Inc.	60
Asian I-Office Properties, Inc. (AiO)	60

Accendo Commercial Corp.	57
ALI-CII Development Corporation (ALI-CII)	50
Roxas Land Corporation (RLC)	50
Construction:	
Makati Development Corporation (MDC)	100
Hotels:	
Ayala Hotels, Inc. (AHI) and Subsidiaries	50
Enjay Hotels, Inc.	100
Cebu Insular Hotel Company, Inc.	63
Property Management:	
Ayala Property Management Corporation (APMC)	100
Ayala Theatres Management, Inc. and Subsidiaries	100
Entertainment:	
Five Star Cinema, Inc.	100
Leisure and Allied Industries Philippines, Inc. (LAI)	50
Others:	
ALInet.com, Inc. (ALInet)	100
First Longfield Investments Limited (First Longfield) (Hongkong Company)	100
Food Court Company, Inc.	100

Results of Operations for the Year Ended December 31, 2009

Ayala Land, Inc. ("ALI" or "the Company") posted a strong financial performance for the full year 2009 despite a challenging macroeconomic environment, especially in the first quarter of last year. Consolidated core net income reached ₱4.04 billion in 2009, nearly matching the record ₱4.13 billion in earnings (excluding large transactions) generated the previous year. The Company's quarterly financial performance also improved steadily, with the ₱1.12 billion in net income generated in the fourth quarter of 2009 up 7% quarter-on-quarter and 16% year-on-year, respectively. This was achieved through a combination of relatively stable operating revenues from key business segments and effective cost control measures.

Consolidated revenues of ₱30.46 billion in 2009 were 10% lower than the ₱33.75 billion recorded the previous year. The decline was accounted for mostly by the 8% drop in revenues from Real Estate and Hotel operations and the absence of capital gains from a large transaction, specifically the sale of the Valero lots in March 2008. Real Estate and Hotel operations revenues were lower, mostly on the Company's decision to reduce its external third-party construction contracts while aggregate consolidated revenues from the company's core residential and leasing operations remained flat.

Despite the lower consolidated revenues, consolidated net operating income (NOI) reached ₱9.03 billion in 2009, declining by only 3% from the ₱9.33 billion posted the previous year. This reflected the overall improvement in blended NOI margins to 32% in 2009 from 30% the previous year. Shopping Centers and Corporate Business margins stabilized as leased-out rates in new malls and business process outsourcing (BPO) office buildings steadily moved up, while an improvement in Strategic Landbank Management margins offset the decline in Residential and Support Businesses margins which were hampered by high input costs at the start of the year. The improvement in NOI margins and a 12% reduction in General and Administrative Expenses (GAE) contributed to narrowing the gap between the after-tax Net Income (NIAT) of ₱4.04 billion in 2009 compared with the ₱4.81 billion (including large transactions) recorded in 2008.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Residential Development. Residential Development revenues amounted to ₱14.23 billion in 2009, 6% lower than the ₱15.22 billion posted the previous year, as the combined value of bookings for the three brands dropped due to uncertain market conditions in the first quarter and a limited supply of new product launches in 2009. Ayala Land Premier revenues registered a decline of 15% to ₱6.53 billion as the gradual recovery in demand was not met with adequate inventory. Meanwhile, Alveo Land and Avida Land both posted growth rates of 2% year-on-year. Alveo's revenues reached ₱4.03 billion while Avida's reached ₱3.67 billion as advancing percentages of completion on projects under construction offset the decline in new bookings. The Residential Business remained the biggest contributor to the Company's NOI, accounting for 43% of total at ₱3.85 billion. NOI margins dropped to 27% from 29% largely because the completion mix was weighted towards the lower-margin products. For 2010, the Company is anticipating a strong turn-around in market conditions and will be launching its most aggressive campaign ever, with over 9,200 units to be launched from 28 projects across all residential brands. 2010 will also be noteworthy for the Company's initial foray into the economic housing segment through a newly established fourth brand known as Amaia Land Corporation, with a maiden project to be launched in Laguna within the first quarter.

Shopping Centers. Total revenues for Shopping Centers rose by 4% to ₱4.44 billion in 2009 as its gross leasable area (GLA) portfolio increased with the opening of MarQuee Mall in Angeles, Pampanga last September 2009. Blended occupancy rates remained at 92% despite the Ayala Center redevelopment-related closures in Glorietta 1 as well as the start-up operations of MarQuee Mall. Average building rent for all malls dropped by 5% to P1,019 per square meter per month, mostly due to the lower average lease rates in MarQuee Mall. NOI for Shopping Centers meanwhile improved by 9% to ₱2.34 billion and accounted for 26% of the Company's total NOI. NOI margins also improved to 53% from 50% with the continued ramp-up of new malls. For 2010, the Company will continue with the construction of its Abreeza Mall in Davao, which is expected to open in 2011. It is also expected to launch the Phase 2 development of Ayala Center Cebu, while breaking ground in several other provincial locations for both regional malls as well as its community and neighborhood center products.

Corporate Business. Revenues from Corporate Business nearly doubled to ₱1.99 billion in 2009 from ₱1.09 billion the previous year. The growth was derived largely from the expansion of the BPO office portfolio that reached a total of 178,160 square meters of leased-out GLA as of year-end 2009, compared with 82,224 square meters as of year-end 2008. Revenues were also boosted by higher average BPO lease rates that went up by 22% to an average of ₱582 per square meter per month with the start of operations of two higher-yielding BPO office buildings in Makati in 2009 (Solaris One and Glorietta 5 BPO). Meanwhile, the performance of the headquarter-type (HQ) office buildings continued to be positive. Average lease rates for the HQ buildings increased by 4% to ₱806 per square meter per month on programmed rental escalations as well as above-average renewal rental rates, with occupancy rates remaining high at 96%. NOI meanwhile increased by 86% to ₱1.08 billion in 2009, accounting for 12% of the Company's total. NOI margins also improved to 54% from 53% as a result of improving occupancy rates in the recently opened buildings. For 2010, the Company continues to see positive prospects for expansion in select locations and will begin construction on Two Evotech in Nuvali as well as several other BPO buildings in Luzon and the Visayas region.

Strategic Landbank Management. Revenues from the Strategic Landbank Management Group (SLMG) amounted to ₱2.26 billion in 2009, 24% higher than the previous year, largely due to the significant construction completion of its share in booked NUVALI residential and commercial lot sales. The strong revenue growth also led to an increase in NOI by 32% to ₱832 million from ₱632 million in 2008 (and contributed 9% to total NOI). NOI margins likewise improved to 37% from 35% with a greater percentage of construction accomplishment in higher-margin lots in NUVALI.

Visayas-Mindanao. Revenues from Visayas-Mindanao improved by 20% to ₱194 million in 2009 from ₱161 million the previous year. Most of the revenue growth came from increasing percentage completion at Alegria Hills in Cagayan de Oro and from higher bookings in new phases of Plantazionne Verdana Homes in Negros Occidental. NOI contribution was ₱17 million, or less than 1% of total.

Support Business. The Support Businesses, namely Construction, Property Management and Hotels, generated revenues (net of inter-company eliminations) of ₱4.96 billion in 2009, 38% lower than the ₱8.05 billion posted the previous year. The decline was a result of the winding down and subsequent lower contribution from external construction projects as the Company deliberately adopted a strategy of focusing more on internal construction projects. Consequently, NOI for the Support Businesses in aggregate also dropped by 44% to ₱909 million, or 10% of total. Overall margins were likewise lower at 18% compared with 20% the previous year, although these stabilized in the second half of 2009, compared with a larger average year-on-year drop in the first two quarters of last year.

Equity in Net Earnings of Investees, Interest and Other Income

Equity in Net Earnings of Investees grew by 9% to ₱968 million from ₱885 million, mostly from the contribution of Fort Bonifacio Development Corporation (in which the Company holds an effective stake of 24.8%) and the improved performance of shopping center joint ventures accounted for under the equity method (particularly TriNoma and Alabang Town Center). Meanwhile, Interest, and Other Income decreased by 37% to ₱1.41 billion in 2009 compared with the ₱2.25 billion the previous year. Higher management fees and interest income on higher average cash balances in 2009 were not enough to compensate for the absence of capital gains derived from the sale of shares in wholly-owned subsidiaries Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. in March 2008.

Expenses

Total expenses dropped to ₱26.42 billion in 2009, 9% lower than the ₱28.94 billion recorded in 2008. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at ₱19.02 billion, declined by 11%, reflecting the strong project cost control initiatives. GAE was also contained at ₱2.79 billion, dropping by 12% from the previous year with savings from a corporate restructuring program in 2008 as well as strong cost control initiatives implemented in 2009. Meanwhile, Interest Expense, Financing and Other Charges went up by 52% to ₱2.80 billion, mostly due to the increase in average loan balances for 2009 as the Company ramped up its borrowing program.

Project and Capital Expenditures

ALI spent a total of ₱16.24 billion for project and capital expenditures in 2009, 14% less than the record ₱18.89 billion spent in 2008. Residential Development accounted for 60% of the total, followed by Strategic Landbank Management with 17% and Shopping Centers and Corporate Business each accounting for 8% of total. For 2010, the Company has earmarked a new record high of ₽27.17 billion for capex as it expects its most aggressive year ever with record product launches and activity levels across all product segments. The capex allocation is expected to cover expenses related to the launch of new residential and leasing projects, the ongoing construction completion of existing projects under development, as well some possible land acquisition as the Company seeks to expand its presence in more growth centers across the country.

Financial Condition

The Company's balance sheet continues to be robust with a close to zero net-debt position and significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. Cash and Cash Equivalents stood at ₽15.52 billion with a Current Ratio of 1.95:1. Total Borrowings as of year-end 2009 stood at ₽18.81 billion, compared with ₽16.75 billion as of December 2008, translating to a Debt-to-Equity Ratio of 0.36:1 and a Net Debt-to-Equity Ratio of 0.06:1. The Company has been managing its debt profile effectively, with 91% in long-term debt (with 84% of total carrying a fixed-rate) and an average borrowing rate of 7.9%, down from ¬¬8.0% the previous year. The Company's borrowings carry an average maturity tenor of 4.4 years. In order to support its expansion plans, the Company intends to continue ramping-up its borrowing program in 2010.

Recent Significant Transactions

As part of its strategic plan to develop more growth centers around the country, the Company recently concluded two key landbank acquisitions. ALI forged in August 2009 a joint venture agreement with the National Housing Authority (NHA) to develop the 29.1-hectare North Triangle Property in Quezon City into the Philippines' first transit-oriented mixed-use central business district. The total project cost is estimated at ₽22 billion, inclusive of programmed development costs and the current value of the property. The Company also recently signed in October 2009 a 50-year lease agreement with the Subic Bay Metropolitan Authority for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone into an integrated mixed-use community which will include a shopping mall, BPO office building and a hotel. The total investment in the area is expected to reach approximately ₽3 billion, inclusive of the investments generated from the project's multiplier-effect from retail, office and hotel locators.

Material changes (+/- 5% or more) in the financial statements

Income Statement items – 2009 vs 2008

8% decline in real estate revenues
Largely due to lower revenues from the construction business with the winding down and subsequent lower contribution from external construction projects.

7% decrease in hotel operations revenues
Mainly due to lower occupancy rate and average room rate of Hotel Intercontinental Manila.

9% increase in equity in net earnings of associates and jointly controlled entities
Primarily due to higher income from Fort Bonifacio Development Corp., Alabang Commercial Corp. and North Triangle Depot Commercial Corp. (NTDCC) that offset lower income from Cebu

Holdings, Inc. and Cebu Property Ventures Development Corp.

16% decline in interest income
Mainly due to the payment by Bonifacio Land Corp. of an intercompany loan in 2008.

52% decrease in other income
Largely due to absence of large transactions during the period against the sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc and Streamwood Property, Inc. in March 2008.

11% decline in real estate costs and expenses
Primarily due to impact of project cost control initiatives.

12% drop in general and administrative expenses
Mainly due to lower payroll costs and benefits, and the impact of spend management initiatives involving controllable costs.

28% increase in interest expense and other financing charges
Largely due to higher level of debt.

84% increase in other charges
Primarily due to provisioning for bad debts and write-offs due to impairment of real estate inventories.

44% decrease in provision for income tax
Mainly due to the lower taxable income for the period and reduction in income tax rate to 30%.

12% increase in net income attributable to minority interests
Largely due to higher income from Ceci Realty, Inc and Aurora Properties Holdings, Inc.

Balance Sheet items – 2009 vs 2008

17% decrease in cash and cash equivalents
Primarily due to reclassification of money market placements with terms of more than 90 days to short-term investments.

79% increase in short term investments and financial assets at fair value through profit or loss
Largely due to increase in money market placements with terms of more than 90 days

100% increase in available for sale financial assets – current portion
Mainly due to investment in fixed income securities.

9% increase in real estate inventories
Largely due to Ayala Land Premier developments including Abrio, Westgrove Heights and Anvaya, and new projects such as Ametta Place and Verdana Homes Mamplasan Phase 3.

9% decline in other current assets
Primarily due to lower prepaid expenses of Makati Development Corp.

11% increase in non-current accounts and notes receivable

Mainly due to higher receivables from Avida.

11% increase in land and improvements
Largely due to land acquisitions and incidental costs related to site preparation and clearing of various properties.

9% increase in investment in associates and jointly controlled entities
Mainly due to additional investment in Fort Bonifacio Holdings and higher earnings from Emerging City Holdings Inc. and Berkshire Holdings Inc.

55% increase in available-for-sale financial assets
Primarily due to investment in fixed income securities maturing on years 2013, 2014 and 2016.

5% increase in accounts and notes receivable - net
Mainly due to higher receivables from Avida and Alveo

43% increase in investment properties
Mainly due to completion of malls and buildings such as MarQuee Mall, U.P.-AyalaLand TechnoHub (new buildings), Cebu E-bloc, Glorietta 5 and Vertex One, and additional disbursements related to the construction of Ayala Center Redevelopment.

62% decline in property and equipment
Primarily due to reclassification of operational and completed buildings to investment properties.

36% increase in deferred tax assets
Largely due to Ceci Realty's higher unrealized sales collection.

20% decline in other noncurrent assets
Mainly due to the reclassification of fixed income securities to non-current accounts and notes receivable

7% decline in accounts and other payables
Primarily due to the completion of ALI Parent and Makati Development Corp. projects.

27% increase in short term debt
Mainly due to new loan availments of ALI Parent and Avida.

151% increase in income tax payable
Primarily due to higher creditable withholding tax recognized by Alveo Land and Ceci Realty in 2008.

55% increase in current portion of long-term debt
Largely due to the reclassification of loans from non-current to current of APPHC and Ayala Hotels Inc.

93% increase in other current liabilities
Mainly due to increase in customers' deposits in Serendra, Ceci Realty and Aurora Properties.

10% increase in long-term debt- net of current portion
Largely due to increase in Fixed Rate Corporate Notes (FXCNs).

46% decline in pension liabilities
Mainly due to adjustments made to reflect latest actuarial valuation.

7% decline in deferred tax liabilities
Primarily due to the shift in the corporate tax rate from 35% to 30%.

31% increase in deposits and other non-current liabilities
Largely due to the increase in security and construction deposits from MarQuee Mall, Glorietta 5 BPO, U.P.-AyalaLand TechnoHub and One Evotech.

9% decline in deferred credits
Mainly due to the income realization of Serendra Inc. following project completion.

10% increase in retained earnings
Largely due to current year's income net of dividends.

70% increase in stock options outstanding
Primarily due to exercise of ESOWN grant.

5% increase in unrealized gain on available-for-sale financial assets
Mainly due to revaluation of Ayala Corporation preferred shares.

11% increase in minority interests in net assets of subsidiaries
Largely attributed to Accendo Commercial Corp., APPHC and APPCo.

Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End-2009	*End-2008*
Current ratio [1]	1.95:1	1.88:1
Debt-to-equity ratio [2]	0.36:1	0.35:1
Net debt/(cash)-to-equity ratio[3]	0.06:1	0:03:1
	FY 2009	*FY 2008*
Return on assets [4]	3.9%	5.2%
Return on equity [5]	8.0%	10.2%

[1] Current assets / current liabilities
[2] Total interest-bearing debt (inclusive of bonds) / stockholders' equity
[3]Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity
[4]Net income / average total assets
[5] Net income / average stockholders' equity

<u>Factors which may have material impact in Company's operations</u>

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation and there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Economic Factors

The economic situation in the Philippines significantly affects the performance of the Company's businesses. For certain business lines, more particularly the residential products, the Company is sensitive to changes in domestic interest and inflation rates. Higher interest rates tend to discourage potential buyers of residential units as mortgages become unaffordable to them. An inflationary environment will adversely affect the Company, as well as the real estate industry, by increases in costs such as land acquisition, labor and materials. Although the Company may pass on the additional costs to buyers, there is no assurance that this will not significantly affect the Company's sales. For an additional discussion on the economic factors, see the section entitled "Risk Factors and Other Considerations – Government and Economic Factors".

Competition

For a discussion on the Company's competition, see sections entitled "Risk Factors and Other Considerations – Ayala Land faces a highly competitive business environment" and "Description of Business – Competition".

Project & Capital Expenditures (consolidated)

The Company's consolidated project & capital expenditures for 2008 amounted to ₱18.9 billion, broken down as follows:

Shopping centers	12%
Corporate business	28%
Residential developments	41%
Strategic landbank management	15%
Geographic Businesses	4%
	100%

For 2009, the Company budgeted ₱17.4 billion* for consolidated project and capital expenditures, broken down as follows:

Shopping centers	13%
Corporate business	12%
Residential developments	50%
Strategic landbank management	17%
Geographic Businesses	8%
	100%

** Project and capital expenditures will be funded from existing cash and cash from operations, pre-selling, additional borrowings, and proceeds from the sale of receivables and non-core assets; excludes capital expenditures of unconsolidated affiliates.*

As of December 31, 2009, Ayala Land spent ₱16.2 billion for project and capital expenditures, 14% less than the ₱18.9 billion spent during the same period in 2008. Residential development accounted for 60% of total, with shopping centers and corporate business each accounting for 8% of total capital expenditures.

Review of 2008 Operations versus 2007

Results of Operations

Ayala Land posted a 10% growth in consolidated net income in 2008, reaching a record ₽4.8 billion from ₽4.4 billion the previous year, despite a challenging macroeconomic environment especially in the second half of 2008. This robust performance was achieved on the back of strong operating revenues and equity earnings from affiliates combined with effective cost control measures.

The Company recorded consolidated revenues of ₽33.7 billion, its highest ever and 31% more than the ₽ 25.7 billion achieved in 2007. Operating revenues increased by 34% to ₽ 30.6 billion with the bulk of the gains coming from the Residential, Strategic Landbank and Construction businesses. Shopping Centers and Corporate Business also contributed to consolidated revenue growth.

Equity in Net Earnings of Investees rose by 12% to ₽885 million following the favorable performance of the Company's corporate investment vehicles in Bonifacio Global City, Cebu Holdings, Inc. and the shopping centers affiliates. Meanwhile, Interest, Investment and Other Income contracted by 18% to ₽2.2 billion as the gain from the sale of shares in three subsidiaries (namely Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc.) in March 2008 was lower compared with the gains from similar large transactions in 2007. These were the sale of shares in Makati Property Venture, Inc to the Ascott Residence Trust in March and the sale of preferred shares in KHI-ALI Manila, Inc. to Kingdom Manila B.V. in connection with the development of a luxury hotel complex within Ayala Center in December 2007.

Consolidated net operating income (NOI) reached ₽ 9.3 billion in 2008, 21% higher year-on-year. However, overall NOI margins declined by four percentage points to 30% following the drop in shopping center and construction margins. Shopping center margins were affected by the closure of high-margin Glorietta 2 in connection with the ongoing Ayala Center redevelopment as well as the start-up operations at Greenbelt 5. Construction margins were put under pressure by the increase in the costs of construction materials, particularly in the third quarter. Meanwhile, Residential and Corporate Business both showed healthier margins compared with the previous year following the successful implementation of unit price increases and rental escalations, respectively.

Business Segments

The Residential Development business accounted for the bulk of revenues at ₽ 15.2 billion or 45% of total revenues. This was followed by the Support Businesses at 24%, or ₽ 8.0 billion, largely coming from the Construction business. Shopping Centers contributed 13% or ₽ 4.3 billion, while Strategic Landbank Management generated 5% or ₽ 1.8 billion. Corporate Business also accounted for 3% or ₽ 1.1 billion, followed by Visayas-Mindanao with ₽ 161 million or less than 1%. Interest and Other Income accounted for the balance of 9%.

Residential Development

Residential Development revenues amounted to ₽ 15.2 billion in 2008, 18% higher than the ₽ 12.8 billion posted in 2007. Alveo Land Corp. ("Alveo") and Avida Land Corporation ("Avida") both registered double-digit growth rates of 33% and 38% year-on-year, respectively.

Ayala Land Premier ("ALP") projects generated ₱ 7.7 billion in revenues, 5% higher than in 2007. High-end condominium units contributed the bulk (₱ 4.2 billion) of ALP's revenues, but were down 6% year-on-year due to a slowdown in the high-end condominium market. Bookings of high-end condominium units in 2008 declined from 508 to 171, with sales from One Serendra East Tower (launched in March 2008) not enough to make up for the sell-out of the highly successful The Residences at Greenbelt ("TRaG") project, which accounted for the bulk of units in 2007. Despite the soft market conditions, revenue growth was driven by advancing project completion rates last year (TRaG 2 at 75%; TRaG 3 at 38%; and One Serendra Sections D & E at 92%). High-end lots meanwhile contributed ₱ 2.7 billion (+34% year-on-year) with total booked sales of 371 lots, mostly from Abrio in NUVALI, Ayala Westgrove Heights and Ayala Greenfield Estates. Revenues of leisure project Anvaya Cove declined by 3% to ₱ 814 million as the higher completion rates in Anvaya Cove were offset by lower bookings, which fell to 188 from 433 the previous year due to a sell-out of available lot inventory.

Meanwhile the performance of the middle-income and affordable residential sectors remained robust. Alveo's revenues grew by 33% to ₱ 4.2 billion in 2008 from ₱ 3.0 billion the previous year. Although booked units grew by only 5% to 1,164 units, significant construction accomplishment secured the high revenue growth. New projects Treveia in NUVALI (265 lots), Senta in Legaspi Village, Makati (210 units), and Red Oak and The Aston at Two Serendra (total of 291 units) accounted for the bulk of bookings.

Avida's revenues rose by 38% to ₱ 3.6 billion in 2008 due to the increase in bookings to 1,957 units from 1,706 units in 2007, coupled with a steady progress of construction. New projects such as Avida Settings NUVALI, Avida Settings Cavite, Avida Towers San Lazaro (new towers) and Avida Towers Makati West, likewise drove growth of Avida unit bookings.

NOI for Residential Development contributed 47% of total NOI and grew 28% in 2008 to ₱ 4.4 billion. NOI margin likewise improved to 29% from 27% in 2007 with the impact of the effected price increases across all three brands and effective cost management offsetting the higher average cost of construction materials.

Meanwhile, take-up of all residential projects in 2008 reached 4,803 units, 15% lower than the 5,644 units in 2007 with sales value also dropping by 12% to ₱ 18.4 billion. A total of 4,238 units were launched during the year, short of the original full-year target of 5,622 units (excluding residential projects in Visayas-Mindanao) by 24% and 18% less than what was brought into the market in 2007.

Shopping Centers

2008 revenues for Shopping Centers rose by 3% to ₱ 4.3 billion. Total gross leasable area ("GLA") owned and operated by the Company grew 2% to 887,112 square meters as new mall openings in Greenbelt 5 Phase 2, Glorietta 5 and The Terraces at Ayala Center Cebu were offset by the closure of Glorietta 2 and Park Square 2 for the start of the Ayala Center redevelopment. Average building rent for all malls meanwhile grew 4% to ₱1,100 per square meter per month, while average occupancy rates improved by 3% points to 92% with significant improvements in the occupancy of TriNoma and Market!Market!. Meanwhile flagship Ayala Center experienced flat rental rates and a decline in occupancy rates to 91% from 98% last year due to the start-up operations of Greenbelt 5 and Glorietta 5.

NOI for Shopping Centers posted a decline of 11% to ₱ 2.2 billion, while NOI margin was squeezed to 50% from 58% since the continued closure of high-margin Glorietta 2 and the start-up operations of Greenbelt 5 and Glorietta 5 were not fully offset by the improved performance of Market!Market!. Shopping Centers accounted for 23% of total NOI.

The construction of MarQuee Mall in Angeles, Pampanga is ongoing, with a target opening of September 2009. Planning activities for a retail-BPO development in Davao City is also currently underway.

Corporate Business

Revenues from Corporate Business amounted to ₱ 1.1 billion in 2008, higher by 10% from the previous year as rental escalations from both traditional headquarter-type ("HQ") office buildings as well as business process outsourcing type buildings ("BPO") kicked in. Average rental rates for HQ increased by 12% for the 2008, with BPO increasing by 7%. While there was no expansion for the HQ type office segment, BPO building GLA increased by 2.6 times to 93,487 square meters with the completion and start of operations of the first four buildings of the UP-Ayala Land TechnoHub. Average occupancy for BPO buildings dropped from 100% to 79% as some locators in the UP-Ayala Land TechnoHub were still at various stages of fit-out. Occupancy rates for HQ-type buildings meanwhile improved by one percentage point to 98%.

NOI grew by 19% to ₱ 580 million from ₱ 489 million in 2007. NOI margin also improved by four percentage points to 53% following the increase in rental rates, decrease in direct operating expenses and the impact of a decline in Laguna Technopark, Inc. ("LTI") lot sales which delivered lower margins. Only 5.8 hectares were sold in LTI in 2008 compared to 9.3 hectares in 2007. Corporate Business' NOI accounted for 6% of total.

The other BPO building projects that were completed in 2008 but will not be operational until the first quarter of 2009 include two additional buildings in UP-Ayala Land TechnoHub, Glorietta 5, Solaris (along Dela Rosa Street in Makati), San Lazaro Vertex and Cebu eBloc. These BPO buildings will contribute another 121,781 square meters to total GLA. Also targeted for completion in 2009 are the last four buildings in UP-Ayala Land TechnoHub with an incremental GLA of 40,000 square meters.

With the market slowdown that the industry is currently faced with in the near-term, the Company is recalibrating the timing of future launches. The posture is to prepare expansion sites that have already been secured into "push-button" mode, which will enable the Company to respond quickly in the event of a market upswing.

Strategic Landbank Management

Revenues of Strategic Landbank Management rose by 281% to ₱ 1.8 billion in 2008 from ₱ 478 million in 2007. Significant growth was generated from its share in lot sales at NUVALI across all three residential brands. Booked "override" (i.e. its share in residential lot sales by virtue of being the land owner and joint development partner) units increased to 440 units in 2008 versus 108 in 2007, complemented by higher construction completion on override units at The Columns at Legazpi Village.

Accordingly, NOI surged by 325% to ₱ 632 million from ₱ 149 million, while NOI margin improved by four percentage points to 35%. SLMG's NOI during the year contributed 7% to total NOI.

Equity in Net Earnings from Ayala Land’s effective stake in Fort Bonifacio Development Corporation (“FBDC”) grew by 31% to ₱ 576 million, driven by improved leasing activities and the increase in the prices of sold lots in Bonifacio Global City (“BGC”). A total of 18,214 square meters were sold in 2008 at an average price of ₱ 151,000 per square meter.

The Company remains committed to drive the growth in land values of its three strategic landbank areas. In Makati, the major redevelopment of the Ayala Center is already ongoing and is expected to be completed by 2012. Glorietta 5, consisting of both retail and BPO, was completed in December 2008. Meanwhile, preparation for the redevelopment of Glorietta 1 & 2 commenced in January 2009 to make way for the construction of more retail, BPO and hotel spaces. In Bonifacio Global City, the 29-storey BGC E-Services Building, a Company-managed project, was 53% complete while construction of St. Luke’s Hospital is nearing completion. In NUVALI, the Technopod building was completed in December 2008 and the retail areas are slated to open by April 2009.

Visayas-Mindanao

Visayas-Mindanao’s revenues dropped by 9% to ₱ 161 million in 2008 from ₱ 176 million the previous year as bookings fell to 117 lots from 135 lots in 2007. Most of the bookings came from newer phases of Plantazionne Verdana Homes and Ayala Northpoint (both in Bacolod). NOI contribution was a negative ₱ 26 million as the price increases implemented and the sales volumes were not enough to offset the high fixed costs in Ayala Northpoint Phase 2 and the slow take-up of Alegria Hills in Cagayan de Oro.

Support Business

The Support Businesses, namely Construction, Property Management and Hotels, generated revenues (net of inter-company eliminations) of ₱ 8.0 billion in 2008, growing by 93% year-on-year. Total NOI for the Support Businesses in aggregate also grew by 33% to ₱ 1.6 billion, with bulk of the increase coming from the Construction business.

Makati Development Corporation (“MDC”), ALI’s wholly-owned construction arm, reported revenues of ₱ 5.7 billion (net of inter-company eliminations), representing a 216% growth over the previous year on the back of significant progress in construction accomplishment on external projects. External projects accounted for 44% of the value of MDC’s outstanding contracts. The construction business contributed ₱ 685 Million or 7% of the Company’s NOI.

Ayala Property Management Corporation (“APMC”), a 100%-owned subsidiary, reported an almost flat growth in revenues of ₱ 1.0 billion (net of inter-company eliminations) in 2008 over the previous year’s level. NOI margin, however, improved by 10 percentage points to 47%. Higher efficiencies achieved in facilities management led to significant savings in direct operating expenses. APMC’s NOI amounted to ₱ 487 million or 5% of ALI’s NOI.

The Hotels group, comprised of Hotel InterContinental Manila and Cebu City Marriott Hotel, generated ₱ 1.3 billion in 2008, slightly declining by 3% from the previous year. With their recent renovations, average room rates at Hotel InterContinental Manila and Cebu City Marriott Hotel were higher by 13% and 9% to ₱ 5,491 and ₱ 3,462, respectively. However, the fierce competition in the industry and renovation related disruptions saw occupancy rates drop from 82% to 78% for the InterCon and from 75% to 52% at the Marriott. The two hotel properties contributed ₱ 445 million or 5% to ALI's NOI.

NOI margins of the Support Businesses dropped to 20% from 29% largely because of lower margins on MDC's external contracts and the impact of higher construction material costs. The hotels exhibited slight margin improvements while the recovery in APMC's margins narrowed the drop in Support Businesses' total NOI margins.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees grew by 12% to ₱ 885 million from ₱ 787 million, mostly coming from the combined contribution of ALI's corporate investment vehicles in Bonifacio Global City, and higher earnings of Cebu Holdings Inc. ("CHI") and Alabang Commercial Corporation ("ACC").

As mentioned in the Strategic Landbank discussion, the contribution of FBDC reached ₱ 576 million or 31% higher than the ₱ 439 million in 2007. Meanwhile, Equity Earnings from CHI and Cebu Property Ventures Development Corp. ("CPVDC") were 45% higher at ₱ 201 million from ₱ 138 million in 2007. At Ayala Center Cebu, the average building rent was 5% higher year-on-year, while occupancy rate improved to 97% from 93%. Four lot sales, one in Cebu Business Park and three in Asiatown IT Park, with a total area of 24,202 square meters, further raised equity earnings.

For the shopping center business, ACC (corporate vehicle for Alabang Town Center) contributed ₱ 121 million in 2008, 10% more than the previous year as rental rates increased by 4%. TriNoma, which opened in May 2007, contributed another ₱ 14 million to equity earnings also due to higher rental and occupancy rates.

Interest, Fees, Investment and Other Income amounted to ₱ 2.2 billion in 2008 or a decline of 18% from ₱ 2.7 billion the previous year. The ₱ 761 million in pre-tax capital gains from the sale of shares in wholly-owned subsidiaries Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. in March 2008 was lower compared with the two asset sales in 2007, namely the sale of shares in Makati Property Venture, Inc ("MPVI") to the Ascott Residence Trust in March 2007 and the sale of preferred shares in KHI-ALI Manila, Inc. ("KAMI") to Kingdom Manila B.V. in December 2007.

Expenses

For 2008, total expenses amounted to ₱ 28.9 billion, 32% more than the ₱ 22.0 billion in 2007. Real Estate and Hotels Cost of Sales accounted for the bulk at ₱ 21.3 billion, 41% more than the previous year. Meanwhile, General and Administrative Expenses ("GAE") rose by 21% to ₱ 3.3 billion, still a much lower pace than the 34% increase in real estate revenues. Interest, Taxes and Other Charges likewise went up by 7% to ₱ 4.4 billion largely because of higher taxes resulting from higher taxable income from subsidiaries. This is expected to moderate in 2009 with the lowering of the corporate income tax rate from 35% to 30%.

Project and Capital Expenditures

ALI spent a record ₱ 18.9 billion for project and capital expenditures in 2008, 22% more than the ₱ 15.4 billion spent in the previous year. Residential Development projects accounted for the bulk of capital expenditures at ₱ 7.9 billion. This was followed by Corporate Business which used 28% or ₱ 5.3 billion, while around 12% or ₱ 2.2 billion was used by Shopping Centers.

For 2009, ALI has earmarked a similarly high ₱ 17.4 billion for capital and project expenditures as activity levels for the completion of current projects for delivery will remain high. Bulk of the budget will go to Residential Development and Strategic Landbank with a 50% and 17% share, respectively. Shopping Centers will get 13% while Corporate Business is expected to have a 12% allocation.

Financial Condition

The Company's balance sheet continues to be healthy with a Current Ratio of 1.89: 1. As of end-2008, Cash and Cash Equivalents stood at ₱ 15.4 billion, 20% higher than the end-2007 level of ₱ 13.6 billion. Total Borrowings were at ₱ 16.8 billion from ₱ 10.1 billion as of December the previous year, translating to a Debt-to-Equity Ratio of 0.34: 1. ALI's cash position has been boosted by the successful issuance of ₱ 4.0 billion in 5-year retail bonds, and ₱1.4 billion in non-recourse sales of account receivables. The Company's debt profile has also been improved with average maturities lengthened to 4.7 years, and 83% of borrowings already at fixed-rates. ALI has already secured the bulk of its funding program for its capital expenditure commitments for 2009 (an additional ₱ 2.4 billion was drawn in January 2009) while additional cash and debt capacity is available for attractive investment opportunities that may arise.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End- 2008	*End-2007*
Current ratio [1]	1.89:1	1.65:1
Debt-to-equity ratio [2]	0.34:1	0.22:1
Net debt(cash)-to-equity ratio [3]	0.03:1	(0.08):1
	FY 2008	*FY 2007*
Return on assets [4]	5.2%	5.4%
Return on equity [5]	10.2%	10.2%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*
[3] *Interest-bearing debt less cash, cash equiv. & investment in government securities/stockholders' equity*
[4] *Net income / average total assets*
[5] *Net income / average stockholders' equity*

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2008.

For 2009, ALI has earmarked a total of ₱17.4billion for project and capital expenditures, the bulk of which will be used to fund ongoing and planned projects of Residential Development and Strategic Landbank Management. Throughout the year, ALI examines the appropriate timing and allocated amounts for these projects, and adjusts the budget accordingly to reflect changes in plans. These projects will be funded through cash generated from operations and additional borrowings.

Material changes (+/- 5% or more) in the financial statements

Income Statement items –2008 versus 2007

36% increase in real estate revenues
Primarily due to higher revenues from Residential, Strategic Landbank and Construction businesses, as well as better revenue performance of Shopping Centers and Corporate Business.

12% increase in equity in net earnings of investees
Largely due to higher income from ALI's corporate vehicles in Bonifacio Global City as well as improved performance of Cebu Holdings Inc., Alabang Commercial Corporation and North Triangle Depot Commercial Corporation.

58% increase in interest income
Mainly accounted by higher interest income from money market transactions.

11% decrease in other income
Primarily due to lower proceeds from the gain on sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. in 2008 against the gain on sale of preferred shares in KHI-ALI Manila, Inc. in 2007.

43% increase in real estate costs and expenses
Mainly due to higher real estate revenues.

21% increase in general and administrative expenses
Primarily due to higher payroll costs and benefits following the salary increases.

18% increase in interest expense and other financing charges
Largely to higher average bank loans.

34% decrease in other charges
Primarily due to higher expenses related to the Glorietta 2 explosion and sale of preferred shares in KAMI in 2007.

25% increase in provision for income tax
Principally due to the higher taxable income during the period.

100% decrease in income associated with non-current assets held for sale
Primarily due to the sale of Oakwood recognized in 1Q07.

20% decrease in net income attributable to minority interests
Largely due to lower income of Ayala Hotels, Inc. following the sale of Oakwood in 1Q07.

<u>Balance Sheet items</u> – 2008 versus 2007

12% increase in cash and cash equivalents
Largely due to proceeds from bond issuance and from sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc.

18% increase in short-term investments and fair value through profit or loss financial assets
Largely due to increase in government securities.

42% increase in accounts and notes receivable
Primarily due to increase in advances to contractors and suppliers, as well as a reclassification of Serendra Inc. receivables from non-current receivables.

22% increase in real estate inventories
Largely due to set-up of additional costs for Anvaya shares, and disbursements for actual development of Anvaya, Abrio, Westgrove, Treveia, Senta and various Avida projects.

80% increase in other current assets
Mainly due to higher prepaid expenses and inventory of supplies of Makati Development Corporation and creditable withholding tax largely due to Serendra, Inc.

51% decline in non-current accounts and notes receivable
Primarily due to changes in Serendra Inc.'s classification of trade receivables.

10% increase in investments in associates and jointly controlled entities
Mainly due to new investments in Accendo (Davao mall) and Northbeacon Commercial Corporation (MarQuee Mall).

28% increase in available for sale financial assets
Largely due to acquisition of Ayala Corp. preferred shares.

27% increase in investment properties
Primarily due to disbursements related to the construction of UP-Ayala Land TechnoHub, NUVALI Technopod and Greenbelt 5 Phase 2.

123% increase in property and equipment
Primarily due to disbursements for ongoing projects such as Solaris One, UP Ayala Land TechnoHub, San Lazaro Vertex, Asian I-Office, Glorietta 5 and MarQuee Mall.

18% decline in deferred tax assets
Primarily due to the shift in corporate tax rate from 35% to 30%.

5% decrease in other non-current assets
Mainly consist of prepaid items charged to various projects.

31% increase in accounts and other payables
Largely due to increase in Makati Development Corporation's accrual of salaries, equipment rental and cost of materials.

21% decrease in short-term debt

Largely due to retirement of short-term loan availments by Avida Land and Station Square East Commercial Corporation.

47% decline in income tax payable
Primarily due to higher creditable withholding tax recognized by Serendra, Inc. in 2008.

90% decrease in current portion of long-term debt
Largely due to retirement of loans by Ayala Land, Inc. and Station Square East Commercial Corporation.

79% increase in other current liabilities
Largely due to the increase in customers' deposits posted by Ayala Land, Inc. and Serendra, Inc.

148% increase in long-term debt – net of current portion
Mainly due to the issuance of ₱ 4 billion fixed-rate retail corporate bonds carrying a coupon rate of 8.75% per annum with a maturity of five years and the ₱ 3 billion debt of APPHC added as a result of consolidation.
44% decrease in pension liabilities
Primarily due to adjustments made to reflect latest actuarial valuation.

5% increase in deferred tax liabilities
Primarily due to the shift in the corporate tax rate from 35% to 30%.

28% increase in deposits and other non-current liabilities
Primarily due to increase in customer and security deposits, and deferred interest income on ALI advances and unearned management fees.

6% increase in deferred credits
Mainly owing to deferred rental income of APPHC and deferred interest income of Aurora Properties, Inc., Vesta Property Holdings, Inc. and Ceci Realty, Inc.

14% increase in retained earnings
Largely because of income generated in 2008.

11% increase in stock options outstanding
Primarily due to ESOP availments.

713% increase in unrealized gain on available-for-sale financial assets
Mainly due to market valuation of shares in Subic Bay Yacht Club and Tagaytay Highlands.

147,829% increase in treasury stock
Primarily due to the buyback of ALI shares initiated in August 2008.

19% increase in minority interest in net assets of subsidiaries
Largely attributed to APPHC and Serendra Inc.

Review of 2007 Operations versus 2006

Results of Operations

Ayala Land posted a healthy 13% growth in consolidated net income, reaching ₱ 4.4 billion from ₱ 3.9 billion last year, on the back of significant margin expansion in the Company's key business lines. Consolidated revenues meanwhile increased 1% to ₱ 25.7 billion from ₱ 25.6 billion in 2006.

Revenue growth was tempered by the accelerated residential revenue bookings in 2006 following the adoption of a standardized revenue recognition policy and the absence of BPO leasing revenues from the sale of PeopleSupport Building in the fourth quarter of 2006. As a result, operating revenues contributed by the Company's five core and three support businesses amounted to only ₱ 22.9 billion last year, down by 3% from ₱ 23.6 billion in 2006.

The impact of the decline in operating revenues was offset by robust growth in Interest and Other Income which grew by 25% to ₱ 2.1 billion. This was driven by the gain on the sale of 16,758 preferred shares in KHI-ALI Manila, Inc. ("KAMI") to Kingdom Manila B.V. in connection with the development of a luxury hotel complex within Ayala Center. Also boosting revenues were higher equity earnings from Ayala Land's corporate investment vehicles for Bonifacio Global City, as well as the improved earnings performance of affiliates Cebu Holdings, Inc. ("CHI") and Alabang Commercial Corporation, which accounted for ₱ 787 million, compared to ₱ 306 million in 2006. Meanwhile, the Company booked a net gain after tax of ₱ 599 million from the sale of shares in Makati Property Venture, Inc to the Ascott Residence Trust.

Driving the company's profitability was increased pricing power, particularly in the company's residential projects, as well as tight control of operating expenses. As a result, overall net operating income ("NOI") margin increased to 34% from 31% in 2006, with residential development and corporate business contributing most of the improvement.

General and administrative expenses grew modestly by 4% to ₱ 2.7 billion due to the initiatives undertaken to further build up the organization for the current aggressive expansion programs. However, interest and other charges increased to ₱ 1.8 billion or by 64% due to expenses related to the Glorietta 2 explosion and incurred as a result of the transaction with KAMI.

Business Segments

The Residential Development business accounted for the bulk of revenues at ₱ 13.0 billion or 50% of total revenues. This was followed by Shopping Centers at ₱ 4.2 billion or 16% of total and Corporate Business at ₱ 993 million or 4% of total. Strategic Landbank Management generated ₱ 373 million and Visayas-Mindano added ₱ 176 million for a combined 2% share of total revenues.

Collectively, the Support Businesses, comprised of Hotels, Construction and Property Management, reported revenues of ₱ 4.2 billion, or 16% of total revenues. The balance of ₱ 2.9 billion or 11% of total revenues was from Equity in Net Earnings, Interest and Other Income.

Residential Development

Residential Development revenues amounted to ₱ 13.0 billion in 2007, 7% lower than the ₱ 14.0 billion posted in 2006. Avida Land Corporation ("Avida") reported a significant 54%

increase in revenues but Ayala Land Premier ("ALP") and Alveo Land Corp. ("Alveo") pulled down Avida's gains. Despite the increase in unit bookings in 2007, ALP and Alveo 's revenues declined due to the acceleration of revenues in 2006 as a result of the standardization of the revenue recognition policy implemented in the second quarter of 2006. Revenue recognition for all brands should normalize by 2008.

Overall demand for residential projects remained strong with 4,404 units booked during the year, 39% more than 2006. The value of these units was 25% higher at ₱ 16.0 billion versus the ₱ 12.8 billion last year. A total of 5,182 units were launched in 2007, 12% more than the previous year.

Ayala Land Premier. Revenues of ALP stood at ₱ 7.3 billion in 2007, 15% less than what was posted last year. 1,358 units were booked in 2007, compared to 1,352 units in 2006.

High-end lots contributed ₱ 2.0 billion or 25% less year-on-year (y-o-y) due to less lots sold in Sonera, which is nearly sold-out (5 lot sales in 2007 versus 103 in 2006), and Ayala Greenfield (113 lots in 2007 versus 135 in 2006). Abrio, the high-end residential development in Nuvali launched in October 2007, was a large success with 84% take-up of the 267 units launched in just two months and with bookings of 87 lots. Revenue impact was muted though since average completion was only at 28% by year-end. Revenues from high-end units were lower by 16% at ₱ 4.4 billion, despite the increase in units booked at The Residences at Greenbelt ("TRaG"), which ended at 357 from 224 the previous year. Meanwhile, revenues from leisure project Anvaya Cove reached ₱ 840 million, 42% more than the ₱ 593 million in 2006 as an additional 350 beach club shares, 74 lots and 9 villas were booked.

Alveo Land Corp. Alveo reported a 19% drop in revenues to ₱ 3.0 billion despite the 53% jump in booked units to 1,198 from 785 last year. The standardization of the revenue recognition policy last year effectively pulled forward the booking of revenues for completed projects in 2006.

The higher sales bookings are largely due to brisk sales at newly-launched projects such as MarQuee Place in Pampanga and The Aston, the first of four high-rises at Two Serendra. 290 units were booked at Marquee Place which was launched only in June 2007, and achieved 44% completion by year-end. Similarly, 174 units were booked at The Aston, which registered 17% completion. With construction completion only at 6%, revenue contribution from the 208 booked units at The Columns Legaspi Village Tower Two was marginal. Likewise, Treveia in Nuvali booked 71 units but had 0% completion and therefore no revenue recognition by year-end.

Avida Land Corporation. Avida's revenues grew by 54% to ₱ 2.7 billion in 2007. This was due to the 2007 bookings of 1,848 units compared to only 1,033 units in 2006. Bulk of the revenues came from the newly-launched Avida Towers Makati West (231 bookings at 27% completion), Avida Towers San Lazaro (285 bookings at 57% completion), Avida Settings in Nuvali (99 bookings at 10% completion).

Overall Net Operating Income (NOI). NOI for the residential business reached ₱ 3.5 billion, 15% more than the previous year despite the drop in revenues. This is attributed to the five percentage point improvement in NOI margin to 27% from 22%, with all three brands enjoying healthy pricing power and contributing to the increase. In 2008, about 5,600 units from new projects and additional phases of existing projects will be launched and added to inventory, 8% more than what was brought into the market in 2007. Some projects will be in new locations such as Pasig, Marikina and the northern part of Quezon City.

Shopping Centers

Shopping Centers reported a 5% rise in revenues to ₱ 4.2 billion in 2007. This is attributed to the higher occupancy rate of consolidated malls (which averaged 95% compared with 93% in 2006), the 4% increase in average building rental rates, and a higher gross leasable area ("GLA").

The opening of the 195,000-square meter TriNoma in May brought total GLA to 960,000 square meters from 760,000 square meters at end-2006. As of end-2007, 87% of the 72,000 square meters building leasable area (excluding the area occupied by anchor tenant Landmark) of TriNoma had been occupied. Phase 1 of Greenbelt 5, which soft-opened in October, was 100% leased out/committed as of year-end.

The NOI of Shopping Centers dropped slightly by 1% to ₱ 2.4 billion following the absence of one quarter's earnings from the high-margin Glorietta 2 mall, as a result of the unfortunate explosion on October 19, 2007. Because of this, the resulting NOI margin likewise declined by three percentage points and stood at 58% from 61% the previous year. Equity in Net Earnings from equitized malls, namely, Alabang Town Center, Pavilion Mall and TriNoma was higher at ₱ 124 million from ₱ 85 million last year. It is notable however that TriNoma already reached a positive NOI margin contribution in its initial year of operations.

In 2008, an additional 18,000 square meters of GLA will come on stream from the opening of Phase 2 of Greenbelt 5 in October. About 9,500 square meters of Glorietta 5 will also be operational later in the year. Construction of the 70,000-square meter Q Shopping in Angeles, Pampanga is ongoing, with a target opening of May 2009. Meanwhile, planning is underway for a retail-BPO development on a nine-hectare property in Davao City.

Corporate Business

Revenues from Corporate Business amounted to ₱ 993 million in 2007, lower than last year by 25% as 2006 included the revenues from the sale of the PeopleSupport building to the Goldman-Capmark-ALI consortium. Excluding the revenues from this sale, revenues in 2007 would have grown 14% due to the sale of an additional 9 hectares at Laguna Technopark's expansion phase (at a premium to competition), higher office occupancy rates, rent increases and higher fee income from managed buildings.

Accordingly, NOI settled at ₱ 487 million, a decline of 8% compared to ₱ 528 million in 2006. However, NOI margin improved by nine percentage points to 49% following price increases of lot sales, higher rents and lower utilities costs.

Significant progress was made towards the objective of increasing the Company's BPO portfolio to approximately 500,000 GLA by 2010, with six projects commencing construction in 2007. As of end-December, the first two buildings of the UP North Science and Technology Park were in turnover condition for fit-out purposes with completion slated for the first quarter of 2008. The remaining four buildings are for completion by the third quarter. The first three buildings have already been fully leased out. For the Dela Rosa E-Services building, construction accomplishment was at 50% by year-end, with a target completion of fourth quarter of 2008. More than half of the GLA had been pre-leased. Construction of the Nuvali Technopod Building 1 in Nuvali commenced in September, with completion slated within the third quarter of 2008.

Other BPO buildings targeted for completion in 2008 are the San Lazaro Building 1 (October 2008) and Glorietta 5 (December 2008). The Company also commenced construction of a new 30,300-square meter BPO building within Bonifacio Global City in December 2007.

Strategic Landbank Management

Revenues of Strategic Landbank Management stood at ₱ 373 million in 2007, 47% lower than the ₱ 707 million in 2006. This was due to the decline in sales of override units in Sta. Catalina and Avida Towers Sucat. The drop was partly offset by overrides from booked sales of 79 lots in Nuvali. NOI declined by 87% and ended at ₱ 43 million from ₱ 325 million last year. NOI margin declined to 12% from 46% previously as the override units at the higher-margin The Columns at Ayala Avenue were fully sold and completed in 2006.

Equity in net earnings from ALI's 20% effective stake in Fort Bonifacio Development Corporation ("FBDC") amounted to ₱ 439 million, from ₱ 109 million in 2006. This was due to the sale of 18 lots at Bonifacio Global City ("BGC") in 2007 against 6 lots the previous year. Selling prices in 2007 ranged from ₱ 52,250 to ₱ 210,975 per square meter compared to only ₱ 47,025 to ₱ 143,560 last year.

The Company continues to make significant progress in driving the growth in land values of its three strategic landholdings. The components of the Ayala Center redevelopment plans are in place and on schedule. The lot for the hotel complex project was cleared and turned over to Kingdom Hotel in December. The project will begin construction in 2008 and is estimated to be completed within three years. The retail and parking building between Shangri-la and Landmark, called The Link, was completed with retail spaces opened in October. Meanwhile, construction of Glorietta 5, consisting of three levels of retail, five levels of BPO and two levels of basement parking, commenced in April 2007 and will be completed by December 2008.

Development activities in Bonifacio Global City were in high gear and all of the key components of a Central Business District will be in place in the next few years. Planning is ongoing for a traditional headquarter office building that will house the Philippine Stock Exchange with a target completion date of 2012. FBDC also broke ground in November 2007 for a 29-storey BGC E-Services Building for completion in 2010. A major agreement was signed with the Shangri-La Hotels Group for their planned 6-star de luxe hotel and residential project. This brings a total of four hotel projects for BGC, inclusive of the 5-star Grand Hyatt hotel and other two business hotels.

The development plans for the various components of Phase 1 of Nuvali have been completed and construction is in full swing to gear up for the grand launch in June 2008. The BPO and residential lot parcels, specifically for Abrio, Treveia and Avida Settings, have been turned over to the Residential and Corporate Business Groups for development. Construction of two lanes of the North-South Road, extending from the Sta Rosa-Tagaytay road all the way to Montecito, has been completed.

Visayas-Mindanao

The revenue contribution of Visayas-Mindanao amounted to ₱ 176 million, a 5% improvement from ₱ 168 million last year. A total of 21 units were booked in Ayala Northpoint (Phase 2), with a completion rate of 98%. Additional eight lots were sold in Phase 3, with a completion rate of 18%. Plantazionne registered the sale of six lots (Phases 1 and 2) in 2007, while the newly-launched Phase 3 registered 86 lot sales at a 49% completion. In addition, Alegria sold 14 lots at 25% completion.

Affiliate CHI, 47%-owned by ALI, posted a 27% growth in revenues to ₱ 1.1 billion, with net income up by 22% to ₱ 252 million in 2007. Meanwhile, 8 lot sales in Cebu Property Ventures & Development Corporation's ("CPVDC") Asiatown IT Park led to a revenue growth of 49% to ₱ 336 million and net income growth of 108% to ₱ 173 million. As a result, equity in net earnings from CHI and CPVDC amounted to ₱ 138 million, 41% more than the ₱ 98 million registered last year.

Serving as the unit that brings the Company's businesses to the Southern part of the country, Visayas-Mindanao unit will continue to secure its future growth in 2008. The construction of the Lagoon Development at the Ayala Center Cebu is underway and slated for completion by year-end. The eBloc, a project of CPVDC and the Company, began construction in the third quarter and will be the biggest facilities provider, consisting of 20,000 sqms. of gross leaseable space upon completion in November 2008.

Support Business

The Hotels, Construction and Property Management businesses generated revenues, net of inter-company eliminations, of ₱ 4.2 billion or a 21% growth y-o-y. Of this amount, the Hotels generated ₱ 1.4 billion, showing an improvement of 24% from previous year. The increase was largely due to the higher occupancy rate of Hotel InterContinental Manila at 82% last year compared to only 61% in 2006. The refurbishment work done in 2006 also led to a higher revenue per average room (REVPAR) of ₱ 3,987 vs. ₱ 2,547 the previous year. On the other hand, Cebu City Marriott Hotel's occupancy rate declined to 75% from 82% but was still higher than the Cebu average of 61%. REVPAR was also above industry at ₱ 2,402 versus ₱ 2,532 in 2006. Combined, the Hotels contributed ₱ 444 million to ALI's NOI.

Makati Development Corporation ("MDC"), ALI's wholly-owned construction arm, reported revenues of ₱ 1.8 billion (net of inter-company eliminations), representing a 24% growth over the previous year's revenues. As of end-2007, MDC had an outstanding orderbook worth ₱ 18.8 billion from 38 projects. About 41% of the outstanding contracts were for third parties. The construction business contributed ₱ 395 million to ALI's NOI.

Ayala Property Management Corporation ("APMC"), a 100%-owned subsidiary, reported revenues of ₱ 698 million (net of inter-company eliminations) for 2007, 16% more than the previous year's level. The additional revenues came from the operation of new carparks in Bonifacio Global City, the full operation of Carparks in Paseo de Magallanes and Madrigal Business Park, and the increase in occupancy of commercial spaces in CBD carparks. APMC's NOI amounted to ₱ 263 million, a 15% growth y-o-y.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

In 2007, Interest, Fees, Investment and Other Income rose by 25% to ₱ 2.1 billion from ₱ 1.7 billion the previous year. This was mainly due to the gain on sale of preferred shares in KAMI to Kingdom Manila BV. Additionally, ₱ 599 million in net income after tax was recognized from the sale of MPVI shares, our investment vehicle for the Oakwood Serviced Apartments in Ayala Center.

Equity in Net Earnings from Investees more than doubled to ₱ 787 million from ₱ 306 million, largely due to the substantially higher contribution from ALI's corporate investment vehicles in

BGC, as well as higher earnings of CHI and ACC.

The contribution of FBDC reached ₱ 439 million from ₱ 109 million last year. Sales accelerated at Bonifacio Global City with a total of 18 lot sales in 2007 from only 6 lots in 2006. Selling prices were also higher at ₱ 52,250 to ₱ 210,975 in 2007 from ₱ 47,025 to ₱ 143,560 last year.

Meanwhile, Equity Earnings from CHI/CPVDC were 41% higher at ₱ 138 million from ₱ 98 million. The growth was due to robust sale of commercial lots at CPVDC's Asiatown IT Park as well as increased retail revenues at the Ayala Center Cebu as the public warmly received the opening of its new Expansion Building during the first half of the year.

Alabang Commercial Center ("ACC"), through Alabang Town Center, contributed ₱ 110 million, 33% more than the previous year because of a higher occupancy rate, while TriNoma, which opened in May, contributed ₱ 13 million on its first year of operation.

Expenses

Total Expenses were flat for 2007 at ₱ 21.2 billion, compared with ₱ 21.5 billion in 2006. Direct Costs and Operating Expenses for the real estate and hotels business dropped by 6% to ₱ 15.1 billion as various cost management initiatives started in previous years began to bear fruit. Meanwhile, General and Administrative Expenses increased by 4% to ₱ 2.7 billion following a continuing organizational build-up to address the aggressive expansion plans for the future.

Interest and other charges of ₱ 1.8 billion grew by 64% despite a drop in average debt levels and borrowing costs as a result mainly of the additional costs arising from the Glorietta 2 explosion and expenses related to sale of KAMI shares. Provision for income tax of ₱ 1.6 billion was flat as the Company's effective tax rate in 2007 was significantly lower following higher income subjected to capital gains tax.

Project and Capital Expenditures

ALI spent ₱ 15.2 billion for project and capital expenditures in 2007, 11% more than the ₱ 13.7 billion spent in the previous year. Residential Development projects accounted for almost half of the capital expenditures at ₱ 7.3 billion. This was followed by Shopping Centers which used 25% or ₱ 3.9 billion, while around 12% or ₱ 1.8 billion was used for Corporate Business projects.

For 2008, ALI has earmarked an unprecedented ₱ 24.3 billion for capital and project expenditures, underscoring the continued high levels of activity across all business lines. Bulk of the budget will go to Residential Development and Corporate Business with a 42% and 30% share, respectively. Shopping Centers will get 14% while Strategic Landbank is expected to have a 10% allocation.

Financial Condition

The company's balance sheet continues to be healthy with a Current Ratio of 1.65: 1. As of end-2007, Cash and Equivalents stood at ₱ 13.6 billion, 43% higher than the end-2006 level of ₱ 9.5 billion with the collection of full payments from completed Serendra units and deposits from Preferred Shares subscriptions. Total Borrowings were at ₱ 10.1 billion, from ₱ 12.8 billion as of December last year, translating to a Debt-to-Equity Ratio of 0.22: 1.

Key Financial Performance Indicators

The table below sets forth the comparative key performance indicators of the Company and its majority-owned subsidiaries:

	End-2007	*End-2006*
Current ratio [1]	1.65:1	1.64:1
Debt-to-equity ratio [2]	0.22:1	0.32:1
Net debt/(cash)-to-equity ratio [3]	(0.08):1	0.08:1
	FY 2007	*FY 2006*
Return on assets [4]	5.4%	5.2%
Return on equity [5]	10.2%	9.8%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds and CPs) / stockholders' equity*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities / stockholders' equity*
[4] *Net income / total assets (average)*
[5] *Net income / stockholders' equity (average)*

Material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> – 2007 versus 2006

24% increase in hotel operations revenues
Mainly due to higher occupancy rate and revenue per available room at Hotel InterContinental Manila.

157% increase in equity in net earnings of investees
Largely due to higher income from ALI's corporate vehicles for its investment in Bonifacio Global City, as well as improved performance of Cebu Holdings Inc. and Alabang Commercial Corporation.

10% decline in interest income
Primarily due to lower average interest rates.

47% increase in other income
Primarily due to the gain on sale of preferred shares in KAMI to Kingdom Manila B.V. in connection with the development of a luxury hotel complex within Ayala Center.

8% decrease in real estate costs and expenses
Mainly due to lower real estate revenues and improvement in margins of residential development business.

27% improvement in hotel operations costs and expenses
Largely due to the higher occupancy rate of Hotel InterContinental Manila.

10% increase in interest expense and other financing charges
Mainly due to the higher average bank loans.

222% increase in other charges
Principally due to the related costs on the sale of preferred shares in KAMI and other expenses related to the Glorietta 2 explosion.

286% increase in income associated with non-current assets held for sale
Primarily due to the gain on sale of shares in Makati Property Ventures, Inc. ("Oakwood") in 1Q07.

162% increase in net income attributable to minority interests
Largely due to higher income of Ayala Hotels, Inc. following the sale of Oakwood.

<u>Balance Sheet items</u> – 2007 versus 2006

13% increase in cash and cash equivalents
Primarily due to deposits received from Preferred Shares subscriptions and sale of Oakwood.

65% increase in other current assets
Mainly due to higher prepaid expenses such as commissions and taxes, and increase in Makati Development Corporation's deferred charges representing costs on future projects.

30% decline in short-term investments
Largely due to lower investment of ALI (parent company) in government securities.

84% decline in fair value through profit and loss financial assets
Primarily due to maturity and sale of government securities.

9% increase in accounts and notes receivable
Mainly due to higher receivables from sales at new and existing projects.

13% decrease in real estate inventories
Mainly due to costs of sold units at residential building and subdivision projects.

100% decline in non-current assets held for sale
Due to sale of Oakwood.

63% increase in non-current accounts and notes receivable
Largely due to additional sales at new and existing projects, and availment of longer payment terms.

8% increase in property and equipment
Primarily due to disbursements for the Ayala Center redevelopment, construction of Glorietta 5 BPO building and Greenbelt 5, as well as additional communication and transportation equipment.

14% decline in deferred tax assets
Primarily due to an increase in the realization of Serendra's financial gross profit.

7% increase in other non-current assets
Mainly due to higher Meralco deposits.

30% increase in accounts and other payables

Mainly due to higher trade payables from real estate sales and increase in liabilities to buyers for the cost of uncompleted projects.

13% increase in income tax payable
Primarily due to a higher taxable income.

33% decrease in current portion of long-term debt
Largely due to payment of bonds and loan settlement made by Avida.

41% increase in other current liabilities
Mainly due to deposits from the high-end residential project, Abrio, which was launched in October 2007.

100% decline in liabilities directly associated with non-current assets held for sale
Due to sale of Oakwood.

20% decrease in long-term debt – net of current portion
Primarily due to reclassification of ₱ 2 billion bonds to current portion.

6% increase in pension liabilities
Mainly due to actuarial adjustment due to retirement plan amendment.

72% decline in deferred tax liabilities
Primarily due to decrease in excess financial realized gross profit over taxable realized gross profit of Avida.

16% increase in deposits and non-current liabilities
Mainly due to increase in buyers' deposits for new residential projects and tenants' deposits for shopping center spaces.

26% increase in deferred credits
Largely due to higher deferred interest income.

25% increase in paid-up capital
Largely due to the 20% stock dividend and deposit for Preferred Shares subscription.

11% decline in stock options outstanding
Primarily due to ESOP availments.

119% decline in unrealized gain on available-for-sale financial assets
Due to restatement of Avida's Meralco shares in 2006.

6% increase in retained earnings
Largely due to the higher income generated in 2007 vis-à-vis dividend payments.

8% decrease in minority interest – net of interest attributable to non-current assets held for sale
Largely due to dividends paid by Ayala Hotels, Inc.

100% decline in minority interest attributable to non-current assets held for sale
Due to sale of Oakwood.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip Gorres Velayo & Company audited the Ayala Land financial statements and schedules for the years ended December 31, 2007, 2008 and 2009 included in this Prospectus, and has the following registration numbers:

CPA Cert. #	88118
PTR #	2087400, January 4, 2010, Makati City
SEC Accreditation #	0114-AR-2

a. **Audit and Audit-Related Fees**

ALI and its subsidiaries paid its external auditors the following fees in the past two years: *(in P million; with VAT)*

	Audit & Audit-related Fees	Tax Fees	Other Fees
2009	8.1*	-	-
2008	8.1*	-	-

** Pertains to audit fees; no fees for other assurance and related services*

Under paragraph D.3.1 of the ALI Audit Committee Charter, the Audit Committee (composed of Ramon R. del Rosario, Jr., Mercedita S. Nolledo and Corazon S. de la Paz-Bernardo) recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

b. **Tax Fees**

Tax consultancy services are secured from entities other than the appointed external auditor.

For the December 31, 2009 Financial Statements

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Group financial statements are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) and amendments to existing standards which became effective on January 1, 2009. Except as otherwise indicated, the adoption of the new and amended Standards and Interpretations did not have a significant impact on the consolidated financial statements.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

  It allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: (a) cost determined in accordance with Philippine Accounting Standards (PAS) 27, *Consolidated and Separate Financial*

Statements; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- Amendment to PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*

  The Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*

  The amendments to PFRS 7 introduce enhanced disclosures about fair value measurement and liquidity risk. The amendments to PFRS 7 require fair value measurements for each class of financial instruments to be disclosed by the source of inputs, using the following three-level hierarchy: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The level within which the fair value measurement is categorized must be based on the lowest level of input to the instrument's valuation that is significant to the fair value measurement in its entirety.

  Additional disclosures required in the amendments to PFRS 7 are shown in *Note 29 - Financial assets and liabilities*. The amendments to PFRS 7 also introduce two major changes in liquidity risk disclosures as follows: (a) exclusion of derivative liabilities from maturity analysis unless the contractual maturities are essential for an understanding of the timing of the cash flows and (b) inclusion of financial guarantee contracts in the contractual maturity analysis based on the maximum amount guaranteed.

- PFRS 8, *Operating Segments*

  It replaces PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated statements financial position and consolidated statements of income and the Group will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party.

- Amendment to PAS 1, *Presentation of Financial Statements*

  It introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the financial position and equity as well as additional disclosures to be included in the consolidated financial statements. Adoption of this Amendment will not have significant impact on the Group except for the presentation of a statement of comprehensive income and additional disclosures to be included in the consolidated financial statements.

- Amendment to PAS 23, *Borrowing Costs*

  This Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

  These Amendments introduce changes in respect of the holding companies separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the consolidated statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendments to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

  These Amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Amendments to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, and PAS 39, *Financial Instruments: Recognition and Measurement*

  This Amendment to Philippine Interpretation IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. Amendments to PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

  This Philippine Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or has expired.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

  This Philippine Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to PFRS

In April 2009, the International Accounting Standards Board issued its omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wordings. The adoption of these amended Standards and Interpretations did not have a significant impact in the consolidated financial statements. There are separate transitional provisions for each standard:

- PFRS 2, *Share-based Payment*

  It clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations*. The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

  It clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such noncurrent assets or discontinued operations.

- PFRS 8, *Operating Segment Information*

  It clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*

  It clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*

  It explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*

  It removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 18, *Revenue*

  The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity: (a) has primary responsibility for providing the goods or service; (b) has inventory risk; (c) has discretion in establishing prices; and (d) bears the credit risk.

  The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition policy has been updated accordingly.

- PAS 36, *Impairment of Assets*

  It clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*

  It clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

It clarifies the following: (a) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (b) that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (c) that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*

  It clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

  It states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

<u>Future Changes in Accounting Policies</u>

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective in 2010

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

  The Amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. This Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*

This Philippine Interpretation is to be applied prospectively to transfers of assets from customers received. It also provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. When the transferred item meets the definition of an asset, the asset is measured at fair value on initial recognition as part of an exchange transaction. The service(s) delivered are identified and the consideration received (the fair value of the asset) allocated to each identifiable service. Revenue is recognized as each service is delivered by the entity.

- Amendments to PFRS 2, *Group Cash-settled Share-based Payment Transactions*

  The Amendments to PFRS 2 clarify the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group as the Group has not entered into any such share-based payment transactions.

- Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*

  The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'), even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively, while changes introduced by the revised PAS 27 must be applied retrospectively with a few exceptions. The changes will affect future acquisitions and transactions with noncontrolling interests.

Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials, and where the risks and reward of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion. The adoption of this Philippine Interpretation will be accounted for retrospectively, and will result to restatement of prior period financial statements.

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation and will disclose the impact when it becomes effective in 2012.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

The write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

Board of Directors **

Fernando Zobel de Ayala
Jaime Augusto Zobel de Ayala
Antonino T. Aquino
Corazon S. de la Paz-Bernardo ***
Oscar S. Reyes***
Francis G. Estrada ***
Delfin L. Lazaro
Aurelio R. Montinola III
Mercedita S. Nolledo

* *None of the directors and members of the ALI's management owns 2.0% or more of the outstanding capital stock of the Company.*
** *Term of Office of the Members of the Board of Directors commence on the date of their election as Directors for a period of one year or until successors are elected or duly qualified.*
*** *Independent directors*

Fernando Zobel de Ayala, 49, Filipino, has served as Chairman of the Board of ALI since 1999. He is also a Director and Vice-Chairman of the Board, the President and Chief Operating Officer of Ayala Corporation. His other significant positions include: Director, Chairman of the Board of Alabang Commercial Corporation, Ayala Automotive Holdings Corp. and Ayala DBS Holdings, Inc. Director of Asiacom Philippines, Inc., Director and Vice-Chairman of the Board of Aurora Properties, Inc., Trustee and Co-Vice Chairman of the Board of Ayala Foundation, Inc., Director of Ayala Hotels, Inc., Director and Chairman of the Board of AC International Finance Limited, Director and Chairman of the Board of Ayala International Pte Ltd., Vice-Chairman of the Board of Azalea Technology Investments, Inc., Director of Bank of the Philippine Islands, Director and Vice-Chairman of the Board of Ceci Realty, Inc. Director of Globe Telecom, Inc. Director of Integrated Micro-Electronics, Inc., Chairman of the Board of Directors of Manila Water Company, Inc., Director and Co-Vice Chairman of the Board of Mermac, Inc., Director and Vice Chairman of the Board of Vesta Property Holdings, Inc., Director of Caritas Manila. Member of INSEAD, East Asia Council World Economic Forum, Habitat for Humanity International Asia-Pacific Steering Committee and Trustee of International Council of Shopping Centers. He graduated with B.A. Liberal Arts from Harvard College in 1982.

Jaime Augusto Zobel de Ayala, 50, Filipino, has served as Director, Vice Chairman and member of the Executive Committee of ALI since 1988. He also serves as the Chairman and Chief Executive Officer of Ayala Corporation. His other significant positions include: Co-Vice Chairman of the Board of Trustees of Ayala Foundation, Inc.; Chairman of the Board of Directors of Bank of the Philippine Islands, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Azalea Technology Investment, Inc., World Wildlife Fund Philippine Advisory Council and AI North America; Chairman of the Board of Trustees of the Ramon Magsaysay Awards Foundation and The International Business Council of the World Economic Forum; Vice Chairman of Manila Water Company, Inc; Co-Vice Chairman of Mermac, Inc.; Director of Alabang Commercial Corporation and BPI PHILAM Life Assurance Corporation; Director of Ayala Hotels, Inc.; Member Board of Trustees of Children's Hour Philippines, Inc.; Vice Chairman of the Board of Trustees of Asia Society Philippines Foundation, Inc.; Co-Vice Chairman of the Makati Business Club; Member of the Board of Trustees of the Asian Institute of Management; Member of the Board of Directors of Ayala International Pte. Ltd.; Member of the Asia Business Council, The Singapore Management University and Philippine Economic Society; Member of the Harvard Business School Asia-Pacific Advisory Board; Member of the Harvard University Asia Center Advisory Committee; Member of the JP Morgan International Council; Member of the Mitsubishi Corporation International Advisory Council; Member of The Asia Society International Council; Member of the Toshiba International Advisory Group; Member of the Board of Trustees of The Conference Board and Member of the Philippine National Council of the Pacific Basin Economic Council. He was a TOYM (Ten Outstanding Young Men) Awardee in 1999 and was named Management Man of the Year in 2006 by the Management Association of the Philippines for his important role in the transformation of Ayala Corporation into a highly diversified forward-looking conglomerate. He was also awarded the prestigious Harvard Business School Alumni Achievement Award in 2007. He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and took his MBA at the Harvard Graduate School of Business Administration in 1987.

Antonino T. Aquino*,* 62, Filipino, has served as Director and President of ALI since ALI since April 2009. He also holds the following positions: Senior Managing Director of Ayala Corporation and Chairman of the Board of Trustees of the Hero Foundation. He also serves as a member of the board of various corporate social responsibility foundations such as Ayala Foundation, Manila Water Foundation, Habitat for Humanities Philippines, La Mesa Watershed Foundation and Makati Environment Foundation. He also served as President of Manila Water Company, Inc, and Ayala Property Management Corporation; Senior Vice President of Ayala Land, Inc., and a Business Unit Manager in IBM Philippines, Inc. He graduated with Bachelor of Science Major in Management at the Ateneo de Manila University in 1968 and has completed academic units for the Masteral Degree in Business Management at the Ateneo Graduate School of Business in 1975.

Delfin L. Lazaro, 64, Filipino, has served as member of the Board of ALI since 1996. He also holds the following positions: Chairman of Philwater Holdings Co., Inc. and Atlas Fertilizer & Chemicals, Inc.; Chairman and President of Michigan Power, Inc., Purefoods International, Ltd., and A.C.S. T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; President of Azalea Technology Investments, Inc.; Director of Ayala Corporation, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Manila Water Co., Inc., AYC Holdings, Ltd., AI North America, Inc., AC International Holdings, Ltd., Ayala DBS Holdings, Inc., Ayala Automotive Holdings Corp., Probe Productions, Inc. and Empire Insurance Company. Formerly, Mr. Lazaro was the President and CEO of Benguet Corporation and Secretary of the Department of Energy of the Philippine government. He was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successively high growth levels up to the Asian crisis in 1997. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Mercedita S. Nolledo*,* 68, Filipino, has served as Director and Corporate Secretary of ALI since 1994. She also serves as Board member, Senior Managing Director and Corporate Secretary of Ayala Corporation, and Senior Counsel of the Ayala Group of Companies. Her other significant positions include: Chairman of BPI Investment Management, Inc. and FEB Management, Inc., Director and Corporate Secretary of Ayala Corporation; Director of Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings Corp., HCMI Insurance Agency, Inc.; Bank of the Philippine Islands, BPI Family Savings Bank, BPI Capital Corp., and Anvaya Cove Beach and Nature Club, Inc.; Corporate Secretary and Member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; Treasurer of Phil. Tuberculosis Society, Inc., Sonoma Properties, Inc. and JMY Realty Development Corp. She had her education at the University of the Philippines and graduated Magna Cum Laude and Class Valedictorian in Bachelor of Science in Business Administration and Cum Laude and Class Valedictorian in Bachelor of Laws.

Corazon S. de la Paz-Bernardo, 69, Filipino, has served as an Independent Director of ALI since April 2006. She was re-elected on September 2007 as the President of the International Social Security Association, for the triennium 2008-2010, the first non-European to occupy this position. She is also a Director of Equitable Card Network, Inc. and Banco de Oro Unibank, Inc. She is also a member of the Board of Trustees and Treasurer of MFI Foundation, Inc., Trustee of University of the East and the UE Ramon Magsaysay Memorial Medical Center, Inc. She also serves as an advisor to the Audit Committee of the Philippine Long Distance Telephone Company. Until 2008, she served as the President and Chief Executive Officer of Social Security System. She was the Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) from 1981 to 2001 and served in the Price Waterhouse World Board from 1992 to 1995. She received a Fulbright Achievement Award for Business Administration in 1988 and was one of The Outstanding Women in the Nation’s Service Awardee for Management in 1983. She has a Masters in Business Administration degree from Cornell University, as a Fulbrighter and a University of the East scholar. She studied Business Administration at the University of the East, graduating magna cum laude. She placed first in the 1960 Philippine board examination for certified public accountants.

Oscar S. Reyes*,* 63, Filipino, has served as Director of ALI since April 2009. Among his other positions are: Chairman of MRL Gold Phils., Inc. and Link Edge, Inc.; Member of the Board of Bank of the Philippine Islands, Philippine Long Distance Telephone Company, Smart Communications Inc., Pepsi Cola Products Philippines Inc., Basic Energy Corporation, Sun Life Financial Plans, Inc. and First Philippine Electric Corporation. Prior to these posts, he served the Shell Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. He is a Member of the Board of Trustees of Pilipinas Shell Foundation, Inc., SGV Foundation, and El Nido Foundation, Inc. He finished his BA Major in Economics (Cum Laude) at the Ateneo de Manila University in 1965. He undertook post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Aurelio R. Montinola, **III**, 58, Filipino, has served as member of the Board of ALI since February 2005. He is the President and CEO of Bank of the Philippine Islands. His other affiliations, among others, include: Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI Europe Plc., East Asia Educational Foundation, Inc., LGU Guarantee Corp., Monti-Rey, Inc., Desrey, Syrel Investment and Realty Corporation Inc., Amon Trading Corporation, Amon Realty, Dercc, Inc. and East Asia Computer Center, Inc.; Co-Chairman of the Philippine-France Business Council; Vice Chairman and President of the

BPI Foundation, Inc.; Vice Chairman of the A/P Regional Advisory Board of the Master Card Incorporated; Vice Chairman of the Republic Cement Corp., Far Eastern University and Philippine Business for Education, Inc., Director of the BPI Capital Corporation, BPI-Philam Life Assurance Corp., BPI Bancassurance Corp., BPI Family Savings Bank, Inc., Mere, Inc., and Western Resources Corp.; Member of the Makati Business Club and Management Association of the Philippines; and Trustee of the Ayala Foundation, International School Manila and Pres. Manuel A. Roxas Foundation. He graduated with BS Management Engineering from the Ateneo de Manila University in 1973 and received his MBA at Harvard Business School in 1977.

Francis G. Estrada, 60, Filipino, has served as an Independent Director of ALI since April 2008. His other significant positions include: Chairman and Co-Founder of Equity Managers Asia, Inc.; Director of Energy Development Corp, Philamlife and General Insurance Co., Clean Air Initiative Center, University Putra Malaysia and Maximo Kalaw T. Foundation; Fellow and Trustee of the Institute of Corporate Directors, De La Salle University (Philippines), De La Salle University-National Mission Council, and Sociedad Espanola de Benificencia; Member of the Advisory Board of Rizal Commercial Banking Corporation; Member of American Chamber of Commerce, Management Association of Commerce, and Camara Espanola; and Adviser of Antai College of Economics and Management of Shanghai Jiaotong University. He was named "Most Outstanding Alumnus" of the Asian Institute of Management in 1989. He holds a Bachelor of Arts (Literature) and Bachelor of Science (Business Administration) degrees from De La Salle University (Philippines) and a Master in Business Management, "with Distinction" from the Asian Institute of Management. He also completed the Advanced Management Program at the Harvard Business School.

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

Management Committee Members / Key Executive Officers

Antonino T. Aquino *	President and Chief Executive Officer
Mercedita S. Nolledo*	Corporate Secretary
Solomon M. Hermosura	Assistant Corporate Secretary
Vincent Y. Tan	Executive Vice President
Ma. Victoria E. Añonuevo	Senior Vice President
Bernard Vincent O. Dy	Senior Vice President
Raul M. Irlanda	Senior Vice President
Rex. Ma. A. Mendoza	Senior Vice President
Emilio J. Tumbocon	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Dante M. Abando	Vice President
Arturo G. Corpuz	Vice President
Anna Ma. Margarita B. Dy	Vice President
Jose Emmanuel H. Jalandoni	Vice President
Joselito N. Luna	Vice President
Maria Teresa T. Ruiz	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Ruel C. Bautista	Vice President
Aniceto V. Bisnar, Jr.	Vice President

Manuel A. Blas II	Vice President
Maria Corazon G. Dizon	Vice President
Michael Alexis C. Legaspi	Vice President
Francis O. Monera	Vice President
Rosaleo M. Montenegro	Vice President
Ma. Rowena Victoria M. Tomeldan	Vice President

* *Member of the Board*

Solomon M. Hermosura, Filipino, 47, has served as the Assistant Corporate Secretary of Ayala Land, Inc. since April 2009. He is a Managing Director of Ayala Corporation since January 1999 and a member of the Management Committee of Ayala Corporation (Holding Company) since January 2009. He is also the General Counsel, Compliance Officer, and Assistant Corporate Secretary of Ayala Corporation. He serves as Corporate Secretary of various companies in the Ayala Group, including the following: Manila Water Company, Inc.; Integrated Micro-Electronics, Inc.; Ayala Foundation, Inc.; Ayala DBS Holdings, Inc.; Asiacom Phils., Inc.; Philwater Holdings Company, Inc.; AC International Finance Ltd.; AYC Finance Ltd.; Affinity Express Holdings, Inc.; and Integreon, Inc. He also serves as a member of the Board of Directors of a number of companies in the Ayala Group. He earned his Bachelor of Laws degree from San Beda College in 1986 and placed 3rd in the 1986 Bar Examination.

Vincent Y. Tan, Filipino, 59, is an Executive Vice President and Head of the Planning Group of ALI. He is a member of the Management Committee of ALI. His other positions include: Chairman of Laguna Technopark, Inc.; Director of Gisborne Property, Inc., Hillsford Property Corporation, Summerhill E-Office Corporation, Ayala Property Partners Corporation, Ayala Property Partners Holdings Corporation, First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc., Aurora Properties, Inc., Vesta Property Holdings, Inc., CECI Realty Inc., UP North Property Holdings, Inc., Cebu Insular Hotel Co., Inc. Ayala Hotels, Inc., Enjay Hotels, Inc., Ayala Greenfield Golf & Leisure Club, Inc., North Triangle Depot Commercial Corporation, Monumento Rail Transit Corporation and Metro Rail Transit Development Corporation. He graduated with the degree of B.S. Management Engineering (Cum Laude) at the Ateneo de Manila University in 1971 and earned his M.B.A. (Concentration in Management Science and Finance) from the University of Chicago in 1973.

Ma. Victoria E. Añonuevo, Filipino, 60, is a Senior Vice-President and a member of the Management Committee of ALI. She also serves as Head of the AyalaLand Businesscapes Group and Ayala Malls Group. Her other significant positions include: President of Laguna Technopark, Inc. (LTI), Director of Ayala Hotels, Inc. (AHI), North Triangle Depot Commercial Corp. (NTDCC), Tower One Condominium Corp., Anvaya Cove Beach and Nature Club, Inc., Madrigal Business Park, Alabang Commercial Corp., Makati Development Corp. (MDC) and Makati Development Corp. (MDC), Chairman & President of ALI Property Partners Corp. (APPCo), Chairman of Leisure Allied, Inc. (LAI) and South Innovative Theatres Management, Inc., Vice Chairman of the Board of Station Square East Commercial Corp. (SSECC). She graduated with a degree of Bachelor of Science in Business Administration, Major in Marketing (Cum Laude) at the University of the Philippines in 1971 and completed her Masters in Business Administration at the University of the Philippines in 1975. She was sent by ALI as a scholar to the Program for Management Development, Harvard Business School, 1997 at Boston, Massachusetts, USA.

Bernard Vincent O. Dy, Filipino, 45, is a Senior Vice President & member of the Management Committee of ALI since 2005. Currently, he is the Head of the Residential Business Group of ALI. His other significant positions include: Director of Fort Bonifacio Development Group, Alveo Inc., Avida Land Corp., and Amicassa Inc.; President of Serendra, Inc. and Anvaya Cove Beach & Nature Club, Inc. He graduated with a degree of Bachelor of Science in Business Administration from the University of Notre Dame and took up his MBA and Masters in International Relations at the University of Chicago.

Raul M. Irlanda, CFM, Filipino, 54, is a Senior Vice President and a member of the Management Committee of ALI. He is the Chief Executive Officer and Director of Ayala Property Management Corporation, Chief Executive Officer and board member of Makati Development Corporation. He is also the Director of Tower One Condominium Corporation, and the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA); Governor of Ayala Center Association and also the Group head of Ayala Security Force. He is a Board Adviser of the College of Technology Management at University of Makati. He is a Director of the Philippine Constructors Association and of the Construction Safety Foundation. He graduated with a degree of Bachelor of Science in Management/Finance from San Sebastian College and took his Masteral studies in Business Administration major in Financial Management from De La Salle University. He also completed in 2005 the Executive Development Program at the Aresty Institute of Executive Education at Wharton, University of Pennsylvania.

Rex Ma. A. Mendoza, Filipino, 47, is a Senior Vice-President, a member of the Management Committee and Head of the Corporate Marketing and Sales Group of ALI. Concurrently, he is the Chairman & President of Ayala Land International Sales, Inc.; President of Ayala Land Sales, Inc.; Head of Sales & Marketing for the Residential Business Group; Chairman and President of Rampver, Inc.; Marketing and Training Consultant for IMPACT and Mindbroker, Inc.; and Professor of De La Salle University, Graduate School of Business. Prior to joining ALI, he was an Executive Vice President and Head of the Sales, Marketing and Training of the Philippine American Life & General Insurance Company; Vice Chairman and CEO of Philam Asset Management; Vice Chairman and CEO of Philam Financials; Director of Philam Insurance Co., Security Philam, Philam Call Center and Philam Foundation. He graduated with a degree of Bachelor of Science in Business Administration, major in Marketing and Finance at the University of the Philippines, Diliman and took his Masters in Business Management, with distinction at the Asian Institute of Management.

Emilio J. Tumbocon, Filipino, 53, is a Senior Vice President and a member of the Management Committee of ALI. He heads the Visayas-Mindanao SBU Group and concurrently the Technical Services Director of Superblock Projects of ALI. His other significant positions include: Director of Ayala Property Management Corporation, Laguna Technopark, Inc., Cebu Holdings Inc., Cebu Property Ventures Development Corporation, Makati Development Corporation, Accendo Commercial Corporation & Anvaya Cove Beach and Nature Club, Inc. He is also a certified Project Management Professional (PMP) of the Project Management Institute & Past President of the Philippine Constructors Association, Inc. (PCA). He graduated from the University of the Philippines with a degree of Bachelor of Science in Civil Engineering (C.E. '79) and graduated in Masters in Business Administration (MBA '85) from the same university. He also took the Construction Executive Program (CEPS '87) at Stanford University, Palo Alto, California, U.S.A., the Senior Business Executive Program (SBEP ‘91) at the University of Asia and the Pacific, and The Executive Program (TEP ‘97) at Darden Graduate School of Business Administration, University of Virginia, Charlottesville, Virginia, U.S.A.

Jaime E. Ysmael, Filipino, 49, is a Senior Vice President, Chief Finance Officer and a member of the Management Committee of ALI. Concurrently, he is a Managing Director of Ayala Corporation. His other significant positions include: Director and President of CMPI Holdings, Inc., CMPI Land, Inc. and One Legaspi Park Residential Commercial Corp.; Director and Vice-President of Ayala Westgrove Heights Homeowner's Association, Inc.; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Makati Property Ventures, Inc., Serendra, Inc., Alinet.Com, Amorsedia Development Corp., Crans Montana Property Holdings Corp., Gisborne Property, Inc., Hillford Property Corporation, HLC Development Corporation and Tower One Condominium Corp.,; Director, Treasurer, CFO & Chairman of the Finance Committee of Anvaya Cove Beach & Nature Club, Inc.; Director, Treasurer & CFO of Glensworth Development, Inc.; Director, Treasurer & Member of the Executive Committee of Ayala Hotels, Inc., Enjay Hotels, Inc. and Cebu Holdings, Inc.; Director of Alabang Commercial Corp., Asterion Technopod, Inc., Avida Land Corp., Ayala Greenfield Development Corporation, Brightnote Asset Corporation, Cebu Insular Hotel Company, Inc., Crestview E-Office Corporation, First Longfield Investments Ltd., Gammon Philippines, Inc., Green Horizons Holdings, Ltd., Laguna Phenix Structures Corporation, Makati Theaters, Inc., MG Construction Holdings, Ltd., North Triangle Depot Commercial Corp., Regent Time International, Ltd., Station Square East Commercial Corp., Summerfield E-Office, Inc., and Summerhill E-Office Corporation; and Chief Finance Officer of Roxas Land Corp. He is currently President, of the Asian Public Real Estate Association; and Trustee of the Serendra Condominium Corporation. He graduated Summa Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration, Major in Accounting. He holds an M.B.A. degree (Major in Finance) at The Wharton School and an M.A. degree in International Studies at the School of Arts and Sciences of the University of Pennsylvania under The Joseph H. Lauder Institute of Management and International Studies.

Dante M. Abando, Filipino, 45, is a Vice President and a member of the Management Committee of ALI. He is concurrently the Head of the Construction Management Division of ALI and the President and Member of the Board of Directors of Alveo Land Corp. His other significant positions include serving as Director of Makati Development Corp., Ayala Property Management Corp., Avida Land, Corp., Serendra Inc., AmicaSSa Process Solutions, Inc., and Anvaya Beach and Nature Club, Inc., where his extensive background in both management and engineering lent an in-depth understanding of the industry and business. Prior to joining ALI, he served as a Manager of Philkoei International, Inc., where he played a significant role in business development as well as marketing and project operations. He was also the Construction Engineer for DM Consunji, Inc. He earned his MBA from the University of the Philippines, Diliman where he also completed his undergraduate studies in B.S. Civil Engineering.

Arturo G. Corpuz, Filipino, 52, is a Vice President and a member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Aurora Properties, Inc. and of Vesta Properties Holdings, Inc. He is also the current President of the Philippine Economic Society. He received his baccalaureate degree in Architecture from the University of the Philippines and his masteral and doctoral degrees in urban and regional planning from Cornell University.

Anna Ma. Margarita B. Dy, Filipino, 40, is a Vice President and member of the Management Committee of ALI since August 2008. She is the Head of the Strategic Landbank Management Group of ALI. Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation and is a Director of the Nuvali Subsidiaries: Aurora Properties, Inc., Vesta Properties Holdings, Inc., and CECI Realty, Inc. Prior to joining ALI, she was the Vice President of Benpres Holdings Corporation. She received her Masters of Business Administration degree from the Harvard Business School and graduated, magna cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics, Honors Program.

Jose Emmanuel H. Jalandoni, CFA, Filipino, 42, is a Vice President, a member of the Management Committee and the Group Head of ALI-Capital. Concurrently, he is a Director and member of the Investment Committee of ARCH Capital Management Company Ltd. (Hong Kong); Director of ARCH Capital Asian Partners, G.P. (Cayman), First Longfield Investments Limited (HK), Green Horizons Holdings Limited (HK), Jade Estates Holdings Limited (BVI), KHI-ALI Manila, Inc., CMPI Holdings, Inc., and CMPI Land, Inc., Gisborne Property, Inc., Hillsford Property Corp.,; Director and Treasurer of Ayala Property Partners Corporation, Ayala Property Partners Holding Corporation, First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc., UP North Property Holdings, Inc., Asterion Technopod Incorporated, Crestview E-Office Corporation, Summerhill E-Office Corporation, Sunnyfield E-Office Corporation; Chairman and President of Alinet.Com, Inc.; and Director and President of Ecoholdings, Inc. He joined ALI in 1996 and held various positions in the Company. He graduated with a degree of Bachelor of Science in Legal Management from the Ateneo de Manila University in 1989 and took his Masters in Business Management at the Asian Institute of Management in 1992.

Joselito N. Luna, Filipino, 46, is a Vice President and a member of the Management Committee of ALI since 2008. He is also ALI's Chief Architect and Head of Innovation and Design Group. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc. and Ecoholdings, Inc. He is a Registered Architect and Environmental Planner. He obtained his Bachelor of Science in Architecture degree from the University of the Philippines in 1985, took his graduate courses in Urban and Regional Planning at the University of the Philippines and completed the Management Development Program of the University of Michigan at Ann Arbor, USA.

Maria Teresa T. Ruiz, Filipino, 55, joined ALI in October 2007 as Vice President and member of the Management Committee. She serves as Head of the Human Resources and Public Affairs Group which covers External Affairs and Corporate Communications of ALI. Prior to joining ALI, she served as Director for various Human Resources functions in Wyeth Philippines, Zuellig Pharma, Solid Cement and Apo Cement Companies, Coca Cola Bottlers, and PLDT. She graduated with a degree of Bachelor of Arts in Communication Arts (Cum Laude) from Maryknoll College.

Augusto D. Bengzon, Filipino, 47, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corp., Makati Development Corp., Aurora Properties, Inc., Vesta Properties Holdings, Inc., and CECI Realty, Inc. Prior to joining ALI, he was the Vice President and Credit Officer in Global Relationship Banking at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted a full scholarship by the Asian Institute of Management where he received his Masters in Business Management degree.

Ruel C. Bautista, Filipino, 54, is a Vice President of ALI. He is concurrently the Chief Operating Officer of Makati Development Corporation. Prior to joining ALI, he served in various project management and engineering capacities for other private institutions for close to 25 years. He graduated with a degree in Bachelor of Science in Civil Engineering at the Mapua

Institute of Technology in 1976. He also took the Project Management Program at the Asian Institute of Management in 1995.

Aniceto V. Bisnar, Jr., Filipino, 46, is a Vice President and General Manager of NUVALI, Strategic Land Bank Management Group of ALI. His other significant positions include: General Manager and Senior Vice President of Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc.; Chairman of Crimson Field Enterprises, Inc.; and Director of Red Creek Properties, Inc. He was formerly the Head of Commercial Operations of Fort Bonifacio Development Corporation which developed Bonifacio Global City. He graduated with a degree of Bachelor of Science at the Philippine Military Academy in 1985 (top 5% of his class) and earned his Masters in Business Management at the Asian Institute of Management in 1989. He also took the Master Planning and Urban Housing & Mixed Use Development Program of the Harvard University Graduate School of Design in 1996.

Manuel A. Blas II, Filipino, 55, is a Vice President of ALI. He is concurrently the Managing Director of Bonifacio Art Foundation, Inc. Prior to joining ALI, he was the Regional President for Sara Lee Asia Pacific. He graduated with a degree in Bachelor of Arts at the De La Salle University, Summa cum Laude, in 1977 and M.A., Religious Studies at the Maryhill School of Theology, Summa cum Laude, in 2004.

Maria Corazon G. Dizon, Filipino, 47, is a Vice President and Head of Business Development and Strategic Planning of the Ayala Malls Group. Prior to this, she occupied various positions in ALI including Asset Management Head and Chief Finance Officer for the Ayala Malls Group, and Head of Control and Analysis Division and Investor Relations Unit. She graduated with a degree in Bachelor of Science in Commerce major in Accounting at the University of Santo Tomas in 1984 and is a Masters of Business Administration candidate from the De La Salle Graduate School of Business and Economics. She also took the Executive Development Program at the Aresty Institute of Executive Education at Wharton, University of Pennsylvania in 2006 and the Creating Shareholder Value Program at the University of Chicago in 1999.

Michael Alexis C. Legaspi, Filipino, 52, is a Vice President of ALI and Chief Operating Officer of Ayala Hotels, Inc. He is a Director of Greenhaven Property Ventures, Inc. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Head of Operations of Ayala Property Management Corporation. He graduated with a degree of Bachelor of Science in Hotel and Restaurant Administration at the University of the Philippines, Diliman in 1980.

Francis O. Monera, Filipino, 56, is a Vice President for Visayas-Mindanao Group of ALI. He is currently the President of Cebu Holdings, Inc. (CHI) and Cebu Property Ventures and Development Corporation. He was the Chief Operating Officer of CHI before he was elected President of the Company effective January 1, 2007. He is also currently the Regional Director of the Philippine Chamber of Commerce and Industry for Central Visayas and a Trustee for the Cebu Chamber of Commerce and Industry. He served as President of the Cebu Chamber of Commerce and Industry from February 2006 to 2008. He graduated Magna Cum Laude with a Bachelor of Science in Commerce degree major in Accounting from the Manuel L. Quezon University in 1978. He is an MBA candidate at the Ateneo Graduate School of Business and attended the Executive Development Program at the Harvard Graduate School of Business, Harvard University in 1997.

Rosaleo M. Montenegro, Filipino, 51, is a Vice President of ALI. His other significant positions include: President of Avida Land Corp.; Chairman of the Board and President of Avida Sales

Corp., Buklod Bahayan Realty & Development Corp., and Amaia Land Corp. (formerly First Communities Realty, Inc.); and, Director of Amicassa Process Solutions, Inc. and Ayala Land Sales, Inc. He is a Certified Public Accountant and graduated with a degree in Bachelor of Science in Commerce major in Accounting at the Polytechnic University of the Philippines in 1979 and is a Masters in Business Administration candidate from the Ateneo Graduate School of Business. He also took the Management Development Program from the University of Michigan - Ross School of Business in the United States in 2006.

Ma. Rowena Victoria M. Tomeldan, Filipino, 48, is a Vice President and Chief Operating Officer of the Ayala Malls Group. Her other significant positions include: Governor of the Ayala Center Association; President and member of the Board of Directors of Ayala Theatres Management, Inc., Five Star Cinema, Inc.. NorthBeacon Depot Commercial Corp. and Station Square East Commercial Corp.; and, Director of ALI-CII Development Corporation, Lagoon Development Corporation, Leisure and Allied Industries, Phils., North Triangle Depot Commercial Corp., Accendo Commercial Corporation and Bonifacio Global City Estate Association. She graduated with a degree in Bachelor of Arts in Economics (Cum Laude) from the University of the Philippines in 1983 and she earned her Masters in Business Administration (one of the Top Ten MBA students) from the University of the Philippines in 1988.

Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board of Directors, and Jaime Augusto Zobel de Ayala, Vice Chairman, are brothers.

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

a. None of them has been involved in any bankruptcy petition.
b. None of them has been convicted by final judgment in a criminal proceeding or is subject to a pending criminal proceeding, both domestic and foreign.
c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

EXECUTIVE COMPENSATION

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

"Section 17 – Each member of the Board of Directors who is neither an officer nor consultant of the Corporation shall be entitled to receive a reasonable per diem in an amount to be determined by the Board of Directors for his attendance in Board meetings. Any additional compensation, other than per diems, to be given to members of the Board of Directors shall be subject to stockholders' approval."

During the Annual Stockholders' Meeting held on April 2, 2003, the stockholders ratified the resolution fixing the remuneration of non-executive directors at ₱ 1,000,000.00 consisting of the following components:

Retainer Fee:	₱ 500,000.00
Per diem per Board meeting attended:	₱ 100,000.00

In addition, a non-executive director is entitled to a per diem of ₱ 20,000.00 per board committee meeting actually attended.

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

Officers. The Company adopts a performance-based compensation scheme. The total annual compensation of the President and Management Committee members amounted to P135.00 million in 2008 and P129.92 million in 2009. The projected total annual compensation for the current year is P134.69 million.

Total compensation paid to all senior personnel from Manager and up amounted to P345.76 million in 2008 and P333.86 million in 2009. The projected total annual compensation for the current year is P355.37 million.

Name and Principal Position	**2008 (restated)**			**2009**			**Projected 2010**		
In Million Pesos	**Salary**	**Other Variable Pay**	**Total**	**Salary**	**Other Variable Pay*** **	**Total**	**Salary**	**Other Variable Pay*** **	**Total**
Antonino T. Aquino* President & CEO									
Vincent Y. Tan Executive Vice President									
Ma. Victoria E. Añonuevo Senior Vice President									
Bernard Vincent O. Dy Senior Vice President									
Raul M. Irlanda Senior Vice President									
Rex Ma. A. Mendoza Senior Vice President									
Emilio J. Tumbocon Senior Vice President									
Jaime E. Ysmael Senior Vice President & CFO									

Name and Principal Position	2008 (restated)			2009			Projected 2010		
In Million Pesos	Salary	Other Variable Pay	Total	Salary	Other Variable Pay***	Total	Salary	Other Variable Pay***	Total
Dante M. Abando Vice President									
Arturo G. Corpuz Vice President									
Anna Ma. Margarita B. Dy Vice President									
Jose Emmanuel H. Jalandoni Vice President									
Joselito N. Luna Vice President									
Maria Teresa Ruiz Vice President									
CEO & 13 Most Highly Compensated Executive Officers	₱119.58	₱15.42	₱135.00	₱119.52	₱10.40	₱129.92	₱126.69	₱8.00	₱134.69
All other officers*** as a group unnamed	₱304.52	₱41.24	₱345.76	₱312.61	₱21.25	₱333.86	₱331.37	₱24.00	₱355.37

** Compensation started in April 2009*
*** Exclusive of Stock Option exercise*
**** Managers and up*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash. The total annual compensation includes the basic salary and other variable pay (performance bonus and exercise of Stock Option Plan). The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's Bureau of Internal Revenue-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

Options Outstanding

The Company has offered its Executive Stock Option Plan ("ESOP") to the Company's officers since 1998. Of the above named officers, there were 532,920 common shares exercised for the year 2008 by the above-named officers, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
All above-named Officers as a group	532,920	Various	3.68	5.70 *

* Average prices on the dates of grant

The Company has adjusted the exercise price of the options awarded to the above named officers due to the stock dividend paid by the Company in June 2007.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year period. In case the grantee retires, he is given three years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

For other details on stock options, please refer to Note 26 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2008 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS

Security ownership of certain record and beneficial owners (of more than 5%) as of December 31, 2009.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of the Outstanding Common & Preferred Shares)
Common	Ayala Corporation[1] 34/F Tower One Bldg. Ayala Ave., Makati City	Ayala Corporation[2]	Filipino	6,934,509,515	26.634%
Preferred				12,679,029,436	48.698%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Hongkong and Shanghai Banking Corporation (HSBC) and Standard Chartered Bank (SCB)[4]	Various	4,788,953,585	18.394%

Security ownership of directors and management (executive officers) as of December 31, 2009

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of the Outstanding Common & Preferred Shares)
Directors				
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Antonino T. Aquino	11,101,676 (direct & indirect)	Filipino	0.04264%
Common	Mercedita S. Nolledo	250,014 (direct & indirect)	Filipino	0.00096%
Common	Corazon S. de la Paz-Bernardo	1,201 (direct & indirect)	Filipino	0.00000%
Common	Oscar S. Reyes	1 (direct)	Filipino	0.00000%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Aurelio R. Montinola III	3,579 (direct & indirect)	Filipino	0.00001%
CEO and Most Highly Compensated Executive Officers				
Common	Antonino T. Aquino	11,101,676 (direct & indirect)	Filipino	0.04264%

[1] Ayala Corporation ("AC") is the parent company of the Company.
[2] As per By-laws and the Corporation Code, the AC Board of Directors has the power to decide how AC shares in ALI are to be voted.
[3] The PCD is not related to the Company.
[4] HSBC and SCB are participants of PCD. The 3,057,744,561 and 1,224,116,364 shares or 16.45% of the total issued and outstanding shares of the Company, owned by HSBC and SCB, respectively, form part of the 4,788,953,585 shares registered in the name of PCD Non-Filipino. The clients of HSBC and SCB have the power to decide how their shares are to be voted.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of the Outstanding Common & Preferred Shares)
Common	Vincent Y. Tan	8,030,079 (direct &indirect)	Filipino	0.03084%
Common	Ma. Victoria E. Añonuevo	4,186,351 (direct & indirect)	Filipino	0.01608%
Common	Bernard Vincent O. Dy	3,294,930 (direct & indirect)	Filipino	0.01266%
Common	Raul M. Irlanda	2,409,581 (direct & indirect)	Filipino	0.00925%
Common	Rex Ma. A. Mendoza	4,631,142 (direct & indirect)	Filipino	0.01779%
Common	Emilio J. Tumbocon	7,088,402 (direct & indirect)	Filipino	0.02723%
Common	Jaime E. Ysmael	2,492,388 (direct & indirect)	Filipino	0. 00957%
Common	Arturo G. Corpuz	2,304,353 (direct & indirect)	Filipino	0.00885%
Common	Anna Ma. Margarita B. Dy	2,895,400 (direct & indirect)	Filipino	0.01112%
Common	Jose Emmanuel H. Jalandoni	2,240,843 (indirect)	Filipino	0.00861%
Common	Joselito N. Luna	2,040,693 (direct & indirect)	Filipino	0.00784%
Common	Ruel C. Bautista	735,817 (direct & indirect)	Filipino	0.00283%
Common	Augusto D. Bengzon	1,064,919 (direct & indirect)	Filipino	0.00409%
Common	Aniceto V. Bisnar, Jr.	523,703 (direct & indirect)	Filipino	0.00201%
Common	Manny A. Blas II	921,974 (direct & indirect)	Filipino	0.00354%
Common	Ma. Corazon G. Dizon	960,193 (direct & indirect)	Filipino	0.00369%
Common	Michael Alexis C. Legaspi	1,675,094 (direct & indirect)	Filipino	0.00643%
Common	Francis O. Monera	1,928,350 (direct & indirect)	Filipino	0.00741%
Common	Rosaleo M. Montenegro	1,990,797 (direct & indirect)	Filipino	0.00765%
Common	Dante M. Abando	1,332,019 (direct & indirect)	Filipino	0.00512%
Common	Rowena M. Tomeldan	2,277,891 (direct & indirect)	Filipino	0.00875%
Common	Maria Teresa Ruiz	98,976 (indirect)	Filipino	0.00038%
All Directors and Officers as a group		**66,504,368**		**0.25543%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

Voting Trust Holders of 5% or more

Ayala Land knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

The Company and its subsidiaries, in their regular conduct of business, has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arms length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of their immediate families was involved or had a direct or indirect material interest.

ALI employees are required to promptly disclose any business and family-related transactions with the company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

Parent Company / Major Holders

As of December 31, 2009, Ayala Corporation owned 6,935 million (53.34%) of total outstanding ALI common shares of 13,001 million, and 12,679 million (97.27%) of total outstanding preferred shares of 13,035 million.

Ayala Corporation's common and preferred shares account for 26.63% and 48.70%, respectively, of total outstanding shares of 26,036 million, while PCD Nominee Corporation (Non-Filipino) holds or owns 18.39%

Ayala Corporation's principal parent company, Mermac, Inc., does not hold or own any share in the Company.

HSBC and SCB are participants of PCD. The 3,058 million and 1,224 million shares or 16.45% of the total issued and outstanding shares of the Company, owned by HSBC and SCB, respectively, form part of the 4,789 million shares registered in the name of PCD Non-Filipino. The clients of HSBC and SCB have the power to decide how their shares are to be voted.

DESCRIPTION OF DEBT

As of December 31, 2009, Ayala Land had the equivalent of ₽18.8 billion of outstanding debt, of which ₽350.0 million is secured.

Of Ayala Land's outstanding unsecured debt, ₽12.2 billion is evidenced by a debt instrument that was acknowledged by both the creditor and Ayala Land before a notary public. Under Philippine law, in the event that a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a debt instrument that has been acknowledged by the creditor and the borrower before a notary public enjoys a preference over unsecured debt that has not been so notarized. (See discussion under "Risk Factors and Other Considerations" of this Prospectus)

The following tables set forth the outstanding long and short-term debt of Ayala Land and its subsidiaries as of December 31, 2009 (in Peso millions).

Borrower	Short-term	Long-term			Total Debt
		Current	Non-Current	Total	
Ayala Land, Inc.	207.9*	-	9,431.8	9,431.8	9,639.7
Accendo Commercial Corp.	-	-	53.5	53.5	53.5
Asian i-Office Properties, Inc.	-	2.1	422.9	425.0	425.0
Ayala Greenfield Development Corp.	50.0	-	-	-	50.0
Avida Land Corporation	747.0	5.0	493.8	498.8	1,245.8
Cebu Insular Hotel Company, Inc.	-	70.0	280.0	350.0	350.0
Enjay Hotels, Inc.	-	43.5	220.5	264.0	264.0
Leisure and Allied Industries Phils., Inc.	290.0	70.0.	55.0	125.0	415.0
Northbeacon Commercial Corporation	-	10.0	987.5	997.5	997.5
Station Square East Commercial Corporation	336.0	48.7	1,582.0	1,630.7	1,966.7
First Gateway Real Estate Corp.	-	20.6	242.6	263.2	263.2
Glensworth Development, Inc.	-	-	250.0	250.0	250.0
One Dela Rosa Property Development Inc.	-	85.3	1,006.5	1,091.8	1,091.8
UP North Property Holdings, Inc.	-	22.5	1,777.5	1,800.0	1,800.0
Total	**₽1,630.9**	**₽377.7**	**₽16,803.6**	**₽17,181.3**	**P18,812.2**

*USD4.5M translated to peso terms using exchange rate of P46.20

The table below details Ayala Land's Issuances of Debt Securities / New Financing through Loans from January to December 2009 in Peso Millions.

Borrower	Amount	Nature
Ayala Land, Inc.	₱2,652.4	Issuance of Homestarter Bonds, Fixed Rate Corporate Notes, Floating Rate Corporate Notes; availment of short-term loan
Accendo Commercial Corp.	53.5	Availment of long-term loan
Avida Land Corporation	350.0	Availment of short-term loans
Glensworth Development, Inc.	25.0	Availment of long-term loan
Leisure and Allied Industries Phils., Inc.	10.0	Availment of short-term loan
Station Square East Commercial Corporation	352.0	Availment of short-term loans
One Dela Rosa Property Development Inc.	37.0	Availment of short-term loans
UP North Property Holdings, Inc.	5.0	Availment of long-term loan
Total	**₱3,484.9**	

The following sets out the repayments of Debt Securities from January to December 2009 (in Peso millions):

Borrower	Amount	Nature
Ayala Land, Inc.	693.2	Maturity of Homestarter Bonds and prepayment of Fixed Rate Corporate Notes
Ayala Greenfield Development Corp.	78.0	Payment of matured short-term loans
Avida Land Corp.	1.3	Amortization on long-term loan
Enjay Hotels, Inc.	28.5	Amortization on long-term loan
Leisure and Allied Industries Phils., Inc.	100.0	Payment of matured short-term loans and amortization on long-term loan
Station Square East Commercial Corporation	505.5	Payment of matured short-term loans and amortization on long-term loans
First Gateway Real Estate Corp.	2.0	Amortization on long-term loan
Northbeacon Commercial Corp.	2.5	Amortization on long-term loan
One Dela Rosa Property Development Inc.	8.3	Amortization on long-term loan
Total	**₱1,419.3**	

There were no commercial paper issuances and outstanding balance as of the twelve months ended December 31, 2009.

CORPORATE GOVERNANCE

Ayala Land has always been committed to strong and transparent corporate governance, going well beyond mere compliance with the code mandated by law. Ayala Land made several important improvements to its governance in 2004, focusing on increasing the involvement of various governance bodies, strengthening performance management, and ensuring compliance with International Accounting Standards (IAS). In 2007, the Company adopted several initiatives aimed toward achieving governance excellence. These include conduct of a Self Assessment Survey by the Board of Directors, development of Business Contingency Plans, adoption of risk-based audit approach and independent quality review of the Internal Audit function. Ayala Land believes that these changes will streamline its existing business models, improve execution, reduce risks, and better safeguard the collective and individual interests of its diverse set of shareholders.

Ayala Land seeks to promote and enhance compliance of good corporate governance. Ayala Land is requiring observance of good corporate governance of all its subsidiaries, including those that are not listed on the PSE and not covered by the SEC Code of Corporate Governance.

The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance (the "Manual") consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Manual of the SEC.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Manual. The Company has adopted in the Manual the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

FINANCIAL INFORMATION

The following pages set forth Ayala Land's audited consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007.