

# *The Overseas Filipino – Country-side Development Fund*

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## ◆ INTRODUCTION

### **An Investment and Fund Concept**

The objective of this information flyer is to introduce the concept of an Overseas Filipino Country-side Development Fund (OF-CDF).

The Fund starts with the identification of income generating OFW hometown projects by OFW barangay, municipal, provincial or regional groups and/or associations, both here and abroad.

The projects will be studied thoroughly and presented to you for your investment decision through the OFW, through home town, city, municipality, provincial or regional groups or associations.

Your participation in the various projects can be through:

- Ownership participation in the equity of the project;
- By lending to the projects or participation in local government bond issues and other financial instruments similar to loans;
- Project joint venture arrangements or corporations; and,
- Special purpose corporations, trust accounts and variants thereof.

The minimum project cost will be P50.0 million pesos to make the concept and managing the investments more efficient. It takes the same effort to develop and implement a project worth P1,000,000 and a project worth P50,000,000.

Individual participation in the projects can be as low as US\$100 per OFW but individual participants/investors will be joined together under one investor block it to more meaningful.

The consolidation of your individual investments has major advantages such as:

- Forming investor blocks of a significant size gives you, the OFW, influence over the projects, the term and conditions of the investment and the over-all management of the project.
- It facilitates the eventual remittance of money or funds into the country, into the project or for participation in local government bonds issues and other project related financial instruments.

Once there are several home town projects that have been participated in by you , these investments can be joined together by project or combined into one asset pool, either through a special purpose vehicle-asset management corporation (“SPV-AMC”) or a special purpose trust ( “SPT” or a trust account opened through a trust company, a trust banking group of an acceptable Philippine banking institution or an institution specifically organized and licensed to provide trust services). The SPV-AMC or the SPT to be

organized shall constitute the Overseas Filipino-Country-side Development Fund or the OF-CDF.

An Executive Board or a Board of Trustees will be nominated and appointed by you. The OF-CDF shall have Project Monitoring Committees (“PMCs”) to oversee the proper management and completion of the projects. Your representation in the Fund will always be required.

Subsequent home town projects can be participated in by you, the OFW, through the Fund.

While home town projects are being developed, identified, studied and the investment structure designed, existing high social impact projects in the country-side can already be “reserved” for the participation of OFWs in the form of Local Government Bonds (LGU bonds), the features of which are explained in a succeeding section of this flyer.

Initial investment opportunities will be identified through the Economic Resource Center for Overseas Filipinos (“ERCOF”) - who shall organize the OFW groups and associations and present to them investment opportunities, harness and manage the OFW networks and Preferred Ventures Corporation (“PVC”)—an advisory and economic development organization, who will assist in identifying the projects, designing the projects, structuring the project’s financial for the participation by the OFWs.

### ◆ ***THE OVERSEAS FILIPINO COUNTRY-SIDE DEVELOPMENT FUND (OF-CDF)***

#### **Where does OFW money go?**

In the past, you have sent money home for basic family needs, education, housing, medical expenses, for family enterprises and other related expenditures. You have donated billions for scholarships, grants, fiestas, assistance for natural calamities; and, various projects such a local water and sewerage systems, roads, canals, footpaths, bridges, signage and civic/religious organization activities.

Savings or left-over money, after deducting all household needs, cost of travel and living expenses, loan amortizations and the like, are then deposited into banks through savings accounts, time deposits, government securities, common trust funds, and other deposit instruments offered by both Filipino and foreign financial institutions.

Savings are also “deposited” in other non-bank forms or “non-bank deposits” such as savings and loans associations (paluwagan), group paluwagan loans, lending/investor institutions or other such “deposit-like” schemes that also give you an “interest rate” either daily, every fifteen days, monthly or quarterly.

There are two common denominators to bank and non-bank “deposits”—the interest rate and the return of original amount “deposited”. But there are several factors which must be considered each time you save, “deposit” or “invest” money using both bank and non-bank deposit accounts. These are:

- Getting the original principal amount back, (safety of the original amount);
- The length of time it would take to get your original deposit back;
- Where the money is used to generate the income required to pay for the interest rate on the deposit and to pay back your original deposit.

In particular, banks and financial institutions offer you a lot of new and easy ways to send money home.

Apart from just remittance services, they now offer deposit instruments for savings, money market investments, time deposits, special savings accounts with attractive interest rates and other features. They also offer related services like life, non-life and medical insurance, loans for housing, car loans, appliance loans, credit cards, small business loans; all in an effort to “cross-sell” their products to depositors and bank clients.

Insurance companies today offer life insurance and pre-need packages which have cash guarantees apart from insurance for housing, vehicles, appliances and business assets.

With all that they offer to OFWs, you are still uncertain whether the Banks or financial institutions use its Funds for the benefit of your home town, towards generating livelihood opportunities for your constituents, for country-side development or other income generating BUT socially relevant projects. You would not know whether your deposits or investments benefit your home town constituents directly nor the manner in which they benefit.

This is where the Overseas Filipino - Country-side Development Fund shall focus.

### **What is the Fund all about?**

The OF-CDF offers an alternative to just depositing money into a bank, financial institution, savings and loan associations or merely making donations. It offers you, the OFW, the following:

- Direct control over where your savings or investments go;
- An opportunity to directly assist your home town, municipality, province or region through the financing of development projects, family or individually owned micro-enterprise businesses;
- The prospects to create more employment, farmer-fisher folk household livelihood opportunities, a brighter future for your children, your constituents and your region, through the participation in:
  - \* Agricultural, aquacultural projects;
  - \* Micro-enterprise financing projects;
  - \* food processing and production facilities;
  - \* cold storage and supply chains, marketing linkages, tool implements, machinery and equipment;
  - \* Land based transportation hubs for people, goods, services;
  - \* educational and training institutions;
  - \* health and medical facilities;
  - \* fish and RORO Ports;
  - \* markets and commercial establishments and trade facilities.
- It also gives you the opportunity to develop your own insurance or pre-need programs, educational funds, housing or “pabahay” facilities, micro-finance lending operations and other highly social and economic programs to address not just OFWs needs but the needs of other Filipinos who cannot otherwise afford such plans.
- An agricultural based “pa-lupa” plan might also be conceived with your assistance, allowing farmer households to acquire agricultural land on a lease-to-own or out-right purchase program, the formation of farmer production cooperatives not only based on produce but based on “land consolidation for agri-production purposes”.
- Fisher folk households can be assisted by investments in marine engine manufacturing and tooling facilities, fish processing plants, storage, packing and marketing linkages.
- It will give you a fair return on your investment over and above the currently existing investment rates, rates that you will have a hand in setting.

Indeed, much can be accomplished if resources are combined and if efforts are towards a common goal.

The development of the Fund starts with the identification of hometown projects by OFW barangay,

municipal and provincial groups and associations; with the management and support of ERCOF, in organizing the groups and associations into investor groups ; and PVC, in the design, study, packaging of the projects.

Eventually, when enough projects have been identified, the projects and/or investments will be combined or pooled into a special purpose vehicle or special purpose trust to be properly directed, managed, invested and re-invested to create returns to OFW investors.

Project costs in the minimum amount of Php50.0 million will be identified (“originated”). You will be able to “deposit” or invest a minimum amount of US\$100, however, it is advised that individual investors combine their investments under one block depending on the size of investments to be made.

Combining investments has advantages to it, some of which are:

- Forming investor blocks of a significant size means that you, the OFW, can have influence over the terms and conditions under which you will invest, on the management of the project, on the establishment of the OF-CDF and on the direction of investments, when the OF-CDF is eventually established;
- It facilitates the eventual remittance of money or funds into the country, into the project or for participation in local government bonds issues and other project related financial instruments.
- Consolidating investments can also help document your investment and participation in the projects.
- It ensures you that your investments are used to create livelihood opportunities, employment, develop skills and education for your home town, municipality or region.

Since the setting up of the Fund will begin with the identification, development and design of home town projects and project development does take some time, OFW investments can also be made through the direct participation of OFW investors in Local Government Bonds issues. The participation amount per OFW can be the same.

## **What are Local Government Bonds?**

Local government bonds (“LGU Bonds”) are certificates of indebtedness issued by local government units (“LGUs”) in relation to financing income generating infrastructure related social projects within their localities. This is allowed by law specifically Republic Act 7160 otherwise known as the Local Government Act of 1991 and its subsequent amendments since then.

The bonds are considered as [deposit substitutes similar to Treasury Bills and Treasury Notes issued by the national government but they are not guaranteed by the national government].

The bonds, however, are fully secured by the assignment of the Internal Revenue Allotments (IRA) of the LGU and supported by credit insurance guarantees issued by a local private sector insurance company or other forms of guarantees given by other government guaranty agencies. The purpose of the insurance guarantee is to have a source of re-payment for the investors, in the event the project or the LGU is unable to do so.

A Trustee will be appointed from one of the leading trust companies or from the trust banking group of a major banking and financial institution, to “manage” the money raised by selling the bonds and the cash income generated by the projects. At no time will the LGU be in control of such funds, in fact the LGU’s IRA will be assigned to the Trustee, in your favor.

The bond terms and conditions and the project study are approved by the local government unit and other agencies of government such as the Bangko Sentral ng Pilipinas “(BSP)”, Bureau of Local Government Finance (“BLGF”) and the Department of Finance (“DOF”), to name a few.

There are numerous LGU-bond related projects in the pipeline for issuance in support of country-side developmental projects. While home town projects are being identified, designed and developed LGU bonds are viable investment alternatives. Some ongoing projects are :

| <b>LGU</b>             | <b>Bond Amount</b> | <b>Project</b>                                 | <b>Credit Rating</b> |
|------------------------|--------------------|--|----------------------|
| Daraga, Albay          | P 75 Million       | Public Market                                  | Ba                   |
| Bayambang, Pangasinan  | P 42 Million       | Public Market                                  | Ba                   |
| Leyte Province (A)     | P 205 Million      | Academic Center                                | Ba                   |
| San Juan, Metro Manila | P 390 Million      | Gymnasium, Commercial Complex and Toll Parking | Aa                   |
| Carmona, Cavite        | P 150 Million      | Housing  | A                    |
| Pasay City             | P 500 Million      | Public Market and Commercial Center            | Ba                   |
| Imus, Cavite           | P 47 Million       | Slaughterhouse                                 | A                    |

Source: Preferred Ventures, Inc.

The bond is one way of investing in country-side development projects which have already been through the process of project design, structuring, feasibility studies and analysis. Prior to participation in the bond issue all the pertinent local and national government agency approvals must have already been obtained. The social impact of the project on the town, municipality and locality are determinable and are part of the project study conducted. .

### **Does the concept have any social relevance?**

Many projects have social relevance but few have high social and economic impacts or benefits available to a wider range of their constituents, which are sustainable over the medium to long term.

The social relevance of the concept therefore can be summarized as follows:

- Properly identified, assessed, studied, designed, implemented and managed projects are those that create employment, livelihood and direct or indirect sources of household income in the country-side;
- The Fund is a viable alternative for the sustainable creation of livelihood and employment opportunities. It intends to reduce out-ward migration from the country-side into urbanized areas and assists in stemming the drain of the country's manpower resources and skills due to economic hardships;
- The creation of sustainable opportunities where the knowledge, training and skills of OFWs abroad can be attracted back into the country.
- The sustainable improvement of the quality of life in the country-side and not only in urban areas;
- The empowerment of the OFW and the Filipinos in the development of his or her home town, city, municipality, province or region;
- To create an investment alternative focused on the social and economic development of the

country-side, other than the traditional approaches used by other organizations, banks, financial institutions and non-bank organizations.

## **How does the concept work?**

The establishment of the Fund has the following general procedures:

1. *The OFW barangay, municipal and/or provincial groups or associations identify hometown projects given certain parameters of choice and of a minimum size amounting to P50.0 Million.*

*The projects will be referred by Ercof to PVC for organization, study, evaluation and packaging and financial structuring.*

*Alternatively, ERCOF and PVC can identify and develop hometown projects for participation in by OFWs that come from those localities, municipalities and provinces.*

*ERCOF's role is to facilitate the organization of OFW groups and associations into investor consortiums, maintain the flow of information prior to, during and after the project completion; while PVC will originate, design, structure and package the projects into viable alternative investment opportunities for direct participation by the OFW.*

2. *Periodic notices and project updates will be posted in a website that will specifically be set up for the fund. Upon completion of the full blown project study by PVC, a complete summary of the project shall be posted, and a copy shall be sent to the interested OFW groups or associations for review and queries.*

*A formal presentation workshop will be conducted by ERCOF and PVC for the OFW groups and associations interested in the project.*

*Commitments to fund investments shall be obtained within 60 days from the completion of the project study by PVC.*

3. *Assuming the OFW hometown investor groups or associations agree to participate in a project, an Escrow Account (EA) shall be opened into which shall be deposited the investment funds, prior to its release to the project or the purchase of LGU bonds. The EA shall be opened with a major local universal bank. If the funds are not yet to be released to the project or for the acquisition of LGU bonds, the money shall be invested in short term instruments.*

*Support for the hometown project will then proceed upon release of the escrow of the funds.*

4. *When the total value of home town project investments reaches a large amount, the investments can be pooled into the Overseas Filipino—Country-side Development Fund (the OF-CDF), which will be organized as a special purpose vehicle (“SPV”) or a special purpose trust (“SPT”) account.*

5. *The SPV or SPT can be renamed as - the Overseas Filipino - Country-side Development Fund (OF-CDF) Special Purpose Vehicle or Trust (depending on the type of vehicle to be formed).*

6. *It will combine the investments you have already made, develop additional investments opportunities and direct fund in-flows, manage of the investments and asset pool, disburse project funding and the remittance or re-investment of profit sharing in the income of the individual projects (upon commercial operations).*

*As evidence of your individual investments in the OF-CDF, you receive a certificate of participation either in shares of stock, investment units, certificates of participation or trust receipts or certificates,*

or other evidence of your deposit/investment. The certificates stating among others your name, the amount invested, the number of shares or participation units you have in the Fund.

The rate of return or the “interest rate” you can earn on your investment can also be on the certificate depending on the type of vehicle or “deposit/investment” instrument the SEC will allow the Fund to issue.

The OF-CDF will then be the vehicle for subsequent project participation or investments in country-side, income generating development. Projects.

When the Special Purpose Vehicle or Trust is set-up it shall be owned by the OFWs.

7. In line with the establishment of the Fund (The SPV), an Investment Board or Board of Trustees shall be established which shall oversee the general direction of the Fund and the over-all strategy including its initial and subsequent portfolio mix (the % of total investments made in various investment outlets).

Example:

Legend:

T-bills = Treasury Bills issued by the National Government (or agencies) otherwise known as government securities (G.S.)

T-Notes = Treasury Notes issued by the National Government (or National Treasury), also a government security (G.S.)

ST-CP = short-term commercial papers issued by private corporations

CTF = common trust funds managed by banks

UITF = another form of bank offered investment instrument

CTD = certificate of time deposit

JVA = joint venture agreements

JVC = joint venture corporations

Equity = shares of stocks representing a % ownership of the project corporation

Debt = promissory notes or bonds

Given the above investment mix, 80% of the investments of the Fund will be in various types of home town, city, municipality, province or regional projects while 20% will be reserved for fixed income instruments.

The 80% investments can be in the form of direct loans, local government bonds or direct ownership (equity) in the projects.

8. Initial minimum project size is Php50 Million.
9. The minimum individual participation or investment in projects will be US\$100 per OFW or investor, but small denominations will be combined into larger investment blocks with the assistance of ERCOF and/or its assignees and PVC.
10. When set-up, the Fund an Executive Board or a Board of Trustees to be composed of OFW representatives to be elected amongst yourselves and private and/or public sector individuals whom you will nominate will be organized. The role of the Board is to set general policies and guidelines governing the direction and growth of the Fund. It shall also be empowered to appoint senior officers, a Fund Manager, the external auditor, external legal counsel, Trust Banking Groups or Companies and correspondent banks for its accounts.
11. Once the projects are operating commercially, income from the investments shall be paid to the Fund (this is called project or investment income). Investment income could be in the form of loan or bond interest and principal payments, cash dividends, income participation payments, property dividends,

- and other forms depending on the type of investment made into the projects. The frequency of payment to the investors can be monthly, quarterly or annually depending on the type of investments made.*
12. *The Fund will collect the income from the projects for the investors and remit to all investors cash, checks, dividends or in other forms of payments, depending on the vehicle the Fund was set-up and on agreements among the Executive Board or Board of Trustees. The frequency of remittances will also be set by the Board and can either be monthly, quarterly semi-annually or a combination thereof.*
13. *It is suggested that a portion of the income realized by the Fund is retained for future investments and growth and for costs and expenses related to the management and maintenance of the Fund.*

*A Fund Budget will be drafted and presented to all initial investors prior to its establishment. This will also be a requirement of the SEC and/or the BSP, depending on under vehicle used to establish the OF-CDF and if the OF-CDF will issue certificates of ownership and/or participation.*

*Participation Certificates = Evidence of ownership or investment in the Fund. These are to be issued by the Fund in favor of the investors.*

### **What will you achieve by participating in the OF-CDF?**

Apart from the social impacts earlier outlined, you will be investing in projects whose viability, feasibility, financing structures, business and financial plans, management and implementation strategies have been designed specifically for its type.

#### **◆ THE WORKING GROUP**

Two institutions have joined under a common agreement and organized a team of bankers, economists, urban planners, lawyers, investment and securities specialists, sociologists and others individuals from various industries and backgrounds. The group designed the initial concept and will organize and direct the efforts towards developing and engineering the process to set-up the OF-CDF. Members of both institutions are willing to assist you in bringing the concept to fruition.

The two institutions that have agreed to collaborate on this are - The Economic Resource Center for Overseas Filipinos (“ERCOF”) and Preferred Ventures Corporation (“PVC”).

### **The Economic Resource Center for Overseas Filipinos (ERCOF)**

A non-profit organization registered with the Securities and Exchange Commission (CN 200313338) on 12 June 2003 for the economic, political and spiritual empowerment of overseas Filipinos, farmer and fisher folk families in the country-side; sustained by developed local economies and the strategic use of the resources of its citizens, located in the country or overseas. In addition, Ercof works with focal organisations or is networked to Filipino organisations in Belgium, Luxembourg, the Netherlands, Switzerland(Geneva and Zurich) Japan, Saudi Arabia and the United States.

ERCOF Philippines works for:

- Raising awareness and programming activities to encourage the culture of savings and the organized use of remittances, resources and human capital for more productive undertakings, for generating employment and livelihood, and for responsible citizenship;
- The advocacy and formulation of programs and facilities to forge economic linkages between overseas Filipinos and their communities;
- Observance of the economic, socio-cultural and political rights of Filipino migrants and workers;

- Identification and implementation of programs which encourage cooperation between overseas Filipinos, local governments and other development focal groups in enterprise development, employment creation and livelihood generation in the countryside;
- Preserving the socio-economic rights of overseas Filipinos in collaboration between and among migrant advocates groups, service organizations and support groups.

ERCOF Board of Trustees and Officers:

**ILDEFONSO F. BAGASAO**

*President and Chief Executive Officer*

**JEREMIAH M. OPINIANO**

*Secretary-Trustee*

**GLORIA A. GUEVARRA**

*Treasurer-Trustee*

**VICTOR M. ARGUELLES**

*Trustee*

**REV. FR. EMETERIO F. BARCELON, S.J.**

*Trustee*

**BUENAVENTURA M. MAATA, JR.**

*Trustee*

**VICENTE MARIANO**

*Trustee*

**MANUEL M. GOYENA**

*Legal officer*

**ANTONIO V. RANQUE**

*Project Development Officer*

Others involved in the project are the tireless overseas Filipinos that have lent their time and ideas to the creation of the concept.

On 17 February 2004, ERCOF entered into an agreement with PREFERRED VENTURES CORPORATION (PVC), one of the country's leading financial advisors in the origination, design, development, structuring and packaging of private initiative, local government projects and the issuance of LGU Bonds.

The scope and range of tasks under the Agreement include the development, design and establishment of a Fund to finance sustainable, profit generating enterprises in barangays, cities, municipalities and provinces.

### **Preferred Ventures Corporation (PVC)**

Preferred Ventures Corporation (PVC) was organized by a group of young managers who were active in the trading of government securities in the financial market since the 80s. On 22 July 1986, PVC was formed a long-term view of country-side business growth and prosperity through the creation of sustainable national development model.

The passage of Republic Act 7160, the Local Government Code of 1999, opened opportunities for PVC in country-side development. It met the needs of various local government units (LGUs) through the entry and active participation of economic, regional and physical planners; the proper structuring of projects considering the physical-social-cultural context of the project area; and, the delivery of a complete range of business development and implementation activities. This covers the planning, packaging, structuring, fund sourcing, construction to business modeling; and, the completion and management of the projects, before, during and after construction.

LGU project advantages:

- \* Licenses and permits can be easily secured;
- \* Due to LGU land being free of cost, land is utilized efficiently.
- \* LGUs have regular cash inflows and revenues which, combined with income from the project, are assignable as a form of repayment for investors or bond holders;

Sufficient and clear cut laws exist to protect the short and long-term interest of investors; and, by maintaining relationships with LGU's, PVC generates a continuum as master planner for the LGU's socio-economic and political processes.

Goals of business engagement with LGUs:

- ♣ Support to local empowerment initiatives
- ♣ Sustainable development;
- ♣ Establishment of strategic partnerships notable with the private sector;
- ♣ Generation of corporate profit with a social conscience.

PVC approaches developments from a holistic and sustainability driven view – whether be it in lowland, upland, coastal, urban, forest, cultural or historical heritage properties and project development.

Its main business theme is translating physical resources into valuable, income generating, economic and financial assets which are self-sustainable over the long term. Clientele include national local government units, private individuals and family ventures, corporations and financial institutions.

Completed projects include:

- DECS Classroom Construction Program
- PNP-LGU Housing Units
- P1.665 billion in various projects and LGU bond issues for funding projects such as:
  - P252 M Urdaneta Municipality Abattoir Project
  - P 40 M Caticlan-Boracay Jetty
  - P320 M Puerto Princesa Socialized Housing Project
  - P620 M Caloocan City Poblacion Public Market
  - P220 M Tagaytay City International Convention Center Project
  - P160 M Masbate Fishport Complex

These represent one type of investment for the overseas and local Filipinos and the Country-side Development Fund (OF-CDF).

The Board of PVC is composed of :

***DON FERRY***  
*Chairman of the Board*

***SIXTO K. ROXAS***  
*Co-Chairman*

**DANILO V. FAUSTO**  
*Vice-chairman and President*

**VICTORIA SINGSON**  
*Treasurer*

**MS. AGNES LOURDES F. MONZON**  
*Corporate Secretary*

◆ **FEATURES OF A TYPICAL LGU BOND**

The basic terms and conditions of an LGU bond are as follows:

|                          |  |
|--------------------------|--|
| <b>ISSUER</b>            | : PROVINCIAL GOVERNMENT OF LAGUNA  |
| <b>BOND NAME</b>         | : LAGUNA PROVINCIAL BONDS  |
| <b>AMOUNT</b>            | : PhP 450,000,000.00   |
| <b>ISSUE</b>             | : Registered local government bonds of the City Government of Laguna   |
| <b>PURPOSE</b>           | : Expansion and Renovation of the J.P. Rizal Memorial District Hospital in Calamba   |
| <b>OFFER PRICE</b>       | : 100% of face value   |
| <b>TERM</b>              | : 7 years  |
| <b>FORM</b>              | : Registered in the name of the investor   |
| <b>DENOMINATION</b>      | : P1,000; P10,000; P100,000 and P1,000,000   |
| <b>MODE OF OFFERING</b>  | : Public offering;<br>Private placement;<br>Direct payment to suppliers, contractors, and/or project developers/ proponent   |
| <b>MANNER OF PAYMENT</b> | : <i>Interest</i> - Semi-annually<br><i>Principal</i> - Balloon/Amortized principal repayment at the end of the seventh year from Issue Date and/or principal payment over seven years.  |
| <b>INTEREST RATE</b>     | : The base rate (the “Base Rate”) to be set by the TRUSTEE on Issue Date or on the first Banking Day of each semi-annual Interest Period (the “Interest Rate Setting Date”) shall be the bid yield for the applicable 182-day Treasury Bill based on the secondary market bids as displayed on the MART 1 page of the Bloomberg at approximately 11:30 a.m. (the MART1 Rate) on Issue Date or on Interest Rate Setting Date. |
| <b>GUARANTEE</b>         | : Project Revenues, project improvements, assignment of IRA  |
| <b>TRUSTEE</b>           | : Any financial institutions licensed to act as Trustee or fiscal for Local Government bonds to be designated by the Governor to act as the fiscal agent, handle the sinking fund, and act as fund manager, transfer agent and paying agent.   |
| <b>UNDERWRITER</b>       | : Any government or private financial institution licensed to undertake underwriting of securities as allowed under Philippine laws.   |
| <b>GUARANTOR</b>         | : Any government or private financial institution with the capability and capacity to extend a guarantee on the bonds.   |

## *The Overseas Filipino – Country-side Development Fund*

You will realize income from your investments in the form of interest and/or dividends, much in the same manner your time deposits do, but this time it can be higher than your normal deposit rates. Please refer to Table 1.

Most deposit rates are fixed rates. Some deposit or interest rates depend on the amount of investment you make, money market rates are based on MART1 quotations but you can only avail of them through the secondary market. MART1 represent the average bids for government securities submitted by banks. Only the best 60% of the bids won are included in the computation. MART1 is internationally quoted on Bloomberg [and/or Reuters].

If you decide to withdraw your investment from some deposit instruments, notably those issued by trust departments, before it matures, you are charged a penalty by the bank. This is called a pre-termination penalty. It is envisioned that the OF-CDF will create a “secondary market” for your investments so that you can choose to “sell” it to a third party investor and obtain whatever interest you earned and your original investment.

Investment packages and structures will be optimized for safety of investment, interest income or equity yields. The proper documents will be drafted, negotiated and reviewed in favor of the OFW. Funds will be properly managed from the time the inward remittances are made to the time payment of interest and/or principal or dividends is paid out of the Fund, in your favor.

You will be certain of where the funds go

Legend:

D = number of days

% OF-CDF above deposit rates = The estimated OF-CDF rate of return if all the Funds are invested in through loans to various projects and/or Local Government Bonds. Does not include income participation or equity returns.

Table 1 : Comparative Interest Rates on Deposits against OF-CDF (Assuming Loans)

| <b>% of Total Fund</b> | <b>Type of Investments</b>       |
|------------------------|----------------------------------|
| <b>10%</b>             | T-bill, treasury notes, G.S.     |
| <b>10%</b>             | ST-CPs, CTFs, Unit Trusts, CTDs, |
| <b>30%</b>             | Loans to projects/JVCs/JVAs      |
| <b>40%</b>             | LGU Bonds                        |
| <b>10%</b>             | Equity/JVA/JVC/                  |
| <b>100%</b>            |                                  |