



P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
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Php1,375,000,000 Fixed- Rate Notes Due 2019
Issue Price: 100% of Face Value
Interest Rate: 4.625% p.a.

Sole Lead Underwriter and Sole Bookrunner



March 23, 2018

THE SECURITIES BEING OFFERED OR SOLD UNDER THIS OFFERING MEMORANDUM HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) AS THE ISSUANCE IS AN EXEMPT TRANSACTION UNDER SECTION 10.1 (L) OF THE SECURITIES REGULATION CODE (SRC). UPON ISSUANCE, THESE SECURITIES SHALL BE SIMULTANEOUSLY ENROLLED AS SECURITIES THAT MAY BE TRADED BETWEEN AND AMONG QUALIFIED BUYERS WHICH ARE JURIDICAL PERSONS AT THE PHILIPPINE DEALING & EXCHANGE CORP. (PDEX) IN ACCORDANCE

WITH THE PROCEDURES AND REQUIREMENTS SET FORTH IN THIS OFFERING MEMORANDUM, AND THE RELEVANT PDEX RULES, OPERATING FRAMEWORK, AND TRADING CONVENTIONS. ANY FUTURE OFFER OR SALE OF THE SECURITIES WITHIN THE PDEX TRADING SYSTEM MUST BE TO A QUALIFIED BUYER WHICH IS A JURIDICAL PERSON, AS DEFINED AND PRESCRIBED UNDER THE SRC AND ITS IMPLEMENTING RULES AND REGULATIONS. FOR SALES THAT DO NOT OBSERVE THE PROCESSES SET FORTH IN THIS OFFERING MEMORANDUM, OR THAT OCCUR OUTSIDE THE PDEX TRADING SYSTEM, THE SALE TO A NON-QUALIFIED BUYER IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC, AND SUCH OTHER CONSEQUENCES AS MAY BE PROVIDED UNDER THE PDEX RULES.

THE OFFER AND ISSUANCE OF THE ENROLLED SECURITIES ARE MADE SOLELY TO QUALIFIED BUYERS WHICH ARE JURIDICAL PERSONS UNDER SECTION 10.1(L) OF THE SRC AND SECTIONS 10.1.3.1, 10.1.3.2, 10.1.3.3, 10.1.3.4, 10.1.3.5, AND 10.1.3.6 OF ITS IMPLEMENTING RULES AND REGULATIONS, WITH THOSE UNDER SECTION 10.1.3.6 HAVING BEEN DULY QUALIFIED BY A DULY SEC-REGISTERED QUALIFIED INVESTOR REGISTRAR. THE OFFER AND ISSUANCE IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SRC. P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. WILL NOT OBTAIN A CONFIRMATION OR DECLARATION OF SUCH EXEMPTION FROM OR FILE A NOTICE OF SUCH EXEMPTION WITH THE SEC.

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FORWARD LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors which may cause actual results, performance or achievements of Phoenix to be materially different from any expected future results; and
- performance or achievements expressed or implied by forward-looking statements

Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which Phoenix will operate in the future. The Offering Memorandum includes forward-looking statements, including statements regarding the expectations and projections of the Issuer for future operating performance and business prospects. The words “believe”, “expect”, “anticipate”, “estimate”, “project”, “may”, “plan”, “intend”, “will”, “shall”, “should”, “would” and similar words identify forward-looking statements. Similarly, statements that describe Phoenix’s objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that the forward-looking events and circumstances discussed in this Offering Memorandum might not occur. Significant factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- General economic and business conditions in the Philippines, Asian or global economies;
- Any future political instability in the Philippines, Asia or other regions;
- Industry risk in the areas in which Phoenix, its subsidiaries and affiliates operate;
- Changes in government regulations, including tax laws, or licensing requirements in the Philippines, Asia and other regions;
- Changes in interest rates, inflation rates and in the value of the Philippine Peso;
- Changes in foreign exchange control regulations in the Philippines;
- Increasing competition in the industries and segments in which Phoenix, its subsidiaries and affiliates operate;
- Holdings company structure; and
- Changes in availability and supply of petroleum products and other raw materials used by Phoenix, its subsidiaries and affiliates.

Prospective purchasers of the Fixed-Rate Notes 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 Offering Memorandum and Phoenix and the Sole Lead Underwriter and Sole Bookrunner expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any such forward-looking statements contained herein to reflect subsequent events or circumstances.

The Sole Lead Underwriter and Sole Bookrunner does not take any responsibility for, or give any representation, warranty, or undertaking in relation to any such forward-looking statements.

DEFINITION OF TERMS

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

“BIR”	refers to the Bureau of Internal Revenue of the Philippines.
“BOI”	refers to the Board of Investments.
“BSP”	refers to the Bangko Sentral ng Pilipinas, the central bank of the Philippines.
“Business Day”	shall be used interchangeably to refer to a day, except Saturday and Sunday, on which commercial banks are not required or authorized to close in Makati City, Metro Manila.
“Chevron”	refers to Chevron Texaco Phils.
“China Bank Capital”	shall refer to China Bank Capital Corporation, a corporation duly licensed and authorized to operate in the Philippines, with principal address at the 28 th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City.
“CODOs”	refers to Company-Owned, Dealer- Operated retail service stations.
“Phoenix”, “PNX”, “Company” or “Issuer”	refers to P-H-O-E-N-I-X Petroleum Philippines, Inc.
“Directors”	refers to the members of the Board of Directors of the Company.
“DODOs”	refers to Dealer-Owned, Dealer- Operated retail service stations.
“DOE”	refers to the Department of Energy of the Philippines.
“Eligible Noteholder”	shall mean entities or institutions (excluding natural persons) that, at the point of offer or sale, are Qualified Buyers, whether on the primary or secondary markets.
“Fixed-Rate Notes” or “Notes”	means the One Billion Three Hundred Seventy Five Million Peso Fixed-Rate Notes due 2019, covered by the Fixed-Rate Note Agreements, to be issued by Phoenix on the Issue Date.
“Fixed-Rate Note Agreements”	shall mean, collectively, the Trust Indenture between the Issuer and the Trustee, the Master Certificates of Indebtedness, and the Registry and Paying Agency Agreement between the Issuer, the Registrar and the Paying Agent, and any other document, certificate or writing contemplated thereby.
“Interest Payment Date”	shall mean June 23, 2018 for the first Interest Payment Date and September 23, December 23, March 23, and June 23 of each year for each subsequent Interest Payment Date during which the Fixed-Rate Notes are outstanding; and in the event that any of such Interest Payment Dates are not Business Days, such Interest Payment Dates shall be deemed to be the immediately succeeding Business Day. The last Interest Payment Date shall fall on the respective Maturity Dates, or the succeeding Business Day if such date is not a Business Day.

“Issue Date”	shall mean March 23, 2018 or the immediately succeeding Business Day, if such Issue Date is not a Business Day; or such other dates as may be agreed upon by the Issuer and the Sole Lead Underwriter.
“Maturity Date”	shall mean the date falling 18 months after Issue Date or on September 23, 2019, unless previously redeemed or cancelled; provided that, in the event that such Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be the immediately succeeding Business Day, without adjustment to the amount of interest to be paid.
“Noteholders”	shall mean a Qualified Buyer whose name appears, at any time, as a holder of the Notes in the Registry of Noteholders.
“Offer”	shall mean the issuance of Fixed-Rate Notes by the Issuer under the Conditions as herein contained.
“Paying Agent”	shall mean the Philippine Depository & Trust Corp., appointed under the Registry and Paying Agency Agreement.
“PDEX”	shall refer to the Philippine Dealing & Exchange Corp.
“PDTC”	shall refer to the Philippine Depository & Trust Corp.
“PPHI” or the “Parent Company”	refers to P-H-O-E-N-I-X Petroleum Holdings, Inc.
“Pesos,” “₱” “PHP,” “Philippine currency”	shall mean the lawful currency of the Republic of the Philippines.
“Petron”	refers to Petron Corporation.
“Philippines”	shall mean the Republic of the Philippines.
“PSE”	shall refer to The Philippine Stock Exchange, Inc.
“Qualified Buyers”	shall refer to resident entities or institutions (excluding natural persons) that, at the point of offer or sale are classified or considered as qualified buyers as defined under Section 10.1.3 of the 2015 IRR of the SRC, and additionally for those under Section 10.1.3.6 who are duly qualified by a duly SEC-registered Qualified Investor Registrar.
“Qualified Investor Registrar”	shall refer to the registrar duly registered by the SEC under its applicable circulars.
“Record Date”	shall refer to the cut-off date in determining Noteholders entitled to receive interest or principal amount due.
“Register of Noteholders”	shall mean the electronic records of the Registrar bearing the official information on the names and addresses of the Noteholders and the number of Notes they respectively hold, including all transfers of the Notes and the names of subsequent transferee Noteholders, maintained pursuant to and under the Registry and Paying Agency Agreement.
“Registrar”	shall mean the Philippine Depository & Trust Corp., appointed pursuant to the Registry and Paying Agency Agreement.

“SEC”	means the Philippine Securities and Exchange Commission or its successor agency/ies.
“Shell”	refers to Pilipinas Shell Petroleum Corporation.
“Sole Lead Underwriter and Sole Bookrunner”	refers to China Bank Capital.
“SRC”	shall mean the Securities Regulation Code of the Philippines (Republic Act No. 8799).
“SRC IRR”	shall mean the 2015 Implementing Rules and Regulations of the Securities Regulation Code
“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 Noteholders.
“Total”	refers to Total Philippines Corporation.
“Trustee”	shall refer to China Banking Corporation – Trust and Asset Management Group appointed by the Issuer under the Trust Indenture for the Fixed-Rate Notes.

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

THE COMPANY

OVERVIEW AND HISTORY

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities and allied services. Its operations started in Southern Mindanao and soon expanded in the islands of Luzon and the Visayas. Its products and services are distributed and marketed under the *PHOENIX Fuels Life*™ trademark.

The Company was incorporated in the Philippines on May 8, 2002 under its original name of “Oilink Mindanao Distribution, Inc.” On 11 January 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to “Davao Oil Terminal Services Corp.” On August 7, 2006, the SEC approved the amended articles of incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to “P-H-O-E-N-I-X Petroleum Philippines, Inc.” These are companies organized in the Philippines which are controlled by the Company’s founder, Dennis A. Uy.

In July 2007, the Company became publicly listed through an initial public offering (IPO) on the Philippine Stock Exchange (PSE).

The Company’s operations are divided between Trading, and Terminalling and Hauling Services. Under Trading, the Company offers its refined petroleum products and lubricants to retailers and industrial customers. The Company sells its products through its network of retail service stations and has opened a total of 530 as of December 2017. The retail service stations are classified as Company Owned, Dealer Operated, or “CODO”, which account for 60% of the stations, and Dealer Owned, Dealer Operated, or “DODO”, which account for 40% of the stations today. Its main area of retail operations is in Mindanao which account for 35% of the dealer base, and is where the Company started operations in 2002. Luzon, Metro Manila, and Visayas stations account for 30%, 20%, and 15% of the dealer network, respectively.

The Company’s Terminalling and Hauling Services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft) Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Since 2005, the Company has been providing all of Cebu Pacific’s terminal, hauling and into-plane requirements for its Mindanao operations.

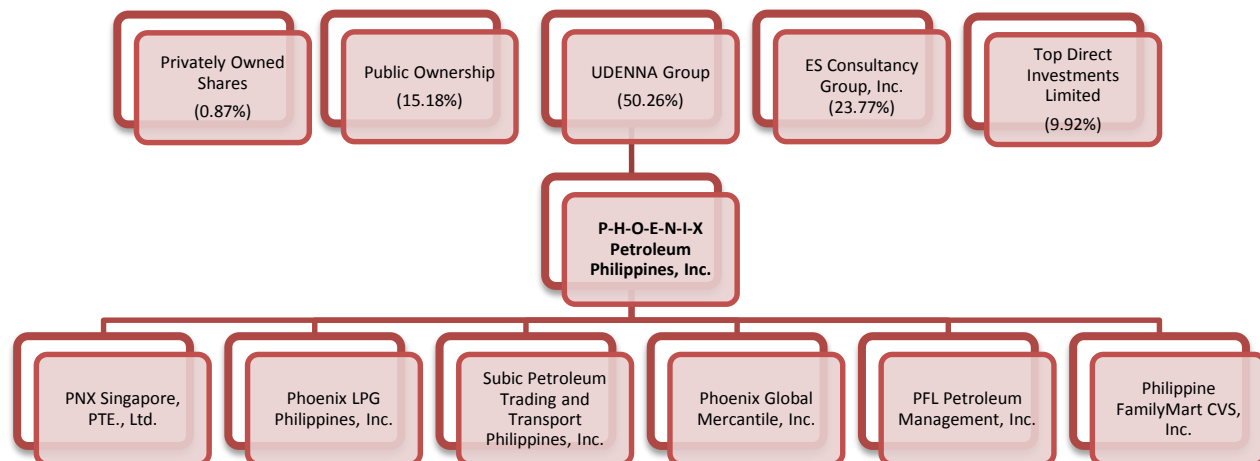
The Company presently has a nationwide network of depots and retail stations. Its industrial customers include air, land and sea transport companies and other industrial users.

Since the inception of its commercial operations, the Company managed to increase its market share from zero in 2005 to 5.7% as of 1H17 in total petroleum sales, with a compounded annual sales growth of approximately 17% as of 2017.

Corporate Structure

Based on its current corporate structure, the Company is jointly owned by several companies in the Udenna Group consisting of Udenna Corporation, Udenna Management & Resources Corp., and Phoenix Petroleum Holdings, Inc. at a cumulative ownership of over 51%; ES Consultancy Group, Inc. (23.77%), Top Direct Investments Limited (9.92%) and the general public (15.18%).

The chart below sets forth the ownership structure of the common shares of the Company as of December 31, 2017:



PNX Petroleum Singapore PTE, Ltd. was incorporated on October 30, 2012 primarily to engage in the business of trading petroleum products. It currently holds offices at Shaw House, Orchard Road, Singapore.

Phoenix LPG Philippines, Inc. (PLPI) was previously known as Petronas Energy Philippines, Inc. (PEPI) and was acquired by PPPI on August, 2017. It is a wholly-owned subsidiary of PPPI and is engaged in the trading and marketing of Liquefied Petroleum Gas (LPG) and LPG-related products and services.

Subic Petroleum Trading and Transport Phils., Inc. (SPTT) incorporated on February 20, 2007 and is engaged in the buying and selling, supply and distribution, import and export, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.

Phoenix Global Mercantile Inc. (PGMI) was incorporated on July 31, 2006 and is a wholly-owned subsidiary of PPPI. It is engaged in the manufacture, production and creation of all kinds of motor and/or all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation.

PFL Petroleum Management Inc. (PPMI) was incorporated in January 31, 2007 and is a wholly-owned subsidiary of PPPI. Its primary purpose is to engage in and carry on the business of organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations, hauling companies and such other companies desirous of strengthening and establishing their operation processes, except management of funds, securities and portfolio and similar assets of managed utilities.

Philippine FamilyMart CVS, Inc. (PFM) was fully acquired by the Company on January 11, 2018. It was incorporated on November 29, 2012. It is mainly engaged in the business of operating convenience stores and other operations associated under the trademark “FamilyMart” by direct operation and/or by the franchise system in the Philippines.

Competitive Strengths

The Company’s competitive strengths have made it the leading Independent Player and 4th biggest player in the Philippine petroleum Industry:

Largest Independent Player with Excellent Brand Recall

Phoenix is currently the largest independent player in the Philippine downstream oil industry with a total market share of 5.7% as at 1H17. The three largest local petroleum companies, consisting of multi-national players Petron, Shell, and Chevron, constitute a cumulative market share of 55.9% as at 1H17. While total volume sold locally has steadily grown over the years, this aggregate figure has been contracting gradually year on year (from 60.9% in 2014 to 55.9% in 1H17) as the independent players, led by Phoenix and Seoil, continue to employ aggressive station expansion and advertising strategies in order to accelerate and compound growth.

Phoenix aims to remain top-of-mind with target retail consumers via forays into campaigns with heavy exposure to its target market such as operating a PBA franchise, ongoing support for racing teams and events, complementary TV and radio placements, and enticing gas promos capitalizing on tie-ups with other household brands such as the PBA, UFC, and GoHotels. These activities, coupled with numerous corporate social responsibility programs focusing on health, environment, and education, have resulted in the resounding support from customers and franchisees alike, fueling the Company's product sales and rapid branch expansions.

Rapid and Sustainable Network Expansion

Phoenix continues to focus on rapidly expanding its station network to capture a bigger retail market share by improving the dealer and end-user experience. From 20 stations in 2006, the Company has grown its station network to 530 stations as at FY2017 (35% CAGR over the period). These are distributed nationwide with about 30% in Luzon, 15% in Visayas, 35% in Mindanao, and 20% in Metro Manila and cater to 48% retail and 52% institutional client mix.

The Company focuses on initiatives that result in increased demand for franchises from existing and new owners alike, thus accelerating its network growth.

Phoenix's dealership program is centered on providing fast and attractive returns on investment via the construction of no-frills right-sized stations. This simple yet effective model ensures shorter market launch timetables for dealers, enabling both the Company and dealer to generate sales ahead of competitors. This approach lowers barriers for entry to new franchisees, fast-tracks payback period, and builds loyalty with the dealer-business partners.

In order to widen its range of product offerings to dealers, the Company has recently introduced the option to construct one-stop shop type stations. These upgraded stations, which provide a greater offering of amenities, convenience stores, and specialty shops over the base model, enhance the end-user experience for motorists. Top quick-serve restaurants such as Jollibee, Chowking, McDonald's, and Shakeys, in addition to 62 other active locators that can be found in these bigger stations generate non-fuel revenues and help improve foot traffic.

The Company, through its recent acquisition of the Family Mart franchise, is constantly on the lookout to add further synergies to its core brand in order to upgrade the end-user experience and present a wider array of packages to franchisees.

Strategic Depot and Station Locations

Phoenix owns and operates nine strategically located depots that service the requirements of its stations nationwide. These depots are deliberately placed near ports to allow for convenience of importation shipments given the challenges relating to the Philippine archipelago.

The Company also provides support when vetting potential location for its new stations through extensive market research. This details foot traffic and profitability studies to gauge the potential of a new station. Phoenix also ensures that stations are strategically distanced from each other to maximize revenue potential and station presence between stations and minimizing cannibalization among stations.

The Company intends to build its depot and station network further to expand its strategic reach and widen coverage of its customers and locations.

Integrated Supply Chain and Logistics Infrastructure

The Company employs an integrated supply chain approach allowing the Company to ensure the availability of its fuel products to its depots and stations nationwide, and to maximize cost savings through the value chain. The Company benefits from synergies with an affiliate company (through “Chelsea Logistics Holdings, Corp.” or “Chelsea”) to enjoy seamless importation and transport nationwide. The Company’s operations are complemented by an integrated network of 9 terminals and 530 stations nationwide to enhance the reliability of Phoenix stations.

Phoenix purchases its fuel products from Singapore and then taps Chelsea’s tankers to ferry the products to Phoenix’s various port depots. From the depots, fuel products are hauled by the Company’s 67 trucks to stations. To further eliminate friction costs and outsource trading expertise to Singapore, the Company recently established PNX Petroleum Singapore PTE, Ltd. in order to fully service its fuel importation requirements. This also provides the Company the ability to broaden its demand base, potentially tapping into neighboring countries by supplying to parties other than Phoenix.

Seasoned Management Team of Industry Experts

Phoenix is led by a team of experts with over 20 years of experience in the petroleum industry. The Company currently operates with a lean and dynamic organization, which enables faster decision-making and faster response time. This allows Phoenix to act quickly on acquisition opportunities as well as dynamic pricing adjustments. Over the years, the Company has thoroughly professionalized management in its organization to enable the top executives and senior management to focus more on the big picture strategies while the team carries out the nimble execution of these plans.

OWNERSHIP

The Company’s top twenty (20) shareholders as of December 31, 2017 are set out below.

NAME OF STOCKHOLDER	NO. OF SHARES HELD	PERCENTAGE TO TOTAL OUTSTANDING SHARES
Phoenix Petroleum Holdings, Inc.	588,945,630	41.14
ES Consulting Group, Inc.	340,270,980	23.77
Top Direct Investments Limited	142,000,000	9.92
Udenna Corporation	117,245,918	8.19
PCD Nominee Corporation – Filipino	109,844,749	7.67
PCD Nominee Corporation - Non-Filipino	107,206,416	7.49
Udenna Management & Resources Corp.	11,661,195	0.81
Joselito R. Ramos	4,812,600	0.34
Dennis A. Uy	4,349,811	0.30
UDENCO Corporation	1,614,787	0.11
Dennis A. Uy &/or Cherylyn C. Uy	1,098,099	0.08
Domingo T. Uy	645,919	0.05

Eric U. Lim or Christine Yao Lim	319,000	0.02
Marjorie Ann Lim Lee or Pauline Ann Lim Lee	300,000	0.02
Edwin U. Lim or Genevieve Lim	300,000	0.02
Jose Manuel Roque Quimson	172,039	0.01
Zenaida Chan Uy	149,058	0.01
Rebecca Pillar Claridad Caterio	148,453	0.01
Socorro Ermac Cabrerros	103,316	0.01

BUSINESS STRATEGY

The Company will continue to expand in the Philippines by building on its existing business model and further aligning its frontline revenue units with the other logistic and support areas of the organization. It also entered into strategic acquisitions that support the brand. The Company's strategies focus on the following elements:

Brand Strengthening

In an industry dominated for decades by strong multinational brands, the Company is focused on strengthening its recall among consumers as the brand of choice of motorists and commercial users. The Company continues to build its brand through major marketing activities such as mass media placements, endorsements, participation in trade expositions and sponsorship of and participation in major sporting events, such as the Phoenix Fuelmasters Team in the Philippine Basketball Association (PBA), that appeal to the target market. The Company's increasing advertising spend and marketing budget to build brand equity complement its investments in retail and logistics infrastructure.

Retail Network Expansion

Phoenix will continue to roll out stations at a rapid rate given the underserved Philippine downstream petroleum market in order to further establish itself as the country's largest independent player. The continued increase in retail presence in viable trade areas will allow the Company to increase fuel sales base volume in addition to enhancing the market for the company's lubricants.

As of December 31, 2017, the Company has opened 530 retail service stations throughout the Philippines and it targets to open at least 50 new stations each succeeding year thereafter. The development of its Retail Network Management Systems will support its expansion efforts by fostering collaboration between the Company and its partner dealers and franchisees. The related expansion of its depot, terminalling, and distribution facilities will also complement the implementation of this business plan. In relation to this strategy, the Company believes that it will be able to benefit from the resulting higher retail fuel volume by generating greater flexibility in transacting fuel importations at more advantageous terms with regional traders.

The Company's recent entry into the acquisition of Philippine Family Mart is aimed to synergize with its retail stations and increase reach through the independent network of Family Mart Convenience Stores. The Company believes it has developed the competencies in network planning and operations necessary for efficiently managing the growth of its overall retail businesses.

Expand the Depot, Terminal, and Distribution Facilities

The Company will continue to make strategic investments in storage and transportation to support its retail network expansion program, and the broadening of its commercial customer base. Phoenix will subsequently add to and upgrade its regional storage facilities as necessary in order to support the scale

of additional retail networks and commercial accounts within key trade areas. Phoenix's depots produce savings for the Company in terms of freight and handling costs as well as provide better aggregation of bulk fuel procurements. Faster response time to upswings in trade area demand are also realized, resulting in additional profit opportunities particularly with wholesale and commercial customers.

Phoenix remains keen to building on its existing strategic depot facilities and expansive logistics network, which serve as the backbone of its station development program and sales growth.

Direct Importation of Fuel Supplies

In December 2017, the Company opened its operation of its subsidiary, PNX Petroleum Singapore Pte Ltd in further support of the importation supply of its petroleum fuels as primarily a cost efficient method. Given that Phoenix imports almost 100% of its fuel products, the Company utilizes PNX Petroleum Singapore PTE, Ltd. as a trading house for its petroleum requirements. It will continue to unlock the value of this key subsidiary in terms of diversifying its existing fuel supply sources and improving its gross profit margins. The Company will seek to capitalize on the importation demand of other large offshore players as it can provide price-competitive products from reputable sources.

Strengthen the Jet Fuel Trading & Service Business

The Company markets itself as the logistics partner of choice for the leading domestic airlines. As the exclusive logistics partner of Cebu Pacific in Mindanao for the last ten years, the Company also expanded its business with Cebu Pacific to Luzon and recently to the Visayas, where it likewise services Tiger Airways. The Company has built a track record of delivering fast and reliable services as well as quality products that are compliant to stringent industry standards. Phoenix will further develop its favorable relationships with its existing airline clients as well as lock-in more partners to grow this high margin product base.

Pursue Strategic Synergistic Acquisitions

In April 2017, the Company acquired Petronas Energy Philippines, Inc., which has a subsequently been renamed to Phoenix LPG Philippines, Inc. The business currently has a strong presence in the Visayas and Mindanao markets and will reenter Luzon in 2018. This strategic acquisition opens up a broader customer and product bases to the Company, further establishing Phoenix's leading position among independent players.

In January 2018, the Company acquired full ownership of Philippine Family Mart CVS, Inc., which consists of a network of 67 Family Mart convenience stores located mainly within Metro Manila. The transaction is poised to support the Company's existing dealer network by enhancing the station outfits and end-user experience. Phoenix envisions the expansion of the Family Mart franchise to more than 300 stores within the next five years, both on a stand-alone basis and alongside Phoenix Petroleum dealerships.

Phoenix remains vigilant for other potential retail acquisition opportunities that can provide valuable synergies with its existing brand and products.

Building Financial Strength

The Company increased its equity capital from ₱194 million in 2006 to ₱9.762 billion in 2016. As of 31 December 2017, shareholder's equity amounted to ₱11.952 billion. The Company will continue to capitalize on the current liquidity in the financial and capital markets to improve its financial condition by lowering its average cost of capital.

BUSINESS

The Company's two main business lines are trading petroleum and other chemical products on a wholesale basis, as well as terminalling and hauling services, which contributed ₱44.05 billion and ₱374.56 million to

gross revenues respectively for Fiscal Year 2017. The Company offers refined petroleum products, lubricants, and other chemical products to retail and industrial customers under the *PHOENIX Fuels Life™* brand name. Terminalling is a complementary service that involves the storage of these petroleum products, which consist mainly of gasoline, diesel, and other petrochemical products. Hauling, likewise a support service, entails the transport and provision of fuel to Phoenix's industrial customers.

Trading

Retail Trading

The Company's products are sold through its network of retail service stations that total to 530 as of December 31, 2017. These various retail service stations are classified either as CODOs (Company Owned - Dealer Operated) or DODOs (Dealer Owned – Dealer Operated).

In a CODO retail service station, the Company provides and establishes the station itself including the site and the equipment (storage tanks, dispensing pumps, pylon, signage, and other equipment necessary to run the retail service station) and supply of petroleum products. The current standard CODO dealership agreements generally have a term of five (5) years, renewable for another five (5) years. The term of the DODO dealership agreements vary but are generally for a term of five (5) to ten (10) years. CODO retail stations are normally established in locations where the Company sees the need to construct larger retail stations based on local market evaluation, wherein existing dealers cannot afford the initial outlay for construction.

In a DODO retail service station, the dealer provides the site and builds the required civil structures based on the Company's site selection criteria and station design standards. All necessary equipment and supply of petroleum products are provided by the Company. The term of the DODO dealership agreements vary, but are usually between five (5) to ten (10) years. In both classifications, the Company is paid a franchise fee.

PPPI List of Stations, Fuel Products and Lubricants

Presented below is the number of stations of the Company from 2006 up to December 31, 2017.

RETAIL STATIONS OPENED												
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total	20	32	86	120	161	220	300	368	418	447	505	530

The Company offers a wide range of petroleum products to cater to the needs of all motorists. In February 2018, the Company launched additional products, such as Phoenix Pulse Technology to include in its range of offerings. PULSE is a new petroleum additive for the Company's gasoline and diesel fuel products and aims to provide advanced cleaning and protection properties, and enhanced power and acceleration for users.

Listed below are the different *PHOENIX Fuels Life™* Products offered by the Company in its retail service stations:

Fuels	
Diesel	A low-sulfur product whose carbon content is no more than 2% sulfur
Premium 98	An environment-friendly premium gasoline with an octane rating of 98. Restores lost engine power.

Premium	An environment-friendly premium gasoline with an octane rating of 95.
Regular Gasoline	An environment-friendly gasoline with an octane rating of 91
Kerosene	Kerosene for use in cooking and lighting.
Jet A-1	Aviation fuel specifically described as Jet A: AFQRJOS Issue (ASTM D 1655-06 or EF STD 91-91 Issue 5, amended March 2006) commonly used by commercial airlines and general aviation.
Liquefied Petroleum Gas (LPG)	LPG in cylinders to both household and commercial customers and in bulk to industrial customers.
Lubricants	
Phoenix Acceler8 Gasoline Engine Oil SAE 20W-40	A premium quality multi-grade engine oil formulated to provide superior lubrication to both gasoline & diesel engines in light-duty service requiring API SG/CF performance standards.
Phoenix XHD Diesel Engine Oil SAE 40	A high performance, single grade, heavy duty diesel engine oil, specially formulated to provide premium quality service in both diesel & gasoline engines requiring API CF/SF performance standards. Formulated with advanced dispersant technology to resist oil thickening by minimizing sludge formation and effectively keeps particles in suspension to extend oil filter life.
Phoenix Cyclomax 4T SAE 20W-	A premium quality 4-stroke engine oil designed to provide excellent engine protection and ensure dependable transmission and clutch protection.
Phoenix 2T MAX	A high quality two-stroke motorcycle oil which exceeds JASO FB specifications, designed for use in tricycles and scooters.

Retail Franchising

The Company offers franchising options, through dealership agreements, that provide accredited partners the right to operate Phoenix retail gasoline stations and the benefit to use the Company's retail operations and management system. When setting-up new stations, the Company requires a total operating area of at least 800 to 1,000 square meters, depending on economic sense, inclusive of a 30-meter frontage. These stations should likewise be located along highways or main thoroughfares to maximize healthy foot traffic and revenue potential. Generating the most volume-driven profit is the main focus of the area selection process to ensure that potential dealers are given enough incentive to invest.

Potential dealers undergo a similarly stringent assessment process wherein viable partners are selected based on their financial capability, business acumen, and character. The Company selects its dealers by forming a Dealership Selection Panel (DSP) that is composed of representatives from various departments of the Company such as Sales, Legal, and Finance.

Following these processes will safeguard the sustainability of Phoenix's growth plans of 50 to 80 stations per year over the next 3 years.

In support of its franchisees, the Company provides the following assistance to its business partners:

Pre-Operations

- Site Evaluation Assistance and Station Lay-Out Assistance
- Pre-opening and start-up assistance

Operations

- Provision of Station Equipment (pumps, tanks, and signages)
- The Phoenix Confidential Operations Manual
- Technical Training
- Continuous research and product development
- Continuing visits, guidance and business evaluation support

Marketing

- Use of Phoenix brand, system and design
- Local marketing and promotional assistance
- Sales territory protection

Commercial and Industrial Trading

The Company services the fuel requirements of large industrial accounts across different industries in the Philippine market. Industries served include the air, land, and sea transport sectors (2Go, Cebu Pacific Air, Magsaysay Lines, Oceanic Container Lines, Trans-Asia Shipping), banana and pineapple plantations (Unifrutti Group of Companies, Sumifru Philippines Corp.), mining companies (Adnama Mining, Carrascal Mining, Apex Mining), sugar cane milling (Filinvest Farm Group), the power sector (Davao Light, PSALM, Napocor), the manufacturing sector (Steel Asia, Century Pacific), and the construction and property sectors (Ayala Land, DMCI). The products are usually delivered to the respective areas of operations of the client. For high-volume accounts, the Company sets-up its own pump station within the clients' area of operations.

Terminalling and Hauling Services

The Company's terminalling and hauling services involve leasing out storage space at its terminal depots, hauling Jet A1 fuel to airports and into-plane services such as aircraft refueling in Davao, Cagayan de Oro, Caticlan, Cebu, Cotabato City, General Santos City, Kalibo, Ozamis City, Pagadian City and Zamboanga City. Since 2005, the Company has been providing the entirety of Cebu Pacific's terminalling, hauling and into-plane requirements for its Mindanao operations.

The Company's oil depots are strategically located throughout the Philippines to address its nationwide operations and client base. As of December 31, 2017, the Company has a total depot storage capacity of 329 million liters and plans to increase this figure to 352 million liters in 2018.

Each of these depots has supplementary port facilities to accept sea-going fuel tankers. This allows the Company to directly receive importations into its depots, minimizing the need to transport fuel by land from remote ports to the depots. These port facilities provide the Company with the flexibility to efficiently transfer fuel in between depots should the need arise.

PPPI Depot Location (Existing and Planned Capacities)

Depots/Terminals (million litres)	Total 2017	2018 (Additional)	Total
Installations - Import			
Calaca, Batangas	117	-	117
Davao City	40	-	40
Cagayan de Oro	81	-	81
Subic	42	-	42
<i>Sub-total</i>	<i>280</i>	<i>-</i>	<i>280</i>

Zamboanga	14	-	14
Cebu	12	-	12
Bacolod	10	-	10
Aklan	8	-	8
Mindoro	5	-	5
General Santos City	-	23	23
<i>Sub-total</i>	<i>49</i>	<i>23</i>	<i>72</i>
Total Capacity	329	23	352

Product Supply & Importation

The Company imports almost 100% of its petroleum requirements from a number of foreign regional sources, including its wholly-owned subsidiary PNX Petroleum Singapore PTE, Ltd. Prior to July 2009, the Company substantially sourced its petroleum requirements from PTT, a domestic supplier. Thereafter, the Company started importing its refined petroleum products from neighboring Asian countries such as Taiwan, Singapore, China, Korea, and Thailand. The Company believes that access to these offshore suppliers allows for much greater pricing flexibility and stability of supply. The Company is not dependent on a single or limited number of suppliers for its supply of products.

Importations are facilitated mainly through the issuance of letters of credit, while domestic purchases are facilitated through invoices. Products are purchased based on the prevailing domestic wholesale price or on the basis of the average Mean of Platts Singapore plus an agreed premium. To keep supply flexibility, the Company does not maintain any long term supply contracts with any of its major suppliers. Imported products are offloaded directly at the Company's depots, which are equipped with port facilities of their own to accommodate fuel tankers. The Company currently does not have any hedging transactions for its importation requirements.

Product Distribution

The Company controls an expansive logistics network consisting of 9 shipping vessels and 67 tanker trucks, which transport its products to the various retail service stations and direct consumer accounts. Phoenix's trucks have a total capacity of 1,616KL and are aided by a fleet of smaller delivery vans in moving lubricant orders. The Company's vessels, which are chartered from Chelsea, have a total carrying capacity of 16,670 MT and are utilized in the transport of petroleum products from supplier terminals to Phoenix's main depot hubs in Davao and Batangas and subsequently to the other depots.

The Company's access to critical logistics support minimizes the risks arising from potential supply disruptions that are common in sea transport due to scarcity of available vessels.

Marketing

The Company has made significant efforts over past years in terms of beefing up its marketing team with top professionals in the field. Retail Territory Managers (RTM) are primarily responsible for prospecting suitable dealers while Network Planners are responsible for prospecting suitable locations for the retail stations. The RTMs also handle business dealings and maintain business relationship with the dealers as well as audit adherence and compliance to the Company's standards.

On the other hand, Commercial Accounts Managers (CAM) are responsible for developing and maintaining business relationship with all other accounts except for retail station dealers. Lubes Accounts Managers (LAM) handle high street and lubes distributor accounts for lubricants, chemicals and other car care products.

Retail Engineers attend to the logistical needs of retail service stations while Equipment Maintenance Group services the maintenance needs of the retail service stations and commercial accounts.

Integrated Supply Network

The Company continues to strengthen its integrated supply network composed of receiving terminals, storage depots, lorry trucks, delivery vans, time-chartered vessels and service stations. This allows the Company to service all its clients' requirements in a seamless manner.

The Company's moves to strengthen its supply network include the following:

- **Expanding both the geographical distribution and capacity of its storage terminals.** The Company has established storage terminals throughout the country in line with the nationwide expansion of its retail network. From a storage capacity of 282 million liters as of year-end 2014, the Company increased its total storage capacity to 329 million liters as of year-end 2017 and is on track to increase to at least 352 million liters in 2018.
- **Expanding its retail network.** The Company is targeting to expand its retail network by 50 to 80 stations per year.
- **Strengthen its hauling operations.** The Company has a fleet of lorry trucks, and refueler trucks and bridging tanks to transport fuel to its retail stations, industrial customers and, in the case of refueler trucks and bridging tanks, for its into-jet operations. The Company will continue to increase its fleet as its customer base grows to ensure timely delivery of its products.
- **Improving ERP and POS systems.** The Company has upgraded its ERP to an SAP A1 system and invested in a CRM. It also continues to roll out a 'point-of-sale' ("POS") system that will enable it to record sales on a real-time basis, thereby allowing more efficient management of inventory and deliveries.
- **Securing long-term affreightment contract with affiliates.** The Company is currently working in tandem with affiliate Chelsea Shipping Corp. under a long-term basis for its major shipment from foreign suppliers as well as its local trans-shipments to depots strategically located in various parts of the country. This assures the Company of and uninterrupted inventory delivery not only to its clients but to the Company's various depots that support its retail and commercial network.

LEGAL PROCEEDINGS

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, President of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City while the other three (3) Informations were filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. On October 27, 2014, the People of the Philippines ("Petitioner") filed with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court. On December 2, 2014, Mr. Uy received a copy of the Resolution dated November 19, 2014 directing him to file a comment on the Petition within ten (10) days from notice. On January 12, 2015, Mr. Uy filed his Comment on the Petition. On February 17, 2015, Mr. Uy received a Petitioner's Reply dated February 12, 2015. The resolution of the Petition is still pending before the Special 21st Division of the CA, Cagayan de Oro City.

Mr. Uy has questioned the basis of the filing of the above Informations by the DOJ which are the Resolutions issued by the Secretary of Justice (SOJ) dated April 24, 2013 and August 13, 2013 ("SOJ Resolutions") finding probable cause against him. Mr. Uy filed a *Petition for Certiorari* on September 4, 2013 with the

Special Former Special 10th Division of the CA, which was granted on July 25, 2014 thereby nullifying the SOJ Resolutions. The CA Decision granting the Petition further directed that the Informations be withdrawn and/or dismissed for lack of probable cause. The SOJ and the Bureau of Customs filed a Motion for Reconsideration dated August 19, 2014 of the CA Decision. On March 11, 2015, Mr. Uy filed his Comment/Opposition to the Motion for Reconsideration. On April 13, 2015, the Special Former Special 10th Division of the CA issued a Resolution stating that the foregoing Motion is submitted for resolution. Said Motion was denied for lack of merit in a Resolution promulgated by the Special Former Special 10th Division on July 2, 2015. On August 26, 2015, the Supreme Court issued a Resolution granting the Motion for Extension to file a petition for review on certiorari by petitioners SOJ and the Bureau of Customs.

The criminal case subject of the *Petition for Certiorari* the resolution of which is currently pending before the CA, Cagayan de Oro City ("Subject Case") may pose a reputational risk to the Company considering that Mr. Uy is the chief executive of the Company. Being the face of the Company, any negative publicity against Mr. Uy may have a negative impact on the Company and its business. Against this reputational risk, the Company will continue to assert the same strong defenses for Mr. Uy which have been correctly upheld by the courts

With respect to the Informations filed with the Regional Trial Court of Batangas City, Mr. Uy filed an *Omnibus Motion for the Determination of Lack of Probable Cause* on September 2, 2013. The Regional Trial Court of Batangas City granted the said motion on September 17, 2013 and dismissed all three (3) Informations. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, and was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that the Orders dated December 6, 2013 and September 17, 2013, were already final and executory, since no appeal was filed therefrom.

Other court cases typical and customary in the course of business operations of every company such as those, among others, involving collection, B.P. 22, qualified theft and reckless imprudence have been filed by the Company and/or its subsidiaries against its employees and/or third parties. These proceedings have no material and adverse effect on the financial condition or the business of the Company and/or its subsidiaries.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Report of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- (i) Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;
- (ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (iii) Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- (iv) Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission ("SEC"), or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth financial and operating information of Phoenix. Prospective investors should read the summary financial data below together with the financial statements, including the notes thereto, included in this Offering Memorandum. The summary financial data for the three years ended December 31, 2017, 2016 and 2015, are derived from Phoenix's audited financial statements, including the notes thereto, which are found elsewhere in this Prospectus.

Income Statement Data (in ₱ millions)	For the Year ended		
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Revenues	44,426	30,577	30,054
Cost and Expenses	(42,321)	(28,464)	(27,994)
Other Income/ (Charges)	(111)	(851)	(968)
Income/ (Loss) Before Tax and Other Items	1,994	1,262	1,092
Tax Income (Expense)	(202)	(170)	(186)
Net Income	1,792	1,092	906

Consolidated Financial Position Data (in ₱ millions)	For the Year ended		
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Current Assets			
Cash and cash equivalents	1,832	2,339	1,632
Trade and other receivables	7,509	7,789	10,810
Inventories	12,970	2,999	2,639
Land held for sale	0	0	462
Due from related parties	518	1,507	12
Restricted deposits	51	51	71
Input value-added tax	1,773	732	774
Other current assets	581	596	639
Total Current Assets	25,235	17,012	17,039

Consolidated Financial Position Data (in ₱ millions)	For the Year ended		
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Non-current Assets			
Intangible assets - net	275	275	72
Property, plant and equipment — net	13,401	9,003	12,843
Land held for future development	1,115	0	390
Investment in Associate	0	0	159
Goodwill - net	3,991	10	85
Deferred Tax assets – net	232	46	0
Other non-current assets – net	223	192	338
Total Non-current Assets	19,236	9,526	13,887
Total Assets	44,471	26,538	30,926
LIABILITIES AND EQUITY			
Current Liabilities			
Loans and borrowings	16,797	11,263	11,741
Trade and other payables	3,840	3,333	3,260
Due to related parties	0	0	0
Total Current Liabilities	20,647	14,596	15,001
Non-current liabilities			
Loans and borrowings	11,375	1,921	5,243
Trade and other payables	0	0	318
Deferred Tax Liabilities - net	0	0	94
Other non-current liabilities – net	498	258	247
Total Non-current Liabilities	11,872	2,179	5,902
Total Liabilities	32,519	16,775	20,903
Equity			
Capital stock-Common	1,432	1,098	1,429
Preferred Stocks	25	25	25
Additional paid-in capital	5,709	5,321	5,321
Revaluation and Other Reserves	(732)	(742)	(64)
Retained earnings	5,525	4,061	3,312
Total Equity	11,952	9,763	10,023
Total Liabilities and Equity	44,471	26,538	30,926

SUMMARY OF THE OFFER

This Offering Memorandum and Offering relates to the Fixed-Rate Notes with principal amount of One Billion Three Hundred Seventy Five Million Pesos (₱1.375 Billion). The following summary of the offer does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Memorandum.

FIXED-RATE NOTES DUE 2019

Issuer	:	P-H-O-E-N-I-X Petroleum Philippines, Inc. (“Phoenix” or “PNX”)
Issue	:	PHP-denominated SEC-registration Exempt Fixed-Rate Notes (“Fixed-Rate Notes”)
Issue Amount	:	One Billion Three Hundred Seventy Five Million Pesos (₱ 1,375,000,000.00)
Use of Proceeds	:	The net proceeds of the Issue are intended to be used by Phoenix for refinancing and general corporate requirements.
Issue Price	:	Par or 100% of face value
Form and Denomination	:	The Fixed-Rate Notes shall be issued in scripless form in denominations of ₱ 5,000,000.00 each, as a minimum, and in multiples of ₱1,000,000.00 thereafter.
Sole Lead Underwriter and Sole Bookrunner	:	China Bank Capital Corporation
Issue Date	:	March 23, 2018 or the immediately succeeding Business Day, if such Issue Date is not a Business Day, or such other date as may be agreed by the Issuer and the Sole Lead Underwriter.
Maturity Date	:	The date falling 18 months after Issue Date or on September 23, 2019, unless previously redeemed or cancelled; provided that, in the event that such Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be the immediately succeeding Business Day, without adjustment to the amount of interest to be paid.
Interest Rate	:	Fixed interest rate of 4.625% per annum calculated on a European 30/360 day count basis, paid quarterly in arrears.
Interest Payment Date	:	June 23, 2018 for the first Interest Payment Date and September 23, December 23, March 23 and June 23 of each year for each subsequent Interest Payment Date, during which the Fixed-Rate Notes are outstanding; and in the event that any of such Interest Payment Dates are not Business Days, such Interest Payment Dates shall be deemed to be the immediately succeeding Business Day. The last Interest Payment Date shall fall on the respective Maturity Date or the succeeding Business Day if such date is not a Business Day.
Manner of Offering	:	Offering will be limited to resident juridical persons or entities who, at the point of offer or purchase, are classified or considered as Qualified Buyers under Section 10.1.3 of the 2015 IRR of the SRC, and when applicable, duly qualified by Qualified Investor Registrar. No offering shall be made to individuals or non-resident investors.

- Redemption for Taxation Reasons : If payments under the Fixed-Rate Notes become subject to additional or increased Taxes other than the Taxes and rates of such Taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such Tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Fixed-Rate Notes in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.
- Final Redemption : The Fixed-Rate Notes will be redeemed at par or 100% face value on the Maturity Date.
- Negative Pledge : The Fixed-Rate Notes shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens.
- Purchase and Cancellation : The Issuer may at any time purchase any of the Fixed-Rate Notes, in accordance with PDEX Rules, in the open market or by tender or by contract at any price, without any obligation to purchase (and the Noteholders shall not be obliged to sell) Fixed-Rate Notes pro-rata from all Noteholders. Any Fixed-Rate Notes so purchased shall be redeemed and cancelled and may not be re-issued. Upon enrollment of the Fixed-Rate Notes on Philippine Dealing & Exchange Corp. ("PDEX"), the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.
- Status of the Fixed-Rate Notes : The Notes shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of the Issuer ranking at least pari passu and ratably without preference among themselves and among any present and future unsubordinated and unsecured obligations of the Issuer, except for any obligation mandatorily preferred by applicable law other than the preference under Article 2244(14)(a) of the Civil Code of the Philippines.
- Rating : The Fixed-Rate Notes shall not be rated
- Registration : The Notes shall be considered as an SEC-registration exempt transaction under Section 10.1(l) of the SRC and Section 10.1.3 of the 2015 IRR of the SRC as the offering is limited to juridical persons or entities who, at the point of offer or sale, are Qualified Buyers who are juridical persons. As an exempt transaction, the Notes shall not be registered with the SEC, and no notice of exemption shall be filed with the SEC in respect of such transaction.
- Taxation : Interest on the Notes is subject to Final Withholding Tax at a rate of 20%.
- Noteholders who are exempt from or not subject to final withholding tax, may avail of such exemption by submitting the necessary documents. Said Noteholder shall submit the following requirements, in form and substance prescribed by the Issuer, to the Registrar or to the Sole Lead Underwriter (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (i) a copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption, as certified by the Corporate Secretary of the Applicant as being a true copy of the original on file with the Applicant, which notarized certification indicates that: (i.a) the exemption certificate is a true copy of the original; (i.b) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (i.c) the Corporate Secretary has personal knowledge based on his official functions

of any amendment, revocation, expiration, change or any circumstance affecting said certification's validity; (ii) a duly notarized undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Notes for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Notes pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Noteholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and (iii) such other documentary requirements as may be reasonably required under the applicable regulations of the BIR; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Noteholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Transfers taking place in the Register of Noteholders after the Notes are enrolled in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A selling or purchasing Noteholder claiming tax-exempt status is required to submit to the Registrar the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar.

Income arising from gains on the sale or disposition of the Notes will form part of the relevant Noteholders' income and may be subject to tax. Noteholders should consult their own tax advisers on the ownership and disposition of the Notes, including the applicability of any state, local or foreign tax laws.

The BIR's tax treatment of the Fixed-Rate Notes may vary from the tax treatment described herein. Any adverse tax consequences upon the Noteholder arising from any variance in tax treatment shall be for such Noteholder's sole risk and account.

- Enrollment : The Issuer intends to enrol the Fixed-Rate Notes in the PDEX and render them admitted for trading on the PDEX Trading System on the Issue Date.
- Trustee : China Banking Corporation – Trust and Asset Management Group
- Legal Counsel to the Sole Lead Underwriter : Martinez Vergara Gonzalez & Serrano

USE OF PROCEEDS

Following the offer and sale of the Fixed- Rate Notes in the amount of ₱1.375 billion, Phoenix estimates that its net proceeds from the Offer shall be used for refinancing existing debt, and to partially finance general corporate requirements.

DESCRIPTION OF THE FIXED- RATE NOTES

The Fixed-Rate Notes covered by this Offering Memorandum and described below were authorized by a resolution of the Board of Directors of the Company dated December 5, 2017. The Fixed-Rate Notes will be issued with a principal amount of ₱1.375 Billion (the “Fixed-Rate Notes” or the “Offer”) under this Offering Memorandum. The Notes shall be considered as an SEC-registration exempt transaction under Section 10.1 (l) of the SRC and Section 10.1.3 of the 2015 SRC IRR as the offering is limited to juridical entities or institutions that, at the point of offer or purchase, whether on the primary or secondary markets, are classified or considered as Qualified Buyers, who are juridical persons, duly determined as such by an SEC-registered Qualified Investor Registrar in applicable cases. No offering shall be made to individuals or non-resident investors. As an exempt transaction, the Fixed-Rate Notes shall not be registered with the SEC, and no notice of exemption shall be filed with the SEC in respect of such transaction. The issuance of the Fixed-Rate Notes will be covered by disclosures to be filed by Phoenix describing the transaction, according to the policies of the SEC toward exempt transactions such as the Offer.

The Fixed-Rate Notes are constituted by a Trust Indenture executed on 16 March 2018 (the “Trust Indenture”) between the Issuer and China Banking Corporation - Trust and Asset Management Group (the “Trustee”, which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture). The description of the terms and conditions of the Fixed-Rate Notes set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture and the Registry and Paying Agency Agreement executed on 16 March 2018 (the “Registry and Paying Agency Agreement”) among the Issuer, the Registrar, and the Paying Agent.

PDTC has no interest in or relation to Phoenix which may conflict with its roles as Registrar and as Paying Agent for the Offer. China Banking Corporation – Trust and Asset Management Group has no interest in or relation to Phoenix which may conflict with its role as Trustee for the Offer. The Trustee is the trust group of the parent company of China Bank Capital Corporation, the Sole Lead Underwriter.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Registrar. The holders of the Fixed-Rate Notes (the “Noteholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Eligible Noteholders

Eligible Noteholders will be limited to resident juridical entities or institutions (excluding natural persons) that, at the point of offer or purchase, are Qualified Buyers, whether on the primary or secondary markets.

For reference, the Qualified Buyers, as defined in SRC IRR Rule 10.1.3, are as follows:

- (a) Bank;
- (b) Registered Investment House;
- (c) Insurance Company;
- (d) Pension fund or retirement plan maintained by the Government of the Philippines or any political subdivision thereof or managed by a bank or other persons authorized by BSOP to engage in trust functions;
- (e) Investment Company; or
- (f) Such other person as the SEC may by rule determine as qualified buyers, on the basis of such factors as financial sophistication, net worth, knowledge and experience in financial and business matters, or amount of assets under management. For this particular class of QIB, it shall be

necessary that an SEC-registered QIB registrar shall ascertain the QIB nature of the QIB. The Trading Participant who will deal with the QIB whether as counterparty or Broker represents and warrants the same to PDEX and PDTC in its being involved in the trade, at the time of the same.

For the avoidance of doubt, natural persons and non-residents are not eligible buyers or holders of the Fixed-Rate Notes.

2. Handling of Loss of Eligibility by Noteholders

If prior to the Maturity Date of the Notes, and after the purchase thereof, it is discovered that the buyer did not qualify as a Qualified Buyer at the point of purchase on the secondary market, then the Remediation Procedure shall be implemented as provided in paragraph 4 below.

If for any reason after the relevant point of purchase but prior to the Maturity Date of the Notes, a buyer loses its status as a Qualified Buyer after the point of purchase, the Remediation Procedure, as provided in paragraph 4 below, shall not apply, and the buyer shall not be forced to sell its holdings, as outlined in the Remediation Procedure below, and the exempt nature of the Fixed-Rate Notes will not be affected. However, such buyer shall no longer be eligible to purchase additional Fixed-Rate Notes.

3. Continuing Restriction of Holdings to Eligible Noteholders in the Secondary Market

The restriction of holdings to Eligible Noteholders shall be maintained throughout the tenor of this Note, and to this end PDEX Trading Participants that trade on the Notes in the secondary market shall have the following additional responsibilities to the Notes:

- (a) Each Participating Broker or Dealer (“Trading Participant”) shall determine the eligibility and suitability of each buyer, and ensure that the buyer fully understands the terms and conditions of, and the risks involved in, the Fixed-Rate Notes, including the option and tax features of the same.
- (b) Each Trading Participant shall warrant that it is fully informed of the special features and mechanics relating to the Notes as contained in this Offering Memorandum each time it executes a trade.
- (c) Each Trading Participant shall represent and warrant that their clients (for Brokers) or counterpart clients (Dealers) are Eligible Noteholders as defined above at the point of purchase either on the primary or secondary market, and eligible to purchase and hold the Fixed-Rate notes.
- (d) For each Eligible Noteholder falling under Paragraph 1.(f) above, each Trading Participant shall indicate the QIB Registrar of such QIB clients or counterparts, and represent and warrant that the QIB Registrar is duly registered as such with the SEC.
- (e) The Issuer shall rely on determinations made by the Trading Participants regarding the eligibility of their clients and counterpart clients at the point of purchase of the Fixed-Rate Notes. The Issuer shall not incur any liability to any party arising from the ineligibility of a Trading Participant’s client/counterparty clients causing prejudice to the exempt nature of the Fixed-Rate Notes. The Issuer shall not assume any cost incurred for remediation of the ineligibility (e.g. costs of triggering a sell-out provision below), and shall not assume any cost incurred to implement the Remediation Procedure below.

4. Remediation Procedure – Sell Out Mechanism

If it is discovered after purchase that (i) a buyer is not an Eligible Noteholder at the point of sale, or (ii) a transfer or recording of ownership has been made to an entity who is not an Eligible Noteholder (each of (i) and (ii) shall be deemed as a "Sell Out Trigger"), a remediation procedure via the sell-out mechanism of such ineligible investor or Noteholder's Fixed-Rate Notes will be done in accordance with the following:

- (a) In case of violation of restrictions of Eligible Noteholders, the Registry shall not effect any account opening at the Registry and no transfer will be possible from the Depository to the Registry.
- (b) The party that discovers a violation in the eligibility requirements (e.g. Participant, Registry) must immediately inform PDEX of the violation.
- (c) PDEX shall inform the Trading Participant involved to trigger the Remediation Process - Sell-out Mechanism as follows:
 - a. The ineligible buyer's Trading Participant shall sell out the ineligible client buyer's holdings at the market. In the absence of a better bid then it must sell to the Market Maker.
 - b. The Trading Participant must execute the sell-out transaction no later than three (3) trading day from the day of discovery.
 - c. No ineligible investor shall be allowed to hold the Notes by the end of three (3) trading day from the day of discovery.
 - d. The sell-out mechanism may result in a price difference between the original purchase and the sell-out price. If the price difference results in a loss, such loss shall be assumed by the responsible Trading Participant. If the price difference results in a gain, it shall accrue to the ineligible investor that was forced to sell out the holdings.
 - e. The sell-out shall be reported to the SEC and the responsible Trading Participant may be subject to SEC action.

5. Form, Denomination and Title

(a) Form and Denomination

The Fixed-Rate Notes are in scripless form, and shall be issued, in denominations of Five Million Pesos (₱5,000,000.00) each, as a minimum, and in multiples of One Million Pesos (₱1,000,000.00) thereafter.

(b) Title

The beneficial interest to the Fixed-Rate Notes shall be shown on and recorded in the Register of Noteholders maintained by the Registrar. A notice confirming the principal amount of the Fixed-Rate Notes purchased by each applicant in the Offering shall be issued by the Registrar to all Noteholders following the Issue Date. Upon any assignment, title to the Fixed-Rate Notes shall pass by recording the transfer from a transferor to the transferee in the Register of Noteholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Fixed-Rate Notes, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Noteholder.

6. Transfer of the Fixed-Rate Notes

(a) Register of Noteholders

The Issuer shall cause the Register of Noteholders to be kept by the Registrar, in electronic form. The names and addresses of the Noteholders and the particulars of the Fixed-Rate Notes held by them and of all transfers of Fixed-Rate Notes shall be entered into the Register of Noteholders. As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas*, the Registrar shall send each Noteholder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Fixed-Rate Notes that is effected in the Registrar's system (at the cost of the Issuer). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Noteholder as of the date thereof. Any requests of Noteholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Noteholder. No transfers of the Fixed-Rate Notes may be made during the period commencing on a Record Date as defined in the section on "*Interest Payment Date*."

(b) Transfers; Tax Status

In accordance with the Terms and Conditions of the Fixed-Rate Notes, transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a Business Day, provided however that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEX, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories" refer to the two (2) applicable final withholding tax categories covering, particularly, tax-exempt entities, and 20% tax-withheld entities. This restriction shall be in force until a non-restricted trading & settlement environment for corporate securities is implemented. Transfers taking place in the Register of Noteholders after the Notes are traded in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEX and PDTTC.

Gain on transfer of Fixed-Rate Notes by a corporate Noteholder shall form part of such entity's income and shall generally be subject to 30% income tax.

A Noteholder claiming tax-exempt status is required to submit to the Registry of Noteholders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar.

Prospective purchasers of the Fixed-Rate Notes should consult their own tax advisors regarding tax considerations of an investment in, receiving income from, and a disposition of, the Fixed-Rate Notes.

(c) Registrar

For transfers and record updates, notices and communication with the Registrar may be made thru the following:

Philippine Depository & Trust Corp.
37th Floor Enterprise Centre Tower I
Ayala Avenue, Makati City, Metro Manila
Telephone no: (632) 884-4425
Fax no: (632) 757-6025

E-mail: baby_delacruz@pds.com.ph
Attention: Josephine Dela Cruz, Director

(d) Secondary Trading of the Fixed-Rate Notes

The Issuer intends to enroll the Fixed-Rate Notes in PDEX for secondary market trading. The Fixed-Rate Notes will be traded in a minimum board lot size of ₱5,000,000.00 as a minimum, and in multiples of ₱1,000,000.00 in excess thereof for as long as any of the Fixed-Rate Notes are traded on PDEX.

The Notes shall be subject to the commitment of at least one (1) Market Maker that will commit to provide a live bid using the tax-withheld series name for the Fixed-Rate Notes in the Order-Driven system good for the minimum trading lot for the issue and a cumulative trading commitment of at least ₱50 Million per trading day per issue. The Market Maker commits to all other regulations as described in the Corporate Security Market Maker Participation Letter.

In addition to the special provisions on the continuing restriction to Eligible Noteholders under paragraph 3 above, secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, operating framework and guidelines governing trading and settlement between Noteholders of different tax status and shall be subject to the relevant fees of PDEX and PDTC. The Market Maker further commits to:

- a. Adopt and abide by a rate reasonability standard that is consistent with PDEX rules, conventions and guidelines, and
- b. Disclose and explain its reference and pricing methodology and any deviations therefrom to PDEX and regulators, upon request.

7. Ranking

The Fixed-Rate Notes constitute direct, unconditional, and unsecured Peso-denominated obligations of the Issuer and shall rank paripassu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, other than obligations preferred by the law.

8. Interest

a) Interest Payment Dates

The Fixed-Rate Notes bear interest on its principal amount from and including Issue Date at the fixed rate of 4.625% per annum, payable quarterly in arrears on March 23, June 23, September 23, and December 23 of each year while the Fixed-Rate Notes are outstanding (each of which, for purposes of this section is an "Interest Payment Date") commencing on June 23, 2018 or the subsequent Business Day, without adjustment, if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Date.

The cut-off date in determining the existing Noteholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Noteholders entitled to receive interest, principal or any other amount due under the Fixed-Rate Notes. No transfers of the Fixed-Rate Notes may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

b) Interest Accrual

Each Fixed-Rate Note shall cease to bear interest, net of applicable withholding taxes, from and including the relevant Maturity Date, as defined in the discussion on "*Final Redemption*", unless,

upon due presentation, payment of the principal in respect of the Fixed-Rate Note then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*”) shall apply.

c) Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

9. Redemption and Purchase

a) Final Redemption

Unless previously purchased and cancelled, the Fixed-Rate Notes shall be redeemed at par or 100% of face value on the Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the Maturity Date is not a Business Day.

b) Redemption for Taxation Reasons

If payments under the Fixed-Rate Notes become subject to additional or increased Taxes other than the Taxes and rates of such Taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such Tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Fixed-Rate Notes in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days’ prior written notice to the Trustee) at par or 100% face value plus accrued interest.

c) Purchase and Cancellation

The Issuer may at any time purchase any of the Fixed-Rate Notes in the open market or by tender or by contract at market price, in accordance with PDEX Rules without any obligation to purchase (and the Noteholders shall not be obliged to sell) Fixed-Rate Notes pro-rata from all Noteholders. Any Fixed-Rate Notes so purchased shall be redeemed and cancelled and may not be re-issued. Upon enrollment of the Fixed-Rate Notes on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

d) Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances (“Change in Law or Circumstance”) as it refers to the obligations of the Issuer and to the rights and interests of the Noteholders under the Trust Indenture and the Fixed-Rate Notes:

- (i) 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 Indenture or the Fixed-Rate Notes shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.
- (ii) Any provision of the Trust Indenture or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Indenture or any

of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Indenture or any other related documents.

- (iii) 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.
- (iv) 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.

If any one or more of the events enumerated as a Change of Law or Circumstance shall occur and be continuing for a period of thirty (30) days, the Majority Noteholders, 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 Notes, 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, without any prepayment penalty, anything contained in the Trust Indenture or in the Fixed-Rate Notes to the contrary notwithstanding, subject to the notice requirements under the discussion on *"Notice of Default."*

10. Payments

The principal of, interest on and all other amounts payable on the Fixed-Rate Notes shall be paid to the Noteholders by crediting of the cash settlement accounts designated by each of the Noteholders. The principal of, and interest on, the Fixed-Rate Notes shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Fixed-Rate Notes remains outstanding, there shall at all times be a Paying Agent for the purposes of the Fixed-Rate Notes and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

11. Payment of Additional Amounts; Taxation

Interest income on the Fixed-Rate Notes is generally subject to a final withholding tax at twenty percent (20%). Except for such final withholding tax and as otherwise provided, all payments of principal and 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, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. 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 the following:

- a) The applicable final withholding tax applicable on interest earned on the Fixed-Rate Notes prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as may be in effect from time to time (the "Tax Code"). Noteholders who are exempt from or not subject to final withholding tax rate shall be

required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) a copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption, as certified by the Corporate Secretary of the Applicant as being a true copy of the original on file with the Applicant, which notarized certification indicates that: (i.a) the exemption certificate is a true copy of the original; (i.b) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (i.c) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting said certification's validity; (ii) a duly notarized undertaking (in the prescribed form and substance by Phoenix) declaring and warranting that the same Noteholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the BIR; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Noteholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

- b) Gross Receipts Tax under Section 121 of the Tax Code;
- c) Taxes on the overall income of any securities dealer or Noteholder, whether or not subject to withholding; and
- d) Value-added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Fixed-Rate Notes and the execution of the Note Agreements, if any, shall be for the Issuer's account.

The BIR's tax treatment of the Fixed-Rate Notes may vary from the tax treatment described herein. Any adverse tax consequences upon the Noteholder arising from any variance in tax treatment shall be for such Noteholder's sole risk and account.

12. Financial Ratios

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

13. Negative Pledge

For as long as any of the Fixed-Rate Notes remain outstanding, the Issuer covenants that it shall not, without the prior written consent of the Noteholders who hold, represent or account for more than fifty percent (50%) of the principal amount of the Fixed-Rate Notes then outstanding (the "Majority Noteholders"), permit any indebtedness for borrowed money to be secured by or to benefit from any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligation (a "Lien") in favor of any creditor or class of creditors without providing the Noteholders with a Lien, the benefit of which is extended equally and ratably among them to secure the Fixed-Rate Notes; provided however that, this restriction shall not prohibit "Permitted Liens," which are:

- (a) Any Lien over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (i) the 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 real estate development of the Issuer, 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 in 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: (i) statutory or regulatory 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, 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 the normal course of its financing arrangements; provided that, the Noteholders 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 ₱5,000,000,000.00.
- (g) Any Lien existing on the date of the Trust Indenture which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Indenture.
- (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 BSP on loans and financial accommodations extended to directors, officers, stockholders and related interests ("DOSRI").
- (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 right of the Issuer 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 pursuant to this subparagraph (k) to the noncurrent assets of the Issuer (as computed in accordance with Philippine Financial Reporting Standards (PFRS) 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 Indenture which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Indenture or any Lien for an aggregate loan accommodation not exceeding the equivalent of 10% 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 the said Affiliates.
- (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).
- (o) Any title transfer or retention of title arrangement entered into by the Issuer in the normal course of its trading activities on the counterparty's standard or usual terms.
- (p) Any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purpose of securing loan facilities denominated in Philippine Pesos granted by the Issuer in an aggregate principal amount not exceeding the amount of the deposit of the face amount (or value) of that financial instrument.
- (q) Any Lien created over cash deposits or marketable investment securities in favor of a bank or financial institution to secure any borrowed money in connection with a treasury transaction; provided that, the aggregate amount of security does not at any time exceed US\$30,000,000.00 or its equivalent. For this purpose, a "treasury transaction" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management;
- (r) The assignment, transfer or conveyance by way of Lien (in any case without recourse) of the Issuer's right to receive any income or revenues from any asset of the Issuer not used in the ordinary course of business; provided that, the constitution by the Issuer of such Lien shall not cause the Issuer to breach the Debt to Equity Ratio.

14. Events of Default

The Issuer shall be considered in default under the Fixed-Rate Notes and the Trust Indenture 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 Noteholders under the Trust Indenture and the Fixed-Rate Notes, 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 (5) Business Day remedy period shall be subject to the interest specified in the section "*Interest.*"

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 Noteholders shall approve) after receipt of written notice from the Noteholders to that effect.

c) Other Default

The Issuer fails to perform or violates any other provision, term of the Trust Indenture and the Fixed-Rate Notes, and such failure or violation is not remediable or, if remediable, continues to be unremedied after the applicable grace period, or in the absence of such grace period, after thirty (30) days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed financial ratio, (particularly a maximum debt to equity ratio of 3:1.0 and within ten (10) Business Days from the date of the occurrence of said violation, with respect to any other covenant or obligation; provided that, the Events of Default constituting insolvency initiated by the Issuer 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 the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of 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, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Indenture and the Fixed-Rate Notes; 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 ₱500,000,000.00.

e) 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.

f) Judgment Default

Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of ₱500,000,000.00 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) calendar days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

g) 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) calendar days after its issue or levy.

h) Closure Default

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar 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 thirty (30) days after the occurrence of any Event of Default, give to the Noteholders 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 "Payment Default," the Trustee shall immediately notify the Noteholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Noteholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days (at the expense of the Issuer), further indicating in the published notice that the Noteholders or their duly authorized representatives may obtain an important notice regarding the Fixed-Rate Notes at the principal office of the Trustee upon presentment 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, either the Trustee, upon the written instructions of the Majority Noteholders whose written instructions/consents/letters shall be signature verified by the Registrar, in accordance with its procedures, against their physical or digital signature cards endorsed by the relevant Underwriters or PDEX Trading Participant and by notice in writing delivered to the Issuer, or the Majority Noteholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Fixed-Rate Notes, 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 Indenture or in the Fixed-Rate Notes to the contrary notwithstanding. The Registrar shall verify the signature of the Noteholders on the instructions/consents/letters by comparing the same against the duly endorsed physical or digital copies of the signature cards in its possession and determine if the same can be interpreted to belong to the same person, based on industry standard and processes for signature verification. The Issuer is aware of and confirms that the digitalization of the signature cards shall result only in two-dimensional copies thereof and the Registrar shall not be required to verify beyond the features or information captured by such two-dimensional digital copy.

b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Noteholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such

declaration made by the Trustee pursuant to a consequence of default, and the consequences of such declaration, 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, require the Registrar and Paying Agent to deliver all evidence of the Fixed-Rate Notes and all sums, documents and records held by them in respect of the Fixed-Rate Notes 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 Registrar and Paying Agent is 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 Fixed-Rate Notes to the order of the Trustee. From the issue of any such notice until such notice is withdrawn, provision (i) above and the Issuer's positive covenant to pay principal and interest on the Fixed-Rate Notes, more particularly set forth in the Trust Indenture, shall cease to have effect.

In case any amount payable by the Issuer under the Fixed-Rate Notes, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, and other amounts, pay Penalty Interest on the defaulted amount(s) from the time the amount falls due until it is fully paid.

17. Penalty Interest

In case any amount payable by the Issuer under the Fixed-Rate Notes, whether for principal, interest, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, and other amounts, pay penalty interest on the defaulted amount(s) at the rate of twelve percent (12.00%) per annum (the "Penalty 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, the Issuer shall pay to the Noteholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Fixed-Rate Notes with interest at the rate borne by the Fixed-Rate Notes on the overdue principal, and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient 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 Trust Indenture and the Registry and Paying Agency Agreement 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 Registrar and Paying Agent, 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, in the order of the maturity of such interest with Penalty Interest, which payment shall be made pro-rata among the Noteholders; *third*, to the payment of the whole amount then due and unpaid upon the Fixed-Rate Notes for principal, and interest, with Penalty Interest, which

payment shall be made pro-rata among the Noteholders; 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. For this purpose, the Paying Agent shall deliver to the Trustee a joint certification of the funds to be applied for payment, and a schedule of payments to be made in accordance with the conditions.

20. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) 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 Indenture and these Terms and Conditions to the Trustee and the Noteholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Noteholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to the discussion below on "*Ability to File Suit.*"

No delay or omission by the Trustee or the Noteholders 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 Indenture to the Trustee or the Noteholders may be exercised from time to time and as often as may be necessary or expedient.

22. Ability to File Suit

No Noteholder shall have any right by virtue of or by availing of any provision of the Trust Indenture to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest, and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Noteholder 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 Noteholders to take up matters related to their rights and interests under the Fixed-Rate Notes; (ii) the Majority Noteholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee, for sixty (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 Noteholders, it being understood and intended, and being expressly covenanted by every Noteholder with every other Noteholder and the Trustee, that no one or more Noteholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Indenture to affect, disturb or prejudice the rights of the holders of any other such Fixed-Rate Notes or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Noteholders.

23. Waiver of Default by the Noteholders

The Majority Noteholders 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 Noteholders waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Noteholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent

thereto. Any such waiver by the Majority Noteholders shall be conclusive and binding upon all Noteholders 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 Fixed-Rate Notes.

24. Trustee; Notices

a) Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Indenture and the Offering Memorandum and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	China Banking Corporation – Trust and Asset Management Group
Attention:	Carina L. Yandoc
Subject:	Phoenix Fixed-Rate Notes due 2019
Address:	8 th Floor, China Bank Building 8745 Paseo de Roxas Makati City
Facsimile:	+632 867 1077

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 Noteholder to the Trustee in writing and shall be subject to review, acceptance and approval by the Trustee. Upon such acceptance and approval, the Noteholder shall pay to the Trustee upfront a fee of ₱1,500.00 (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 a period of at least ninety (90) days from receipt. This period may be extended should the Trustee be unable to review and address the requests for causes not attributable to the Trustee.

b) Notice to the Noteholders

The Trustee shall send all Notices to Noteholders to their mailing address as set forth in the Register of Noteholders. Except where a specific mode of notification is provided for herein, notices to Noteholders 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 Noteholders. The Trustee shall rely on the Register of Noteholders in determining the Noteholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by Phoenix to the Securities and Exchange Commission on a matter relating to the Fixed-Rate Notes shall be deemed a notice to Noteholders of said matter on the date of the first publication.

c) Binding and Conclusive Nature

Except as provided in the Trust Indenture, 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 Indenture, shall (in the absence of willful default, bad faith

or manifest error) be binding on the Issuer, and all Noteholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Noteholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture.

25. Duties and Responsibilities of the Trustee

- a) The Trustee is appointed as trustee for and on behalf of the Noteholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture. The Trustee shall, in accordance with the terms and conditions of the Trust Indenture, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Indenture. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Noteholders, and to whom the Noteholders shall communicate with in respect to any matters that must be taken up with the Issuer.
- b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture. The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Indenture, with the care, prudence and diligence necessary under the circumstances then prevailing that a prudent person, acting in like capacity and familiar with such matters, would exercise in the conduct of an enterprise of like character and with similar aims and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.
- c) None of the provisions contained in these Terms and Conditions or this Offering Memorandum shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

26. Resignation and Change of Trustee

- a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Issuer and to the Noteholders of such resignation.
- b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is the Majority Noteholders, not the Issuer, that shall appoint the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Noteholder who has been a bona fide holder for at least six (6) months (the "Bona Fide Noteholder") may, for and in behalf of the Noteholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.
- c) Subject to Section (f) below, a successor Trustee must possess all the qualifications required under pertinent laws.

- d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any Bona Fide Noteholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.
- e) The Majority Noteholders may at any time remove the Trustee for cause, and appoint a successor Trustee, by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the required evidence under the provisions on Evidence Supporting the Action of the Noteholders in the Terms and Conditions of the Fixed-Rate Notes.
- f) Any resignation or removal of the Trustee and the appointment of a successor Trustee pursuant to any provisions of the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Indenture; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Indenture (the "Resignation Effective Date"); provided however that, until such successor Trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor Trustee promptly upon the appointer thereof by the Issuer; provided finally that, such successor Trustee possesses all the qualifications as required by pertinent laws.

27. Successor Trustee

- a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.
- b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Noteholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Noteholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Noteholders to be notified at the expense of the Issuer.

28. Reports to the Noteholders and Inspection of Documents

- a) The Trustee shall submit to the Noteholders on or before February 28 of each year from the relevant Issue Date until full payment of the Fixed-Rate Notes a brief report dated as of December 31 of the immediately preceding year with respect to:

- (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Noteholders on the date of such report; and
 - (ii) any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Fixed-Rate Notes, except action in respect of a default, notice of which has been or is to be withheld by it.
- b) The Trustee shall submit to the Noteholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Noteholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10.00%) of the aggregate outstanding principal amount of the Fixed-Rate Notes at such time.
- c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:
 - (i) Trust Indenture
 - (ii) Registry and Paying Agency Agreement
 - (iii) Articles of Incorporation and By-Laws of the Issuer.
 - (iv) Opinions of the legal counsel indicated in Section 7.3 of the Trust Indenture with respect to the Issuer and the Fixed-Rate Notes

29. Meetings of the Noteholders

A meeting of the Noteholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Noteholders of any specified aggregate principal amount of Fixed-Rate Notes under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Noteholders under the Fixed-Rate Notes.

a) Notice of Meetings

The Trustee may at any time call a meeting of the Noteholders, or the holders of at least twenty-five percent (25.00%) of the aggregate outstanding principal amount of Fixed-Rate Notes may direct in writing the Trustee to call a meeting of the Noteholders, 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 Noteholders, 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 Noteholders 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 at least twenty-five percent (25.00%) of the aggregate outstanding principal amount of the Fixed-Rate Notes shall have requested the Trustee to call a meeting of the Noteholders 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, then the Issuer or the Noteholders 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 Trustee shall determine and record the presence of the Majority Noteholders, personally or by proxy. The presence of the Majority Noteholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Noteholders.

d) Procedure for Meetings

- (i) The Trustee shall preside at all the meetings of the Noteholders, unless the meeting shall have been called by the Issuer or by the Noteholders, in which case the Issuer or the Noteholders 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 Noteholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) 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 Fixed-Rate Notes 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 Noteholders, a person shall be a registered holder of one or more Fixed-Rate Notes or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Noteholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Noteholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel, though they will not be permitted to vote.

f) Voting Requirement

Except as provided in Condition 30 (Amendments), all matters presented for resolution by the Noteholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Noteholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture. Any resolution of the Noteholders which has been duly approved with the required number of votes of the Noteholders as herein provided shall be binding upon all the Noteholders and the Issuer as if the votes were unanimous.

g) Role of the Trustee in Meetings of the Noteholders

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Noteholders, in regard to proof of ownership of the Fixed-Rate Notes, the appointment of proxies by registered holders of the Fixed-Rate Notes, 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.

30. Evidence Supporting the Action of the Noteholders

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Fixed-Rate Notes may take any action (including

the making of any demand or requests and 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 Noteholders 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 Noteholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Noteholders.

31. Non-Reliance

Each Noteholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Noteholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Noteholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

32. Amendments

The Issuer and the Trustee may amend or waive any provisions of the Note Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Noteholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Noteholders and provided further that all Noteholders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the Terms and Conditions of the Fixed-Rate Notes with notice to every Noteholder following the written consent of the Majority Noteholders (including consents obtained in connection with a tender offer or exchange offer for the Fixed-Rate Notes) or a vote of the Majority Noteholders at a meeting called for the purpose. However, without the consent of each Noteholder affected thereby, an amendment may not:

- (a) reduce the percentage of principal amount of Fixed-Rate Notes outstanding that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on the Fixed-Rate Notes;
- (c) reduce the principal of or extend the Maturity Date of the Fixed-Rate Notes;
- (d) impair the right of any Noteholder to receive payment of principal of and interest on such Noteholder's Fixed-Rate Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Noteholders;
- (e) reduce the amount payable upon the redemption or repurchase of the Fixed-Rate Notes under the Terms and Conditions or change the time at which the Fixed-Rate Notes may be redeemed;
- (f) make the Fixed-Rate Notes payable in money other than that stated in the Fixed-Rate Notes;
- (g) subordinate the Fixed-Rate Notes to any other obligation of Phoenix;
- (h) release any security interest that may have been granted in favor of the Noteholders;

- (i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Noteholders; or
- (j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Noteholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Noteholders in the manner provided in the paragraph entitled "Notice to the Noteholders."

33. Governing Law

The Note Agreements are governed by and are construed in accordance with Philippine law.

34. Venue

Any suit, action, or proceeding against the Issuer with respect to the Fixed-Rate Notes or the Note Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Noteholders expressly waiving other venue.

35. Waiver of Preference

The obligation created under the Note Agreements and the Fixed-Rate Notes 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.

36. Certain Defined Terms

The following sets forth the respective definitions of certain terms used in this Terms and Conditions of the Fixed-Rate Notes. Except as otherwise provided and where context indicates otherwise, defined terms in these Terms and Conditions of the Fixed-Rate Notes have the meanings ascribed to them in the Trust Indenture.

- (a) Affiliate means any corporation, directly or indirectly controlled by the Issuer, whether by way of ownership of at least twenty percent (20.00%) 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 contract or authority granted by said corporation to the Issuer.
- (b) Bankruptcy means, with respect to a Person, (a) that such Person has (i) made an assignment for the benefit of creditors; (ii) filed a voluntary petition in bankruptcy; (iii) been adjudged bankrupt, or insolvent; or had entered against such Person an order of relief in any bankruptcy or insolvency proceeding; (iv) filed a petition or an answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation or filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against

such Person in any proceeding of such nature; or (v) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties; (b) sixty (60) days have elapsed after the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation and such proceeding has not been dismissed; or (c) sixty (60) days have elapsed since the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties and such appointment has not been vacated or stayed or the appointment is not vacated within sixty (60) days after the expiration of such stay.

- (c) Current Liabilities means the aggregate (as of the relevant date of calculation) of all liabilities of the Issuer falling due on demand or within one (1) year, including that portion of Long Term Debt which falls due within one (1) year (but excluding the current portion of any provision for estimated liability for land and property development) and such other liabilities as would be determined as such under the Philippine Financial Reporting Standards.
- (d) Lien means any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties, for the purpose of securing its or its Affiliates' obligation.
- (e) Long Term Debt means the aggregate (as of the relevant date of calculation) of all those component parts of the liabilities of the Issuer which fall due or whose final payment is due on a date more than one (1) year after the relevant date for calculation, exclusive of reserve for land development and deferred credits, i.e., unearned income and/or unrealized gains.
- (f) Majority Noteholders means the holders of more than fifty percent (50%) in principal amount, of the Fixed-Rate Notes then outstanding.
- (g) Total Liabilities means the aggregate (as of the relevant date for calculation) of Current Liabilities and Long Term Debt.
- (h) Total Stockholders' Equity means the aggregate (as of the relevant date for calculation) of the par value of the outstanding common stock, preferred stock, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the property, plant and equipment of the Issuer effected in compliance with the Philippine Financial Reporting Standards, and any reserve for expansion projects, less any intangible assets such as, but not limited to, goodwill, trademarks, patents, copyrights, leaseholds, and treasury stocks.

FINANCIAL INFORMATION

The following pages set forth Phoenix's audited consolidated financial statements for the period ended December 31, 2017, 2016 and 2015.