



MEGAWORLD CORPORATION

**MEGAWORD CORPORATION**

(A corporation duly organized and existing under Philippine laws)

**OFFER SUPPLEMENT**

10 March 2017

Offer of up to ₱8,000,000,000 Fixed Rate Bonds  
with an Oversubscription Option of up to ₱4,000,000,000  
under its ₱30,000,000,000 Debt Securities Program consisting of

**5.3535% p.a. Series B Bonds due 2024**

at an Offer Price of 100% of Face Value

to be listed and traded through  
the Philippine Dealing and Exchange Corp.

*Issue Manager and Lead Underwriter*



Participating Underwriter



**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

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

MEGAWORLD CORPORATION

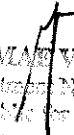
By:

  
**LOURDES T. GUTIERREZ-ALFONSO**  
Chief Operating Officer ✓

10 MAR 2017

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_ day of March 2017, affiant exhibiting to me her Professional Regulation Commission Identification Card with No. 0063739 issued on 28 July 2016 Manila City, Metro Manila.

Doc. No. 98  
Book No. 21  
Page No. IV  
Series of 2017.

  
**ARIANE MAE V. VALLADA**  
Appointment No. M-176  
Notary Public for Makati City  
Until December 31, 2017  
Penthouse, I Party Center  
104 H.V. delos Camas Street, Makati City  
Roll of Attorneys No. 64605  
PTR No. 5913730 / Makati City / 01-07-2017  
ISF No. 1053791 / Quezon City / 01-04-2017

## SUMMARY OF THE OFFER

*This document constitutes the Offer Supplement relating to the offer described herein (the “Offer”). Terms used herein shall be deemed to be defined as set forth in the Prospectus dated 10 March 2017 (the “Prospectus”). This Offer Supplement contains the final terms of this Offer and must be read in conjunction with the Prospectus. Full information on the Issuer and this offering is only available on the basis of the combination of this Offer Supplement and the Prospectus. All information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement.*

Megaworld Corporation is offering Fixed-Rate Bonds and Commercial Papers (each, a “Series”, and collectively, the “Securities”) with an aggregate principal amount of up to ₱30,000,000,000, with each Series to be issued in one or more tranches, under a Debt Securities Program (the “Program”). The first tranche of the Fixed-Rate Bonds Series under the Program, with principal amount of up to ₱8,000,000,000, with an Oversubscription Option of up to ₱4,000,000,000, shall be issued on 28 March 2017 (the “Issue Date”), or such other date as may be agreed upon by the Issuer, the Issue Manager, and the Joint Lead Underwriter. The succeeding Series under the Program are proposed to be issued under a shelf registration within three (3) years from the date hereof.

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing in the Prospectus.*

<b>Issuer</b>	Megaworld Corporation
<b>Issue</b>	The initial tranche of the Fixed-Rate Bond Series constituting the direct, unconditional, unsecured and unsubordinated obligations of Megaworld Corporation (the “Series B Bonds”).
<b>Issue Size of the Series B Bonds</b>	₱8,000,000,000.00
<b>Oversubscription Option</b>	In the event of oversubscription, the Issue Manager and Lead Underwriter, in consultation with the Company, reserves the right to increase the aggregate Issue Size by up to ₱4,000,000,000.00
<b>Manner of Offer</b>	Public offering
<b>Use of Proceeds</b>	The net proceeds of the Issue shall be used primarily to fund the capital expenditure requirements in relation to investment properties of the Company (see “Use of Proceeds”)
<b>Issue Price or Offer Price</b>	100% of the face value of the Series B Bonds
<b>Form and Denomination of the Series B Bonds</b>	The Series B Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market
<b>Offer Period</b>	The offer of the Series B Bonds shall commence at 9:00 am on 15 March 2017 and end at 12:00 pm on 21 March 2017
<b>Issue Date</b>	28 March 2017
<b>Maturity Date</b>	Seven (7) years from Issue Date
<b>Interest Rate</b>	5.3535% p.a.
<b>Interest Computation &amp; Payment</b>	Interest on the Series B Bonds shall be calculated on a 30/360 day count basis commencing on 28 September 2017. Interest on the Series

B Bonds shall be paid semi-annually in arrears on 28 September and 28 March of each year at which the Bonds are outstanding. If the Interest Payment Date is not a Business Day, interest will be paid on the next succeeding Business Day without adjustment to the amount of interest to be paid. The last Interest Payment Date shall fall on the Maturity Date.

**Optional Redemption**

Prior to the Maturity Date of the Series B Bonds, the Issuer shall have a one-time option, but shall not be obligated, to redeem in whole, and not a part only, the outstanding Bonds in accordance with the schedule set forth below.

<b>Optional Redemption Dates</b>	<b>Optional Redemption Price</b>
Fifth (5 <sup>th</sup> ) anniversary from Issue Date	101.0%
Sixth (6 <sup>th</sup> ) anniversary from Issue Date	100.5%

The Issuer shall give no less than thirty (30) nor more than sixty (60) calendar days' prior written notice of its intention to redeem the Series B Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series B Bonds at the Interest Payment Dates stated in such notice. The amount payable to the Bondholders in respect of such redemption shall be calculated as the sum of (i) the relevant Optional Redemption Price applied to the principal amount of the outstanding Series B Bonds being redeemed; and (ii) accrued interest on the Series B Bonds as of the relevant Optional Redemption Date.

**Final Redemption**

The Series B Bonds shall be redeemed at 100% of face value on the Maturity Date.

**Trustee**

BDO Unibank, Inc.-Trust and Investments Group

**Registrar & Paying Agent**

Philippine Depository and Trust Corporation

**Taxation**

Interest income derived from the Series B Bonds by Philippine citizens or resident foreign individuals is subject to income tax, which is withheld at source, at the rate of 20%. Interest on the Series B Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident foreign individuals not engaged in trade or business is subject to a 25% final withholding tax. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 30% final withholding tax. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

Series B Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by the Bureau of Internal Revenue and the Company.

**Listing**

The Series B Bonds are intended to be listed in the Philippine Dealing and Exchange Corp.

## USE OF PROCEEDS

The net proceeds from the issue of the Series B Bonds, without the Oversubscription Option (after deduction of commissions and expenses) is approximately ₱7.92 billion and is presently intended to be used by the Issuer to fund capital expenditures requirements in relation to its investment properties. Assuming the Oversubscription Option of up to ₱4,000,000,000.00 is fully exercised, the Company expects total net proceeds of approximately ₱11.88 billion after fees, commissions and expenses.

Net proceeds from the Offering are estimated to be at least as follows:

<b>For a ₱8.0 billion Issue Size</b>		<b>Total</b>
Estimated proceeds from the sale of Bonds		₱8,000,000,000.00
Less: Estimated expenses		
Documentary Stamp Tax	40,000,000.00	
SEC Registration		
SEC Registration Fee and Legal Research	3,257,250.00	
SEC Publication Fee	100,000.00	
Underwriting and Other Professional Fees		
Underwriting and Legal Fee	32,303,158.00	
Rating Fee	2,080,000.00	
Listing Application Fee	112,000.00	
Listing Maintenance Fee	168,000.00	
Printing Cost	450,000.00	
Trustee Fees	130,000.00	
Paying Agency and Registry Fees	960,000.00	
Miscellaneous fees	500,000.00	80,060,408.00
Estimated net proceeds for ₱8.0 billion Issue		₱ 7,919,939,592.00
<b>For the ₱4.0 billion OverSubscription Option</b>		<b>Total</b>
Estimated proceeds from the sale of Bonds		₱4,000,000,000.00
Less: Estimated expenses		
Documentary Stamp Tax	20,000,000.00	
Underwriting Fees	15,031,579.00	35,031,579.00
Estimated net proceeds for ₱4.0 billion Oversubscription Option		₱ 3,964,968,421.00

Total Net Proceeds (inclusive of Oversubscription Option of ₱4.0 billion) --- ₱ 11,884,908,013.00

Aside from the foregoing one-time costs, the Company expects the following annual expenses related to the Series B Bonds:

1. The Issuer will be charged the first year Annual Maintenance Fee in advance upon the approval of the Listing;
2. The Issuer will pay a monthly retainer fee to the Trustee amounting to ₱20,000.00 or ₱240,000.00 per annum; and
3. After the Issue Date, a Paying Agency fee amounting to 0.05% of the amount to be paid but in no case less than ₱10,000.00 but not exceeding ₱100,000.00 is payable every interest payment date. The Registrar will charge a monthly maintenance fee based on the face value of the Series B Bonds and the number of Bondholders.

The net proceeds of the Issue of approximately ₱7,919,939,592.00, assuming an Issue Size of ₱8.0 billion, shall be used primarily to finance capital expenditures requirements of the Company in relation to its investment properties as set out below.

<i>(Amounts in billion ₱)</i>	Amount and Schedule of Disbursement				Launch Date	Target Completion Date	Percentage Completion <sup>1</sup>
	2017	2018	2019	Total			
<b>Iloilo Business Park</b>	0.53	0.23	-	0.76	2014	2019	53%
<b>McKinley Hill</b>	0.52	-	-	0.52	2015	2017	60%
<b>McKinley West</b>	0.98	0.29	0.08	1.35	2015	2020	3%
<b>Uptown Bonifacio</b>	3.09	2.32	0.76	6.17	2014	2020	8%
<b>Total</b>	<b>5.12</b>	<b>2.84</b>	<b>0.84</b>	<b>8.80</b>			

Note 1: Percentage completion as of 30 September 2016.

If the ₱4.0 billion Oversubscription Option is exercised, the additional net proceeds of ₱3,965.0 million from the Oversubscription Option shall be used to finance the following development projects of the Company.

<i>(Amounts in billion ₱)</i>	Amount and Schedule of Disbursement				Launch Date	Target Completion Date	Percentage Completion <sup>1</sup>
	2017	2018	2019	Total			
<b>Iloilo Business Park</b>	0.40	-	-	0.40	2014	2019	53%
<b>McKinley Hill</b>	0.97	0.47	0.17	1.61	2015	2017	60%
<b>McKinley West</b>	0.71	0.34	-	1.05	2015	2020	3%
<b>Uptown Bonifacio</b>	0.56	0.31	0.16	1.03	2014	2020	8%
<b>Total</b>	<b>2.64</b>	<b>1.12</b>	<b>0.33</b>	<b>4.09</b>			

Note 1: Percentage completion as of 30 September 2016.

The net proceeds of the Issue is expected to be disbursed within 3 years. Any shortfall in the net proceeds for the intended uses described above shall be funded by the Company from internal sources.

The Company undertakes that it will not use the net proceeds from the Issue for any purpose, other than as discussed above. However, the Company's plans may change, based on factors including changing macroeconomic and market conditions, or new information regarding the cost or feasibility of these plans. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans, including modifying the projects described in the foregoing and/or pursuing different projects. In the event of any substantial deviation/adjustment in the planned uses of proceeds, the Company shall inform the SEC, PDEX and the stockholders within 30 days prior to its utilization.

## PLAN OF DISTRIBUTION

BDO Capital, pursuant to an Underwriting Agreement with the Company executed on 10 March 2017 (the “Underwriting Agreement”), has agreed to act as the Issue Manager and Lead Underwriter for the Offer and as such, distribute and sell the Series B Bonds at the Offer Price, and have also committed to underwrite up to ₱8,000,000,000 on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses, with a ₱4,000,000,000 Oversubscription Option. In the event that the Oversubscription Option is not fully exercised, the unexercised portion shall be placed under shelf registration to be offered and issued over a period of three (3) years from the effective date of the registration statement of the Bonds.

China Bank Capital, pursuant to the Underwriting Agreement, has agreed to act as a Participating Underwriter for the Offer.

The Issue Manager and Lead Underwriter and the Participating Underwriter (together, the “Underwriters”) have committed to underwrite the Offer on a firm basis up to the amount indicated below:

<b>Lead Underwriter</b>	<b>Amount</b>
BDO Capital & Investment Corporation	₱7,500,000,000.00

<b>Participating Underwriter</b>	<b>Amount</b>
China Bank Capital Corporation	₱500,000,000.00

The Issue Manager and Lead Underwriter shall have exclusive right and priority to exercise the Oversubscription Option of up to ₱4,000,000,000. The unexercised portion of the Oversubscription Option shall be placed under shelf registration to be issued within the period prescribed by relevant regulations.

There is no arrangement for the Underwriters to return to the Issuer any unsold Series B Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Series B Bonds being made to the Issuer. There is no arrangement as well giving the Underwriters the right to designate or nominate any member to the Board of the Issuer.

The Issuer will pay the Issue Manager and Lead Underwriter a fee of 0.35% on the final aggregate nominal principal amount of the Series B Bonds issued, which is inclusive of the fee to be ceded to Participating Underwriters. No fees will be given to Broker-Dealers selling the Series B Bonds.

The Underwriters are duly licensed by the SEC to engage in underwriting and distribution of securities to the public. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of business with Megaworld, or other members of the Megaworld Group.

BDO Capital is the wholly-owned investment banking subsidiary of BDO Unibank, Inc. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999.

China Bank Capital, a subsidiary of China Banking Corporation, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Bank's investment banking group, which was organized in 2012.



The Issue Manager and Lead Underwriter and the Participating Underwriter, have no direct relations with Megaworld in terms of ownership. The Underwriters have no right to designate or nominate any member of the Board of Megaworld.

## **SALE AND DISTRIBUTION**

The distribution and sale of the Series B Bonds shall be undertaken by the Underwriters who shall sell and distribute the Series B Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters from purchasing the Series B Bonds for their own respective accounts.

There are no persons to whom the Series B Bonds are allocated or designated. The Series B Bonds shall be offered to the public at large and without preference.

The obligations of each of the Underwriters will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by an Underwriter to carry out its obligations thereunder shall neither relieve the other Underwriters of their obligations under the same Underwriting Agreement, nor shall any Underwriter be responsible for the obligation of another Underwriter.

## **OFFER PERIOD**

The Offer Period shall commence at 9:00 am of 15 March 2017, and end at 12:00 pm of 21 March 2017.

## **APPLICATION TO PURCHASE**

Applicants may purchase the Series B Bonds during the Offer Period by submitting to the Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Series B Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Series B Bonds and designating the authorized signatory(ies) thereof.

Individual applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments, a photocopy of any one of the following valid identification cards (ID), subject to verification with the original ID: passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax 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) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the duly-accepted tax exemption certificates and agreeing to indemnify and hold the Issuer 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 relevant taxing or other authorities; provided 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 Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Series B Bonds and the acceptance by the Issuer. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

## **MINIMUM PURCHASE**

A minimum purchase of Fifty Thousand Pesos (₱50,000.00) of the Series B Bonds shall be considered for acceptance. Purchases of the Series B Bonds in excess of the minimum shall be in multiples of Ten Thousand Pesos (₱10,000.00) for each series.

## **ALLOTMENT OF THE SERIES B BONDS**

If the Series B Bonds are insufficient to satisfy all Applications to Purchase, the available Series B Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice and subject to the Issuer's exercise of its right of rejection.

## **ACCEPTANCE OF APPLICATIONS**

The Issuer and the Issue Manager and Lead Underwriter reserve the right to accept or reject Applications to Purchase the Series B Bonds, and in case of oversubscription, allocate the Series B Bonds available to the applicants in a manner they deem appropriate.

## **REFUNDS**

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the relevant Underwriter with whom such application to purchase the Series B Bonds was made.

## **PAYMENTS**

The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by the said Paying Agent in accordance with the Paying Agency and Registry Agreement, provided that beneficial ownership of the Payment Account shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the relevant interest and principal on each Payment Date.

The Paying Agent shall maintain the Payment Account for six (6) months from Maturity Date or date of early redemption. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments.

## **PURCHASE AND CANCELLATION**

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

Upon listing of the Series B Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

## **SECONDARY MARKET**

The Issuer intends to list the Series B Bonds in the PDEX. The Issuer may purchase the Series B Bonds at any time without any obligation to make pro-rata purchases of Series B Bonds from all Bondholders.

## **REGISTRY OF BONDHOLDERS**

The Series B Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Series B Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Series B Bonds shall be shown in the Register of Bondholders to be maintained by the Registrar. Initial placement of the Series B Bonds and subsequent transfers of interests in the Series B Bonds shall be subject to applicable prevailing Philippine selling restrictions. The names and addresses of the Bondholders and the particulars of the Series B Bonds held by them and of all transfers of Series B Bonds shall be entered into the Register of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Register of Bondholders.

## DESCRIPTION OF THE OFFER & THE SERIES B BONDS

*This description relates to the Series B Bonds. The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Series B and C Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of Megaworld, the information contained in this Prospectus, the Trust Indenture Agreement, Issue Management and Underwriting Agreement, and other agreements relevant to the Offer.*

### GENERAL

The issue of up to ₱8,000,000,000.00 aggregate principal amount of 5.3535% per annum Series B Bonds with an oversubscription option of up to ₱4,000,000,000.00 was authorized by a resolution of the Board of Directors of Megaworld dated 18 January 2017.

The Bonds shall be constituted by a Trust Agreement executed on 10 March 2017 (the “Trust Agreement”) by and between the Issuer and BDO Unibank, Inc. – Trust and Investments Group (“BDO Trust” or 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 Agreement. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A registry and paying agency agreement shall be executed on 10 March 2017 (the “Registry and Paying Agency Agreement”) in relation to the Bonds between the Issuer and Philippine Depository and Trust Corporation (“PDTC”) as paying agent (the “Paying Agent”) and registrar (the “Registrar”). The Bonds shall be offered and sold through a general public offering in the Philippines in scripless form in denominations of ₱50,000.00, as a minimum, and in integral multiples of ₱10,000.00 in excess thereof. Unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below, the Bonds will mature on 28 March 2024.

The Registrar and Paying Agent has no interest in or relation to Megaworld which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to Megaworld which may conflict with its role as Trustee for the Bonds.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during regular business hours at the specified offices of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

### Form and Denomination

The Bonds are in scripless form, and shall be issued in denominations of ₱50,000.00, as a minimum, and in integral multiples of ₱10,000.00 in excess thereof, and traded in denominations of ₱10,000.00 in the secondary market.

### Title

Legal title to the Bonds shall be shown in the register of Bondholders (the “Registry Book”) maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Registry Book maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, 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 Bondholder.

### BOND RATING

The Series B Bonds have been rated “PRS Aaa” by Philratings. The factors considered by Philratings in assigning this rating are Megaworld’s ample liquidity, sound capitalization and high-quality management, as well as

expectations that Megaworld's growth strategy will significantly benefit from the continued positive performance of the country's economic growth drivers.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Series B Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Series B Bonds with the regular annual reviews.

## **TRANSFER OF THE BONDS**

### **Registry Book**

The Issuer shall cause the Registry Book to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Registry Book. As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas* ("BSP"), the Registrar shall send each Bondholder 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 Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports, or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder.

### **Transfers; Tax Status**

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a business day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; 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 to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement within three days from the settlement date for such transfer. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEX shall be allowed between tax-exempt and non tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC.

### **Secondary Trading of the Bonds**

The Issuer intends to list the Bonds in the Philippine Dealing and Exchange Corp. ("PDEX") for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof for so long as any of the Bonds are listed on PDEX. Secondary market trading in PDEX shall follow the applicable PDEX rules and conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC.

## **RANKING**

The Bonds, when issued, shall represent the direct, unconditional, unsecured, and unsubordinated obligations of the Issuer to the Bondholders, enforceable according to the terms and conditions thereof. The obligations of the Issuer under the Bonds shall at all times rank at least *pari passu* in all respects and ratably without any preference or priority (except for any statutory preference or priority applicable in the winding-up of the Issuer) amongst themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present or future) of the Issuer.

Except for the term loans of the Issuer with Rizal Commercial Banking Corporation which were notarized on 28 July 2014 and 25 November 2015, the term loans of the Issuer with BDO Unibank, Inc. which were notarized on 7 April 2015 and 11 December 2015, and the term loan with Unionbank of the Philippines which was notarized on 26 August 2016, no other loan or other facility of the Issuer is notarized such that it has preference or priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all creditors under any such other loans or facilities have waived the right to the benefit of any such preference or priority. However, should any creditor hereinafter have a preference or priority over amounts due under the Bonds as a result of a notarization then the Issuer shall procure a waiver of this preference created by such notarization.

## **INTEREST**

### **Interest Payment Dates**

The Series B Bonds bears interest on its principal amount from and including Issue Date at the rate of 5.3535 percent (5.3535%), payable semi-annually in arrears on the 28<sup>th</sup> day of September and March of each year at which the Bonds are outstanding. If the Interest Payment Date is not a Business Day, interest will be paid on the next succeeding Business Day, without adjustment to the amount of interest to be paid. The last Interest Payment Date shall fall on the Maturity Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be two (2) Business Days immediately preceding the relevant Interest Payment Date (the “Record Date”). No transfers of the Bonds may be made during this period intervening between the Record Date and the relevant Interest Payment Date.

The final interest rate of the Series B Bonds shall be determined based on the sum of the relevant Benchmark Rate and the final spread. The Benchmark Rate is defined as:

- a) the simple average of the applicable PDST-R2 benchmark rate for the three (3) business days preceding and inclusive of the Interest Rate Setting Date, provided that all three (3) relevant PDST-R2 rates used in computing the simple average are based on “done” transactions. If this condition is not met, then
- b) If the conditions set out in (a) is not met, then the simple average of the interpolated applicable rate based on the weighted average yields of pre-identified government-issued fixed income securities during the business days with “done” transactions within the three (3) business days preceding and inclusive of the Interest Rate Setting Date.

### **Interest Accrual**

The Series B Bonds shall cease to bear interest on the Maturity Date, as defined in the paragraph on “Final Redemption”, below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld, or refused by the Issuer, in which case the Penalty Interest (see “Penalty Interest”, below) shall apply.

### **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.

## **REDEMPTION AND PURCHASE**

### **Final Redemption**

Unless previously purchased and cancelled, the Series B Bonds shall be redeemed at par or one hundred percent (100%) of face value on 28 March 2024 (the “Maturity Date”). However, payment of all amounts due on such date

may be made by the Issuer through the Paying Agent, without adjustment to the amount of interest to be paid, on the succeeding Business Day if the Maturity Date is not a Business Day.

**Redemption for Taxation Reasons**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, upon giving not less than 30 nor more than 60 days’ notice to the Bondholders, through the Trustee (which notice shall be irrevocable) should payments under the Bonds become subject to additional Taxes, if:

- (i) prior to the giving of such notice, the Issuer determines and provides the Trustee an opinion of legal counsel or written advice of a qualified tax expert, such legal counsel or tax expert being from a law or accountancy firm reasonably acceptable to the Trustee that it has or will become obliged to pay additional Taxes as a result of any change in, or amendment to, the laws or regulations of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Upon redemption by the Issuer for Taxation Reasons, the Bonds shall be redeemed at their principal amount, together with interest accrued to the date fixed for the redemption of the Bonds and such additional sum, if any, as will result in ensuring that the Bondholders, notwithstanding the payment by the Issuer of the increase or additional Tax, shall receive the same amount as if such increased or additional Tax were not made by the Issuer, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts.

Prior to giving notice of redemption, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Bondholders.

For the avoidance of doubt, the right of the Issuer to redeem the Bonds may be exercised prior to the Issuer becoming obliged to pay the additional or increased taxes. Upon redemption, the Issuer shall not be liable for any additional or increased taxes which it has not yet become obliged to pay on or prior to the date of redemption.

**Optional Redemption**

Prior to the Maturity Date of the Series B Bonds, the Issuer shall have a one-time option, but shall not be obligated, to redeem in whole, and not a part only, the outstanding Series B Bonds in accordance with the schedule set forth below.

Optional Redemption Dates on Series B Bonds	Optional Redemption Price
Fifth (5 <sup>th</sup> ) anniversary from Issue Date	101.0%
Sixth (6 <sup>th</sup> ) anniversary from Issue Date	100.5%

The Issuer shall give no less than thirty (30) nor more than sixty (60) calendar days’ prior written notice of its intention to redeem the Series B Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series B Bonds at the Interest Payment Dates stated in such notice. The amount payable to the Bondholders in respect of such redemption shall be calculated as the sum of (i) the relevant Optional Redemption Price applied to the principal amount of the outstanding Series B Bonds being redeemed; and (ii) accrued interest on the Series B Bonds as of the relevant Optional Redemption Date.

## **Purchase and Cancellation**

The Issuer may at any time purchase any of the Series B Bonds at any price in the open market or by tender or by contract at market price, in accordance with PDEX rules, without any obligation to purchase the Series B Bonds *pro rata* from all Bondholders. Any Series B Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

## **Change in Law or Circumstance**

If any provision of the Trust Agreement or any of the related documents is or shall become, for any reason, invalid, illegal, or unenforceable to the extent that it 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 Agreement 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 Agreement or any other related documents, the Issuer shall provide the Trustee an opinion of legal counsel confirming the foregoing, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon, the Trustee, upon notice to the Issuer, shall declare the principal of the Bonds, including all accrued interest 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 pre-payment penalty, notwithstanding anything in the Trust Agreement or in the Bonds to the contrary.

## **Payments**

The principal of, interest on, and all other amounts payable on the Bonds shall be paid by the Paying Agent who shall pay on behalf of the Issuer the amounts due in respect of the Bonds by crediting the proper amounts via Real Time Gross Settlement (“RTGS”) system, net of applicable taxes and fees, to the Demand Deposit Account (“DDA”) of the Cash Settlement Bank designated by the Bondholders. The Paying Agent shall inform the Cash Settlement Banks of the accounts of the Bondholders to be credited and shall cause the designated Cash Settlement Bank to credit the amounts due in respect of the Bonds to the Bondholders. Payment by the Cash Settlement Bank shall be by direct crediting of the Cash Settlement Account of the Bondholders. Once the DDAs of each Bondholder in the Cash Settlement Banks have been credited, the settlement of the cash entitlement shall be deemed final and irrevocable. At each relevant Payment Date, the designated Cash Settlement Banks shall provide the Paying Agent a written certification confirming payment to the Bondholders. The Paying Agent and the Issuer shall be held free and harmless from any losses, claims, damages, liabilities and expenses, arising from or in relation to non-receipt by a Bondholder of the relevant cash entitlement once the Bangko Sentral ng Pilipinas Demand Deposit Accounts (“BSP DDAs”) of the respective Cash Settlement Banks designated by the Bondholders have been credited with the interest or principal.

The Issuer shall ensure that so long as any of the Series B Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Series B Bonds. The Issuer may terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement. In the event the Paying Agent shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint another entity 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.

Any amounts payable on the Series B Bonds shall be paid to the Bondholders appearing on the Registry Book as of the relevant Record Date. No transfers of the Bonds may be made during the period intervening between the Record Date and any relevant date when payment of principal or interest is due.

## **Payment of Additional Amounts; Taxation**

Interest income on the Bonds is subject to a final withholding tax at rates between twenty percent (20%) and thirty percent (30%) depending on the tax status of the Bondholder under relevant law, regulation, or tax treaty. 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 the 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) Income tax on any gain by a holder of the Bonds realized from the sale, exchange or retirement of the Bonds.
- (b) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential 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) certified true copy of the tax exemption certificate, ruling, or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate;
  - (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, 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 relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; 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 Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;
- (c) Gross Receipts Tax under Section 121 of the Tax Code;
- (d) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- (e) 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 Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

## **FINANCIAL COVENANTS**

Until redemption or payment in full of the aggregate outstanding principal amount of the Series B Bonds, the Issuer hereby covenants and agrees with the Trustee that, unless the holders of more than fifty percent (50%) of the principal amount of Bonds then outstanding. ("Majority Bondholders") shall otherwise consent in writing:

- (i) the Debt to Equity Ratio tested on 30 June and 31 December each year shall not at any time exceed 2:1;
- (ii) the Debt Service Coverage Ratio tested on 30 June and 31 December each year, by reference to the immediately preceding twelve (12) months, shall not be less than 1.5:1;
- (iii) the ratio of Current Assets to Current Liabilities tested on 30 June and 31 December each year shall be at least 1:1 by reference to the immediately preceding twelve (12) months based on the

consolidated financial statements of the Issuer for the December 31 testing and based on the immediately preceding six (6) months based on the consolidated unaudited financial statements for the June 30 testing.

Where:

**"Consolidated EBITDA"** means an amount equal to:

(a) the sum of the Issuer's consolidated net income, plus the following to the extent reducing such consolidated net income for such period:

- (1) the provision for taxes based on income or profits or utilized in computing net loss;
- (2) interest, commissions, discounts, and other fees and charges associated with Financial Indebtedness;
- (3) amortization of intangible assets;
- (4) depreciation of tangible assets;
- (5) any realized and unrealized exchange losses including those arising on translation of foreign currency debt; and/or
- (6) any other non-cash items (other than such non-cash items to the extent that it represents an accrual or reserve for cash expenditures in any future period); and

(b) minus the following to the extent increasing consolidating net income for such item:

- (1) all non-cash items (other than any such non-cash items to the extent that it will result in the receipt of cash payments in any future period); and/or
- (2) any realized and unrealized exchange gains including those arising on translation of foreign currency debt;

Notwithstanding the foregoing clause (a), the provision for taxes and the depreciation, amortization, realized and unrealized exchange losses and non-cash items of a Subsidiary shall be added to consolidated net income to compute Consolidated EBITDA only to the extent (and in the same proportion) that the net income of such Subsidiary was included in calculating consolidated net income;

**"Current Assets"** means the aggregate value of the assets of the Issuer that are classified as current assets in accordance with GAAP and as shown in its Balance Sheet;

**"Current Liabilities"** means the aggregate amount of the liabilities of the Issuer that are classified as current liabilities in accordance with GAAP and as shown in its Balance Sheet;

**"Debt Service Coverage Ratio"** means the Consolidated EBITDA for the relevant period divided by the sum of the principal amortization and interest payment expense of the Issuer for Financial Indebtedness;

**"Debt to Equity Ratio"** means the ratio of Financial Indebtedness divided by Total Equity

**"Total Equity"** means equity attributable to equity holders of the Issuer and minority interest.

## **NEGATIVE PLEDGE**

Until redemption or payment in full of the aggregate outstanding principal amount of the Series B Bonds, the Issuer covenants and agrees that it shall not, and shall procure that its Subsidiaries will not, without the prior written consent of the Majority Bondholders, directly or indirectly incur or suffer to exist any Security Interest other than any Permitted Security Interest, or enter into any loan facility agreement secured by or to be secured by a Security Interest other than a Permitted Security Interest.

**Security Interest** means any mortgage, charge, pledge, lien, encumbrance, preferential arrangement creating preference in payment of any indebtedness whether or not creating or constituting a security interest on or with respect to any asset of the Issuer, or any other agreement or arrangement having a similar effect;

**Financial Indebtedness** means any indebtedness of the Issuer for or in respect of:

- (a) monies borrowed;
- (b) any debenture, bond, note, loan stock, or any similar instrument;
- (c) any amount raised by acceptance under any acceptance credit facility;
- (d) any obligation in respect of a standby or documentary letter of credit or any other similar instrument issued by a bank or financial institution;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind entering into that agreement is to raise financing or that agreement is in respect of the supply of assets or services;
- (g) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (h) any currency swap, or interest rate swap, cap or collar arrangement, or any other derivative instrument;
- (i) any amount raised by the issue of redeemable shares;
- (j) any amount raised under any other transaction having the commercial effect of a borrowing; and/or
- (k) any guarantee or indemnity or other assurance against financial loss of any person.

**Permitted Security Interest** means the following:

- (i) Any Security Interest over assets purchased, leased, or developed in the ordinary course of business to secure payment of the purchase price or cost of leasehold rights of such asset;
- (ii) Any Security Interest over assets purchased in the ordinary course of business which have over them a Security Interest created by a third party at the time such assets were purchased by the Issuer but which the Issuer shall undertake to remove or discharge with finality within six (6) months from the date such property is acquired by the Issuer;
- (iii) Any Security Interest created for the purpose of paying current taxes, assessments, or other governmental charges which are not delinquent or which remain payable without any penalty, or the validity of which is contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof and adequate reserves having been provided for the payment thereof;
- (iv) Any Security Interest to secure: (1) statutory obligations; (2) surety or appeal bonds; (3) bonds for release of attachment, stay of execution, or injunction; or (4) performance of bids, tenders, contracts (other than for the repayment of Financial Indebtedness), or leases in the normal course of business;
- (v) Any Security Interest: (1) imposed by Law such as carrier's, warehousemen's, and mechanics' liens, and other similar liens arising in the ordinary course of business; (2) under the workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation; or (3) arising out of set-off provisions in other agreements of the Issuer or its Subsidiaries relating to its indebtedness, provided that the Bondholders hereunder shall also have, to the extent permitted by applicable Law and upon notice to the Issuer, a similar right of set-off;
- (vi) Any Existing Security Interest;
- (vii) Any Security Interest constituted for the purpose of guaranteeing an affiliate's or subsidiary's obligation in connection with any contract or agreement (other than for Financial Indebtedness) that has been assigned to such affiliate or subsidiary by the Issuer as part of the Issuer's ordinary course of business; and
- (viii) In relation to any instances not covered by paragraphs (i) to (vii), security interests created with the prior consent of Majority Bondholders.

## EVENTS OF DEFAULT

Each of the following events shall constitute an Event of Default (whether or not caused by any reason whatsoever outside the control of the Issuer or any other Person):

- (a) the Issuer fails to pay when due any principal or interest payable by the Issuer under the Bond Agreements in the manner, in which it is expressed to be payable;
- (b) the Issuer fails to pay when due any other amount payable by the Issuer under the Bond Agreements in the manner, at the place and in the currency in which it is expressed to be payable, and such non-payment continues for five (5) calendar days from the date such payment is due;
- (c) any representation or warranty made by the Issuer in any of the Bond Agreements shall prove to have been incorrect in any material respect when made or deemed repeated, unless the circumstances giving rise to the misrepresentation or breach of warranty:
  - (1) are capable of remedy; and
  - (2) are remedied within thirty (30) calendar days of the earlier of (i) the Trustee giving notice to the Issuer and (ii) the Issuer becoming aware of the misrepresentation or breach of warranty.
- (d) the Issuer is in breach of any of the provisions of the Bond Agreements (other than those undertakings or covenants referred to in paragraphs (a), (b) and (c)) of the Terms and Conditions (Events of Default) and such breach (i) shall not have been waived by the Majority Bondholders, or (ii) if remediable, in the reasonable opinion of the Trustee, shall continue to be unremedied for a period of ten (10) Business Days from written notice by the Trustee;
- (e) any obligation having an outstanding principal amount of US\$20,000,000 or more, or its equivalent in other currencies of the Issuer or any Subsidiary under a contract executed by it with any bank, financial institution, or other Person for the payment of Financial Indebtedness is not paid when due, or a default shall have occurred in the performance or observance of any instrument or agreement pursuant to which such obligation was created, the effect of which is to cause, entitle, or permit such obligation to become due prior to its stated maturity or to cancel or suspend any commitment for such Financial Indebtedness.
- (f) any approval for the Issuer required in relation to the performance of its payment or other material obligations under, or for the validity or enforceability of the Bond Agreements is revoked, rescinded, suspended, or otherwise limited in effect (notice of which shall be given by the Issuer to the Bondholders through the Trustee forthwith upon the Issuer becoming aware thereof) and such is not remedied by the Issuer within a period of fifteen (15) Business Days from the date the Issuer became aware thereof;
- (g) any order is made by any competent court or resolution passed by the Issuer for the appointment of a liquidator, receiver, trustee, administrator, or similar officer of the Issuer or of any of its assets, save for the purposes of amalgamation or reorganization not involving insolvency the terms of which shall have received the prior written approval of the Majority Bondholders;
- (h) the assets of the Issuer is less than its liabilities; or the Issuer is unable to pay its Financial Indebtedness as they fall due, or makes a general assignment for the benefit of or composition with its creditors, or has filed for suspension of payments, or is adjudicated or found bankrupt or insolvent;
- (i) the Issuer ceases to carry on its business or disposes or indicates that it intends to dispose of a substantial part of its business, properties or assets; or the same are seized, expropriated, or attached, or subject of any proceedings for seizure, expropriation, or attachment; or the Issuer changes or indicates that it intends to change the nature of its business in a way which in the reasonable opinion of the Majority Bondholders would have a Material Adverse Effect or would otherwise be materially prejudicial to the Bondholders in respect of any Bond; or any action or proceeding is taken in relation to the winding-up, dissolution, administration, supervision, or reorganization of the Issuer;

- (j) the Issuer, from the date of this Agreement has commenced negotiations, with any one or more of its creditors with a view to a general adjustment or rescheduling of its Financial Indebtedness (being Financial Indebtedness which it will or might otherwise be unable to pay when due)
- (k) any of the concessions, permits, rights, franchises, 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 shall materially and adversely affect the ability of the Issuer to meet its obligations under this Agreement, and such action is not rectified or otherwise remedied within forty-five (45) calendar days from its occurrence or imposition, or within such longer period as may be granted by the Majority Bondholders at their sole discretion;
- (l) an attachment or garnishment of or levy upon any of the properties or assets of the Issuer is made which will result in a Material Adverse Effect, and such attachment or garnishment is not lifted or remedied with finality within sixty (60) calendar days from its occurrence or imposition;
- (m) the Issuer repudiates a Bond Agreement or evidences an intention to repudiate a Bond Agreement; and
- (n) any event occurs or any circumstance arises which, in the opinion of the Majority Bondholders constitutes or is likely to constitute a Material Adverse Effect and such event or circumstance is not remedied within fifteen (15) Business Days from receipt by the Issuer of notice from the Bondholders.

#### **CONSEQUENCES OF DEFAULT**

- (a) If any one or more of the Events of Default shall have occurred and be continuing, and has not been waived by the Majority Bondholders (i) the Trustee shall, by notice in writing delivered to the Issuer, or upon the written direction of the Majority Bondholders whose written instructions/consents/letters shall be authenticated and summarized by the Registrar to the Trustee and by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders may, by notice in writing delivered to the Issuer and the Trustee, declare the principal of the Bonds, including all accrued interest 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 presentment, demand, protest, or further notice of all kinds, all of which are hereby expressly waived by the Issuer.
- (b) This provision, however, is subject to the condition that the Majority Bondholders may, by written notice to the Issuer and the Trustee, during the prescribed curing period, if any, rescind and annul such declaration made by the Trustee pursuant to paragraph (a) above, 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.

#### **Notice of Default**

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

#### **Penalty Interest**

In case any amount payable by the Issuer under any of the Bonds, whether for principal, interest, or otherwise, is not paid when due, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, and other

amounts, pay penalty interest to the Bondholders on the defaulted amount(s) at the rate of twelve percent (12%) p.a. (the "Penalty Interest") from the time the amount falls due until it is fully paid.

### **Payment in the Event of Default**

The Issuer covenants that if any Event of Default under any of the Bonds shall have occurred and be continuing, and has not been waived by the Majority Bondholders, the Issuer shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal 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.

### **Application of Payments in the Event of Default**

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds in the Event of Default, shall be applied by the Paying Agent in the order of preference as follows: (1) to the payment to the Trustee, the Paying Agent and the Registrar, and PDEX, 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 gross negligence or bad faith, duly incurred or disbursed as of payment date in accordance with the Trust Agreement and the Registry and Paying Agency Agreement; (2) 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 Bondholders; (3) to the payment of the whole amount then due and unpaid upon the Bonds for principal and interest, with Penalty Interest, which payment shall be made *pro rata* among the Bondholders; and (4) 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. Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee.

### **Prescription**

Claims in respect of principal and interest or other sums payable under the Bonds 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.

### **Remedies**

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the paragraph below on "Ability to File Suit".

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

### **Ability to File Suit**

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement 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 Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up

matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit, or proceeding in 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 Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb, or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable, and common benefit of all the Bondholders.

### **Waiver of Default by the Bondholders**

The Trustee 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 the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default, except the events of default defined as a payment default, cross default, expropriation default, or insolvency default, and its consequences. In case of any such waiver, the Issuer, the Trustee, and the Bondholders shall be restored to their former positions and rights hereunder; provided, 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 Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

### **TRUSTEE; NOTICES**

#### **Notice to the Trustee**

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

To the Trustee: BDO Unibank, Inc. Trust and Investments Group  
Attention: The Trust Officer  
Subject: Megaworld Corporation Fixed Rate Series B Bonds Due 2024  
Address: 15th Floor South Tower, BDO Corporate Center  
7899 Makati Avenue, Makati City

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

#### **Notice to the Bondholders**

The Trustee shall send, through the Registrar, all Notices to Bondholders to their mailing address as set forth in the Registry Book. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Registry Book. The Trustee and/or the Registrar shall rely on the Registry Book in determining the Bondholders 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.

#### **Binding and Conclusive Nature**

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations, and decisions given, expressed, made, or obtained by the Trustee for the purposes of the provisions of the Trust Agreement shall (in the absence of willful default, bad faith, or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent, or the

Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties, and discretions under the Trust Agreement.

#### **Duties and Responsibilities of the Trustee**

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, 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 Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders 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 Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, 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) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.
- (d) None of the provisions contained in the Trust Agreement or Prospectus 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.

#### **Resignation and Change of Trustee**

- (a) The Trustee may at any time resign by giving ninety (90) days' prior written notice to the Issuer and to the Bondholders 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 (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to 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 Bondholder who has been a *bona fide* holder for at least six months (the "*bona fide* Bondholder") may, for and in behalf of the Bondholders, 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) A successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.
- (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 from there remove



the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor trustee, any Bona Fide Bondholder 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 Bondholders 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 of the action in that regard taken by the Majority Bondholders.
- (f) Without prejudice to any liabilities of the Trustee which have accrued, any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions of this Subsection shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (a) (the “Resignation Effective Date”) provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the “Holdover Period”), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by Megaworld.

#### **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 Agreement. 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. Upon effectivity of the removal or resignation of the Trustee as provided above, and except as otherwise provided in the Terms and Conditions, the Trustee’s liabilities and obligations shall immediately cease.
- b) Upon acceptance of the appointment by a successor trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within 10 days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

#### **Reports to the Bondholders**

- (a) The Trustee shall submit to the Bondholders on or before 31 March of each year from the Issue Date until full payment of the Bonds 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 Bondholders on the date of such report; and
  - (ii) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, 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 Bondholders 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 Bondholders 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%) of the aggregate outstanding principal amount of the Bonds at such time.

### **Inspection of Documents**

The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

1. Trust Agreement
2. Registry and Paying Agency Agreement
3. Articles of Incorporation and By-Laws of the Issuer
4. Registration Statement of the Issuer

### **MEETINGS OF THE BONDHOLDERS**

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

#### **Notice of Meetings**

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds may direct in writing through the Registrar, the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to each of the registered Bondholders, through the Registrar, and to the Issuer, as may be necessary, at least 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.

#### **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%) of the aggregate outstanding principal amount of the Bonds shall have requested, through the Registrar, the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

#### **Quorum**

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

#### **Procedure for Meetings**

- (a) The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting. The Trustee and Registrar shall initially and continually preside as chairman and secretary, respectively, until a chairman and secretary are elected by the Majority Bondholders.

- (b) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one year from the date for which the meeting shall originally have been called and the meeting so adjourned may be held without further notice to the Bondholders present or represented at the original meeting. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting. At least five days prior to the meeting to which the original meeting is adjourned, the Trustee, through the Registrar, shall send to all Bondholders not present or represented at the original meeting notice setting forth the time and the place of the meeting to which the original meeting was adjourned and indicating that the purpose of such meeting is the same as that of the original 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.

### **Voting Rights**

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one (1) or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one 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 Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

### **Voting Requirement**

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

### **Role of the Trustee in Meetings of the Bondholders**

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

### **Evidence Supporting the Action of the Bondholders**

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests 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 Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of such Bondholders.

### **Non-Reliance**

Each Bondholder 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 Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee.

The Bondholders 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. None of the provisions contained in the Trust Agreement and Prospectus shall require or be interpreted as requiring 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.

## **AMENDMENTS**

- (a) The Issuer and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of this Agreement if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.
- (b) The Issuer and the Trustee may amend the Terms and Conditions of the Bonds without prior notice to every Bondholder, but with the written consent of the Majority Bondholders. However, the following amendments may not be carried out without the written consent of each Bondholder affected thereby, notwithstanding any meeting among such Bondholders, in accordance with Section 8, in case one is held for this purpose:
  - 1) reduce the number of Bondholders that must consent to an amendment or waiver;
  - 2) reduce the rate of or extend the time for payment of interest on the Bonds;
  - 3) reduce the principal of or extend the Maturity Date of the Bonds;
  - 4) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
  - 5) reduce the amount payable upon the redemption or repurchase of the Bonds under the Terms and Conditions or change the time at which any Bond may be redeemed;
  - 6) make any Bond payable in money other than that stated in the Bond;
  - 7) subordinate the Bonds to any other obligations of the Issuer;
  - 8) release any security interest that may have been granted in favor of the Bondholders;
  - 9) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default, or the Waiver of Default by the Bondholders in the Terms and Conditions; or
  - 10) make any change or waiver of this condition.

It shall not be necessary for the consent of the Bondholders 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 Bondholders affected in the manner provided in the section entitled "Notices,"

## **GOVERNING LAW**

The agreements relating to the Bonds are governed by and are construed in accordance with Philippine law.

## CAPITALIZATION AND INDEBTEDNESS

As at 30 September 2016, the authorized capital stock of the Issuer was ₱40.20 billion divided into 40.14 billion common shares with a par value of P1 per share and 6 billion voting, cumulative, non-participating, non-convertible and non-redeemable preferred shares with a par value of ₱0.01 per share, and its issued capital stock was ₱32.43 billion consisting of 32.37 billion common shares of ₱1 par value each and 60.0 billion preferred shares of ₱0.01 par value each.

The following table sets forth the consolidated capitalization and indebtedness of the Company as at 30 September 2016 and as adjusted to give effect to the issue of the Series B Bonds (assuming the Oversubscription Option is not exercised). This table should be read in conjunction with the Issuer's unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2016 and notes thereto, included in this Prospectus.

	As at 30 September 2016	
	Actual (Unaudited)	Adjusted
<i>(in ₱ millions)</i>		
Cash and cash equivalents	13,410	25,410
Interest-bearing loans and borrowings- current portion	6,098	6,098
<b>Long-term debt</b>		
Interest-bearing loans and borrowings	28,079	28,079
Bonds payable	21,528	21,528
Proceeds from the Offer	-	8,000
Total long-term debt	49,607	57,607
<b>Equity</b>		
Capital Stock	32,431	32,431
Additional paid-in capital	16,658	16,658
Treasury Shares	(634)	(634)
Net actuarial loss on retirement benefit plan	(29)	(29)
Net unrealized gain(loss) on available-for-sale financial assets	(2,808)	(2,808)
Share in other comprehensive income of associates	39	39
Accumulated translation adjustment	(400)	(400)
Retained earnings		
Appropriated	-	-
Unappropriated	78,176	78,176
Minority Interest	17,962	17,962
Total Equity	141,395	141,395
Total capitalization	191,002	199,002

**PARTIES TO THE OFFER**

*Issuer*

**MEGAWORLD CORPORATION**

*Issue Manager & Lead Underwriter*

**BDO CAPITAL & INVESTMENT CORPORATION**

*Participating Underwriter*

**CHINA BANK CAPITAL CORPORATION**

*Trustee*

**BDO UNIBANK, INC. TRUST & INVESTMENT GROUP**

*Registrar and Paying Agent*

**PHILIPPINE DEPOSITORY AND TRUST CORPORATION**

*Legal Counsel to the Issuer*

**PICAZO BUYCO TAN FIDER & SANTOS**

*Legal Counsel to the Lead Underwriter*

**ANGARA ABELLO CONCEPCION REGALA & CRUZ**

*Independent Auditors*

**PUNONGBAYAN & ARAULLO**