



## **SMC GLOBAL POWER**

A SUBSIDIARY OF SAN MIGUEL CORPORATION

### **SMC Global Power Holdings Corp.**

155 EDSA, Wack-Wack, Mandaluyong City, Philippines

#### **OFFER SUPPLEMENT**

**Offer of up to ₱20,000,000,000.00 Fixed Rate Bonds  
under its ₱35,000,000,000.00 Shelf Registration**

**consisting of**

**Series D Bonds: 5.3750% p.a. Due 2022,**

**Series E Bonds: 6.2500% p.a. Due 2024**

**and**

**Series F Bonds: 6.6250% p.a. Due 2027**

**Offer Price: 100% of Face Value**

**to be listed in the Philippine Dealing & Exchange Corp.**

#### **Joint Issue Managers**

BDO Capital & Investment Corporation

PNB Capital & Investment Corporation

Standard Chartered Bank

#### **Joint Lead Underwriters and Bookrunners<sup>1</sup>**

BDO Capital & Investment Corporation

BPI Capital Corporation

China Bank Capital Corporation

PNB Capital & Investment Corporation

RCBC Capital Corporation

Standard Chartered Bank

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

The date of this Offer Supplement is December 8, 2017

<sup>1</sup>The short term loan extended by BDO Unibank, Inc. and Philippine National Bank, the parent companies of BDO Capital and Investment Corporation and PNB Capital and Investment Corporation, respectively, will be fully repaid from the proceeds of the Offer

**SMC Global Power Holdings Corp.**

155 EDSA, Wack-Wack, Mandaluyong City, Philippines

Telephone Number: (632) 702 4500

This Offer Supplement relates to the offer and sale (the “**Offer**”) of fixed rate bonds (the “**Offer Bonds**”) with an aggregate principal amount of Twenty Billion Pesos (₱20,000,000,000) of SMC Global Power Holdings Corp. (the “**Company**”, the “**Issuer**” or “**SMC Global Power**”) under its shelf registration of Thirty-Five Billion Pesos (₱35,000,000,000) worth of Bonds. The Offer Bonds will be listed and traded in the Philippine Dealing & Exchange Corp. (“**PDEX**”). The Offer Bonds will be issued on December 22, 2017 (the “**Issue Date**”) and will be comprised of the Series D Bonds, the Series E Bonds, and the Series F Bonds. While the Issuer has the discretion to allocate the principal amount among the Series D Bonds, Series E Bonds and Series F Bonds based on the bookbuilding process, the Issuer may opt not to allocate any of the principal amount to any of these series.

This Offer Supplement contains the final terms of the Offer Bonds and must be read in conjunction with the Prospectus. Unless defined in this Offer Supplement, terms used herein shall be deemed to be defined as set forth in the Prospectus. Full information on the Issuer and this Offer is only available on the basis of the combination of this Offer Supplement, the Prospectus, and all other Bond Agreements. All information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement.

The Series D Bonds shall have a term of five (5) years from the Issue Date, with a fixed interest rate equivalent to 5.3750% per annum. The Series E Bonds shall have a term of seven (7) years from the Issue Date, with a fixed interest rate equivalent to 6.2500% per annum. The Series F Bonds shall have a term of ten (10) years from the Issue Date, with a fixed interest equivalent to 6.6250% per annum. Interest on the Offer Bonds shall be payable quarterly in arrears on March 22, June 22, September 22 and December 22 of each year with the first Interest Payment Date on March 22, 2018, for as long as the Offer Bonds remain outstanding or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. For a more detailed discussion on the interest payments due on the Offer Bonds, see “Description of the Offer Bonds” – “Interest” of this Offer Supplement.

Subject to the consequences of default as may be contained in the Trust Agreement, and unless otherwise redeemed or purchased prior to the relevant Maturity Date, the Offer Bonds will be redeemed at par or 100% of the face value thereof on the relevant Maturity Date. For a more detailed discussion on the redemption of the Offer Bonds, see “Description of the Offer Bonds” – “Redemption and Purchase” of this Offer Supplement.

Upon issuance, the Offer Bonds shall constitute direct, unconditional, unsubordinated, and unsecured obligations of the Company and shall at all times rank *pari passu* and without preference among themselves and among any present and future unsubordinated and unsecured obligations of the Company, except for any statutory preference or priority established under Philippine law. The Offer Bonds will effectively be subordinated in right of payment to all of the secured debts of the Company to the extent of the value of the assets securing such debt and all of its debts evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines. For a more detailed discussion on the ranking of the Offer Bonds, see “Description of the Offer Bonds” – “Ranking” of this Offer Supplement.

The Offer Bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (“**PhilRatings**”) on September 20, 2017. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency concerned.

The Offer Bonds are offered to the public at face value through the **Joint Lead Underwriters and Bookrunners** named above, with the Philippine Depository & Trust Corporation (“**PDTC**” or “**Registrar and Paying Agent**”) acting as the Registrar of the Offer Bonds. PDTC has no interest

or relation to the Company which may conflict with the performance of its function as Registrar of the Offer Bonds.

The Offer Bonds will be issued in scripless form, with PDTC maintaining the electronic records of the Registrar bearing the official information on the names and addresses of the Bondholders and the number of Offer Bonds they respectively hold, including all transfers of the Offer Bonds and the names of subsequent transferee Bondholders (the “**Register of Bondholders**”). The Offer Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter. The Offer Bonds shall be traded in denominations of ₱10,000.00 in the secondary market.

The Company expects to raise gross proceeds amounting up to ₱20,000,000,000.00 and the net proceeds are estimated to be at least ₱19,794,681,875 after deducting fees, commissions and expenses relating to the issuance of the Offer Bonds. The net proceeds of the Offer shall be used primarily by the Company to refinance the short-term loans extended by BDO Unibank, Inc. (“**BDO**”) and Philippine National Bank (“**PNB**”) amounting to ₱20 billion. For a more detailed discussion on the use of proceeds, see “Use of Proceeds” of this Offer Supplement.

Each investor in the Offer Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase, offer or sale under the laws and regulations in force in any jurisdiction to which it is subject, and neither the Company nor the Joint Issue Managers and Joint Lead Underwriters and Bookrunners shall have any responsibility therefore.

Each of the Joint Issue Managers and Joint Lead Underwriters and Bookrunners will receive a fee from the Company of 0.35% based on their respective underwriting commitments, which shall be grossed up for gross receipts tax of 5% or 7%, as applicable. For a more detailed discussion on the fees to be received by the Joint Issue Managers and Joint Lead Underwriters and Bookrunners, see “Plan of Distribution” of this Offer Supplement.

BDO Capital and PNB Capital are wholly-owned subsidiaries of BDO and PNB, respectively, which will receive full payment out of the proceeds of the Offer as the lender under the short term loan. For a more detailed discussion on the use of proceeds, see “Use of Proceeds” of this Offer Supplement.

On October 6, 2017, the Company filed a registration statement with the Securities and Exchange Commission of the Philippines (“**SEC**”), in accordance with the Securities Regulation Code (“**SRC**”) for the registration of the Offer Bonds.

The information contained in this Offer Supplement relating to the Company, its operations and those of its subsidiaries and affiliates has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Offer Supplement relating to it, its operations and those of its subsidiaries and affiliates is correct, and that there is no material misstatement or omission of fact which would make any statement in this Offer Supplement misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy information contained in this Offer Supplement with respect to the same.

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners confirm that they have exercised the required due diligence in verifying that all material information in this Offer Supplement is true and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. The Joint Issue Managers, Joint Lead Underwriters and Bookrunners assume no liability for any information supplied by the Company in relation to the Prospectus and this Offer Supplement.

Unless otherwise stated, the information contained in the Prospectus and this Offer Supplement has been supplied by the Company. The Company (which has taken all reasonable care to ensure

that such is the case) confirms that the information contained in the Prospectus and this Offer Supplement is correct, and that there is no material misstatement or omission of fact which would make any statement in the Prospectus and this Offer Supplement misleading in any material respect. The Joint Lead Underwriters and Bookrunners have exercised reasonable due diligence required by regulations in ascertaining that all material representations contained in the Prospectus and this Offer Supplement are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

No representation or warranty, express or implied, is made or given by the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers as to the accuracy, completeness or sufficiency of the information contained in this Offer Supplement, and nothing contained in this Offer Supplement is, or shall be relied upon as, a promise, representation or warranty by the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers. This Offer Supplement is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers that any recipient of this Offer Supplement should purchase the Offer Bonds.

No person has been authorized to give any information or to make any representation not contained in this Offer Supplement. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or any of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. This Offer Supplement does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any of the securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Before making an investment decision, investors must rely on their own examination of the Company and the terms of the Offer, including the risks involved. These risks include:

- risks related to the Company's business;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Bonds.

There can be no assurance in respect of: (i) whether the Company would issue such debt securities at all; (ii) the size or timing of any individual issuance or the total issuance of such debt securities; or (iii) the specific terms and conditions of any such issuance. Any decision by the Company to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within the control of the Company, including but not limited to: prevailing interest rates, the financing requirements of business and prospects of the Company, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Offer Bonds described in this Offer Supplement involves a certain degree of risk. A prospective purchaser of the Offer Bonds should carefully consider several factors inherent to the Company such as risks pertinent to the industry and operational risks relevant to the Philippines *vis-à-vis* risks inherent to the Offer Bonds, in addition to the other information contained in this Offer Supplement, in deciding whether to invest in the Offer Bonds.

For a more detailed discussion on the risks in investing in the Offer Bonds, see the section entitled "Risk Factors" in the Prospectus, which, while not intended to be an exhaustive enumeration of all the risks, must be considered in connection with any investment in or any purchase of the Offer Bonds.

The Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standard Council of the Philippines. PFRS include statements named PFRS and Philippine Accounting Standards, and Philippines Interpretations from International Financial Reporting Interpretations Committee.

Figures in this Offer Supplement have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's fiscal year begins on January 1 and ends on December 31 of the year. R.G. Manabat & Co., a member firm of KPMG ("**R.G. Manabat & Co.**"), the Company's external auditor, has audited and rendered an unqualified audit reports on the Company's financial statements as of and for the years ended December 31, 2014, 2015 and 2016.

Market data and certain industry information used throughout this Offer Supplement were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor any of the Joint Issue Managers, Joint Lead Underwriters and Bookrunners make any representation as to the accuracy and completeness of such information.

This Offer Supplement includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Words including, but not limited to, "believes," "may," "will," "estimates," "continues," "anticipates," "intends," "expects" and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward looking events and circumstances discussed in this Offer Supplement might not occur. The actual results of the Company could differ substantially from those anticipated in the forward-looking statements of the Company.

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

**SMC GLOBAL POWER HOLDINGS CORP.**

**By:**

**Ramon S. Ang  
Chairman & Chief Executive Officer and  
President & Chief Operating Officer**

SUBSCRIBED AND SWORN to before me this December [●], 2017, affiant exhibiting to me his Philippine Passport with No. EC3542718 issued on February 27, 2015, at DFA-Manila, Philippines.

Doc. No. : \_\_\_\_\_;  
Page No. : \_\_\_\_\_;  
Book No. : \_\_\_\_\_;  
Series of 2017.

No representation or warranty, express or implied, is made by the Company, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, regarding the legality of an investment in the Offer Bonds under any legal, investment or similar laws or regulations. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Bonds. In making any investment decision regarding the Offer Bonds, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Offer Supplement, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer is prohibited.

The Company reserves the right to withdraw the offer and sale of the Offer Bonds at any time, and the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners reserve the right to reject any commitment to subscribe for the Offer Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Bonds sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and the PDEX.

### **Conventions which apply to this Offer Supplement**

In this Offer Supplement, unless otherwise specified or the context otherwise requires, all references to the Company are to the Company and its subsidiaries and affiliates (or the Company and any one or more of its subsidiaries or affiliates, as the context may require). All references to the “**Philippines**” are references to the Republic of the Philippines. All references to the “**Government**” are to the national and local government of the Philippines, including any of its departments, agencies, or other instrumentalities.

The items expressed in the “Definition of Terms” may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

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## DEFINITION OF TERMS

In this Offer Supplement, unless the context otherwise requires, the following terms shall have the meanings set out below:

|                                       |  |
|---------------------------------------|--|
| Affiliates .....                      | Affiliates means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. |
| Allocation Plan .....                 | Agreed on procedure for application, acceptance, or rejection of the Applications to Purchase, whether in whole or in part.  |
| Applicant .....                       | Any Person who submits a duly accomplished Application to Purchase, together with all requirements set forth therein.  |
| Application to Purchase .....         | The application form accomplished and submitted by an Applicant for the purchase of a specified amount of the Series D Bonds, Series E Bonds and Series F Bonds, together with all the other requirements set forth in such application form.  |
| BDO .....                             | BDO Unibank, Inc.  |
| BDO Capital .....                     | BDO Capital & Investment Corporation   |
| BIR .....                             | Bureau of Internal Revenue of the Philippines.   |
| Board of Directors or Directors ..... | Board of Directors of SMC Global Power.  |
| Bondholder .....                      | A Person whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.   |
| Bonds .....                           | Collectively, the Philippine Peso-denominated fixed rate bonds of up to an aggregate principal amount of ₱35,000,000,000.00, inclusive of the Offer Bonds, to be issued in one or more tranches within the Shelf Period.   |
| BPI Capital .....                     | BPI Capital Corporation.   |
| BSP .....                             | Bangko Sentral ng Pilipinas.   |

|  |  |
|--|--|
| Business Day .....                         | means a day, other than Saturday, Sunday or legal holiday, on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Metro Manila, Philippines.   |
| Capital Stock .....                        | Capital Stock means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the date of this Agreement or issued thereafter, including, without limitation, all Common Stock and preferred stock.   |
| Change in Law or Circumstance .....        | Each of the events described as such under “ <i>Description of the Offer Bonds – Redemption by Reason of Change in Law or Circumstance</i> ”.  |
| Change of Control .....                    | San Miguel Corporation (and/or its affiliates) ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50.0% in the Issuer or ceasing to have control over the Issuer. For purposes of this definition, “affiliate” means, with respect to San Miguel Corporation, any Person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with San Miguel Corporation. In this context, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and under common control with) means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of such Person whether through ownership of voting shares, by contract, or otherwise. |
| China Bank Capital .....                   | China Bank Capital Corporation.  |
| Common Stock .....                         | Common Stock means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of this Agreement, and include, without limitation, all series and classes of such common stock or ordinary shares.  |
| Company, Issuer, or SMC Global Power ..... | SMC Global Power Holdings Corp. including, as the context requires, its subsidiaries.  |
| Consolidated EBITDA .....                  | Consolidated EBITDA means for any period, the consolidated net income of the Company (excluding items between any or all of the Company and its subsidiaries): (a) before any provision on account of taxation; (b) before any interest, commission, discounts, other fees or foreign exchange gains or losses incurred or payable, received or receivable or realized by the Company or any of its subsidiaries in respect of Indebtedness of the Group; (c) before any item treated as exceptional or extraordinary items; (d) before any amount attributable to the amortization of intangible assets and depreciation of tangible assets;  |

and (e) excluding income attributable to or generated by Ring-Fenced Subsidiaries, and so that no amount shall be included or excluded more than once and all as determined on a consolidated basis for the Company and its subsidiaries in conformity with the PFRS.

|                                     |   |
|-------------------------------------|---|
| Consolidated Interest Expense ..... | Consolidated Interest Expense means the total Interest Expense per consolidated financial statements less interest due on the Project Debt.   |
| Consolidated Net Total Debt .....   | Consolidated Net Total Debt means at any time, the Consolidated Total Debt less the aggregate amount at that time of all cash and temporary cash investment (on a consolidated basis) to which the Company or any of its subsidiaries is beneficially entitled at that time and which is not subject to any security interest..   |
| Consolidated Total Debt .....       | Consolidated Total Debt means at any time, the aggregate amount of all obligations of the Company and its Subsidiaries for or in respect of Indebtedness but excluding; (a) any such obligation to the Company and/or any of its Subsidiaries (and so that no amount shall be included or excluded more than once) and (b) all Project Debt.  |
| Consolidated Total Equity .....     | Consolidated Total Equity means the consolidated total assets minus consolidated total liabilities plus deposit for future subscription as reported in the consolidated financial statements.   |
| Debt .....                          | Debt means the sum of interest-bearing debt of the Issuer, as reflected in its financial statements.  |
| Declaration of Default .....        | Has the meaning defined under “Events of Default – Consequences of Default”.  |
| Default Payment Date .....          | Has the meaning defined under “ <i>Events of Default – Consequences of Default</i> ”.   |
| Disqualified Stock .....            | Disqualified Stock means any class or series of Capital Stock of any Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise is (a) required to be redeemed prior to the Maturity Date of the Series F Bonds, (b) redeemable at the option of the holder of such class or series of Capital Stock or any other person at any time prior to the Maturity Date of the Series F Bonds or (c) convertible into or exchangeable for Capital Stock referred to in paragraphs (a) or (b) above or Indebtedness having a scheduled maturity prior to the Maturity Date of the Series F Bonds; provided that any class or series of debt securities or preferred stock convertible or exchangeable into Common Stock, the terms of which allow for a cash payment in lieu of Common Stock upon conversion or exchange in the event that the issue or distribution of Common Stock to the holder thereof will cause such Person to violate foreign ownership regulations applicable in the Philippines from time to time, shall not constitute Disqualified Stock provided that any such cash payments are |

made with the proceeds of the sale of equity interests of such Person to an unaffiliated Person.

|                             |   |
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| Disruption Event .....      | Either or both of: (a) a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust Agreement to be carried out which disruption is not caused by, and is beyond the control of, any of the parties; or (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that party from: (i) performing its payment obligations under the Trust Agreement and the Registry and Paying Agency Agreement; or (2) communicating with other relevant parties (including, but not limited to, the Trustee and Paying Agent) in accordance with the terms of the Trust Agreement and the Registry and Paying Agency Agreement. |
| Early Redemption Date ..... | Early Redemption Date means (a) in respect of the Series D Bonds, (i) the third (3 <sup>rd</sup> ) anniversary of the Issue Date or (ii) the fourth (4 <sup>th</sup> ) anniversary of the Issue Date; (b) in respect of the Series E Bonds, (i) the fifth (5 <sup>th</sup> ) anniversary of the Issue Date or (ii) the sixth (6 <sup>th</sup> ) anniversary of the Issue Date; and (c) in respect of the Series F Bonds, (i) the seventh (7 <sup>th</sup> ) anniversary of the Issue Date, (ii) the eight (8 <sup>th</sup> ) anniversary of the Issue Date or (iii) the ninth (9 <sup>th</sup> ) anniversary of the Issue Date, provided that if the relevant Early Redemption Option Date falls on a day that is not a Business Day, then the payment of the principal shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and principal to be paid.            |
| EBITDA .....                | Earnings before interest, taxes, depreciation and amortization.   |
| Event of Default .....      | Each of the events described as such under " <i>Events of Default</i> ".  |
| Four Quarterly Period ..... | Four Quarterly Period means in respect of any date, the then most recent four quarterly periods prior to such date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available.   |
| GDP .....                   | Gross Domestic Product.   |
| Group .....                 | Group means, at any time, the Company and its Subsidiaries at such time.  |
| Government .....            | The Government of the Philippines.  |

|                              |  |
|------------------------------|--|
| Governmental Authority ..... | The Philippine government or political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the Philippine government.  |
| Governmental Approval .....  | Any authorization, consent, concession, grant, approval, right, franchise, privilege, registration, filing, certificate, license, permit or exemption from, by or with any Governmental Authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period.   |
| Grid Code .....              | Philippine Grid Code.  |
| Guarantee .....              | Guarantee means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part). The term Guarantee used as a verb has a corresponding meaning. |
| Hedging Obligation .....     | Hedging Obligation of any Person means the obligations of such Person pursuant to any currency agreement or interest rate agreement or commodities agreement.  |
| Ilijan IPPA Agreement .....  | The Independent Power Producer Administration Agreement dated 11 May 2010 between PSALM and South Premiere Power Corp. with the conformity of the NPC relative to the administration of the Independent Power Producer (IPP) contract of NPC for the Ilijan Power Plant.   |
| Ilijan Power Plant .....     | The natural gas fired combined cycle power plant with contracted capacity of 1,200 MW located in Ilijan, Batangas.   |
| Indebtedness .....           | Indebtedness of any Person means any indebtedness for or in respect of: <ul style="list-style-type: none"> <li>(a) all obligations of such Person for borrowed money except for non-interest bearing obligations from Affiliates;</li> <li>(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;</li> </ul>   |

(c) all obligations of such person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business;

(d) all obligations of such Person as lessee which are capitalized in accordance with PFRS;

(e) all Indebtedness of others secured by a Security Interest on any asset of such Person;

(f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(g) all obligations in respect of any Disqualified Stock, provided that such Disqualified Stock (i) falls within paragraph (a) of the definition of "Disqualified Stock" or (ii) falls within paragraph (b) of the definition of "Disqualified Stock" and the Person entitled to exercise the option to require redemption of such Disqualified Stock has exercised or given notice to exercise such option or (iii) falls within paragraph (c) of the definition of "Disqualified Stock" and has been converted into Indebtedness having a scheduled maturity prior to the Maturity Date of the Series F Bonds;

(h) all Indebtedness of others Guaranteed by such Person;

(i) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, Guarantee or similar instrument; and

(j) any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other treasury transaction or any combination thereof or any other transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and the amount of Indebtedness in relation to any such transaction described in this paragraph (j) shall be calculated by reference to the mark-to-market valuation of such transaction at the relevant time),

and so that where the amount of Indebtedness is to be calculated, no amount shall be taken into account more than once in the same calculation and, where the amount is to be calculated on a consolidated basis in respect of a corporate group, monies borrowed or raised, or other indebtedness, as between members of such group shall be excluded.

Incur .....

Incur means with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (a) any Indebtedness of a Person existing at the time such Person becomes a

Subsidiary of the Issuer will be deemed to be Incurred by such Subsidiary of the Issuer at the time it becomes a Subsidiary of the Issuer and (b) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms Incurrence, Incurred, and Incurring have meanings correlative with the foregoing.

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| Interest Payment Date .....                  | Each March 22, June 22, September 22 and December 22 of each year, or on the next Business Day if such date falls on a non-Business Day, during which any of the Offer Bonds are outstanding.   |
| IPP .....                                    | Independent Power Producer.   |
| IPPA .....                                   | Independent Power Producer Administrator.   |
| IPPA Agreement .....                         | Each of the Ilijan IPPA Agreement, the San Roque IPPA Agreement and the Sual IPPA Agreement, collectively referred to IPPA Agreements.  |
| IPPA Power Plants .....                      | The Sual Power Plant, the San Roque Power Plant and the Ilijan Power Plant.   |
| Issue Date .....                             | December 22, 2017 or such other date as the Issuer and the Joint Lead Underwriters and Bookrunners may agree in writing (and with notice to PDTG); provided, that such date shall be a date which is within the validity of the Permit to Sell Securities.  |
| Joint Issue Managers .....                   | BDO Capital, PNB Capital and SCB.   |
| Joint Lead Underwriters and Bookrunners..... | BDO Capital, BPI Capital, China Bank Capital, PNB Capital, RCBC Capital, and SCB.   |
| Majority Bondholders.....                    | Majority Bondholders means: <ul style="list-style-type: none"> <li>(a) with respect to matters relating only to the Series D Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series D Bonds;</li> <li>(b) with respect to matters relating only to the Series E Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series E Bonds;</li> <li>(c) with respect to matters relating only to the Series F Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series F Bonds; and</li> <li>(d) with respect to matters affecting all Offer Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Offer Bonds.</li> </ul> |

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| Master Certificate of Indebtedness..... | For each of the Series D Bonds, Series E Bonds and Series F Bonds, the bond certificate issued by the Issuer in the name of the Trustee for the benefit of the Bondholders covering the entire principal amount of the relevant series purchased during the Offer Period and to be issued by the Issuer on the Issue Date.  |
| Material Adverse Effect.....            | In the reasonable opinion of the Majority Bondholders, acting in good faith and in consultation with the Issuer, a material adverse effect on (a) the ability of the Issuer to observe and comply with the provisions of and perform its financial obligations under the Offer Bonds and the Transaction Documents; or (b) the validity or enforceability of the Offer Bonds or any Transaction Document; or (c) the financial condition, business or operations of the Issuer taken as a whole.  |
| Material Agreement.....                 | Each of the IPPA Agreements, as may be amended or supplemented from time to time.   |
| Material Subsidiary .....               | Material Subsidiary means:<br><br>at any time, a Subsidiary of the Company:<br><br>(a) whose net income (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose Total Assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, are equal to) not less than 25% of the consolidated net income of the Company and its Subsidiaries taken as a whole, or, as the case may be, 25% of the consolidated Total Assets, of the Company and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Company and its Subsidiaries, provided that (i) in the case of a Subsidiary of the Company acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Company and (ii) if the then latest audited consolidated |

accounts of the Company and its Subsidiaries show a net loss for the relevant financial period then there shall be substituted for the words "net income" the words "gross revenues" for the purpose of this definition;

- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Company which immediately prior to such transfer is a Material Subsidiary of the Company, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary of the Company and the transferee Subsidiary shall cease to be a Material Subsidiary of the Company pursuant to this sub-paragraph on the date on which the consolidated accounts of the Company and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary of the Company on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, generate net income equal to) not less than 25% of the consolidated net income of the Company and its Subsidiaries taken as a whole, or represent (or, in the case aforesaid, are equal to) not less than 25% of the consolidated Total Assets of the Company and its Subsidiaries taken as a whole, all as calculated as referred to in sub-paragraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary of the Company) shall upon such transfer forthwith cease to be a Material Subsidiary of the Company unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net income equal to) not less than 25% of the consolidated net income of the Company and its Subsidiaries taken as a whole, or its assets represent (or, in the case aforesaid, are equal to) not less than 25% of the consolidated Total Assets of the Company and its Subsidiaries taken as a whole, all as calculated as referred to in sub-paragraph (a)

above, and the transferee Subsidiary shall cease to be a Material Subsidiary of the Company pursuant to this sub-paragraph on the date on which the consolidated accounts of the Company and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary of the Company on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

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| Maturity Dates .....  | <p>Means:</p> <ul style="list-style-type: none"> <li>(a) in respect of the Series D Bonds, the fifth (5<sup>th</sup>) anniversary of the Issue Date or 22 December 2022;</li> <li>(b) in respect of the Series E Bonds, the seventh (7<sup>th</sup>) anniversary of the Issue Date or 22 December 2024; and</li> <li>(c) in respect of the Series F Bonds, the tenth (10<sup>th</sup>) anniversary of the Issue Date or 22 December 2027,</li> </ul> <p>provided, that if the relevant Maturity Date falls on a day that is not a Business Day, then the payment of the principal shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and principal to be paid.</p> |
| Offer .....           | The public offer for sale, distribution and issuance of the Offer Bonds by the Issuer to eligible investors.   |
| Offer Period .....    | The period when the Offer Bonds are publicly offered for sale, distribution and issuance by the Issuer to eligible investors, commencing at 9:00 a.m., Manila time, on 12 December 2017, and ending at 5:00 p.m., Manila time, on 15 December 2017, or on such other times and dates as may be mutually agreed between the Issue and the Joint Lead Underwriters and Bookrunners.  |
| Offer Supplement..... | The document so titled and dated 8 December 2017 issued along with and supplementary to the Prospectus and containing the specific terms and conditions of the Offer and the Offer Bonds.  |
| Paying Agent.....     | PDTC, whose principal obligation is to handle payments of the principal of, interest on, and all other amounts payable on the Offer Bonds, to the Bondholders, pursuant to the Registry and Paying Agency Agreement. The term includes, wherever the context permits, all other Person or Persons for the time being acting as paying agent or paying agents under the Registry and Paying Agency Agreement.   |

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| Payment Date .....             | Each date on which payment for interest, principal, and/or all other payments due on the Bonds become due.   |
| PDEX .....                     | The Philippine Dealing & Exchange Corp.  |
| PDTC .....                     | The Philippine Depository & Trust Corp.  |
| PDTC Rules .....               | The SEC-approved rules of the PDTC, including the PDTC operating procedures, as may be amended, supplemented, or modified from time to time.   |
| Permit to Sell Securities..... | The permit to be issued by the SEC authorizing the Issuer to sell, distribute and issue the Offer Bonds to the public.   |
| Permitted Asset Sale .....     | <p>Permitted Asset Sale means any sale, transfer or other disposition (including by way of merger, consolidation or sale and leaseback transaction) in one transaction or a series of related transaction by the Company:</p> <ul style="list-style-type: none"> <li>(a) sales, transfers or other dispositions of inventory in the ordinary course of business and the consideration received is at least equal to the fair market value of the assets sold or disposed of;</li> <li>(b) sales, transfers or other dispositions of assets with a fair market value which, when aggregated with the fair market value of all other assets which are the subject of any sale, transfer or other disposition, does not exceed ₱1,500,000,000 in any transaction or series of related transactions;</li> <li>(c) any sale, transfer, assignment or other disposition of any inventory or property with a fair market value not in excess of ₱50,000,000 to an employee of the Company in any transaction or series of related transactions under an employee benefit plan approved by the Board of Directors of the Company and in effect from time to time;</li> <li>(d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company;</li> <li>(e) any sale, transfer including rights under the IPPA Agreements, if applicable or other disposition of assets to a Subsidiary;</li> <li>(f) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Security Interest;</li> <li>(g) any sale transfer or other disposition of any Capital Stock of Strategic Power Devt. Corp.</li> </ul> |

or any of its assets (including its rights under an IPPA Agreement);

- (h) any transfer of the proceeds from the sale or issuance of Capital Stock of the Company through an initial public offering or any other public offering or private placement, provided that San Miguel Corporation (and/or its Subsidiaries) retains whether directly or indirectly an aggregate economic interest of more than 50.0% in the Company or control over the Company. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, the Company shall not permit any person, other than San Miguel Corporation, to hold directly or indirectly, an aggregate economic interest of more than 50% in the Company or control over the Company for as long as any of the Offer Bonds remain outstanding; and
- (i) Any transfer of the proceeds for the sale or issuance of Capital Stock of the Subsidiary of the Company through an initial public offering or any other public offering or private placement, provided that the Company (and/or its Subsidiaries) retains whether directly or indirectly an aggregate economic interest of more than 50.0% in its Subsidiary or control over its Subsidiary. For the avoidance of doubt, the Company shall retain, directly or indirectly an aggregate economic interest of more than 50% in its Subsidiaries or control over its Subsidiaries for as long as any of the Offer Bonds remain outstanding.

Permitted Security .....

Permitted Security Interest means:

- (a) any Security Interest existing as of the date of the Trust Agreement;
- (b) any preference or priority granted over the payments under the IPPA Agreements pursuant to Article 2244(14) of the Civil Code of the Philippines;
- (c) any Security Interest over or affecting any asset of any company which becomes a member of the Group after the date of this Agreement, where the Security Interest is created prior to the date on which that company becomes a member of the Group;
- (d) to the extent notified to the Lenders in writing, any Security Interest created by a Ring-Fenced Subsidiary securing Project Debt incurred by that Ring-Fenced Subsidiary;

- (e) to the extent notified to the Lenders in writing, Security Interest created over shares in any Ring-Fenced Subsidiary securing Project Debt incurred by that Ring-Fenced Subsidiary;
- (f) any Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including uncalled capital) of any of the Material Subsidiaries to secure:
  - (i) any Indebtedness which (subject to (ii) of this definition below) is not Public Debt; or
  - (ii) any Public Debt (1) which (x) by its terms does not provide that the Company or any Material Subsidiary is an obligor, (y) by its terms does not provide that a Guarantee or credit support of any kind is given by the Company or any of the Material Subsidiaries and (z) does not have the legal effect of providing recourse against any of the assets of the Company or any of the Material Subsidiaries and (2) no default with respect to which would permit upon notice, lapse of time or both any holders of any other Indebtedness of the Company or any of the Material Subsidiaries to declare a default on such other Indebtedness or cause the payment of such other Indebtedness to be accelerated or payable prior to its stated maturity, which, in either case (either alone or when aggregated with all other present or future business, undertaking, assets or revenues (including uncalled capital) of any of the Material Subsidiaries upon, or with respect to, which Security Interests are subsisting), does not exceed 15% of the consolidated Total Assets of the Company and its Subsidiaries taken as a whole;
- (g) any extension, renewal, supplement, or replacement (or successive extensions, renewals, supplements, or replacements) in whole or in part of any Security Interest referred to in paragraphs (a), (b), (d), (e), and (f), or any Indebtedness secured thereby; provided that such extension, renewal, supplements, or replacement is limited to all or any part of the same property that secured the Security Interest extended, renewed, supplemented, or replaced (plus any construction, repair, or improvement on such property) and shall secure no larger amount of financial Indebtedness than that existing at the time of such extension, renewal,

supplement, or replacement; and

(h) Security Interest created with the prior written consent of the Majority Bondholders.

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| Person .....                               | Person means any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization.   |
| PFRS .....                                 | Philippine Financial Reporting Standards.   |
| Philippine peso or PhP or Pesos or ₱ ..... | The legal currency of the Republic of the Philippines.  |
| Philippines .....                          | Republic of the Philippines.  |
| PhilRatings .....                          | Philippine Rating Services Corporation.   |
| PNB .....                                  | Philippine National Bank.   |
| PNB Capital .....                          | PNB Capital and Investment Corporation.   |
| Project Debt .....                         | Project Debt means Indebtedness incurred by a Ring-Fenced Subsidiary in relation to project finance in respect of which there is no recourse to the Company or any other member of the Group, and in respect of which neither the Company nor any other member of the Group has any actual or contingent liability of any nature, whether as principal, guarantor, surety or otherwise, except in respect of any security interest granted by the Company or any member of the Group over its shares in a Ring-Fenced Subsidiary. |
| Prospectus .....                           | The prospectus dated 8 December 2017 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Bonds (inclusive of Offer Bonds) within the Shelf Period. For purposes of these Terms and Conditions, the term "Prospectus" is deemed to include the Offer Supplement.   |
| PSALM .....                                | Power Sector Assets and Liabilities Management Corporation.   |
| Public Debt .....                          | Public Debt means any present or future indebtedness (whether being principal, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being, or capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and any Guarantee or indemnity of any such indebtedness.  |
| RCBC Capital .....                         | RCBC Capital Corporation.   |
| Record Date .....                          | As used with respect to any Payment Date, (a) two (2) Business Days immediately preceding the relevant Payment Date, which shall be the cut-off date in determining the Bondholders entitled to receive   |

interest, principal or any amount due under the Offer Bonds or (b) such other date as the Issuer may duly notify PDTC.

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| Redemption Date .....                       | The date when the Offer Bonds (or any series thereof) are redeemed earlier than the relevant Maturity Date in accordance with the terms and conditions of the Offer Bonds; provided that if the relevant Redemption Date falls on a day that is not a Business Day, then the payment of the principal shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and principal to be paid. For the avoidance of doubt, the term "Redemption Date" includes the Early Redemption Option Date.   |
| Registrar .....                             | PDTC, whose principal obligation is to maintain the Registry of Bondholders and record the initial issuance and subsequent transfers of the Bonds, pursuant to the Registry and Paying Agency Agreement.   |
| Registration Statement .....                | The registration statement notarized on 6 October 2017 filed by the Issuer with the SEC in relation to the shelf registration and the offer and sale to the public of the Bonds (inclusive of the Offer Bonds), as the same may be amended or supplemented.  |
| Register of Bondholders .....               | The electronic records of the Registrar bearing the official information on the names and addresses of the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments or any liens or encumbrances thereon, to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement.  |
| Registry and Paying Agency Agreement (RPAA) | The Registry and Paying Agency Agreement dated 8 December 2017, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Issuer and the Registrar and Paying Agent in relation to the Offer Bonds.   |
| R.G. Manabat & Co. ....                     | R.G. Manabat & Co., a member firm of KPMG.   |
| Ring-Fenced Subsidiary .....                | Ring-Fenced Subsidiary means any entity that satisfies the following conditions: <ul style="list-style-type: none"><li>(a) such entity is a Subsidiary of the Company but not a Material Subsidiary;</li><li>(b) such entity, to the extent directly owned by the Company or a member of the Group (other than another Ring-Fenced Subsidiary), is a limited liability company or corporation organized and existing under the laws of the Philippines;</li><li>(c) the Company has delivered a written notification to the Trustee designating such entity as a Ring-Fenced Subsidiary;</li></ul> |

- (d) no member of the Group (other than that Ring-Fenced Subsidiary) shall be contingently liable for any Indebtedness of such entity or its Subsidiaries, except in respect of the granting by a member of the Group of Security Interest over its shares in such entity or such entity's Subsidiaries; and
- (e) all transactions conducted between any member of the Group and such entity or its Subsidiaries must be on an arm's length basis and on normal commercial terms,

and each Subsidiary of any such entity shall also be a Ring-Fenced Subsidiary.

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| RTGS .....                     | The Philippine Payment Settlement System via Real Time Gross Settlement.  |
| San Roque IPPA Agreement ..... | The Independent Power Producer (IPP) Administration Agreement dated December 29, 2009 between PSALM and Strategic Power Devt. Corp. with the conformity of NPC relative to the administration of the IPP contract of NPC for the San Roque Power Plant.   |
| San Roque Power Plant .....    | Hydroelectric multipurpose power plant with contracted capacity of 345 MW located in San Manuel, Pangasinan.  |
| San Roque PPA .....            | The PPA made between SPDC and NPC dated October 11, 1997 in relation to the San Roque Power Plant.  |
| SCB .....                      | Standard Chartered Bank.  |
| SEC .....                      | The Securities and Exchange Commission of the Philippines.  |
| Security Interest .....        | Security Interest means any (a) mortgage, charge, pledge, lien or other security interest or encumbrance or other preferential arrangement of any kind, including, without limitation, any preference or priority under Article 2244 (14) of the Civil Code of the Philippines, as the same may be amended from time to time, in each case, to the extent securing payment or performance of an Indebtedness prior to any general creditor of such person; and (b) right of a vendor, less or, or similar party under any conditional sales agreement, capital lease or other title retention agreement, any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof. |
| Series D Bonds .....           | Bonds to be issued by the Issuer, with an aggregate principal amount of ₱9,912,960,000, having a term beginning on the Issue Date and ending five (5) years from the Issue Date or on 22 December 2022, with a fixed interest rate equivalent to 5.3750% per annum.   |

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| Series E Bonds .....      | Bonds to be issued by the Issuer, with an aggregate principal amount of ₱6,478,020,000, having a term beginning on the Issue Date and ending seven (7) years from the Issue Date or on 22 December 2024, with a fixed interest rate equivalent to 6.2500% per annum.   |
| Series F Bonds .....      | Bonds to be issued by the Issuer, with an aggregate principal amount of ₱3,609,020,000, having a term beginning on the Issue Date and ending ten (10) years from the Issue Date or on 22 December 2027, with a fixed interest rate equivalent to 6.6250% per annum.  |
| Shelf Period .....        | Subject to applicable regulations, a period of three years from the effective date of the Registration Statement within which the Bonds under shelf registration may be offered and sold in tranches.  |
| SRC .....                 | Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended.  |
| Sual IPPA Agreement ..... | The Independent Power Producer (IPP) Administration Agreement dated September 2, 2009 between PSALM and SMEC with the conformity of NPC relative to the administration of the IPP contract of NPC for the Sual Power Plant.  |
| Sual Power Plant .....    | Coal-fired power plant with a contracted capacity of 1,000 MW located in Sual, Pangasinan.   |
| Subsidiary .....          | Subsidiary means with respect to any Person, more than 50% of the voting power of the outstanding voting stock of which is owned or controlled, directly or indirectly, by such Person and one or more other Subsidiaries of such Person. To be controlled by another means that (i) the controlling entity (whether, directly or indirectly, and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that controlled company or otherwise controls or has a power to control the affairs and policies of that controlled company and control shall be construed accordingly, and (ii) the controlling entity identifies said controlled company as a subsidiary in its latest available consolidated financial statements. |
| Tax Code .....            | The National Internal Revenue Code of 1997.  |
| Taxes .....               | Any present or future taxes, including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, taxes on the overall income of the underwriter or of the Bondholders, value added tax, and taxes on any gains realized from the sale of the Bonds.   |

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| Total Assets .....           | Total Assets means with respect to any specified Person for any period, the aggregate total current assets and total non-current assets for such period, on a consolidated basis, determined in conformity with PFRS; provided that any foreign currency denominated deposits secured for the purposes of Hedging Obligations shall be excluded in computing Total Assets (without duplication). |
| Total Equity .....           | Total Equity means with respect to any period, the sum of the total paid up capital, deposit for future subscription and all accumulated profits of the Company and its Subsidiaries, as reflected in the consolidated financial statements.   |
| Transaction Documents .....  | As the context may require the Trust Agreement, the Underwriting Agreement and/or the Registry and Paying Agency Agreement.  |
| Trust Agreement .....        | The Trust Agreement dated as of 8 December 2017, and its annexes and attachments, as may be modified, supplemented or amended from time to time, executed by and between the Issuer and the Trustee in connection with the distribution and sale by the Issuer of the Offer Bonds.   |
| Trustee .....                | Philippine National Bank – Trust Banking Group.  |
| Underwriting Agreement ..... | The Underwriting Agreement dated as of 8 December 2017, and its annexes and attachments, as may be modified, supplemented or amended from time to time, executed by and among the Issuer, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners for the issuance, placement, distribution and sale of the Offer Bonds in the Philippines.                                     |

## SUMMARY OF THE OFFERING

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

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| Issuer                             | SMC Global Power Holdings Corp.   |
| Instrument                         | <p>Philippine Peso denominated fixed rate with an aggregate principal amount of ₱20,000,000,000, consisting of Series D Bonds, Series E Bonds and Series F Bonds.</p> <p>While the Issuer has the discretion to allocate the principal amount among the Series D Bonds, Series E Bonds and Series F Bonds based on the bookbuilding process, the Issuer may opt not to allocate any of the principal amount to any of these series.</p> |
| Use of Proceeds                    | <p>Refinance the short-term loans extended by BDO and PNB amounting to ₱20 billion; and</p> <p>Payment of related transaction fees, costs and expenses.</p>   |
| Offer Price                        | 100% of face value.   |
| Form and Denomination of the Bonds | The Offer Bonds shall be issued in scripless form in minimum denominations of ₱50,000 each, and in integral multiples of ₱10,000 thereafter.  |
| Offer Period                       | The Offer shall commence at 9:00 AM of December 12, 2017 to 5:00 PM of December 15, 2017 or such other date as may be determined by the Issuer, Joint Issue Managers and the Joint Lead Underwriters and Bookrunners.   |
| Issue Date                         | December 22, 2017 or such other date as the Issuer, Joint Issue Managers and the Joint Lead Underwriters and Bookrunners may agree in writing, provided that such date shall be a date which is within the validity of the SEC Permit to Sell Securities.   |
| Maturity Date                      | <p>Series D Bonds: December 22, 2022 or five (5) years from Issue Date</p> <p>Series E Bonds: December 22, 2024 or seven (7) years from Issue Date</p> <p>Series F Bonds: December 22, 2027 or ten (10) years from Issue Date</p>   |
| Interest Rate                      | <p>Series D Bonds: Fixed interest rate of 5.3750% p.a.</p> <p>Series E Bonds: Fixed interest rate of 6.2500% p.a.</p> <p>Series F Bonds: Fixed interest rate of 6.6250% p.a.</p>  |

| Interest Payment                                       | <p>Each March 22, June 22, September 22 and December 22 of each year, or on the next Business Day if such date falls on a non-Business Day, during which any of the Offer Bonds are outstanding.</p> <p>Interest on the Offer Bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears.</p>  |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
|--|--|--|---|-------------------------------|--|--------|---|--------|--|--|---|-------------------------------|--|--------|--|--------|--|--|---|-------------------------------|--|--------|---|--------|--|--------|
| Early Redemption Option                                | <p>The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Offer Bonds on the relevant dates as set forth below. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of the Offer Bonds being redeemed, as the sum of:</p> <p>accrued interest computed from the last Interest Payment Date up to and including the relevant Early Redemption Option Date; and</p> <p>the product of the principal amount of the Offer Bonds being redeemed and the Early Redemption Price in accordance with the following schedule:</p> <table border="1" data-bbox="448 875 1426 1785"> <thead> <tr> <th data-bbox="448 875 1032 972"><b>Early Redemption Option Date on Series D Bonds</b></th> <th data-bbox="1032 875 1426 972"><b>Early Redemption Price</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="448 972 1032 1039">Third (3<sup>rd</sup>) anniversary from Issue Date</td> <td data-bbox="1032 972 1426 1039">101.0%</td> </tr> <tr> <td data-bbox="448 1039 1032 1106">Fourth (4<sup>th</sup>) anniversary from Issue Date</td> <td data-bbox="1032 1039 1426 1106">100.5%</td> </tr> <tr> <td data-bbox="448 1106 1032 1173"></td> <td data-bbox="1032 1106 1426 1173"></td> </tr> <tr> <th data-bbox="448 1173 1032 1270"><b>Early Redemption Option Date on Series E Bonds</b></th> <th data-bbox="1032 1173 1426 1270"><b>Early Redemption Price</b></th> </tr> <tr> <td data-bbox="448 1270 1032 1337">Fifth (5<sup>th</sup>) anniversary from Issue Date</td> <td data-bbox="1032 1270 1426 1337">101.0%</td> </tr> <tr> <td data-bbox="448 1337 1032 1404">Sixth (6<sup>th</sup>) anniversary from Issue Date</td> <td data-bbox="1032 1337 1426 1404">100.5%</td> </tr> <tr> <td data-bbox="448 1404 1032 1471"></td> <td data-bbox="1032 1404 1426 1471"></td> </tr> <tr> <th data-bbox="448 1471 1032 1561"><b>Early Redemption Option Date on Series F Bonds</b></th> <th data-bbox="1032 1471 1426 1561"><b>Early Redemption Price</b></th> </tr> <tr> <td data-bbox="448 1561 1032 1657">Seventh (7<sup>th</sup>) anniversary from Issue Date</td> <td data-bbox="1032 1561 1426 1657">102.0%</td> </tr> <tr> <td data-bbox="448 1657 1032 1724">Eighth (8<sup>th</sup>) anniversary from Issue Date</td> <td data-bbox="1032 1657 1426 1724">101.0%</td> </tr> <tr> <td data-bbox="448 1724 1032 1785">Ninth (9<sup>th</sup>) anniversary from Issue Date</td> <td data-bbox="1032 1724 1426 1785">100.5%</td> </tr> </tbody> </table> |  | <b>Early Redemption Option Date on Series D Bonds</b> | <b>Early Redemption Price</b> | Third (3 <sup>rd</sup> ) anniversary from Issue Date | 101.0% | Fourth (4 <sup>th</sup> ) anniversary from Issue Date | 100.5% |  |  | <b>Early Redemption Option Date on Series E Bonds</b> | <b>Early 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% |  |  | <b>Early Redemption Option Date on Series F Bonds</b> | <b>Early Redemption Price</b> | Seventh (7 <sup>th</sup> ) anniversary from Issue Date | 102.0% | Eighth (8 <sup>th</sup> ) anniversary from Issue Date | 101.0% | Ninth (9 <sup>th</sup> ) anniversary from Issue Date | 100.5% |
| <b>Early Redemption Option Date on Series D Bonds</b>  | <b>Early Redemption Price</b>  |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
| Third (3 <sup>rd</sup> ) anniversary from Issue Date   | 101.0%   |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
| Fourth (4 <sup>th</sup> ) anniversary from Issue Date  | 100.5%   |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
|  |  |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
| <b>Early Redemption Option Date on Series E Bonds</b>  | <b>Early 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%   |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
|  |  |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
| <b>Early Redemption Option Date on Series F Bonds</b>  | <b>Early Redemption Price</b>  |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
| Seventh (7 <sup>th</sup> ) anniversary from Issue Date | 102.0%   |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
| Eighth (8 <sup>th</sup> ) anniversary from Issue Date  | 101.0%   |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |
| Ninth (9 <sup>th</sup> ) anniversary from Issue Date   | 100.5%   |  |   |                               |  |        |   |        |  |  |   |                               |  |        |  |        |  |  |   |                               |  |        |   |        |  |        |

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|  | <p>The Issuer shall give not more than sixty (60) days nor less than thirty (30) days prior written notice of its intention to redeem the Offer Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Offer Bonds on the Early Redemption Date stated in such notice.</p> <p>Bondholders do not have any right or option to require the Issuer to exercise the Early Redemption Option.</p>   |
| <p>Redemption Due to Taxation</p>                            | <p>If payments under the Offer Bonds become subject to additional or increased taxes other than the taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, then the Issuer may redeem the relevant Offer Bond series in whole, and not in part only, on any Interest Payment Date (having given not more than 60 days nor less than 30 days' notice to the Trustee, the Registrar and the Paying Agent) at par (or 100% of face value) plus accrued interest; provided that if the Issuer does not redeem the Offer Bonds then all payments of principal and interest in respect of the Offer Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Bondholders concerned, such additional amount as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.</p>  |
| <p>Early Redemption due to Change in Law or Circumstance</p> | <p>Upon the occurrence of a Change in Law or Circumstance (as enumerated below), then the Issuer may redeem the Offer Bonds at any time in whole, but not in part (having given not more than 60 days' nor less than 30 days' notice to the Trustee, the Registrar and the Paying Agent from the time of the occurrence of the event) at par (or 100% of face value) plus accrued interest.</p> <p>The following events shall be considered as changes in law or circumstance (each a "<b>Change in Law or Circumstance</b>") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Transaction Documents:</p> <p>Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Offer Bonds shall be modified, withdrawn or withheld in a manner which shall materially and adversely affect the ability of the Issuer to comply with such obligations, or</p> <p>Any provision of the Trust Agreement or any of the Transaction 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 hereunder or thereunder (in whole or in part); or any law shall be introduced or any existing Applicable Law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the parties hereto of their obligations under the Trust</p> |

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|--|--|
|  | <p>Agreement or any other Transaction Document.</p> <p>Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.</p> <p>The Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer or the same does not materially and adversely affect the financial condition or operations of the Issuer</p>  |
| <p>Early Redemption due to Change of Control</p> | <p>Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to redeem all (but not some) of the Offer Bonds, at par (or 100% of face value) and accrued interest thereon (the "Change of Control Redemption Price"). Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to repurchase all (but not some) of the Offer Bonds at the Change of Control Redemption Price, and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date notice is received by the Trustee). The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds shall be conclusive and binding upon all the Bondholders.</p> |
| <p>Final Redemption</p>                          | <p>The Offer Bonds shall be redeemed at par or 100% of face value on their respective Maturity Dates, unless earlier redeemed by the Company.</p>  |
| <p>Status of the Bonds</p>                       | <p>The Offer Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future, contingent or otherwise, unsecured and unsubordinated obligations of the Issuer, except for any statutory preference or priority established by law.</p>   |

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| Negative Pledge                         | <p>Until redemption or payment in full of the aggregate outstanding principal amount of the Offer Bonds, the Company will not and will ensure that none of its Material Subsidiaries will, without the prior written consent of the Majority Bondholders, create or have outstanding any Security Interest upon or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Company or any of the Material Subsidiaries to secure any Indebtedness unless the Company, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:</p> <p>All amounts payable by it under the Offer Bonds are secured by the Security Interest equally and ratably with the relevant Indebtedness to the satisfaction of the Majority Bondholders; or</p> <p>Such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided to the satisfaction of the Majority Bondholders;</p> <p>provided, that the foregoing restriction shall not apply to any Permitted Security Interest.</p> |
| Listing                                 | The Issuer intends to list the Offer Bonds in the PDEX on Issue Date.   |
| Governing Law                           | Philippines   |
| Joint Issue Managers                    | BDO Capital & Investment Corporation<br>PNB Capital and Investment Corporation<br>Standard Chartered Bank   |
| Joint Lead Underwriters and Bookrunners | BDO Capital & Investment Corporation<br>BPI Capital Corporation<br>China Bank Capital Corporation<br>PNB Capital and Investment Corporation<br>RCBC Capital Corporation<br>Standard Chartered Bank  |
| Registry and Paying Agent               | Philippine Depository & Trust Corp.   |
| Trustee                                 | Philippine National Bank – Trust Banking Group  |

## USE OF PROCEEDS

The Company intends to use the proceeds as follows: (a) to refinance the short-term loans extended by BDO and PNB amounting to ₱20 billion and (b) payment of related transaction fees, costs and expenses.

As of the date of this Prospectus, the short-term loans to be refinanced consist of the following: (a) short-term loans with an aggregate amount of ₱10 billion obtained from BDO, on September and October 2017, with an interest rate based on market lending rate and (b) short-term loans with an aggregate amount of ₱10 billion obtained from PNB in October 2017 with an interest rate based on market lending rate.

The proceeds of both short-term loans were used for general corporate purposes of the Company and to bridge finance the loans that were effectively used to partially fund equity subscription requirements (amounting to ₱24.2 billion) to finance capital expenditures to support expansion of its existing power generation assets and new investments in power-related assets. The following table summarizes the equity subscriptions made by the Company in connection with the foregoing:

| Subsidiary                                | Project                              | Amount (₱)             |
|---|--------------------------------------|------------------------|
| San Miguel Consolidated Power Corporation | Davao Greenfield Power Plant         | ₱8,125,753,250         |
| SMC Consolidated Power Corporation        | Limay Phase 1 Greenfield Power Plant | 8,537,499,500          |
| Limay Premiere Power Corp.                | Limay Phase 2 Greenfield Power Plant | 7,499,999,500          |
| <b>TOTAL</b>                              |                                      | <b>₱24,163,252,250</b> |

BDO Capital, PNB Capital and SCB are the Joint Issue Managers of the Offer while BDO Capital, BPI Capital, China Bank Capital, PNB Capital, RCBC Capital and SCB are the Joint Lead Underwriters and Bookrunners of the Offer.

The Company expects that the net proceeds of the Offer shall amount to approximately ₱19,794,681,875 after payment of fees, commissions and expenses.

The Company shall settle its combined short-term loans with BDO and PNB amounting to ₱20 billion and accordingly disburse the net proceeds of the Offer within December 2017. The portion of the proceeds for payment of fees, commissions and expenses will be released after the Issue Date within December 2017.

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

| <b>For a ₱20.0 billion Issue Size</b>                   |             | <b>Total</b>   |
|---|-------------|----------------|
|   |             | 20,000,000,000 |
| Documentary Stamp Tax                                   | 100,000,000 |                |
| SEC Registration Fee                                    | 5,562,500   |                |
| SEC Legal Research and Publication Fee                  | 55,625      |                |
| SEC Publication Fee                                     | 100,000     |                |
| Gross Underwriting Fee and Other Professional Fees      | 98,000,000  |                |
| PDEX Listing Application Fee and Annual Maintenance Fee | 300,000     |                |
| Printing Cost   | 400,000     |                |
| Trustee Fees  | 300,000     |                |

|                                 |              |                       |
|---------------------------------|--------------|-----------------------|
| Paying Agency and Registry Fees | 200,000      |                       |
| Miscellaneous Fees              | 400,000      | 205,318,125           |
|                                 | <b>TOTAL</b> | <b>19,794,681,875</b> |

Aside from the foregoing one-time costs, the Issuer will pay PDEX an annual maintenance listing fee amounting to ₱150,000.00 per annum.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event of any substantial deviation/adjustment in the planned use of proceeds, the Company shall inform the SEC and the Bondholders in writing at least thirty (30) days before such deviation, adjustment or reallocation is implemented.

Pending disbursement for the refinancing of the outstanding short term loan, the Company intends to invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn prevailing market rates.

No material amount of proceeds shall be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

## PLAN OF DISTRIBUTION

SMC Global Power plans to issue the Offer Bonds to institutional and retail investors through a general public offering to be conducted through the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners.

### JOINT LEAD UNDERWRITERS AND BOOKRUNNERS

The Joint Lead Underwriters and Bookrunners, pursuant to an Issue Management and Underwriting Agreement with SMC Global Power executed on December 8, 2017, (the “**Issue Management and Underwriting Agreement**”), have agreed to act as the underwriters for the Offer and as such, distribute and sell the Offer Bonds at the Offer Price. Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Lead Underwriters and Bookrunners have committed to underwrite the following amounts on a firm basis:

| <b>Joint Lead Underwriters and Bookrunners</b> | <b>Underwriting Commitment</b> |
|--|--------------------------------|
| BDO Capital                                    | ₱3,806,700,000                 |
| BPI Capital                                    | ₱2,860,000,000                 |
| China Bank Capital                             | ₱2,860,000,000                 |
| PNB Capital                                    | ₱3,806,700,000                 |
| RCBC Capital                                   | ₱2,860,000,000                 |
| SCB  | ₱3,806,600,000                 |
| <b>TOTAL</b>                                   | <b>₱ 20,000,000,000</b>        |

There is no arrangement for any of the Joint Lead Underwriters and Bookrunners to put back to the Issuer any unsold Offer Bonds.

The underwriting fees and any selling fees to be paid by the Issuer in relation to the Offer shall be equivalent to 0.35% of the gross proceeds of the Offer, which shall be grossed up for gross receipts tax of 5% or 7%, as applicable. This shall be inclusive of fees to be paid to the Joint Lead Underwriters and Bookrunners and any commissions to be paid to the Selling Agents. The fees due to the Joint Lead Underwriters and Bookrunners together with any applicable gross receipts tax or its equivalent less any applicable withholding tax arising in respect of such fee, shall be due and payable by the Issuer to the Joint Lead Underwriters and Bookrunners immediately upon receipt of confirmation from the bank of the Issuer that cleared funds representing payments for all accepted Applications to Purchase have been credited to the account designated by the Issuer.

The Issue Management and Underwriting Agreement may be terminated or suspended by the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners under certain circumstances prior to the issuance of the Offer Bonds and payment being made to the Company of the net proceeds of the Offer Bonds. The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners are duly licensed by the SEC to engage in underwriting or distribution of the Offer Bonds. The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of business for the Company. The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners have no direct relations with the Company in terms of ownership by either of their respective major stockholder(s), and have no right to designate or nominate any member of the Board of Directors of the Company.

BDO Capital was incorporated in the Philippines in December 1998. It is duly licensed by the SEC to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public. As of December 31, 2016, it had ₱3.3 billion and ₱3.24 billion in consolidated resources and capital, respectively. It has an authorized capital stock of ₱1.1 billion, of which approximately ₱1.0 billion represents its paid-up capital.

BPI Capital Corporation offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placements, project finance and loan syndication. Founded in December of 1994, BPI Capital is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. As of June 30, 2017, BPI Capital had total assets of ₱6.284 billion and total capital funds of ₱3.145 billion. The company operates as a wholly owned subsidiary of the Bank of the Philippine Islands.

China Bank Capital Corporation, a subsidiary of China Bank, 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. The Underwriter 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.

PNB Capital, an investment house was incorporated on July 30, 1997 and commenced operations on October 8, 1997. It is a wholly-owned subsidiary of the Philippine National Bank. As of December 31, 2016, it had an authorized and paid-up capital of ₱350.0 million. Its principal business is providing investment banking services, namely: debt underwriting (bonds, commercial papers), equity underwriting, private placements, loan syndications and financial advisory services. PNB Capital is authorized to buy and sell for its own account, securities issued by private corporations and the government of the Philippines. As of December 31, 2016, total assets of PNB Capital were at ₱713.19 million while total capital was at ₱722.51 million.

RCBC Capital Corporation is a licensed investment house providing a complete range of capital-raising and financial advisory services. Established in 1974, RCBC Capital has over 40 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates. As of June 30, 2017, RCBC Capital's total assets were ₱4.23 billion while total capital was ₱3.86 billion.

SCB is a banking corporation duly organized and incorporated in England with limited liability by Royal Charter in 1853, and licensed to act as a banking institution under and by virtue of the laws of the Republic of the Philippines through its Philippine branch. It has operated for over 150 years in some of the world's most dynamic markets and earns more than 90% of its profits in Asia, Africa, and the Middle East. Operating in the Philippines since 1872, SCB is a universal bank and is the longest established foreign bank in the country. The principal banking products include deposits, lending and related services, treasury and capital market operations, trade services, payments and cash management, and custodial services. The bank also provides capital raising solutions such as local currency and G3 currency fixed income and loan syndications.

BDO Capital is a wholly-owned subsidiary of BDO. BDO will receive full payment out of the proceeds of the Offer as the Lender under the short-term loan.

PNB Capital is a wholly-owned subsidiary of PNB. PNB will receive full payment out of the proceeds of the Offer as the Lender under the short-term loan.

## **SALE AND DISTRIBUTION**

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

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

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners are authorized to organize a syndicate of participating underwriters for the purpose of the Offer. However, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners shall remain solely responsible to the Issuer in respect of their obligations under the Issue Management and Underwriting Agreement entered into by them with the Issuer and the Issuer shall not be bound by any of the terms and conditions of any agreement entered into by the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners with the participating underwriters. The Company has no obligation to any member of such syndicate for the payment of any fee, underwriting or participating commissions.

## **TERM OF APPOINTMENT**

The engagement of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners shall subsist in accordance with the terms of the Issue Management and Underwriting Agreement. The obligations of each of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners 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 Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. Unless otherwise expressly provided in the Issue Management and Underwriting Agreement, the failure by a Joint Issue Managers and the Joint Lead Underwriters and Bookrunners to carry out its obligations thereunder shall neither relieve the other Joint Issue Managers and the Joint Lead Underwriters and Bookrunners of their obligations under the same Underwriting Agreement, nor shall any Joint Issue Managers and the Joint Lead Underwriters and Bookrunners be responsible for the obligation of another Joint Issue Managers and the Joint Lead Underwriters and Bookrunners.

## **MANNER OF DISTRIBUTION**

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners and the Issuer shall agree on the procedure for application, acceptance, or rejection of the Applications to Purchase, whether in whole or in part (the "**Allocation Plan**"). Consistent with bank procedures and the Allocation Plan, each of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners shall observe the policies and procedures regarding acceptance of Applications to Purchase, evaluation and assessment of such applications and

supporting documentary requirements, allocations of the Bonds to clients and acceptance of deposits of its potential investors.

## **OFFER PERIOD**

The Offer Period shall commence at 9:00 AM of December 12, 2017 and end at 5:00 PM of December 15, 2017 or such other dates as may be determined by the Issuer and Joint Issue Managers and the Joint Lead Underwriters and Bookrunners.

## **APPLICATION TO PURCHASE**

All Applications to Purchase the Bonds shall be evidenced by a duly completed and signed Application to Purchase, together with two fully executed signature cards authenticated by the Corporate Secretary or any equivalent authorized officer with respect to corporate and institutional investors. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and signature card together with the requisite attachments. Payment for the Bonds shall be made either by: (i) a personal or corporate check drawn against an account with an authorized bank of the Bangko Sentral ng Pilipinas (“**BSP**”) at any of its branches located in Metro Manila; or (ii) a manager’s or cashier’s check issued by an authorized bank. All checks should be made payable to “SMC Global Power Bonds Offering”, crossed “Payee’s Account Only,” and dated the same date as the Application. The Applications and the related payments will be received at any of the offices of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. Applicants submitting their Application to a Joint Issue Managers and the Joint Lead Underwriters and Bookrunners may also remit payment for their Bonds through the Real Time Gross Settlement (“**RTGS**”) facility of the BSP to the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. Cash payments shall not be accepted.

Should the applicant elect to pay through RTGS, the Application should be accompanied by an instruction issued by the applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Bonds applied for, to be effected and fully funded not later than 5:00 PM of December 15, 2017.

Should the applicant elect to pay by a debit memo or instruction, the Application should be accompanied by a debit memo or instruction issued by the applicant in an amount equal to the total Offer Price applied for in favor of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners to whom the Application is submitted, to be effected no later than 5:00 PM of December 15, 2017.

Corporate and institutional purchasers must also submit a copy of SEC-certified or corporate secretary (or any equivalent authorized officer) certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-laws, General Information Sheet, or such other relevant organizational or charter documents, and the original or corporate secretary or any equivalent officer-certified true copy of the duly notarized certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory/ies therefore. Individual applicants must also submit a photocopy of any one of the following identification cards (“**ID**”): passport/driver’s license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen’s ID or such other ID and documents as may be required by or acceptable to the selling bank.

An applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner (together with their Applications) who shall then forward the same to the Registrar and Paying Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) certified true copy of the original tax exemption certificate, ruling or opinion issued by the BIR on file with the applicant as certified by its duly authorized officer; (ii) with respect to tax treaty relief, proofs to support applicability of reduced treaty rates, consularized proof of tax domicile issued by the relevant tax authority of the Bondholder, and original or SEC-certified true copy of the SEC confirmation that the relevant entity is not doing business in the Philippines; (iii) an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status, undertaking to immediately notify the Company and the Registrar and Paying Agent of any suspension or revocation of its tax-exempt status and agreeing to indemnify and hold the Company, the Registrar and Paying Agent and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities.

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners shall be responsible for accepting or rejecting any Application or scaling down the amount of Bonds applied for. The Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Bonds so accepted and shall be valid and binding on the Company and the applicant.

#### **MINIMUM PURCHASE**

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

#### **ALLOTMENT OF THE BONDS**

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

#### **ACCEPTANCE OF APPLICATIONS**

SMC Global Power and the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners reserve the right to accept or reject applications to subscribe in the Bonds, and in case of oversubscription, allocate the Bonds available to the applicants in a manner they deem appropriate. If any application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Joint Issue Managers and the Joint Lead Underwriters and Bookrunners.

#### **REFUNDS**

In the event an Application to Purchase is rejected or the amount of Bonds applied for is scaled down, the relevant Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, upon receipt of the Allocation Report, shall notify the applicant concerned that his application

has been rejected or that the amount of Bonds applied for is scaled down. Payments made by the applicants whose Applications to Purchase are rejected or scaled down will be returned to them no later than three Business Days after the Issue Date by the relevant Joint Issue Managers and the Joint Lead Underwriters and Bookrunners to whom the Application to Purchase was submitted, in full (in case of a rejection) or in a proportionate sum corresponding to the amount of the Bonds partially rejected (in case of a scale down), but in both instances without any interest whatsoever. Refund shall be made either (i) through the issuance of a check payable to the order of the applicant and crossed "Payee's Account Only" and mailed or delivered, at the risk of the applicant, to the address specified in the Application to Purchase; or (ii) through the issuance of instructions for automatic credit payments to the accounts of the relevant applicants, as indicated in their respective Applications to Purchase. The Issuer and the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners shall not be liable in any manner to the applicant for any refund corresponding to any rejected or scaled-down Application to Purchase which is not transmitted by the relevant Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. In such case, the relevant Joint Issue Managers and the Joint Lead Underwriters and Bookrunners shall be responsible directly to their respective applicants for the actual refund of the payment.

## **REGISTER OF BONDHOLDERS**

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

Legal title to the Bonds shall be shown in the Register of Bondholders to be maintained by the Registrar. 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 Register of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Register of Bondholders.

## DESCRIPTION OF THE OFFER BONDS

*The following does not purport to be a complete listing of all the rights, obligations, or privileges of the 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 Stockholders of SMC Global Power submitted to the SEC, the information contained in this Offer Supplement, the Trust Agreement, Registry and Paying Agency Agreement (“**RPAA**”), Issue Management and Underwriting Agreement, and other documents relevant to the Offer. Prospective investors are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the issued Bonds.*

The offer and issuance of the Bonds, in one or more tranches, was authorized by a resolution of the Board of Directors of the Company on 8 August 2017. The Offer Bonds with an aggregate principal amount of ₱20,000,000,000.00 shall be issued for the first tranche. The Offer Bonds will be issued on the Issue Date, that is 22 December 2017 and will comprise of 5-year Series D Bonds due 2022, 7-year Series E Bonds due 2024, and 10-year Series F Bonds due 2027.

The Offer Bonds shall be governed by a Trust Agreement to be executed on 8 December 2017 between the Issuer and Philippine National Bank – Trust Banking Group as Trustee. The Trustee has no interest in or relation to the Issuer which may conflict with the performance of its functions. The description of the terms and conditions of the Offer Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A Registry and Paying Agency Agreement in relation to the Offer Bonds will be executed on 8 December 2017 between the Issuer and PDTCC as Registrar and Paying Agent.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal 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 all the provisions of the Registry and Paying Agency Agreement applicable to them.

### **Form and Denomination**

The Offer Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing each of the Series D Bonds, Series E Bonds and Series F Bonds sold in the Offer shall be issued to and registered in the name of the Trustee for the benefit of the Bondholders.

The Offer Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

### **Title**

Legal title to the Offer Bonds will be shown in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Offer Bonds purchased by each applicant in the offer for sale, distribution and issuance of the Offer Bonds by the Issuer will be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Offer Bonds shall pass by recording of the transfer from the transferor to the transferee in the Register of Bondholders. Settlement with respect to such transfer or change of title on the Offer Bonds, including the settlement of any cost arising from such transfers or

change, including, but not limited to, documentary stamp taxes, if any, shall be for the account of the relevant Bondholder or the transferee, as applicable.

## **BOND RATING**

The Offer Bonds have been rated PRS Aaa with a stable outlook by PhilRatings. PRS Aaa is the highest rating assigned by PhilRatings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

In formulating its rating, PhilRatings considered the good market standing of the Company despite its relatively short operating history, strong parent company support and synergies derived from San Miguel Corporation with a team of experienced professionals managing the Company, and the sound cash generating ability from operations of the Company. PhilRatings also considered the impact of foreign exchange movements on the profitability of the Company and the outstanding legal issues that may have an impact on operations of SMC Global Power.

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

## **TRANSFER OF BONDS**

### **Register of Bondholders**

The Issuer will cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Offer Bonds held by them and of all transfers and assignments of the Offer Bonds, including any liens and encumbrances thereon, shall be entered into the Register of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Register of Bondholders. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least every quarter (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Offer Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant 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. No transfer of the Offer Bonds may be made during the period commencing on a Record Date

### **Transfers; Tax Status**

Upon any assignment, title to the Bonds shall pass by recording the transfer from the transferor to the transferee in the Registry of Bondholders maintained by the Registrar.

Settlement in respect of such transfer or change of title to the Offer Bonds, including the settlement of any documentary stamp taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable. Subject to the provisions of the Registry and Paying Agency Agreement, the relevant rules, conventions and guidelines of PDEX and PDTC, the Bondholders may transfer their Offer Bonds at anytime to a transferee of the same tax status.

Bondholders may not transfer their Offer Bonds in the following instances:

- (a) transfers across Tax Categories on a date other than an Interest Payment Date; provided, however, that transfers from a tax-exempt Tax Category to a taxable Tax Category on a date other than an Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEX, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt person shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred; provided, finally, that this restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented. For purposes hereof, “Tax Categories” shall refer to the four (4) final withholding tax categories in the PDEX system covering, particularly, tax-exempt persons, 20% tax-withheld persons, 25% tax-withheld persons, and 30% tax-withheld persons, as such categories may be revised, amended or supplemented by PDEX in accordance with its rules and Applicable Law;
- (b) transfers by Bondholders with deficient documents; and
- (c) transfers during a Closed Period. For purposes hereof, “Closed Period” means period during which the Registrar shall not register any transfer or assignment of the Offer Bonds, specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the Final Redemption Amount of the Offer Bonds; or (ii) the period when any of the Offer Bonds have been previously called for redemption.

Transfers taking place in the Registry of Bondholders after the Offer Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if/and or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC.

A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar. Please see the sections on “*Description of the Offer Bonds – Tax-Exempt Status or Entitlement to Preferential Tax Rate*” for a detailed discussion on the requirements for claiming a preferential tax status. Otherwise, the Bondholders will be treated as taxable on Record Date. Notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners of documentary proof of tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Offer Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Register of Bondholders. The payment report to be prepared by the Registrar and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Offer Bonds on any Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

## **SECONDARY TRADING**

The Issuer intends to list the Offer Bonds in PDEX for secondary market trading and, for that purpose, the Issuer has filed an application for such listing. However, there can be no

assurance that such a listing will actually be achieved or whether such a listing will materially affect the liquidity of the Offer Bonds on the secondary market. Such listing would be subject to the Issuer's execution of a listing agreement with PDEX that may require the Issuer to make certain disclosures, undertakings and payments on an ongoing basis.

For so long as any of the Offer Bond are listed on PDEX, the Offer 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. 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, all of which shall be for the account of the Bondholders.

## **RANKING**

The Offer Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future, contingent or otherwise, unsecured and unsubordinated obligations of the Issuer, except for any statutory preference or priority established by law.

## **INTEREST**

### **Interest Payment Dates**

Each Series D Bond bear interest on its principal amount from and including Issue Date at the rate of 5.3750% per annum, payable quarterly in arrears on March 22, June 22, September 22, and December 22 of each year, commencing on March 22, 2018, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day (each of which, for purposes of this clause is an "Interest Payment Date").

Each Series E Bond bear interest on its principal amount from and including Issue Date at the rate of 6.2500% per annum, payable quarterly in arrears on March 22, June 22, September 22, and December 22 of each year, commencing on March 22, 2018, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day (each of which, for purposes of this clause is an "Interest Payment Date").

Each Series F Bond bear interest on its principal amount from and including Issue Date at the rate of 6.6250% per annum, payable quarterly in arrears on March 22, June 22, September 22, and December 22 of each year, commencing on March 22, 2018, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day (each of which, for purposes of this clause is an "Interest Payment Date").

The cut-off date in determining the existing Bondholders entitled to receive interest, principal or any amount due under the Offer Bonds shall be two (2) Business Days immediately preceding the relevant Payment Date (the "Record Date"). The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest, principal or any other amount due under the Offer Bonds.

### **Interest Accrual**

The Offer Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on "*Description of the Offer Bonds - Final Redemption*" below, unless, upon due presentation, payment of the principal in respect of the Offer Bonds then

outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Description of the Offer Bonds - Penalty Interest*” below) shall apply.

### **Calculation of Interest**

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

## **REDEMPTION AND PURCHASE**

### **Final Redemption**

Unless earlier redeemed, purchased and cancelled, the Offer Bonds will be redeemed at par or 100.00% of their face value on their respective Maturity Dates. However, payment of all amounts due on the Offer Bonds on such dates may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the relevant Maturity Date is not a Business Day.

Each Bondholder in whose name the Offer Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding any Maturity Date shall be entitled to receive the principal amount of the Offer Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement

### **Early Redemption due to Taxation**

If payments under the Offer Bonds become subject to additional or increased taxes other than the taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, then the Issuer may redeem the relevant Offer Bond series in whole, and not in part only, on any Interest Payment Date (having given not more than 60 days nor less than 30 days’ notice to the Trustee, the Registrar and the Paying Agent) at par (or 100% of face value) plus accrued interest; provided that if the Issuer does not redeem the Offer Bonds then all payments of principal and interest in respect of the Offer Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Bondholders concerned, such additional amount as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Upon receipt by the Trustee of a written notice from the Issuer hereunder, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Offer Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Offer Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Offer Bonds under this section.

## Early Redemption due to Change in Law or Circumstance

Upon the occurrence of a Change in Law or Circumstance (as enumerated below), then the Issuer may redeem the Offer Bonds at any time in whole, but not in part (having given not more than 60 days' nor less than 30 days' notice to the Trustee, the Registrar and the Paying Agent from the time of the occurrence of the event) at par (or 100% of face value) plus accrued interest.

The following events shall be considered as changes in law or circumstance (each a "**Change in Law or Circumstance**") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Transaction Documents:

- (iv) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Offer Bonds shall be modified, withdrawn or withheld in a manner which shall materially and adversely affect the ability of the Issuer to comply with such obligations, or
- (v) Any provision of the Trust Agreement or any of the Transaction 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 hereunder or thereunder (in whole or in part); or any law shall be introduced or any existing Applicable Law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other Transaction Document.
- (vi) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.
- (vii) The Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer or the same does not materially and adversely affect the financial condition or operations of the Issuer.

Upon receipt by the Trustee of a written notice from the Issuer on the occurrence of a Change in Law or Circumstance, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Offer Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Offer Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Offer Bonds pursuant to a Change in Law or Circumstance under this paragraph.

## Early Redemption due to Change of Control

Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to redeem all (but not some) of the Offer Bonds, at par (or 100% of face value) and accrued interest thereon (the "Change of Control Redemption Price"). Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to repurchase all (but not some) of the Offer Bonds at the Change of Control Redemption Price, and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date notice is received by the Trustee). The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds shall be conclusive and binding upon all the Bondholders.

Each Bondholder in whose name the Offer Bonds are registered in the Registry of Bondholders at the close of business on the Record Date indicated in the notice to the Bondholders shall be entitled to receive the principal of the Offer Bonds and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

## Early Redemption Option

The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), any outstanding Series D Bonds, Series E Bonds or Series F Bonds on the dates set out below (each an "Early Redemption Option Date"):

| <b>Early Redemption Option Date on Series D Bonds</b> | <b>Early Redemption Price</b> |
|---|-------------------------------|
| Third (3 <sup>rd</sup> ) anniversary from Issue Date  | 101.0%                        |
| Fourth (4 <sup>th</sup> ) anniversary from Issue Date | 100.5%                        |

| <b>Early Redemption Option Date on Series E Bonds</b> | <b>Early 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%                        |

| <b>Early Redemption Option Date on Series F Bonds</b>  | <b>Early Redemption Price</b> |
|--|-------------------------------|
| Seventh (7 <sup>th</sup> ) anniversary from Issue Date | 102.0%                        |

| <b>Early Redemption Option Date on Series F Bonds</b> | <b>Early Redemption Price</b> |
|---|-------------------------------|
| Eighth (8 <sup>th</sup> ) anniversary from Issue Date | 101.0%                        |
| Ninth (9 <sup>th</sup> ) anniversary from Issue Date  | 100.5%                        |

provided, that if the relevant Early Redemption Option Date falls on a day that is not a Business Day, then the payment of the optional redemption price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and optional redemption price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer redeem the Offer Bonds pursuant to this Early Redemption Option.

The amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Offer Bonds being redeemed, as the sum of (i) the accrued interest on the Offer Bonds computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and (ii) the product of the principal amount and the applicable Early Redemption Price in accordance with the table above.

The Issuer shall give no less than thirty (30) nor more than sixty (60) days' prior written notice to the Trustee, the Registrar and Paying Agent of its intention to redeem the Offer Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Offer Bonds on the relevant Early Redemption Option Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee shall through the Issuer secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Offer Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and early redemption price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

### **Purchase and Cancellation**

The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to make pro rata purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Offer Bonds in the PDEX, the Issuer shall disclose any such transaction in accordance with the applicable PDEX disclosure rules.

### **Payments**

The principal of, interest on, and all other amounts payable on the Offer Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer via RTGS, net of final taxes and fees (if any), to the Philippine Peso cash account maintained and designated by or on behalf of the Bondholder in his/her Application to Purchase. The principal of, and interest on, the Offer Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Offer Bonds remain outstanding, there shall at all times be a Paying Agent for purpose of disbursing payments on the Offer Bonds.

### **Payment of Additional Amounts – Taxation**

Interest income on the Offer Bonds is subject to a final withholding tax at rates between 20% and 30% depending on the tax status of the relevant Bondholder under relevant law, regulation, or tax treaty. Except for such final withholding tax and as otherwise provided below, 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 Offer Bonds realized from the sale, exchange or retirement of the said Offer Bonds;
- (b) The applicable final withholding tax on interest earned on the Offer Bonds prescribed under the Tax Reform Act of 1997, as amended and its implementing rules and regulations as may be in effect from time to time. Interest income on the Offer Bonds is subject to a final withholding tax at rates between 20% and 30%, depending on the tax status of the relevant Bondholder and subject to its claim of tax exemption or preferential withholding tax rates under relevant law, regulation or tax treaty;
- (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.

Any documentary stamp tax for the primary issue of the Offer Bonds and the execution of the Issue Management and Underwriting Agreement, Trust Agreement, and the Registry and Paying Agency Agreement, if any, shall be for the account of the Issuer.

### **FINANCIAL COVENANT**

The Issuer may incur additional Indebtedness if on the Transaction Date, after giving effect to the Incurrence of such Indebtedness, but not giving any effect to the receipt or application of proceeds therefrom, provided its Net Debt to Equity Ratio does not exceed 3.25x and its Interest Coverage Ratio does not fall below 2.25x in respect of any incurrence of any Indebtedness.

For avoidance of doubt, any debt to be incurred to refinance, in the same currency or its equivalent amount, an existing debt outstanding on the date of the Trust Agreement, shall not be construed as an incurrence of additional debt.

The ratios shall be computed using the following formula:

Net Debt to Equity (all items being net of amounts attributable to Ring-Fenced Subsidiaries):

*Consolidated Net Total Debt + Total PSALM Lease Liabilities*

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*Consolidated Total Equity*

Interest Coverage Ratio (all items being the amounts for the most recent Four Quarterly Period and excluding Ring-Fenced Subsidiaries):

*Consolidated EBITDA*

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*Consolidated Interest Expense*

For the avoidance of doubt, any Indebtedness to be Incurred to refinance, in the same currency or its equivalent amount, an existing Indebtedness outstanding on the Issue Date, shall not be construed as an incurrence of additional Indebtedness.

In the determination of any particular amount of Indebtedness in connection with Financial Covenant, Guarantees, Security Interests or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included.

## **NEGATIVE PLEDGE**

Until redemption or payment in full of the aggregate outstanding principal amount of the Offer Bonds, the Company will not and will ensure that none of its Material Subsidiaries will, without the prior written consent of the Majority Bondholders, create or have outstanding any Security Interest upon or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Company or any of the Material Subsidiaries to secure any Indebtedness unless the Company, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) All amounts payable by it under the Offer Bonds are secured by the Security Interest equally and ratably with the relevant Indebtedness to the satisfaction of the Majority Bondholders; or
- (b) Such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided to the satisfaction of the Majority Bondholders;

provided, that the foregoing restriction shall not apply to any Permitted Security Interest.

## **DEFAULT**

### **Events of Default**

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

- (a) the Issuer defaults in the payment when due of any amount payable under the Trust Agreement, the Offer Bonds, or any other Transaction Document unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within three (3) Business Days after the date such payment is due a “Payment Default”);

- (b) the Issuer fails to perform, comply with, or violates any material provision, term, condition, covenant or obligation contained in the Transaction Documents (other than by reason of paragraph (a) above), and any such failure, non-compliance or violation is not remediable or, if remediable, continues unremedied for a period of 30 days (or such longer curing period granted to the Issuer by the Majority Bondholders) from the date after written notice thereof shall have been given to the Issuer by the Trustee;
- (c) any representation or warranty which is made or deemed to be made by the Issuer or any of the Issuer's directors or officers herein or otherwise in connection herewith, or in any certificate delivered by the Issuer hereunder or in connection herewith, shall prove to have been untrue or incorrect in any material respect as of the time it was made or deemed to have been made;
- (d) the Company or any of its Subsidiaries defaults in the performance or observance of, or compliance with, any one or more of its obligations under the a Material Agreement and such default shall not have been remedied as provided therein and such event might reasonably be expected to have a Material Adverse Effect;
- (e) a Material Agreement is terminated, repudiated, cancelled or revoked and such event might reasonably be expected to have a Material Adverse Effect;
- (f) a Material Agreement or any provision thereof is or becomes invalid, illegal or unenforceable and there is a Material Adverse Effect as a result thereof which has not been remedied within thirty (30) days of the occurrence thereof;
- (g) any Indebtedness of the Issuer, whether singly or in the aggregate, in excess of One Billion Two Hundred Fifty Million Pesos (₱1,250,000,000.00) or its equivalent in other currencies is not paid on its due date or within any applicable grace period or is declared to be due and payable prior to its stated date of payment (except where liability for payment of that Indebtedness is being contested in good faith by appropriate means);
- (h) a decree or order by a court or other Governmental Authority having jurisdiction over the premises is entered without the consent or application of the Issuer:
  - (1) adjudging the Issuer bankrupt or insolvent;
  - (2) approving a petition seeking a suspension of payments by or a reorganization of the Issuer under any applicable bankruptcy, insolvency or reorganization law;
  - (3) appointing a receiver, liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or of all or substantially all of the business or assets of the Issuer;
  - (4) providing for the winding up or liquidation of the affairs of the Issuer;
  - (5) with a view to the rehabilitation, administration, liquidation, winding-up or dissolution of the Issuer; or
  - (6) taking other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (5) above (inclusive);

*Provided*, that the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from issuance thereof;

- (i) the Issuer:
  - (1) institutes voluntary proceedings to be adjudicated bankrupt or insolvent or consents to the filing of a bankruptcy or insolvency proceeding against it;
  - (2) files a petition seeking a suspension of payments by it or its reorganization under any applicable bankruptcy, insolvency or reorganization law or consents to the filing of any such petition;
  - (3) seeks or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its business or assets;
  - (4) makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts generally as they become due;
  - (5) files a petition seeking the winding up or liquidation of its affairs or consents to the filing of any such petition;
  - (6) takes any other step with a view to its rehabilitation, administration, liquidation, winding-up or dissolution or a suspension of payments by it; or
  - (7) takes other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (6) above (inclusive);
- (j) final and executory judgment(s) or order(s) are rendered by a court of competent jurisdiction against the Issuer or its properties or assets from which no appeal may be made for the payment of money which will have a Material Adverse Effect and such judgment or order shall continue unsatisfied or undischarged after ninety (90) days;
- (k) the Issuer shall suspend or discontinue all or a substantial portion of its business operations, whether voluntarily or involuntarily for a period of thirty (30) consecutive days except in cases of strike or lockout when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, *provided* that in any such event of strikes, lockouts or closure due to force majeure events, there is no Material Adverse Effect;
- (l) any event or circumstance that will have a Material Adverse Effect has occurred and is continuing; and
- (m) any Governmental Approval now or hereafter necessary to enable the Issuer to comply with its obligations under any Material Agreement to which it is party is not issued when required or is revoked, cancelled, withdrawn or withheld, not renewed, modified or amended or otherwise ceases to remain in full force and effect and such cancellation, withdrawal withholding, non-renewal, modification or amendment has a Material Adverse Effect; provided, that if the same is capable of being remedied, it shall not be an Event of Default if remedied within ninety (90) days from occurrence thereof.

### **Notice of Default**

The Trustee shall, within five (5) Business Days after receipt of written notice from the Issuer or the Majority Bondholders of the occurrence of an Event of Default, give to all the Bondholders written notice of any such Event of Default unless the same shall have been cured before the giving of such notice; provided, that in the case of a Payment Default (as

described in paragraph (a) of the “*Description of the Offer Bonds – Events of Default*”) the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default.

### **Consequences of Default**

- (a) If any one or more of the Events of Default shall have occurred and be continuing after the lapse of the period given to the Issuer within which to cure such Event of Default, if any, or upon the occurrence of such Event of Default for which no cure period is provided, (i) the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the Issuer in default (each a “**Declaration of Default**”) and declare the principal of the Offer Bonds then outstanding, together with all accrued and unpaid interest thereon and all amounts due thereunder, to be due and payable not later than five (5) Business Days from the receipt of the Declaration of Default (“**Default Payment Date**”) with a copy to the Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon, the Issuer shall make all payments due on the Offer Bonds in accordance with the Registry and Paying Agency Agreement.
- (b) All the unpaid obligations under the Offer Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer.

### **Penalty Interest**

In case any amount payable by the Issuer under the Offer Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay a penalty fee on the defaulted amount(s) at the rate of twelve percent (12%) per annum (the “**Penalty Interest**”) from the time the amount fell due until it is fully paid in accordance with the Terms and Conditions of the Offer and the Trust Agreement.

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

Upon the occurrence of any Event of Default, and provided that there has been a Declaration of Default and acceleration of payment of the Offer Bonds by the Majority Bondholders, then in any such case, the Issuer will pay the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on such outstanding Offer Bonds with interest at the rate borne by the Offer Bonds on the overdue principal and with Penalty Interest, where applicable, based on the payment report no later than the Default Payment Date. The Issuer also undertakes that it shall give the Trustee written notice of its intention to make any payments under this paragraph (a).

### **Application of Payments**

Any money collected by the Trustee as a consequence of a Declaration of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds or to the Registry and Paying Agency Agreement, shall be applied by the Trustee in the order of preference as follows:

- (a) First: To the pro-rata payment to the Trustee, the Registrar, the Paying Agent and PDEx of the

reasonable and documented costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all reasonable and documented expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Offer Bonds.

- (b) Second: To the payment of all outstanding interest, including any Penalty Interest, in the order of maturity of such interest.
- (c) Third: To the payment of the principal amount of the Offer Bonds then due and payable.
- (d) Fourth: The remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

### **Prescription**

Claims in respect of principal and interest or other sums payable under the Offer Bonds will 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 the payment becomes due.

### **Remedies**

All remedies conferred by the Trust Agreement upon 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 under the Trust Agreement subject to the discussion under “*Description of the Offer Bonds – 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 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 provided under the Trust Agreement to the Trustee and 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 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 on account of principal or interest, or for the appointment of a receiver or Trustee, or for any other remedy hereunder, unless:

- (a) such Bondholder previously shall have given to the Trustee a 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 Offer Bonds,
- (b) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name,
- (c) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, and
- (d) no directions inconsistent with such written request or rescission and annulment of a Declaration of Default by the Bondholders has been made.

No Bondholder shall have any right in any manner whatsoever 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 Offer 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 provided under the Trust Agreement and for the equal, ratable and common benefit of all Bondholders.

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

The Majority Bondholders may (a) 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 (b) on behalf of the Bondholders, waive any past default except the Events of Default and its consequences except for Events of Default (a), (h), (j), (k), (and (m)) cannot be waived by the Bondholders. 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 the Bondholders and upon all future holders and owners thereof.

## **TRUSTEE**

### **Appointment of Trustee**

The Issuer has appointed Philippine National Bank – Trust Banking Group as Trustee for and on behalf and benefit of the Bondholders, in connection with the distribution and sale by the Issuer of the Offer Bonds.

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

The Trustee shall be responsible for performing, among others, the following duties for the benefit of the Bondholders, including but not limited to:

- (a) Monitor compliance by the Issuer with its obligations under the Trust Agreement;
- (b) Report regularly to Bondholders any non-compliance by the Issuer with the Trust Agreement and any development with respect to the Issuer of which the Trustee may have knowledge based on official disclosures to PDEX, SEC or other regulatory agencies that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to PDEX, SEC or other regulatory agencies; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Offer Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification; and
- (c) Act on behalf of the Bondholders including calling for and/or attending meetings of the Bondholders.

### **Notices**

- (a) To the Trustee and the Issuer

All documents required to be submitted to the Trustee and all other notices, requests and other communications must be in writing and will be deemed to have been duly given only if delivered personally, by facsimile transmission, or mailed (first class postage prepaid) or emailed to the parties at the following addresses, facsimile numbers or email addresses; and addressed to the individuals named below:

If to the Issuer:

**SMC GLOBAL POWER HOLDINGS CORP.**

19th Floor, San Miguel Properties Centre, No. 7 St. Francis Street,  
Mandaluyong City, Metro Manila, Philippines

Attention: Paul Bernard D. Causon

Telephone No: +632 702 4690

Email: [pcauson@smcgph.sanmiguel.com.ph](mailto:pcauson@smcgph.sanmiguel.com.ph)

If to the Trustee:

**PHILIPPINE NATIONAL BANK – TRUST BANKING GROUP**

3/F PNB Financial Center, President Diosdado Macapagal

Bldv. 1300 Pasay City, Metro Manila, Philippines

Attention: Ms. Josephine E. Jolejole

Telephone: (632) 573 4655/4665/4575

Email: [riverajb@pnb.com.ph](mailto:riverajb@pnb.com.ph)/ [jolejoleje@pnb.com.ph](mailto:jolejoleje@pnb.com.ph) /

[evangelistaahr@pnb.com.ph](mailto:evangelistaahr@pnb.com.ph)

All such notices, requests and other communications will: (i) if delivered personally to the address as provided above, be deemed given upon delivery; (ii) if delivered by facsimile transmission to the facsimile number as provided above, be deemed given upon receipt; and (iii) if delivered by mail or email in the manner described above to the address as provided above, be deemed given upon receipt and in case of email if received in readable form (in each case regardless of whether such notice, request or other communication is received by any other person on behalf of such individual to whom a copy of such notice, request or other communication is to be delivered). Each of the Trustee and the Issuer may from time to time change its address, facsimile number or other information for the purpose of notices hereunder by giving notice specifying such change to the other parties.

**Notice to the Bondholders**

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Registry of Bondholders. Except where a specific mode of notification is provided for in the Bond Agreements, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) ordinary mail; (iii) by publication for at least once a week for two (2) consecutive weeks in at least two (2) newspapers of general circulation in the Philippines; (iv) personal delivery to the address of record in the Registry of Bondholders; or (v) disclosure through the Online Disclosure System of the PDEX. The Trustee shall rely on the Registry of Bondholders 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 ordinary mail; (iii) on the date of last publication, if notice is made by publication; or (iv) on the date of delivery, for personal delivery.

A notice made by the Issuer to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the PDEX on a matter relating to the Offer

Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication.

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

The Trustee may resign at any time by giving the Issuer at least 90 calendar days' prior written notice to that effect. Upon receipt of such notice of resignation, the Issuer shall immediately appoint a replacement trustee (the "Replacement Trustee") by written instrument in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the Replacement Trustee. If no Replacement Trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee or any Bondholder who has been a bona fide holder for at least six (6) months may petition any court of competent jurisdiction for the appointment of a Replacement Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a Replacement Trustee.

The Issuer may, subject to the occurrence of certain events as specified in the Trust Agreement, within 30 days, remove the Trustee and appoint a Replacement Trustee, by written instrument in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the Replacement Trustee. If the Issuer fails to remove the Trustee and appoint a Replacement Trustee, any Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a Replacement Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a Replacement Trustee.

The Majority Bondholders may at any time remove for cause the Trustee and with the consent of the Issuer, appoint a Replacement Trustee in accordance with the terms of the Trust Agreement, without prejudice to whatever remedies may be available to the Majority Bondholders under the law or in equity.

Any resignation or removal of the Trustee and the appointment of a Replacement Trustee pursuant to any of the provisions of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the Replacement Trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (the "Resignation Effective Date") provided, however, that after the Resignation Effective Date and, as relevant, until such Replacement Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the Replacement Trustee promptly upon the appointment thereof by SMC Global Power.

Within ten (10) days from the effectiveness of the resignation or removal of the outgoing trustee and the appointment of the Replacement Trustee, the outgoing trustee shall transfer and turn over to the Replacement Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the outgoing trustee pursuant to the Trust Agreement, if any.

### **Replacement Trustee**

The Replacement Trustee shall execute, acknowledge and deliver to the Issuer and to the outgoing trustee an instrument accepting his/her appointment, and thereupon the resignation or removal of the outgoing trustee shall become effective and the Replacement Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor under the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the Replacement Trustee, the

Trustee ceasing to act as such shall execute and deliver an instrument transferring to the Replacement Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such Replacement Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such Replacement Trustee all such rights, powers and duties.

Upon acceptance of appointment by the Replacement Trustee, the Issuer shall notify the Bondholders in writing and/or by publication in a newspaper of general circulation in Metro Manila, Philippines of the succession of such Replacement Trustee to the duties of the outgoing Trustee. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the Replacement Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

## **MEETING OF BONDHOLDERS**

The Trustee may at any time call a meeting of the Bondholders, on its own accord or upon the written request of the Issuer or the Majority Bondholders, for purposes of taking any actions authorized under the Trust Agreement.

### **Notice of Meetings**

Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than 45 days nor later than 15 days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Agreement. All reasonable and documented 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 to Call a Meeting**

The failure of the Trustee to call a meeting upon the written request of either the Issuer or the Majority Bondholders within three (3) days from such request shall entitle the requesting party to send the appropriate notice of Bondholders' meeting and the costs therefrom shall be charged to the account of the Trustee.

### **Quorum for Meetings**

The presence of Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar in accordance with the Registry and Paying Agency Agreement (which list shall include all information necessary to the performance of the duties and powers of the Trustee under the Trust Agreement, such as, but not limited to, specimen signatures of the Bondholders' authorized signatories). The Registrar shall provide the Trustee through the Issuer with the foregoing list and information upon receipt of a written request from the Issuer.

### **Procedure for Meetings**

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 move for the election of the

chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolutions by and the results of the votes cast by the Bondholders entitled to vote at the meeting and/or the Person appointed in writing by a public instrument as proxy or agent by any such Bondholder in accordance with the procedure set forth in “*Description of the Offer Bonds – Voting Rights*”. The elected secretary shall immediately provide the Trustee with a copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request.

Any meeting of the Bondholders may be adjourned from time to time for a period not to exceed in the aggregate one (1) year from the date for which the meeting shall have been originally called, and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Offer Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

### **Voting Rights**

To be entitled to vote at any meeting of the Bondholders, a person should be a registered holder of the Offer Bonds as reflected in the Register of Bondholders or a person appointed by a public instrument in writing as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) as of the date of the meeting. For avoidance of doubt, ₱5,000.00 is equal to one vote.

### **Voting Requirements**

Except as otherwise provided in the Trust Agreement, 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). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

### **Action of the Bondholders**

In cases where, pursuant to the Trust Agreement, the holders of a specified percentage of the aggregate outstanding principal amount of Offer Bonds are allowed to take any action (including the making of any demand or request, 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 Bondholders of such specified percentage have joined such action may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance with the Trust Agreement; or (iii) a combination of such instruments and any such record of meeting of the Bondholders.

### **Non-Reliance**

Each Bondholder represents and warrants to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee or the Issuer, made its own credit investigation and appraisal of the financial position and affairs of the Issuer on the basis of such documents and information it has deemed appropriate and that it has subscribed to the Offer Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Trustee or the Issuer.

## **Notices to Bondholders**

Except where a specific mode of notification is provided for in the Issue Management and Underwriting Agreement, Trust Agreement, or the Registry and Paying Agency Agreement, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) ordinary mail; (iii) by publication for at least once a week for two (2) consecutive weeks in at least two (2) newspapers of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. If notices to Bondholders shall be sent by mail or personal delivery, such notices shall be sent to the mailing address of the Bondholders as set forth in the Register of Bondholders. All notices shall be deemed to have been received: (i) ten (10) days from posting, if transmitted by registered mail; (ii) 15 days from mailing, if transmitted by ordinary mail; (iii) on date of last publication, if notice is made through publication; or (iv) on date of delivery, for personal delivery.

## **GOVERNING LAW**

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

## **VENUE**

Any suit, action, or proceeding arising out of, or relating to, the Offer Bonds or the Trust Agreement shall be brought in any competent court in the Cities of Makati and Mandaluyong, to the exclusion of all other courts, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer, Trustee and Bondholders expressly waiving other venue.

## **PARTIES TO THE OFFER**

### **THE ISSUER**

**SMC Global Power Holdings Corp.**  
155 EDSA, Wack-Wack  
Mandaluyong City  
Philippines

### **TRUSTEE**

**Philippine National Bank – Trust Banking  
Group  
Fiduciary Services Division**  
Philippine National Bank, 3rd Floor, PNB  
Financial Center, Pres. Diosdado Macapagal  
Blvd., Pasay City, Metro Manila 1300 Philippines

### **REGISTRAR AND PAYING AGENT**

**Philippine Depository & Trust Corp.**  
37th Floor, Tower 1, The Enterprise Center  
6786 Ayala Avenue corner Paseo de Roxas  
Makati City 1226  
Philippines

### **LEGAL ADVISORS**

*To the Joint Issue Managers, Joint Lead  
Underwriters and Bookrunners*

**SyCip Salazar Hernandez & Gatmaitan**  
SyCipLaw Center  
105 Paseo de Roxas  
Makati City 1226  
Metro Manila  
Philippines

*To the Issuer*

**Picazo Buyco Tan Fider & Santos**  
18th, 19th and 17th Floors, Liberty Center  
104 H.V. dela Costa Street  
Salcedo Village, Makati City  
Philippines

### **AUDITORS OF THE ISSUER**

**R.G. Manabat & Co., a member firm of KPMG**  
9th Floor, The KPMG Center  
6787 Ayala Avenue  
Makati City 1226  
Philippines

### **LISTING AGENT**

**Philippine Dealing & Exchange Corp.**  
37th Floor, Tower 1, The Enterprise Center  
6786 Ayala Avenue corner Paseo de Roxas  
Makati City 1226  
Philippines