



REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
INTRAMUROS, MAYNILA

Funding the Republic

Memorandum

To : All Government Securities Eligible Dealers

Date : October 23, 2006

Subject : Home Guarantee Corporation (HGC) Zero Coupon Bonds

Please be advised that the Home Guarantee Corporation will auction on October 26, 2006 P12.0B worth of HGC Zero Coupon Bond with issue date of October 27, 2006. Below are the indicative terms of the issue:

Issuer : Home Guarantee Corporation (“HGC”)

Instrument : Zero Coupon Bond

Form of Issue : The bonds shall be negotiable, exempt from Securities and Exchange Commission (SEC) registration and issued in scripless form through the Registry of Scripless Securities (RoSS) of the Bureau of the Treasury (“BTR”)

**Issue Manager/
Joint Lead
Underwriters** : Philippine Commercial Capital Inc, AB Capital and Investment Corporation, Multinational Investment Bancorporation, RCBC Capital Corporation, and SB Capital Investment Corporation.

**Registrar and
Paying Agent** : Bureau of the Treasury

Status of the Bonds : The Bonds shall constitute direct and unconditional obligations of HGC and shall rank pari passu as to priority of payments with all and other current and future indebtedness of HGC

Amount : PHP 12.0 Billion

ISIN : HGCZ0713J023

Purpose : To finance HGC’s guaranty servicing requirements for socialized and low cost housing projects

Security : Unconditional ROP guaranty on principal and interest obligations as provided for in Section 18 (a) and (b) of R.A. 8763, the HGC Act of 2000

Eligibility : Eligible as alternative compliance to P.D. No. 717, the Agri-Agra Law

Eligible as Reserve for Trust and other Fiduciary Duties, when the remaining maturity of the bonds reaches three (3) years.

Eligible as alternative form of compliance with the balanced housing provision under the Urban Development Housing Act (UDHA) of 1992, as approved by the HLURB Board in its meeting of July 20, 2005

Qualified as Admitted Asset and Reserve Investment of Insurance Companies

Issue Price : To be issued at a discount to par

Mode of Offer : Dutch Auction

Interest Rate or Yield to Maturity : To be determined via Dutch Auction on the Auction Date among the currently registered Government Securities Eligible Dealers (“GSEDs”). The Bonds shall be offered at a range based on the applicable Benchmark Rate to be agreed by and among the Issue Manager/Joint Lead Underwriters and HGC

Tenor : Seven (7) Years

Principal Repayment : Full payment upon maturity

Taxes : R.A. 8763, Sec 5(f) provides that HGC borrowings shall be exempt from all forms of taxation except estate, inheritance and gift taxes

Interest or yield earned on the Bonds up to and including 10.15% p.a. shall be exempt from all taxation, amounts in excess of 10.15% p.a. shall be subject to the 20% final withholding tax or other such rate as may be provided by law, and shall be for the account of the bondholder

All costs and expenses arising from the Documentary Stamp Tax (DST) due on the original issuance of the Bonds shall be for the account of HGC. As a government security, trading in the secondary market will be exempt from DST.

Trading gains shall be exempt from income taxes

Ownership of the Bond : Registration and transfer of title to the Bonds is recorded in the RoSS maintained by the BTr. Investors appearing as registered owners in the RoSS shall be treated as the absolute owners of the relevant Bonds for all purposes. Prospective investors who are not Government Securities Eligible Dealers (GSEDs) but wish to register legal title under their own names in the RoSS are advised to make the necessary arrangements with a GSED and the BTr for the opening of a RoSS account.

Auction Date : October 26, 2006.

Issue Date : October 27, 2006

Maturity Date : October 27, 2013

Please be guided accordingly.

(SGD) OMAR T. CRUZ
Treasurer of the Philippines