



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 19, 2009

Subject : **National Food Authority's Php 5B, 10-year Notes With One-Time Call Option on Call Option Date**

Please be advised that the National Food Authority will auction on October 27, 2009, P5.0B worth of 10-year Notes with one-time call option date with issue date on October 29, 2009. Below are the indicative terms and conditions of the issue.

Issuer	National Food Authority
Guarantor	Republic of the Philippines
Facility	Republic of the Philippines Guaranteed Notes due 2019, callable at par with step-up in 2014.
Security	Direct and unconditional guarantee of the Republic of the Philippines on principal, interest, step-up interest, and default interest.
Issue Amount	Php 5 billion subject to adjustment based on results of the Dutch auction and subject further to the requirements of the Issuer
Purpose	Proceeds of the Notes will be used by the Issuer to finance procurement of grains, capital expenditures, general funding requirements and refinance its maturing debt obligations.
Mode of Offering	Dutch auction
Issue Price	100% of the face value of the Notes
Auction Date	October 27, 2009
Settlement / Issue Date	October 29, 2009
Tenor	10 years with one time Call Option on Call Option Date
ISIN	NFAB1019J024
Initial Interest Rate	The Initial Interest Rate shall be benchmarked against the 5-year PDST-F rate; the final yield will be determined via a Dutch auction through the BTr on Auction Date.

The Initial Interest Rate shall be fixed for the period from

and including the Issue Date up to but excluding (a) the Call Option Date, if the Call Option is exercised, or (b) the fifth anniversary from Issue Date, in the event that the Call Option is not exercised, and payable semi-annually. The Initial Interest Rate will be rounded down to the nearest multiple of 1/8th of 1%.

In the event that the Call Option is not exercised, the interest from and including the fifth anniversary from Issue Date up to but excluding the Maturity Date shall be subject to a step-up rate formula.

Call Option

The Issuer may, on the Call Option Date, upon at least a 45-day prior written notice to the Agent (which notice shall be irrevocable) to be published in two newspapers of general circulation, redeem all and not less than all of the outstanding Notes prior to stated maturity by paying the Noteholders on record as of Call Option Date the face value of the Notes plus accrued interest at the Initial Interest Rate.

Call Option Date

Five years and one day from the Issue Date

Step-up Interest Rate

In the event that the Issuer does not exercise the Call Option, the interest rate shall be adjusted to the Step-up Spread plus the higher of: (a) the five (5)-year Fixed Rate Treasury Notes (FXTNs) as published on the PDST-F section of the Philippine Dealing and Exchange Corp. (PDEX) Market Page under the heading "Bid Yield" as of 11:16 a.m., Manila time, on the Reset Date and (b) the Initial Interest Rate. The Step-up Interest Rate will be rounded down to the nearest multiple of 1/8th of 1%.

Step-up Spread

Equal to the difference between the Initial Interest Rate and the Initial Benchmark x 250%. In no case however, shall the Step-up Spread be less than zero.

Reset Date

The Banking Day prior to the Call Option Date

Initial Benchmark

The prevailing five (5)-year Fixed Rate Treasury Notes (FXTNs) as published on the PDST-F section of the PDEX Market Page under the heading "Bid Yield" as of 11:16 a.m., Manila time, one Banking Day immediately prior to the Auction Date.

If there is no rate appearing on the PDEX Page under the heading "Bid Yield" as of 11:16 am, Manila time, on the Banking Day immediately prior to the Auction Date, the Joint Issue Managers will request appropriate quotes for bid yields for a five (5)-Year FXTN from four reference banks (which shall be selected by the Joint Issue Managers) and will determine the arithmetic mean of these bid yields (rounded downwards to the nearest 1/8th of one per cent) provided that at least three rates are so quoted.

Benchmark as of Reset Date

The five (5)-year FXTNs as published on the PDST-F section of the PDEX Market Page under the heading "Bid Yield" as of 11:16 a.m., Manila time (or its successor

benchmark rate) on the Reset Date.

If there is no rate appearing on the PDEX Page under the heading "Bid Yield" as of 11:16 am, Manila time, on the Reset Date, the Joint Issue Managers will request appropriate quotes for bid yields for a five (5)-Year FXTN from four reference banks (which shall be selected by the Joint Issue Managers) and will determine the arithmetic mean of these bid yields (rounded downwards to the nearest 1/8th of one per cent) provided that at least three rates are so quoted.

Maturity Date	October 29, 2019
Interest payments	Semi-annual
Principal Repayment	Full payment at maturity, if not called on the Call Option Date. If the Call Option Date or the Maturity Date falls on a non-banking Day, then the payments due on the Call Option Date or the Maturity Date, as the case may be, shall be made on the immediately succeeding banking Day, without adjustment for interest due.
Form of the Bond	Scripless
Taxation	Interest income subject to 20% final tax
Features	Eligible for Agri-Agra compliance Qualification as reserve investment and admitted asset of insurance companies has been requested from the Insurance Commission.
Registrar and Paying Agent	Bureau of the Treasury
Joint Issue Managers	AB Capital and Investment Corp., Deutsche Bank AG, Manila Branch, Multinational Investment Bancorporation, Philippine Commercial Capital, Inc., SB Capital Investment Corp., and United Coconut Planters Bank.

Please be guided accordingly.

(SGD) ROBERTO B. TAN
Treasurer of the Philippines