

Republic of the Philippines  
Province of Ilocos Sur  
Municipality of **Narvacan**

*OFFICE OF THE MAYOR*

CERTIFICATION

This is to certify that the signatures appearing in Sangguniang Bayan Resolution No. 98-110, series of 2003 dated 01 October 2003 of the Municipality of Narvacan and in the other documents relative hereto are genuine and authentic.

Issued this 21 October 2003 at Narvacan, Ilocos Sur.

*msj*

*Charito S. Zaragoza*  
Charito S. Zaragoza  
Municipal Mayor

GOVERNOR'S OFFICE	
ILOCOS SUR	
DATE:	<i>10/22/03</i>
TIME:	<i>10:45</i>
SIGNATURE:	<i>CH</i>
CONTROL NO.	

Republic of the Philippines  
Province of Ilocos Sur  
MUNICIPALITY OF NARVACAN

OFFICE OF THE SANGGUNIANG BAYAN

109<sup>th</sup> Regular Session  
Held at the Sangguniang Bayan Session Hall  
On 01 October 2003

RESOLUTION NO.98-110  
Series of 2003

**RESOLUTION AUTHORIZING THE HONORABLE MAYOR CHARITO ZARAGOZA TO PARTICIPATE IN THE TOBACCO EXCISE TAX RECEIVABLE MONETIZATION PROGRAM IN BEHALF OF THE MUNICIPAL GOVERNMENT OF NARVACAN, ILOCOS SUR WITH RESPECT TO ITS SHARE IN THE PHP 1,850,580,051 UNRELEASED TOBACCO EXCISE TAX RECEIVABLE FOR THE YEARS 2001 TO 2002 IN THE AMOUNT OF PHP 30,541,676**

WHEREAS:

Republic Act 7171 ("RA 7171"), otherwise known as "An Act To Promote The Development Of The Farmers In The Virginia Tobacco-Producing Provinces" and which took effect in 1992, grants special financial support to Virginia tobacco producing provinces , to be constituted and collected from the proceeds of fifteen percent (15%) of the excise taxes on locally manufactured Virginia-type cigarettes;

RA 7171, as implemented by Memorandum Circular No. 61-A dated November 28, 1993, directs the Secretary of Budget and Management to retain annually funds equivalent to fifteen percent (15%) of excise taxes on locally-manufactured Virginia-type cigarettes, which funds shall be (i) computed based on the actual excise tax collections on locally manufactured Virginia-type cigarettes as certified by the Bureau of Internal Revenue, (ii) divided among the beneficiaries pro rate based on their respective annual volume of Virginia tobacco acceptances as certified by the National Tobacco Administration, and (iii) directly remitted to the beneficiaries qualified under said act;

Republic Act 8424, otherwise known as the National Internal Revenue Code, reiterates the grant of special financial support to Virginia-tobacco producing provinces mandated by republic Act 7171, and again directs the the annual retention by the Secretary of Budget and Management in accordance with the implementing rules under Memorandum Circular No. 61-A, as well as the direct remittance to qualified beneficiaries of funds equivalent to fifteen percent (15%) of excise taxes on locally manufactured Virginia-type cigarettes;

Notwithstanding the foregoing, due to budgetary constraints, the Department of Budget and Management ("DBM") has not released the special financial assistance due the beneficiaries of RA 7171 for the years 2001 and 2002;

*Charito Zaragoza*

*[Signature]*

*[Signature]*

*Rosalinda O. Cabanilla*

*[Signature]*

*[Signature]*

*[Signature]*

*[Signature]*

In a Memorandum from the Office of the Executive Secretary for the President dated June 20, 2003, which Memorandum was approved by the President on June 25, 2003, Her Excellency President Gloria Macapagal-Arroyo recognized the obligation of the National Government to the Virginia-tobacco producing provinces pursuant to RA 7171, and cleared the issuance in their favor by the DBM of a Notice of Payment Schedule ("NPS") corresponding to their respective unreleased shares in the tobacco excise tax for the years 2001 and 2002, as well as the securitization and monetization of such unreleased tobacco excise tax receivables for the years 2001 and 2002 ("TEXTR"). The Memorandum further provided that the securitization and monetization of the TEXTR is to be implemented in substantially the same manner as the Internal Revenue Allotment Monetization Program ("IMP") undertaken in 2002;

Accordingly, the Office of the President, Department of Finance ("DOF"), DBM and the provincial governments of the beneficiaries of RA 7171 which had signified their participation in the securitization and monetization of TEXTR ("RA 7171 Provincial Governments") devised a program, modeled substantially after the IMP, for the securitization and monetization of the TEXTR ("TEXTR Monetization Program" or "Program") by means of the issuance be a Special Purpose Trust, with the Land Bank of the Philippines - Trust Banking Group as Trustee, of investment certificates having as underlying assets the NPS, which NPS constitutes the unconditional obligation of the Republic of the Philippines as confirmed by DOF, and the subsequent payment to the participating RA 7171 beneficiaries of the proceeds from the sale, at a discount, of such investment certificates;

In connection therewith, a Memorandum of Understanding dated September 17, 2003 was entered into by and among the DBM, the DOF, the Land Bank of the Philippines, the Land Bank of the Philippines - Trust Banking Group and the RA 7171 Provincial Governments, setting out the general framework for the TEXTR monetization program as well as the respective undertakings and responsibilities of the parties thereto in connection with its implementation;

Pursuant to the Program, a Special Purpose Trust ("SPT") was created and constituted by the RA 7171 Provincial Governments and the Land Bank of the Philippines - Trust Banking Group for the purpose of, among others, issuing investment certificates ("TEXTR certificates") in the aggregate principal amount corresponding to the total amount of NPS assigned to the STP with respective maturity dates corresponding to the release of the TEXTR, which investment certificates shall be sold for the benefit of the beneficiaries of RA 7171 participating in the program;

The Local Government Unit of Narvacan, Ilocos Sur desires to participate in the TEXTR Monetization Program.

WHEREFORE, in Session duly assembled, the Sangguniang Bayan of Narvacan, Ilocos Sur, after due discussions and deliberations, and upon motion of Kgd. Oscar Potencio, duly seconded by the Body, hereby;

RESOLVED that the Municipality of Narvacan agree, as it hereby agrees, to participate in TEXTR Monetization Program ("Program"), as set out in the Memorandum of Understanding dated September 17, 2003 among the Department of Budget and Management, Department of Finance, Land Bank of the Philippines, Land Bank of the Philippines- Trust Banking Group and the RA 7171 Provincial Government, and to accede to all documents executed pursuant thereto or in connection therewith, including but not limited to such Memorandum of Understanding;

ch out p. garay

Albin

Rabamilla

Rosanda C.

garcia

[Signature]

[Signature]

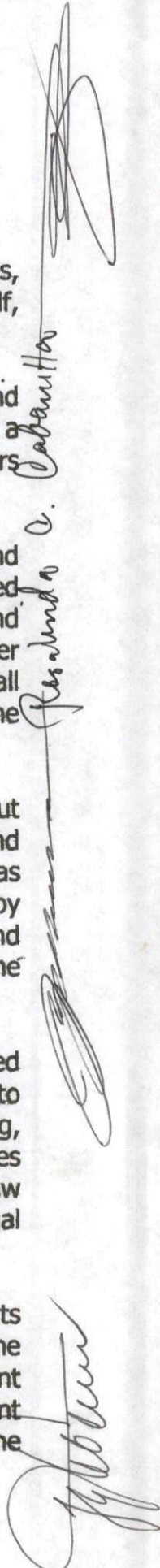
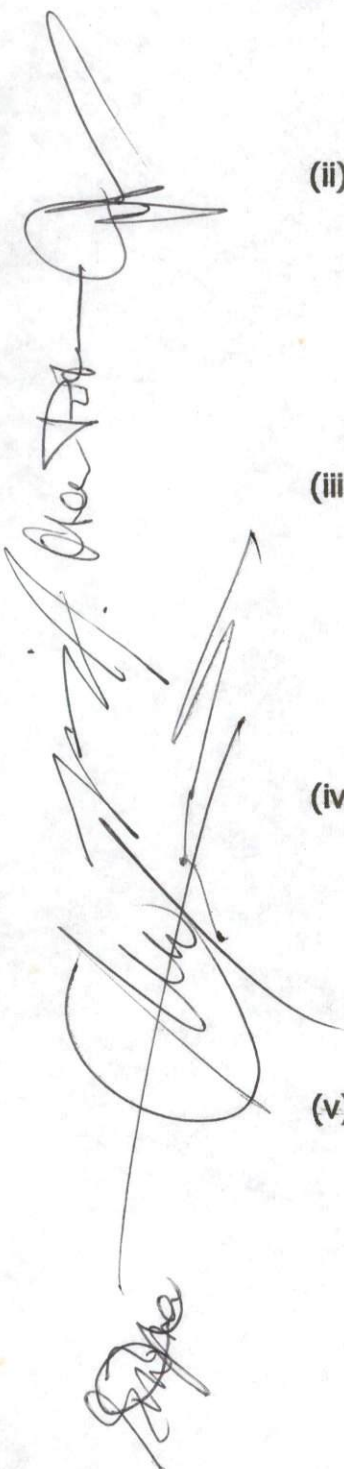
[Signature]

[Signature]

[Signature]

RESOLVED, that the Municipality of Narvacan authorize, as it hereby authorizes, its Municipal Mayor, the Hon. Charito Zaragoza, to enter into and sign on its behalf, the Accession Agreement to the program, through which the Municipality of Narvacan:

- (i) expressed its irrevocable conformity to the securitization and monetization of its share, as a local government unit and as part of a congressional district in the Php 1,850,580.051 TEXTR for the years 2001 to 2002 amounting to Php 30, 541,676;
- (ii) accepts, and expresses its irrevocable conformity to, the terms and conditions under the Trust Agreement ("*Trust Agreement*") dated September 17, 2003 between the RA 7171 Provincial Governments and LBP- TBG, and authorizes the trustee designated thereunder to enter into agreements or transactions and to sign, on its behalf, all agreements and contracts which may be necessary for the securitization and monetization of its share in the TEXTR;
- (iii) agrees to cede, transfer and convey absolutely and on a without recourse basis in favor of the SPT all its rights, interests and participation in and to all its shares (as a local government unit and as part of the congressional district) in the TEXTR as acknowledged by the National Government through the NPS issued by the DBM, and hereby authorizes the DBM to remit to the account of the SPT the amounts corresponding to the MPS issued in its favor;
- (iv) confirms its concurrence with and accession to all agreements entered into by the trustee designated under the Trust Agreement pursuant to and in furtherance of the implementation of the Program, including, but not limited to, the appointment of the Land Bank of the Philippines as Underwriter and Issue Manager, and the engagement of the law firm of SyCip Salazar Hernandez and Gatmaitan as Program Legal Counsel;
- (v) confirms its concurrence with and accession to all other documents executed by the RA 7171 Provincial Government in connection with the Program, including, but not limited, to the Memoranda of Agreement between the RA 7171 Provincial Governments and AZ Development Managers, Inc. appointing the latter as financial advisor to the Program.



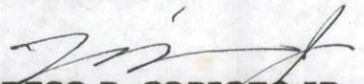
Charito J. Zaragoza

Albin

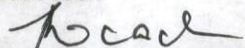
RESOLVED, FINALLY, that the Municipality of Narvacan authorize, as it hereby authorizes, its Municipal Mayor, the Hon. Charito Zaragoza, to do any act, enter into any agreement, and sign on its behalf, any other document pursuant to and in furtherance of the implementation of the Program; provided, that the Hon. Charito Zaragoza is authorized to cause her substitution by the Tereso Copiozo Jr., Municipal Vice Mayor.

PASSED AND APPROVED.

Certified Correct:

  
**TERESO B. COPIOZO JR.**  
Vice Mayor/Presiding Officer

Attested:

  
**RUBEN D. CACHOLA**  
Secretary to the SB

CONFORME

  
**KGD. RAFAEL CACHOLA**

  
**KGD. TEOFILO CABRERROS**

  
**KGD. OSCAR POTENCION**

  
**KGD. MARGARITO TEJADA**

**KGD. JACINTO GARCES**  
(ABC President)

Approved:

  
**KGD. ROSALINDA CABANILLA**

  
**KGD. EMMA CABOTAGE**

  
**KGD. IRVIN LIM**

  
**KGD. TRIUMPHANTE VILORIA JR.**

**KGD. ELIEZER CORRALES**  
(SKF President)  
on leave

  
**CHARITO S. ZARAGOZA**  
Municipal Mayor

