

## ANNEX "A"

### RESOLUTION NO. 3 SERIES 2010

**RESOLUTION APPROVING THE PARTICIPATION BY MUNICIPALITY OF NARVACAN, PROVINCE OF ILOCOS SUR, IN THE MONETIZATION PROGRAM OF THE LEAGUE OF NATIVE AND BURLEY TOBACCO GROWING LGUs, INC. ("LNBTG-LGU") AND AUTHORIZING THE HONORABLE MAYOR EDGARDO D. ZARAGOZA. TO SIGN THE SUBSCRIPTION AGREEMENT RELATING TO THE MONETIZATION PROGRAM AND OTHER RELATED AGREEMENTS ON BEHALF OF THE MUNICIPALITY WITH RESPECT TO ITS SHARE IN THE P6.3 BILLION UNRELEASED INCREMENTAL REVENUE FROM THE EXCISE TAX ON TOBACCO PRODUCTS FOR CALENDAR YEARS 1997-2007 APPEARING IN THE NOTICE OF PAYMENT SCHEDULE**

WHEREAS, Republic Act No. 8240 ("R.A. 8240") was enacted into law in 1997 essentially to provide benefits to communities or local government units ("LGUs") producing native and burley tobacco. Section 8 of the same law mandates that fifteen percent (15%) of the incremental revenue collected from the excise tax on tobacco products ("BT-IR") shall be allocated and divided among LGUs producing burley and native tobacco in accordance with the volume of tobacco leaf production which shall be automatically released to them;

WHEREAS, The absence of Implementing Rules and Regulations ("IRR") prevented the release of the funds to the beneficiary LGUs since the law was enacted, resulting to an accumulated allocable share amounting to Php 6,370,708,183.73;

WHEREAS, the Joint Congressional Oversight Committee on Comprehensive Tax Reform Program ("COCCTRP") tasked by R.A. 8240 to monitor and ensure the proper implementation of this Act created in 2009 a Technical Working Group ("TWG") headed by Cong. Mark O. Cojuangco purposely to hear and resolve the pertinent and obtaining issues affecting the crafting of the IRR;

WHEREAS, on the basis of the work accomplished by the TWG, the COCCTRP subsequently adopted two (2) resolutions- Resolution No. 19 which provides, inter alia, the percentage sharing of the beneficiaries of the fund created under R. A. 8240 and calls for the immediate implementation of Section 8 thereof, and Resolution No. 20 which clarifies the term "provinces" to mean LGUs where the burley and native tobacco were produced or originated from, in order to ensure uniformity and consistency with all executive issuances that will be released relative to the implementation of R. A. 8240;

WHEREAS, acting on the provisions of Resolution No. 19, the Department of Budget and Management (DBM), the Bureau of Internal Revenue (BIR) and the National Tobacco Administration (NTA) issued Joint Circular No. 2009-1 dated 03 November 2009 to serve as the IRR for the implementation of R.A. 8240 with the following distribution sharing scheme:

- a) 80% - to the municipalities and cities in the congressional districts of a beneficiary province, for projects to be identified and proposed by the concerned Member of House of Representatives whose legislative district covers the qualified beneficiary LGUs to insure the fulfillment of the objectives of R.A. 8240;
- b) 10% - to the provincial government of the beneficiary province, subject to the condition that LGUs which are beneficiaries of the projects must be producers of burley and native tobacco;
- c) 10% - to the municipalities and cities which are burley and native tobacco producing LGUs;

WHEREAS, cognizant that the National Government is bereft of available funds to provide an appropriation cover for the entire amount of the accumulated allocable share, thereby hindering the early release and utilization of budgetary share by the burley and native tobacco-producing LGUs, the TWG worked and successfully negotiated for the issuance of Executive Order 843 by the President which allows beneficiaries of the fund to avail in advance their respective shares through a monetization program;

WHEREAS, realizing the need for representation and a tool to ensure proper compliance with the provisions of Joint Circular No. 2009-1 and Executive Order No. 843, the League of Native and Burley Tobacco Growing Local Government Units ("LNBTG-LGU") was formed and established to principally serve as a vehicle for ventilating, articulating and crystallizing issues affecting the tobacco (burley and native) growing areas, units and provinces through proper, efficient and legal means and solutions therefor; and, to pursue, among others, the task of assisting LGUs for an orderly and most efficient way of availing the Monetization Program under Executive Order No. 843;

WHEREAS, the LNBTG-LGU is spearheading a Monetization Program which will allow participating LGUs the opportunity to monetize or securitize the Notice of Payment Schedule ("NPS") to be issued by the DBM, subject to full compliance with the provisions of Joint Circular No. 2009-1 and Executive Order No. 843, to be called BT-IR Monetization Program;

WHEREAS, in furtherance of the BT-IR Monetization Program, designed and administered by the LNBTG-LGU's duly designated financial advisor, a Trust Agreement was executed with the Land Bank of the Philippines-Trust Banking Group ("LBP-TBG") on December 7, 2009 (the "Trust Agreement"), wherein a Special Purpose Trust (SPT) was created. Pursuant to the Trust Agreement, the SPT shall accept the NPS conveyed by participating LGUs, and securitize the NPS through the issuance of zero-coupon notes ("BT-IR Note"). The SPT shall thereafter monetize the BT-IR Notes by discounting them, through participating financial institutions, at prevailing market prices;

WHEREAS, compliance with the provisions of R.A. 8240 and Joint Circular No. 2009-1 dated 3 November 2009 necessitates the constitution of a mechanism, specifically relating to the above-mentioned 90% portion, which mechanism involves for the 80% portion an Escrow Agreement, providing the guidelines for disbursement of the proceeds from discounting, which agreement shall be signed by the participating LGU with LBP-TBG as Escrow Agent;

WHEREAS, participation in the BT-IR Monetization Program will be for the utmost benefit of the LGU since it provides immediate access to resources for the implementation of its projects and programs;

WHEREFORE, in Session duly assembled, the Municipality of Narvacan, Province of Ilocos Sur, after due discussion and deliberation, and upon motion of Hon. Maria Paz V. Cachola, Chair, Committee on Appropriations duly seconded by all the Members present, hereby approves the following resolutions:

RESOLVED, that the Sangguniang Bayan agrees, as it hereby agrees, to participate in the BT-IR Monetization Program;

RESOLVED, FURTHER, that the Sangguniang Bayan authorizes, as it hereby authorizes Mayor Edgardo D. Zaragoza., to enter into and sign, in behalf of the Municipality, the Subscription Agreement whereby the Municipality agrees to convey its NPS to the SPT and accedes to the Trust Agreement and any amendment of the Subscription Agreement or Trust Agreement in order to effect the purpose of the foregoing resolution, and through which the Municipality expresses its irrevocable conformity to the securitization and monetization of its share in the P6.3 billion unreleased BT-IR for calendar years 1997 to 2007 equal to the installments as specified in the NPS;

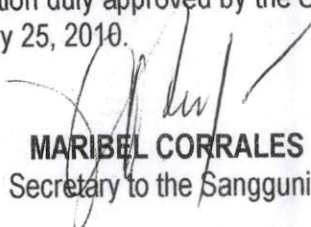
RESOLVED, the Sangguniang Bayan authorizes the opening of a regular account with the Land Bank of the Philippines ("LBP") to receive the proceeds corresponding to this account;

RESOLVED, the Sangguniang Bayan authorizes the setting up of the escrow account with the LBP-TBG, to receive the proceeds corresponding to amounts to be earmarked for and released by LBP-TBG as Escrow Agent, in accordance with terms of the Escrow Agreement;

RESOLVED, FURTHER, that the Sangguniang Bayan authorizes, as it hereby authorizes Mayor Edgardo D. Zaragoza to execute, enter into and sign, in behalf of the Municipality, the Escrow Agreement with LBP-TBG, setting out the procedures to be followed in order for the amounts in escrow to be disbursed in full compliance with R.A. 8240 and Joint Circular No. 2009-1 dated 3 November 2009;

RESOLVED, FINALLY, that the Sangguniang Bayan, authorize, as it hereby authorizes Mayor Edgardo D. Zaragoza, to enter into and sign in behalf of the Municipality, all other related agreements and documents necessary to effect and implement the foregoing resolutions as it may be in the best interest of the Municipality, including the entry of the Municipality into the LNBTG-LGU as member thereof

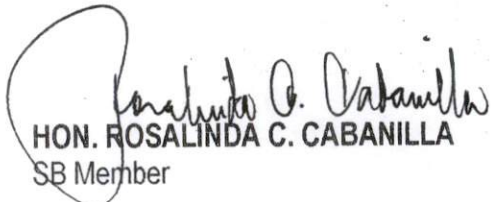
I HEREBY CERTIFY the correctness of the above resolution duly approved by the Sangguniang Bayan of the Municipality of Narvacan, Province of Ilocos Sur, on January 25, 2010.


  
**MARIBEL CORRALES**  
Secretary to the Sanggunian

APPROVED:

  
**Vice Mayor CHARITO S. ZARAGOZA**  
Presiding Officer

Approved and signed by the Members of the Sanggunian on January 25, 2010.


  
**HON. ROSALINDA C. CABANILLA**  
SB Member

  
**HON. CARLITO T. CORRALES**  
SB Member

  
**HON. MARIA PAZ V. CACHOLA**  
SB Member

**HON. THELMA C. COPIOZO**  
SB Member

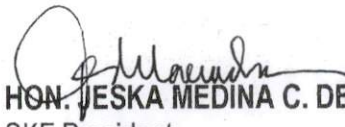
  
**HON. TERESITO C. VALERA**  
SB Member

  
**HON. ELISEO D. CABRADILLA**  
SB Member

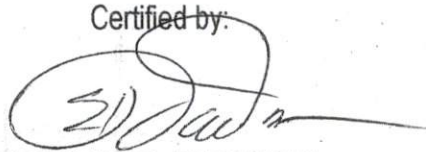
**HON. IRVIN R. LIM**  
SB Member

**HON. PRIEMSON J. CABOTAGE**  
SB Member

  
**HON. EDUARDO Q. CABUENA**  
ABC President

  
**HON. JESKA MEDINA C. DELA CUADRA**  
SKF President

Certified by:

  
**EDGARDO D. ZARAGOZA**  
Local Chief Executive