

Subject to completion

OFFER SUPPLEMENT TO THE PRELIMINARY PROSPECTUS

Petron Corporation

(a company incorporated under the laws of the Republic of the Philippines)



OFFER SUPPLEMENT

**Offer of ₱15,000,000,000 Fixed Rate Bonds
with an Oversubscription Option of up to ₱5,000,000,000
Fixed Rate Bonds**

consisting of

Series A Bonds: [●] p.a. due 2021

Series B Bonds: [●] p.a. due 2023

Offer Price: 100% of Face Value

to be listed in the Philippine Dealing & Exchange Corp.

JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS



Capital & Investment Corporation



**BPI Capital
Corporation**



A Subsidiary of Security 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 [Preliminary] Offer Supplement is August 22, 2016.

DISCLOSURE STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN MADE EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THE SAME BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS OFFER SUPPLEMENT (AND THE PROSPECTUS) SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY.

Petron Corporation

SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City, Philippines
Telephone Number: (632) 886 3888
Corporate Website: www.petron.com

Petron Corporation (“**Petron**”, the “**Company**” or the “**Issuer**”), a corporation duly organized and existing under Philippine law, has prepared a [Preliminary] Prospectus dated August 22, 2016 (the “**Prospectus**”) relating to the shelf registration and sale in the Philippines of fixed rate bonds (the “**Bonds**”) in the aggregate principal amount of ₱40,000,000,000.

The Bonds will be issued in tranches within a period of three (3) years from the effective date of the Registration Statement, subject to applicable regulations (the “**Shelf Period**”). The specific terms of the Bonds for each tranche will be determined by the Company considering the prevailing market conditions and will be provided in an Offer Supplement to be issued at the time of the relevant offering.

The first tranche of the Bonds (the “**Offer Bonds**”) to be offered and issued out of the shelf registration (the “**Offer**”) will have an aggregate principal amount of ₱[15],000,000,000, and in the event of an oversubscription, BDO Capital & Investment Corporation, BPI Capital Corporation and SB Capital Investment Corporation in their capacity as Joint Issue Managers, Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, reserve the right to increase the size of the Offer Bonds by up to ₱[5],000,000,000 (the “**Oversubscription Option**”, and the Offer Bonds pertaining to such option, the “**Oversubscription Option Bonds**”) to an aggregate issue size of up to ₱[20],000,000,000. The remaining balance of the Bonds in the aggregate principal amount of ₱[20],000,000,000 will be issued in tranches within the Shelf Period. However, in case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Bonds under shelf registration will be automatically increased by such principal amount of Oversubscription Option Bonds that will not be taken up or exercised. Hence, after the Offer, the remaining Bonds under shelf registration may potentially increase to an aggregate principal amount of up to ₱[25],000,000,000, which may be issued in tranches within the Shelf Period.

The Offer Bonds will be issued on [•] (the “**Issue Date**”) and will comprise of fixed rate bonds due in 2021 (the “**Series A Bonds**”) and in 2023 (the “**Series B Bonds**”). The Issuer has the discretion to allocate the principal amount between the Series A Bonds and the Series B Bonds based on the book building process.

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

On August 22, 2016, the Company filed an application with the Philippine Securities and Exchange Commission (“**SEC**”) to register the Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799). The SEC is expected to issue an order rendering the Registration Statement effective and a corresponding permit to offer securities for sale covering the Offer. The Company will, likewise, apply for the listing of the Offer Bonds in the Philippine Dealing & Exchange Corp. (“**PDEX**”). However, there is no assurance that such a listing will actually be achieved either before or after the issue date of the Offer Bonds or whether such a listing will materially affect the liquidity of the Offer Bonds on the secondary market. Such listing will be subject to the Company’s execution of a listing agreement with PDEX

that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

The Company reserves the right to withdraw the offer and sale of the Offer Bonds at any time, and the Lead Underwriters reserve the right to reject any application to purchase 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, as applicable, the PDEX. The Lead Underwriters, any participating underwriter and selling agent may acquire for their own account a portion of the Offer Bonds.

It is expected that the Offer Bonds will be delivered in book-entry form against payment thereof to the Philippine Depository & Trust Corp. ("PDTC").

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS OFFER SUPPLEMENT (AND THE PROSPECTUS) SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

[Signature page follows.]

Petron Corporation

By:

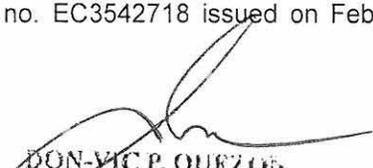


Ramon S. Ang

President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this 22nd day of August 2016, affiant exhibiting to me his Philippine Passport with number no. EC3542718 issued on February 27, 2015 in Manila.

Doc. No. 164 ;
Page No. 34 ;
Book No. IV ;
Series of 2016.



DON-VIC P. QUEZON
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong Ci:
Appointment No. 0382-16
Until December 31, 2017
Attorney's Roll No. 56728
PTR No. 2616741/1-4-16/Mandaluyong
Lifetime IBP No. 08324
MCLE Compliance No. V-0020700/4-20-2016

Definition of Terms

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

Applicable Law.....	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority
Applicant	A person, whether natural or juridical, who seeks to subscribe to the Offer Bonds and 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 A Bonds and Series B Bonds, together with all the other requirements set forth in such application form
BDO Capital.....	BDO Capital & Investment Corporation
BIR.....	Philippine Bureau of Internal Revenue
Bond Agreements.....	Collectively, the Prospectus, this Offer Supplement, the Application to Purchase, the Underwriting Agreement, the Trust Agreement and the Registry and Paying Agency Agreement, and any amendments thereto
Bondholder	A person or entity whose name appears, at any relevant time, as a holder of the Offer Bonds in the Registry of Bondholders
Bonds	Collectively, the fixed rate bonds up to an aggregate principal amount of ₱40,000,000,000, 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 or Banking Day	A day other than a public non-working holiday, Saturday or Sunday on which banks are open for business in Metro Manila.
Capital Stock	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 the Trust 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> ”
Code	Philippine Securities Regulation Code
Common Stock	With respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated, whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the date of the Trust Agreement, and include, without limitation, all series and classes of such common stock or ordinary shares
Company, Issuer or Petron.....	Petron Corporation
Consolidated Gross Liabilities	Total interest-bearing liabilities of the Issuer on a consolidated basis consisting of: (i) Short-term loans; (ii) Current portion of long-term debt ; and (iii) Long-term debt (net), as recognized and measured in its quarterly interim unaudited and yearend audited consolidated financial statements prepared in conformity with PFRS
Consolidated Net Worth	Total stockholders’ equity of the Issuer (including any non-controlling interest) on a consolidated basis, as recognized and measured in its quarterly interim unaudited and yearend audited consolidated financial statements prepared in conformity with PFRS
Declaration of Default	The declaration given through notice in writing delivered to the Issuer that the Issuer is in default. Please see “ <i>Description of the Offer Bonds – Consequences of Default</i> ” and the relevant section(s) of the Trust Agreement
Default Payment Date	[Five (5)] Business Days from the receipt of the Declaration of Default. Upon a Declaration of Default, the Issuer must pay all amounts due no later than such date. Please see “ <i>Description of the Offer Bonds – Consequences of Default</i> ” and the relevant section(s) of the Trust Agreement
[Disqualified Stock]	[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 B 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 B Bonds], or (c) convertible into or exchangeable for Capital Stock referred to in paragraphs (a) or (b) above or Indebtedness having a scheduled maturity date prior to

	the Maturity Date of the [Series B 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]
Events of Default	Each of the events described as such under “ <i>Description of the Offer Bonds – Events of Default</i> ” and the relevant section(s) of the Trust Agreement
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
Governmental Authority	Any government agency, authority, bureau, department, court, tribunal, legislative body, public official, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines
[Guarantee].....	[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); provided that the term “Guarantee” shall not include (i) endorsements for collection, and (ii) deposits in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning]
[Indebtedness].....	[Any indebtedness for or in respect of: (a) all obligations of such Person for borrowed money;

	<p>(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instrument;</p> <p>(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;</p> <p>(d) all obligations of such Person as lessee which are capitalized in accordance with PFRS;</p> <p>(e) all Indebtedness of others secured by a Security Interest on any asset of such Person;</p> <p>(f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);</p> <p>(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 B Bonds];</p> <p>(h) all Indebtedness of others Guaranteed by such Person;</p> <p>(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 (other than a standby letter of credit), Guarantee or similar instrument; and</p> <p>(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),</p> <p>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</p>
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	<p>raised, or other indebtedness, as between members of such group shall be excluded.</p> <p>[Notwithstanding the foregoing, "Indebtedness" shall not include any capital commitments, purchase commitments or similar obligations incurred in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights); provided that such obligation is not reflected on the statement of financial position of the Person or any Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the statement of financial position will not be deemed to be reflected on such statement of financial position).]]</p>
Interest Payment Date	Each of [●], and thereafter, [●], [●], [●] and [●] of each year, or the next Banking Day if such dates fall on a non-Banking Day
Issue Date	October [●], 2016, or such other date as the Issuer and the Joint Lead Underwriters and Joint Bookrunners may agree in writing; provided, that such date shall be a date, which is within the validity of the Permit to Sell Securities
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	<p>Collectively, BDO Capital & Investment Corporation, BPI Capital Corporation and SB Capital Investment Corporation</p> <p>For the avoidance of doubt, for purposes of this Offer, these are the institutions referred to as the Lead Underwriters in the Prospectus.</p>
Majority Bondholders	(i) With respect to matters relating only to the Series A Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series A Bonds, (ii) with respect to matters relating only to the Series B Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series B Bonds, and (iii) with respect to matters affecting all Offer Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Offer Bonds
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 or any Bond Agreement; or (b) the validity or enforceability of the Offer Bonds or any Bond Agreement; or (c) the financial condition, business or operations of the Issuer taken as a whole
Maturity Date	In respect of the Series A Bonds, the fifth (5 th) anniversary of the Issue Date

	In respect of the Series B Bonds, the seventh (7 th) anniversary of the Issue Date
Offer.....	The offer for subscription of the Offer Bonds to eligible investors subject to the terms and conditions in the Prospectus, this Offer Supplement, the Application to Purchase and the other Bond Agreements
Offer Bonds	The SEC-registered Series A Bonds and Series B Bonds to be issued by Petron in the aggregate principal amount of up to ₱[20],000,000,000, consisting of the firm offer of ₱[15],000,000,000 and the Oversubscription Option of up to ₱[5],000,000,000. As the context may require, the Offer Bonds issued by Petron on the Issue Date pursuant to the Prospectus, this Offer Supplement and the other Bond Agreements.
Offer Period.....	To commence at 9:00 a.m. on [●], 2016 and end at 5:00 p.m. on [●], 2016, or such other date as may be mutually agreed between the Issuer and the Joint Lead Underwriters and Joint Bookrunners
this Offer Supplement.....	This document so titled and dated [●], 2016 issued along with and supplementary to the Prospectus and containing the specific terms and conditions of the Offer and the Offer Bonds
Optional Redemption Dates	In respect of the Series A Bonds, (i) the 3 rd anniversary of the Issue Date, or (ii) the 4 th anniversary of the Issue Date In respect of the Series B Bonds, (i) the 5 th anniversary of the Issue Date, or (ii) the 6 th anniversary of the Issue Date
Oversubscription Option	The exclusive right and option that may be exercised by the Joint Lead Underwriters, in consultation with the Issuer, to offer up to an additional ₱[5],000,000,000 Offer Bonds to the investing public, to cover oversubscriptions, if any
Oversubscription Option Bonds.....	Offer Bonds of up to an aggregate amount of ₱[5],000,000,000 that may be offered upon exercise of the Oversubscription Option
[Participating Underwriters]	[●]
Paying Agent	Philippine Depository & Trust Corp. 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
Payment Account	Payment Account means the account to be opened and maintained by the Paying Agent with such Payment Account Bank designated by the Issuer and solely managed by the Paying Agent, in trust and for the irrevocable benefit of the Bondholders, into which the

	<p>Issuer shall deposit the amount of the interest and/or principal payments due on the Outstanding Bonds on a relevant date and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Bondholders.</p> <p>As used in this definition, the terms “Outstanding Bonds” and “Payment Account Bank” have the respective meanings given to such terms in the Registry and Paying Agent Agreement</p>
Payment Default	An event where the Issuer defaults in the payment when due of any amount payable under the Trust Agreement and the Offer Bonds 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
PDEX	Philippine Dealing & Exchange Corp.
PDEX Rules	The applicable rules, conventions, and guidelines of PDEX
PDS Group-Registered Cash Settlement Banks	Banking institutions that provide cash payment services for client investors arising from fixed income securities activities in PDS Group subsidiaries
PDST-R2	The PDST reference rate for key benchmark tenors computed daily at 4:15 p.m. (provided that such day is a Banking Day) and published at www.pds.com.ph .
PDTC	Philippine Depository & Trust Corp.
Penalty Interest.....	Penalty fee on the defaulted amount(s) at the rate of [●] percent [(●%)] per annum
Permit to Sell Securities	The Certificate of Permit to Sell or Offer for Sale Securities issued by the SEC in respect of the Offer.
Permitted Security Interest.....	<ul style="list-style-type: none"> i. any Security Interest existing as of the date of the Trust Agreement; ii. any Security Interest over or affecting any asset of any company which becomes a member of the Petron Group after the date of the Trust Agreement, where the Security Interest is created prior to the date on which that company becomes a member of the Petron Group; iii. any Security Interest upon, or with respect to, any of the present or future business, agreement, assets or revenues (including uncalled capital) of any of the [Material] Subsidiaries to secure: <ul style="list-style-type: none"> A. any Indebtedness which (subject to (B) of this definition below) is not Public Debt; or

	<p>B. any Public Debt (I) 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 its [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 (II) 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,</p> <p>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 Petron Group taken as a whole;</p> <p>iv. any Security Interest for government-imposed duties, taxes, assessments or fees not yet delinquent or which are being contested in good faith;</p> <p>v. any Security Interest arising by operation of law (other than any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines, as the same may be amended from time to time) on any property or asset of the Company or its Subsidiaries;</p> <p>vi. any Security Interest created by the Issuer in the ordinary course of business if:</p> <p>A. such Security Interest is incurred in a manner consistent with industry practice;</p> <p>B. such Security Interest is not created to secure any debt (whether short-term, medium-term or long-term) of the Issuer or other Persons; and</p> <p>C. such Security Interest does not impair the use of any assets required for the business operations of the Issuer.</p>
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	<p>vii. any Security Interest incurred or deposits made in the ordinary course of business to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations, surety or appeal bonds, bonds for release of attachment, stay of execution or injunction, bids, tenders, government contracts and similar obligations if:</p> <ul style="list-style-type: none"> A. such Security Interest is incurred in a manner consistent with industry practice; B. such Security Interest is not created to secure any debt; C. such Security Interest does not impair the use of any assets required for the business operations of the Issuer or its [Material] Subsidiaries; and D. the aggregate value of all such Security Interest does not exceed [US\$100 million] (or its equivalent in another currency or currencies); and <p>viii. 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 [paragraph (i) and (iii)], 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.</p> <p>ix. Any Security Interest over or affecting any asset acquired by the Company after the date of the Trust Agreement if:</p> <ul style="list-style-type: none"> A. the Security Interest was not created in contemplation of the acquisition of that asset by the Company; B. the principal amount secured has not been increased in contemplation of, or since the acquisition of that asset by, the Company; and
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	<p>C. the Security Interest is removed or discharged within six months of the date of acquisition of such asset; and</p> <p>x. Security Interest created with the prior written consent of the Majority Bondholders</p>
Person	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
Petron Group.....	At any time, the Company and its Subsidiaries at such time
PFRS.....	Philippine Financial Reporting Standards
Philippines.....	The Republic of the Philippines
Philippine Peso, Peso, PHP or ₱....	Philippine Pesos, the legal currency of the Philippines
PhilRatings	Philippine Rating Services Corporation
Prospectus	The prospectus and any amendments and supplements thereto for the offer and sale to the public of the Bonds. As the context may require, the term includes this Offer Supplement
PSE	The Philippine Stock Exchange, Inc.
Public Debt	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, 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
Purchase Price	In respect of each Offer Bond, an amount equal to the face amount of such Offer Bond, which is payable upon submission of the duly executed Application to Purchase.
Record Date	[Two (2)] Business Days prior to the relevant Interest Payment Date
Registry of Bondholders	The electronic record of the names and addresses of the Bondholders and the particulars of the Offer Bonds held by them and of all transfers of Offer Bonds to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement
Registrar.....	Philippine Depository & Trust Corp. The term includes, wherever the context permits, all other Person or Persons for the time being acting as registrar or registrars under the Registry and Paying Agency

	Agreement
Registration Statement.....	The registration statement with the SEC in connection with the offer and sale to the public of the Bonds (inclusive of the Offer Bonds)
Registry and Paying Agency Agreement.....	Agreement so titled dated [●], and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Registrar and Paying Agent in relation to the Offer Bonds
SB Capital.....	SB Capital Investment Corporation
SEC	Philippine Securities and Exchange Commission
Security Interest	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; or (b) and the right of a vendor, lessor, 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
Selling Agents (if any)	[●]
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.
Subsidiaries	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 another 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	Philippine National Internal Revenue Code of 1997 (as amended)

Total Assets	With respect to any Person, the total consolidated assets of such Person and its Subsidiaries as determined by reference to the most recently available quarterly or annual consolidated financial statements of such Person and its Subsidiaries prepared in accordance with PFRS
Trust Agreement.....	Agreement so titled and dated [●], and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Trustee
Trustee	BDO Unibank, Inc. – Trust and Investments Group. The term includes, wherever the context permits, all other Person or Persons for the time being acting as trustee or trustees under the Trust Agreement
Underwriters	The Joint Lead Underwriters and the Participating Underwriters
Underwriting Agreement.....	The Issue Management and Underwriting Agreement dated [●], and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners [and the other parties named therein] in relation to the Offer of the Offer Bonds

Summary of the Offer¹

The following summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in the Prospectus and this Offer Supplement, including, but not limited to, the discussion on the “Description of the Offer Bonds” and “Plan of Distribution”. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Offer Bonds. Accordingly, any decision by a prospective investor to invest in the Offer Bonds should be based on a consideration of the Prospectus, this Offer Supplement and the Bond Agreements as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

<i>Issuer</i>	Petron Corporation
<i>Instrument</i>	Fixed rate bonds constituting the direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of Petron, which shall form part of the Company’s shelf registration with the SEC of Bonds with an aggregate principal amount of up to ₱40,000,000,000.
<i>Total Issue Size/Principal Amount of the Offer Bonds</i>	₱[15],000,000,000 with an Oversubscription Option
<i>Oversubscription Option</i>	The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, reserve the right to offer up to an additional ₱[5],000,000,000 Offer Bonds to the investing public, to cover oversubscriptions, if any. In the event that the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the unexercised portion shall be placed under shelf registration to be issued within the Shelf Period, and consequently, the Bonds under shelf registration will be automatically increased by such principal amount of Oversubscription Option Bonds that will not be taken up or exercised. Hence, after the Offer, the remaining Bonds under shelf registration may potentially increase to an aggregate principal amount of up to ₱[25],000,000,000, which may be issued in tranches within the Shelf Period.
<i>Manner of Distribution</i>	Public offering to eligible investors
<i>Use of Proceeds</i>	To refinance existing indebtedness and fund working capital requirements (see “Use of Proceeds”)
<i>Form and Denomination of the Offer Bonds</i>	The Offer Bonds shall be issued in scripless form in minimum denominations of ₱[50,000] each, and in integral multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market
<i>Issue Price</i>	At par (or 100% of face value)
<i>Offer Period</i>	The Offer shall commence at 9:00 AM on [October ●],

¹ This Section does not contain the final terms of the Offer, which are still under negotiation by the parties.

	2016 and end at 5:00 PM on [October ●], 2016, or on such other date as the Issuer and the Joint Issue Managers may agree upon.														
<i>Issue Date of the Offer Bonds</i>	[October ●], 2016														
<i>Maturity Date</i>	Series A Bonds: fifth anniversary (5 th) anniversary of the Issue Date Series B Bonds: seventh (7 th) anniversary of the Issue Date														
<i>Interest Rate</i>	Series A Bonds: [●]% p.a. Series B Bonds: [●]% p.a.														
<i>Interest Setting Date</i>	[●]														
<i>Interest Payment Dates and Interest Payment Computation</i>	Interest payment on the Offer Bonds shall commence on [●] and on [●], [●], [●] and [●] of each year, or the next Banking Day if any of such dates falls on a non-Banking Day (each, an "Interest Payment Date"). Interest on the Offer Bonds shall be calculated on a European 30/360 day count basis regardless of the actual number of days in a month. Interest shall be paid quarterly in arrears.														
<i>Final Redemption</i>	Unless otherwise earlier redeemed or previously purchased and cancelled, the Offer Bonds shall be redeemed at par (or 100% of face value) and paid together with the accrued interest thereon on the relevant Maturity Dates of the Offer Bonds.														
<i>Optional Redemption</i>	<p>Prior to the relevant Maturity Date of the Offer Bonds, the Issuer shall have a one-time option for each of the Series A Bonds and Series B Bonds, but shall not be obligated, to redeem in whole and not in part only, the outstanding Series A Bonds or Series B Bonds, as applicable, on an Optional Redemption Date:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Optional Redemption Dates²</th> <th>Optional Redemption Price</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Series A Bonds</td> <td>on the 3rd anniversary of the Issue Date</td> <td>101.00%</td> </tr> <tr> <td>on the 4th anniversary of the Issue Date</td> <td>100.50%</td> </tr> </tbody> </table> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Optional Redemption Dates³</th> <th>Optional Redemption Price</th> </tr> </thead> <tbody> <tr> <td>Series B Bonds</td> <td>on the 5th anniversary of the Issue Date</td> <td>101.00%</td> </tr> </tbody> </table>		Optional Redemption Dates ²	Optional Redemption Price	Series A Bonds	on the 3 rd anniversary of the Issue Date	101.00%	on the 4 th anniversary of the Issue Date	100.50%		Optional Redemption Dates ³	Optional Redemption Price	Series B Bonds	on the 5 th anniversary of the Issue Date	101.00%
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² Parties may agree on additional Optional Redemption Dates for Series A and Series B Bonds.

³ Parties may agree on additional Optional Redemption Dates for Series A and Series B Bonds.

	<table border="1"> <tr> <td data-bbox="643 191 784 254"></td> <td data-bbox="784 191 1101 254">on the 6th anniversary of the Issue Date</td> <td data-bbox="1101 191 1357 254">100.50%</td> </tr> </table>		on the 6 th anniversary of the Issue Date	100.50%
	on the 6 th anniversary of the Issue Date	100.50%		
<p><i>Redemption for Taxation Reasons</i></p>	<p>The amount payable to the Bondholders by the Issuer in respect of such optional redemption shall be calculated as the sum of (i) the product of the principal amount of the Offer Bonds being redeemed and the Optional Redemption Price in accordance with the above table, and (ii) all accrued interest on the Offer Bonds as of the Optional Redemption Date.</p> <p>The Issuer shall give no less than thirty (30) nor more than sixty (60) calendar days' prior written notice of its intention to redeem the Offer Bonds on such Optional Redemption Date, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Offer Bonds on the Optional Redemption Date stated in such notice.</p> <p>If payments under the Offer Bonds become subject to additional or increased taxes other than the taxes and rates of such 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, the Issuer may redeem the relevant Offer Bonds series in whole, and not in part only, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice) at par (or 100% of face value) and paid together with accrued interest thereon, subject to the requirements of Applicable Law. For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.</p>			
<p><i>Redemption by Reason of Change in Law or Circumstance</i></p>	<p>[Upon the occurrence of a Change in Law (as enumerated below), the Trustee, after consultation with the Issuer and in any case, within [five (5)] days after such occurrence, shall give to the Issuer and all the Bondholders written notice of such Change in Law. Within [thirty (30)] days from such notice (the "Cure Period"), the Issuer shall use reasonable measures available to it to remedy the Change in Law so that the same event shall cease. The Issuer shall also have the option to redeem in whole, but not in part, the Offer Bonds at par (or 100% of face value) and paid together with the accrued interest thereon, exercisable within the Cure Period by giving [not more than sixty (60) nor less than thirty (30)] (or such shorter period prescribed by Applicable Law) days' notice.</p> <p>After the lapse of the Cure Period with the Change in Law continuing and without the Issuer giving notice of exercise of its option to redeem under this Section, the Bondholders holding at least [two thirds] [(2/3)] of the outstanding principal amount of the Offer Bonds may, by notice in writing delivered to the Issuer through the</p>			

	Trustee, declare the Offer Bonds, including the accrued interest thereon, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable within [five] days after receipt of such notice, without any prepayment penalty.]
<i>Redemption by Reason of Change of Control</i>	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 the Offer Bonds at par (or 100% of face value), which shall be paid together with the accrued interest thereon. 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 redeem all (but not some) of the Offer Bonds, and (ii) the date set by the Issuer for such redemption (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.
<i>Purchase and Cancellation</i>	<p>The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract at the best available price under prevailing market conditions, in accordance with PDEX Rules and/or the Code, as may be amended from time to time, without any obligation to make <i>pro rata</i> purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued.</p> <p>Upon listing of the Offer Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.</p>
<i>Taxation</i>	<p>Based on law and regulations effective as of the date of this Offer Supplement:</p> <ol style="list-style-type: none"> (1) Interest income on the Offer Bonds to be received by Philippine citizens or resident foreign individuals from the Offer Bonds will be subject to income tax, which is withheld at source, at the rate of 20%. (2) Interest income on the Offer Bonds to be received by non-resident foreign individuals engaged in trade or business in the Philippines will be subject to a 20% final withholding tax while that to be received by non-resident foreign individuals not engaged in trade or business will be subject to a 25% final withholding tax.

	<p>(3) Interest income on the Offer Bonds to be received by domestic corporations and resident foreign corporations will be taxed at the rate of 20%.</p> <p>(4) Interest income on the Offer Bonds to be received by non-resident foreign corporations will be subject to a 30% final withholding tax.</p> <p>Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by the BIR and the Issuer.</p> <p>Documentary stamp tax for the primary issue of the Offer Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.</p> <p>Please see the sections on "<i>Taxation</i>" in the Prospectus and "<i>Description of the Offer Bonds – Payment of Additional Amounts – Taxation</i>" in this Offer Supplement for a more detailed discussion on the tax consequences of the acquisition, ownership and disposition (e.g., secondary transfer) of the Offer Bonds.</p>
<i>Bond Rating</i>	<p>The Offer Bonds are rated PRS Aaa by PhilRatings.</p> <p>The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Offer Bonds are outstanding.</p>
<i>Bond Listing</i>	<p>The Offer Bonds are intended to be listed at the PDEX.</p>
<i>Transfer of the Offer Bonds</i>	<p>Trading of the Offer Bonds will be coursed through a PDTC Participant under the Scripless Book-entry System of the PDTC. Trading, transfer and/or settlement of the Offer Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment, title to the Offer Bonds will pass by recording of the transfer from the transferor to the transferee in the electronic Registry of Bondholders to be maintained by the Registrar.</p> <p>Please see the sections on "<i>Description of the Offer Bonds – Transfer; Tax Status</i>" in this Offer Supplement for a more detailed discussion on transfer of the Offer Bonds.</p>
<i>Own Risk</i>	<p>Investment in the Offer Bonds is not covered by the Philippine Deposit Insurance Corporation. Any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Offer Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.</p>
<i>Trustee</i>	<p>BDO Unibank, Inc. – Trust and Investments Group</p>

<i>Registrar and Paying Agent</i>	Philippine Depository & Trust Corp.
<i>Governing Law</i>	Philippine law

Description of the Offer Bonds⁴

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Offer 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 of Petron, the information contained in the Prospectus, this Offer Supplement, the Trust Agreement, and the other Bond Agreements or other agreements relevant to the Offer such as the Application to Purchase, and to perform their own independent investigation and analysis of the Issuer and the Offer Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Offer Bonds.

The offer and issuance of up to ₱40,000,000,000 aggregate principal amount of the Bonds, in one or more tranches, was authorized by a resolution of the Executive Committee of the Board of Directors of Petron dated July 8, 2016 and ratified and confirmed by the Board of Directors of Petron on August 8, 2016. Bonds with an aggregate principal amount of ₱[15],000,000,000 shall be issued for the first tranche with an Oversubscription Option of up to ₱[5],000,000,000.

The Offer Bonds will be issued on [•] (the “**Issue Date**”) and will comprise of fixed rate bonds due in 2021 (the “**Series A Bonds**”) and in 2023 (the “**Series B Bonds**”). The Issuer has the discretion to allocate the principal amount between the Series A Bonds and the Series B Bonds based on the book building process.

The Offer Bonds shall be offered and sold through a general public offering in the Philippines.

The Offer Bonds shall be constituted by a Trust Agreement to be executed on [•] in relation to the Offer Bonds between the Issuer and BDO Unibank, Inc. – Trust and Investments Group as Trustee.

A Registry and Paying Agency Agreement will be executed on [•] in relation to the Offer Bonds between the Issuer and PDTC as Registrar and Paying Agent.

The Trustee has no interest in or relation to Petron which may conflict with its role as Trustee for the Offer Bonds. The Registrar and Paying Agent has no interest in or relation to Petron which may conflict with its role as Registrar for the Offer.

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 are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

⁴ This Section does not contain the final terms of the Offer, which are still under negotiation by the parties.

FORM, DENOMINATION AND TITLE

Form and Denomination

The Offer Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing each of the Series A Bonds and Series B 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 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000 in the secondary market.

Title

Legal title to the Offer Bonds shall be shown in the Registry of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Offer Bonds purchased by each Applicant in the Offer shall 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 electronic 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 cost arising from such transfer or change, including, but not limited to, documentary stamps taxes, if any, shall be for the account of the relevant Bondholder.

BOND RATING

The Offer Bonds have been rated PRS Aaa by PhilRatings, considering Petron's business portfolio, business plans, growth prospects and cash flows. PRS Aaa is the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The Issuer's capacity to meet its financial commitment on the obligation is extremely strong. 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 organization.

The rating was arrived at after considering the following factors: Petron's (i) leading market position in the Philippines and an increasing presence in Malaysia; (ii) defined strategies to support future growth; and (iii) strong revenue generation, supported by growing sales volume, with profitability margins expected to improve over the projected period.

The rating is subject to 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 THE OFFER BONDS

Registry of Bondholders

The Issuer shall cause the Registry 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 of Offer Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry 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 quarterly (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 (at the cost of the relevant Bondholder). 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 as defined in the Section on “*Interest Payment Dates*.”

Initial placement of the Offer Bonds and subsequent transfers of interests in the Offer Bonds shall be subject to applicable prevailing Philippine selling restrictions.

Transfers; Tax Status

The Offer Bonds may be transferred upon exchange of confirmation of sale and confirmation of purchase, or by book-entry in recording platforms maintained by approved securities dealers. The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Offer Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Subject to the provisions of the Registry and Paying Agency Agreement and the Section on “*Interest Payment Dates*” in this Offer Supplement, Bondholders may transfer their Offer Bonds at any time, regardless of the tax status of the transferor vis-à-vis the transferee.

Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with entities that are not tax-exempt shall be treated as not tax-exempt for the interest period within which such transfer occurred.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement within three Business Days from the settlement date for such transfer. Transfers taking place in the Registry of Bondholders after the Offer Bonds are listed on PDEX shall be allowed between tax-exempt entities and entities that are not tax-exempt 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.

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.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar, the Joint Issue Managers, Joint Lead Underwriters and Joint 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 Registry 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 Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

Secondary Trading of the Offer Bonds

The Issuer intends to list the Offer Bonds on PDEX for secondary market trading and, for that purpose, the Issuer shall file 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 Bonds are listed on PDEX, the Offer Bonds will be traded in a minimum board lot size of ₱10,000, and in multiples of ₱10,000 in excess thereof. Secondary market trading in PDEX shall follow the applicable PDEX Rules, 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.

RANKING

The Offer Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking at least *pari passu* and ratably without any preference or priority among themselves and with all its other present and future direct, unconditional, unsecured and unsubordinated obligations (other than obligations preferred by law).

INTEREST

Interest Payment Dates

The Series A Bonds shall bear interest on its principal amount from and including the Issue Date at the rate of [\bullet] $\%$ ⁵ *per annum*, payable quarterly in arrears starting on [\bullet January] 2017 as the first Interest Payment Date, and on [\bullet April], [\bullet July], [\bullet October], and [\bullet January] of each year at which the Offer Bonds are outstanding as the subsequent Interest Payment Dates, or the subsequent Banking Day, without adjustment for accrued interest, if the relevant Interest Payment Date falls on a non-Banking Day.

The Series B Bonds shall bear interest on its principal amount from and including the Issue Date at the rate of [\bullet] $\%$ ⁶ *per annum*, payable quarterly in arrears starting on [\bullet January] 2017 as the first Interest Payment Date, and on [\bullet April], [\bullet July], [\bullet October], and [\bullet January] of each year at which the Offer Bonds are outstanding as the subsequent Interest Payment Dates, or the next Banking Day, without adjustment for accrued interest, if the relevant Interest Payment Date falls on a non-Banking Day.

The cut-off date in determining the existing Bondholders entitled to receive interest, principal or any other amount due under the Offer Bonds shall be two (2) Business Days prior to the relevant Interest 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

⁵ The Interest Rate shall be determined based on the sum of (a) the relevant Benchmark Rate (as defined below) and (b) a spread to be determined based on a book building exercise to be conducted for the Offer Bonds.

The term "Benchmark Rate" is defined as: (i) the simple average of the applicable PDST-R2 rate for the three (3) consecutive Banking Days ending on (and including) the interest setting date, provided that all three (3) relevant PDST-R2 rates used in computing the simple average are based on "done" transactions; (ii) if the conditions set out in paragraph (i) are not met, then the simple average for the three (3) consecutive Banking Days ending on (and including) the interest setting date of the daily interpolated weighted average yields of "done" trades of the relevant Philippine government-issued fixed-income instruments; or (iii) if the conditions set out in paragraph (ii) are not met, then the simple average of the applicable PDST-R2 rate for the three (3) consecutive Banking Days ending on (and including) the interest setting date, notwithstanding that there are no "done" transactions for such PDST-R2 rate for each of the said three (3) consecutive Banking Days.

⁶ See footnote above.

the Offer Bonds. No transfers of the Offer Bonds may be made during the period intervening between and commencing on the Record Date and the relevant Interest Payment Dates.

Interest Setting Date means [●].

Interest Accrual

The Offer Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on “*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 “*Penalty Interest*” below) shall apply.

Determination of Interest

Interest on the Offer Bonds shall be calculated on a European 30/360 day count basis, regardless of the actual number of days in a month.

REDEMPTION AND PURCHASE

Final Redemption

Unless otherwise earlier redeemed or previously purchased and cancelled, the Offer Bonds shall be redeemed at par (or 100% of face value) and paid together with the accrued interest thereon on the relevant Maturity Dates of the Offer Bonds. However, if the Maturity Date is not a Banking Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Banking Day.

Optional Redemption

Prior to the relevant Maturity Dates of the Offer Bonds, the Issuer shall have a one-time option for each of the Series A Bonds and Series B Bonds, but shall not be obligated, to redeem in whole and not in part only, the outstanding Series A Bonds or Series B Bonds, as applicable, in accordance with the schedule below.

	Optional Redemption Dates ⁷	Optional Redemption Price
Series A Bonds	on the 3 rd anniversary of the Issue Date	101.00%
	on the 4 th anniversary of the Issue Date	100.50%
	Optional Redemption Dates ⁸	Optional Redemption Price
Series B Bonds	on the 5 th anniversary of the Issue Date	101.00%
	on the 6 th anniversary of the Issue Date	100.50%

The amount payable to the Bondholders by the Issuer in respect of such optional redemption shall be calculated as the sum of: (i) the product of the principal amount of the Offer Bonds being redeemed and the Optional Redemption Price in accordance with the above table, and (ii) all accrued interest on the Offer Bonds as of the Optional Redemption Date.

The Issuer shall give no less than thirty (30) nor more than sixty (60) days’ prior written notice of its intention to redeem the Offer Bonds on such Optional Redemption Date, which notice shall be

⁷ Parties may agree on additional Optional Redemption Dates for Series A and Series B Bonds.

⁸ Parties may agree on additional Optional Redemption Dates for Series A and Series B Bonds.

irrevocable and binding upon the Issuer to effect such early redemption of the Offer Bonds on the Optional Redemption Date stated in such notice.

Redemption for Taxation Reasons

If payments under the Offer Bonds become subject to additional or increased taxes other than the taxes and rates of such 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, 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 sixty (60) nor less than thirty (30) days' notice) at par (or 100% of face value) and paid together with the accrued interest thereon, subject to the requirements of Applicable Law. For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

Redemption by Reason of Change in Law or Circumstance

[Upon the occurrence of a Change in Law (as enumerated below), the Trustee, after consultation with the Issuer and in any case, within [five (5)] days after such occurrence, shall give to the Issuer and all the Bondholders written notice of such Change in Law. Within [thirty (30)] days from such notice (the "**Cure Period**"), the Issuer shall use reasonable measures available to it to remedy the Change in Law so that the same event shall cease. The Issuer shall also have the option to redeem in whole, but not in part, the Offer Bonds at par (or 100% of face value) and paid together with the accrued interest thereon, exercisable within the Cure Period by giving [not more than sixty (60) nor less than thirty (30)] (or such shorter period prescribed by Applicable Law) days' notice.

After the lapse of the Cure Period with the Change in Law continuing and without the Issuer giving notice of exercise of its option to redeem under this Section, the Bondholders holding at least [two thirds] [(2/3)] of the outstanding principal amount of the Offer Bonds may, by notice in writing delivered to the Issuer through the Trustee, declare the Offer Bonds, including the accrued interest thereon, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable within [five] days after receipt of such notice, without any prepayment penalty.]

The following events shall be considered as changes in law or circumstances ("**Change in Law**") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

- (a) 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 will materially and adversely affect the ability of the Issuer to comply with such obligations; or
- (b) Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part; or any law is introduced or any applicable existing law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the parties thereto of their obligations under the Trust Agreement or any other related documents; or
- (c) Any concession, permit, right, franchise or privilege required for the conduct of the business and operations of the Issuer shall be revoked, cancelled 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; or

- (d) The Republic of 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.

[Interest on the Offer Bonds under this Section 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 by Reason of 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 the Offer Bonds at par (or 100% of face value), which shall be paid together with the accrued interest thereon. 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 redeem all (but not some) of the Offer Bonds, and (ii) the date set by the Issuer for such redemption (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.

[Interest on the Offer Bonds under this Section 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.]

Purchase and Cancellation

The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract at the best available price under prevailing market conditions, in accordance with PDEX Rules and/or the Code, as may be amended from time to time, 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 on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Payments

The principal of, interests on, and all other amounts payable on the Offer Bonds shall be paid to the Bondholders by crediting of the bank accounts designated by each of the Bondholders in the Application to Purchase or as may be notified in writing to the Paying Agent, and maintained with PDS Group-Registered Cash Settlement Banks. 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 the purposes of the Offer Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

Payment of Additional Amounts – Taxation

Interest income on the Offer Bonds is subject to a withholding tax at rates of between 20% and 30% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, 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) The withholding tax applicable on interest earned on the Offer Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Paying Agent their validly issued tax identification numbers issued by the BIR.
- (b) Gross Receipts Tax under Section 121 of the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;
- (d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337; and
- (e) Any applicable taxes on any subsequent sale or transfer of the Offer Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Offer Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Please see the section on "*Taxation*" in the Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership and disposition of the Offer Bonds.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer, as being sufficient in form and substance:

- (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;
- (ii) with respect to tax treaty relief, a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under the BIR Revenue Memorandum Order No. 72-2010; including any clarification, supplement or amendment thereto and, once available, a BIR-certified certificate, ruling or opinion addressed to the relevant applicant or Bondholder confirming its entitlement to the preferential tax rate under the applicable treaty;
- (iii) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder

holds, the Offer Bonds for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect 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 which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided that the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar;

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

FINANCIAL RATIO

The Issuer shall procure that the ratio of the Consolidated Gross Liabilities as at the last day of the relevant quarter period to the Consolidated Net Worth as at the last day of the relevant quarter period does not exceed 2.75 to 1.

NEGATIVE PLEDGE

The Issuer covenants and agrees that, unless the Majority Bondholders shall otherwise consent in writing, the Issuer shall not, from the signing date of the Trust Agreement and for as long as the Offer Bonds or any portion thereof remain outstanding, create or have outstanding any Security Interest upon or with respect to, any of the present or future business, agreement, 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:

- i. all amounts payable by it under the Offer Bonds are secured by the Security Interest equally and ratably with the relevant Indebtedness; or
- ii. 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 as defined in the Trust Agreement and in this Offer Supplement.

EVENTS OF DEFAULT

Each of the following events shall constitute an “*Event of Default*” under the Offer Bonds and the Trust Agreement:

- (a) the Issuer defaults in the payment when due of any amount payable under the Trust Agreement and the Offer Bonds 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 Trust Agreement, the Offer Bonds, or any other Bond Agreement (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 [thirty (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 directors or officers of the Issuer in the Trust Agreement, the Offer Bonds, or any other Bond Agreement or otherwise in connection therewith, or in any certificate delivered by the Issuer thereunder or in connection therewith, 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) any Indebtedness of the Issuer or any of its [Material] Subsidiaries, whether singly or in the aggregate, in excess of [●Pesos (P●)] 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);
- (e) any act, deed or judicial or administrative proceedings in the nature of an expropriation, sequestration, confiscation, nationalization, intervention, acquisition, seizure, or condemnation of, or with respect to, the business and operations of the Issuer or its property or assets, shall be undertaken or instituted by any Governmental Authority, present or future, unless such act, deed or proceedings are otherwise contested in good faith by the Issuer or will not have a Material Adverse Effect;
- (f) 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;

(g) 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);

(h) 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;

(i) 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 (i) strike or lockout when necessary to prevent business losses, (ii) shutdowns or regular preventive repairs or (iii) closures due to fortuitous events or force majeure, provided that in any such event of strikes, lockouts, shutdowns or repairs, or closures due to fortuitous events or force majeure events, there is no Material Adverse Effect; and

(j) any event or circumstance that will have a Material Adverse Effect has occurred.

Notice of Default

The Trustee shall, within [five (5) Business Days] after 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, 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 (“**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 [•] percent [(•%)] per annum (the “**Penalty Interest**”) from the time the amount fell due until it is fully paid in accordance with the terms of the Offer Bonds and the Trust Agreement.

Payment 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:

- (a) 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 provision; and
- (b) The Trustee shall have the right to require the Registrar and the Paying Agent, upon demand in writing, to do the following:
- (i) to hold all sums, documents and records held by them in respect of the Offer Bonds on behalf of the Trustee; and/or
 - (ii) deliver all evidences of the Offer Bonds and all sums, documents and records held by them in respect of the Offer Bonds to the Trustee or as the Trustee shall direct in such demand; provided, that such demand shall be deemed not to apply to any documents or records which the Paying Agent or the Registrar is not allowed to release by any law or regulation; and/or

- (iii) subject to the terms of the Registry and Paying Agency Agreement, apply any money received from the Issuer pursuant to this Section in the order of preference provided in [Section 10.4] of the Trust Agreement.

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 and the Paying Agent 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 hereunder shall prescribe unless the claim is 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 payment becomes due.

Remedies

All remedies conferred by the Trust Agreement to 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 of the Trust Agreement, subject to "*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 hereunder 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 given by the Trust Agreement to the Trustee or the 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 of 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 hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder unless (i) such Bondholder previously shall have given to the Trustee 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 in accordance with the provisions on Events of Default (See *Description of Offer Bonds – Events of Default*); (ii) the Majority

Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever 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 herein provided and for the equal, ratable and common benefit of all the Bondholders.

Waiver of Default by the Bondholders

The Majority Bondholders may 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 may on behalf of the Bondholders waive any past default except the Events of Default defined as a [Payment Default, breach of representation or warranty default, expropriation default, insolvency default, or closure default, and its consequences]. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; but 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 Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Offer Bonds.

SUBSTITUTION

Substitution of the Offer Bonds is not contemplated.

TRUSTEE; NOTICES

Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Agreement, the Prospectus and this Offer Supplement, and all correspondences addressed to the Trustee, shall be delivered to:

To the Trustee:
Attention:
Address:

Facsimile:

All documents and correspondences not sent to the above-mentioned address shall be considered as not to have been sent at all.

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 herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) by courier; (iii) by one-time publication in a newspaper 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) [five (5)] days from mailing, if transmitted by courier; (iii) on the date of publication; (iv) on the date of delivery, for personal delivery; or (v) on the date that the disclosure is uploaded on the website of the PDEx.

A notice 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.

Binding and Conclusive Nature

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement.

Duties and Responsibilities of the Trustee

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.
- (b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters will exercise in the management of their own affairs.
- (c) None of the provisions contained in these terms, the Prospectus and this Offer Supplement shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Resignation and Change of Trustee

- (a) The Trustee may at any time resign by giving [thirty] ([30]) days' prior written notice to the Issuer and to the Bondholders of such resignation.
- (b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is

- the Majority Bondholders, not the Issuer, that shall appoint the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide holder for at least the immediately preceding six (6) months may, for and in behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.
- (c) Subject to Section (f) below, a successor Trustee must possess all the qualifications required under pertinent laws.
 - (d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any bona fide bondholder for at the least the immediately preceding six (6) months may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.
 - (e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders.
 - (f) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions in the Trust Agreement shall become effective upon the earlier of: (i) the acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided, however, that after the effectivity of the resignation notice and, as relevant, until such successor trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.

Successor Trustee

- (a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

- (b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

Reports to the Bondholders

The Trustee shall submit to the Bondholders on or before [●] of each year from the Issue Date until full payment of the Offer Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

- (a) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and
- (b) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Offer Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least [ten percent (10%)] of the aggregate outstanding principal amount of the Offer Bonds at such time.

Inspection of Documents

The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

- (a) Trust Agreement
- (b) Registry and Paying Agency Agreement
- (c) Articles of Incorporation and By-Laws of the Company
- (d) Registration Statement of the Company with respect to the Bonds (including the Offer Bonds) with the Prospectus and this Offer Supplement

MEETINGS OF THE BONDHOLDERS

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Offer Bonds.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, the Issuer, or the holders of at least [twenty-five percent (25%)] of the aggregate outstanding principal amount of the Offer Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. 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 forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable 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 of the Trustee to Call a Meeting

In case at any time, the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the [Offer] Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

Procedure for Meetings

- (a) 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 in like manner move for the election of the chairman and secretary of the meeting.
- (b) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been 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 shall be a registered holder of one or more Offer Bonds or a person appointed in writing by a public instrument as proxy 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 said meeting. Bondholders shall be entitled to one (1) vote for every ₱10,000 interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

Voting Requirement

Except as provided in "*Description of the Offer Bonds - Amendments*", 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 except as otherwise provided in the Trust Agreement. 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 Issuer as if the votes were unanimous.

Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Offer Bonds, the appointment of proxies by registered holders of the Offer Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Offer Bonds may take any action (including the making of any demand or requests and 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 holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or willful misconduct.

Amendments

The Issuer and the Trustee may amend or waive any provisions of the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the terms and conditions of the Offer Bonds (or a series thereof) with notice to every Bondholder following the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Offer Bonds) or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

- (a) reduce the percentage of principal amount of the Offer Bonds (or a series thereof) outstanding that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on the Offer Bonds (or a series thereof);
- (c) reduce the principal of or extend the Maturity Date or vary the Optional Redemption Date of the Offer Bonds (or a series thereof);

- (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Offer Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
- (e) reduce the amount payable upon the redemption or repurchase of the Offer Bonds (or series thereof) under the Terms and Conditions or change the time at which the Offer Bonds may be redeemed;
- (f) make the Offer Bonds (or a series thereof) payable in money other than that stated in the Offer Bonds;
- (g) subordinate the Offer Bonds (or a series thereof) to any other obligation of Petron;
- (h) release any security interest that may have been granted in favor of the Bondholders;
- (i) amend or modify the terms and conditions set out under (i) "*Description of the Offer Bonds - Payment of Additional Amounts – Taxation*", (ii) "*Description of the Offer Bonds - Events of Default*" or (iii) "*Description of the Offer Bonds – Waiver of Default by the Bondholders*"; or
- (j) make any change or waiver of this condition.

It shall not be necessary for the consent of the Bondholders under this condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the paragraph entitled "*Description of the Offer Bonds – Notice to the Bondholders.*"

GOVERNING LAW

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

VENUE

Any suit, action, or proceeding against the Issuer with respect to the Offer Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the Cities of Makati and Mandaluyong, at the option of the plaintiff, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

WAIVER OF PREFERENCE

The obligations created under the Bond Agreements and the Offer Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

Use of Proceeds

The Company estimates that the net proceeds from the Offer shall amount to approximately [₱14.85] Billion (assuming the Oversubscription Option is not exercised), after fees, commissions and expenses.

Estimated fees, commissions and expenses relating to the Offer are as follows (assuming Oversubscription Option is not exercised):

In ₱ Millions	
Underwriting Fees for the Offer Bonds being sold by the Company	₱[60.00]
Taxes to be paid by the Company	₱[75.00]
Philippine SEC filing and legal research fee	₱[4.36]
Listing application fee	₱[0.20]
Listing maintenance fee	₱[0.30]
Rating fee	₱[3.60]
Trustee fees	₱[0.22]
Registry and paying agency fees	₱[1.10]
Estimated legal and other professional fees	₱[8.00]
Estimated other expenses	₱[0.50]
TOTAL	₱[153.27]

Assuming full exercise of the Oversubscription Option, the Company estimates that the net proceeds from the Offer shall amount to approximately ₱[19.80 Billion], after deducting the following fees, commissions and expenses:

In ₱ Millions	
Underwriting Fees for the Offer Bonds being sold by the Company	₱[80.00]
Taxes to be paid by the Company	₱[100.00]
Philippine SEC filing and legal research fee	₱[5.62]
Listing application fee	₱[0.20]
Listing maintenance fee	₱[0.30]
Rating fee	₱[4.80]
Trustee fees	₱[0.22]
Registry and paying agency fees	₱[1.10]
Estimated legal and other professional fees	₱[8.00]
Estimated other expenses	₱[0.50]
TOTAL	₱[200.74]

Aside from the foregoing one-time costs, Petron expects the following annual expenses related to the Offer Bonds:

1. The Issuer will be charged by the PDEX for the first annual maintenance fee in advance upon approval of the listing;
2. The Issuer will pay an annual retainer fee to the Trustee amounting to ₱ 200,000 per annum;
3. After the Issue Date, a Paying Agency fee amounting to ₱ [412,500] is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the Offer Bonds and number of Bondholders; and

4. The Issuer will pay an annual monitoring fee to PhilRatings.

The net proceeds of the Offer shall be used primarily to refinance existing indebtedness and fund working capital requirements. In case the net proceeds of the Offer will not be sufficient, the balance will be financed from the Company's funds.

Pending the above use of proceeds, 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. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

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

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 that there is any change in the Company's development plan, including *force majeure*, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC and the stockholders in writing at least 30 days before such deviation, adjustment or reallocation is implemented.

Capitalization

The following table sets forth the consolidated capitalization of the Issuer as at June 30, 2016 and as adjusted to give effect to the Offer (assuming the Oversubscription Option is exercised). This table should be read in conjunction with the Issuer's unaudited condensed consolidated interim financial statements as at June 30, 2016 and for the six-month periods ended June 30, 2015 and 2016 and notes thereto, included elsewhere in the Prospectus.

	As at 30 June 2016	
	Actual (unaudited)	Adjusted for maximum Offer size of P20 Billion
<i>(in P millions)</i>		
Short-term liabilities		
Short-term loans	88,990	88,990
Current portion of long-term debt - net	2,158	2,158
Total short-term debt	91,148	91,148
Long-term liabilities		
Long-term debt – net of current portion	68,142	[87,941]
Total long-term liabilities	68,142	[87,941]
Equity		
Equity Attributable to Equity Holders of the Parent:		
Capital stock	9,485	9,485
Additional paid-in capital	19,653	19,653
Undated subordinated capital securities	30,546	30,546
Retained earnings	43,621	43,621
Reserve for retirement plan	(3,201)	(3,201)
Other reserves	(4,542)	(4,542)
Treasury shares	(10,000)	(10,000)
Total Equity Attributable to Equity Holders of the Parent	85,562	85,562
Non-controlling interests	1,336	1,336
Total Equity	86,898	86,898
Total capitalization²	246,188	[265,987]

Notes:

- (1) Adjusted amount as at June 30, 2016 includes proceeds of P20 billion of the Offer, after deduction of commissions and expenses.
- (2) Total capitalization is the sum of debt and equity.

Plan of Distribution

THE OFFER

On August 22, 2016, Petron filed a Registration Statement with the SEC in connection with the offer and sale to the public of fixed rate bonds up to an aggregate principal amount of ₱40,000,000,000 to be issued in one or more tranches within the Shelf Period.

The first tranche (which is subject of this Offer Supplement and consisting of Series A Bonds and Series B Bonds) will be issued with an aggregate principal amount of ₱[15,000,000,000] with an Oversubscription of up to ₱[5,000,000,000]. After the issuance of the first tranche, the remaining amount shall be lodged under a shelf registration and may be issued in one or more tranches within the Shelf Period. However, in case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Bonds under shelf registration will be automatically increased by such principal amount of Oversubscription Option Bonds that will not be taken up or exercised. Hence, after the Offer, the remaining Bonds under shelf registration may potentially increase to an aggregate principal amount of up to ₱[25],000,000,000, which may be issued in tranches within the Shelf Period. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding Permit to Sell Securities covering the Offer Bonds.

SHELF REGISTRATION OF SECURITIES NOT COVERED BY THE OFFER

After the close of the Offer and within the Shelf Period, Petron may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of Bonds covered by such Registration Statement, in one or more subsequent tranches under Rule 8.1.2 of the 2015 Implementing Rules and Regulations of the Code. The shelf registration provides Petron with the ability to conduct an offering within a comparatively short period of time. Petron believes that such shelf registration provides the Company with the increased ability to take advantage of opportunities in a volatile debt capital market, as these occur. Any subsequent offering under the relevant rules requires the submission by Petron of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding Permit to Sell Securities by the SEC. As a listed company, Petron regularly disseminates such updates and information in its disclosures to the SEC and PSE.

However, there can be no assurance in respect of: (i) whether Petron 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 such issuance. Any decision by Petron to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within Petron's control, including, but not limited to, prevailing interest rates, the financing requirements of Petron's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine regional and global economies in general.

THE UNDERWRITERS OF THE OFFER

BDO Capital & Investment Corporation ("**BDO Capital**"), BPI Capital Corporation ("**BPI Capital**") and SB Capital Investment Corporation ("**SB Capital**"), pursuant to an Issue Management and Underwriting Agreement with Petron dated [●] (the "**Underwriting Agreement**"), have agreed to act as the Joint Issue Managers, Joint Lead Underwriters and Bookrunners to distribute and sell the Offer Bonds in the principal amount indicated below at the Issue Price. Subject to the fulfillment of the conditions provided in the Underwriting Agreement, each of the Underwriters has committed to underwrite the following amounts on a firm basis:

BDO Capital	₱[5,000,000,000]
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BPI Capital	₱ [5,000,000,000]
SB Capital	₱ [5,000,000,000]
TOTAL	₱ [15,000,000,000]

The Joint Lead Underwriters shall have the exclusive right and priority to exercise the Oversubscription Option of up to ₱[5,000,000,000] in consultation with the Issuer.

There is no arrangement for the Underwriters to return to Petron any unsold Offer Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Offer Bonds made to Petron. There is no arrangement as well giving the Underwriters the right to designate or nominate any member of the Board of the Issuer.

Petron will pay the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners a fee of 0.40% on the final aggregate nominal principal amount of the Offer Bonds issued, which is inclusive of the fee to be ceded to any [Co-Manager, Participating Underwriters or Selling Agents (if any)] [and in accordance with the terms of the Underwriting Agreement.]

For the purpose of complying with their respective commitments under the Underwriting Agreement each Joint Lead Underwriter and Joint Bookrunner may, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, particularly the underwriting commitment of the Joint Lead Underwriters and Joint Bookrunners, enter into agreements with Participating Underwriters and Selling Agents for the sale and distribution to the public of the Offer Bonds; provided, that the Joint Lead Underwriters and Joint Bookrunners shall remain solely responsible to the Issuer in respect of their obligations under the Underwriting Agreement entered into by them with the Issuer, and except as otherwise provided in the Underwriting Agreement, the Issuer shall not be bound by any of the terms and conditions of any agreements entered into by the Joint Lead Underwriters and Joint Bookrunners with the Participating Underwriters and the Selling Agents.

The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Offer Bonds. The Joint Issue Managers, Joint Lead Underwriters, and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Petron, its parent company, SMC, or other members of the SMC Group.

BDO Capital is the wholly-owned investment banking subsidiary of BDO Unibank, Inc. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999.

BPI Capital is the wholly-owned investment banking subsidiary of the Bank of the Philippine Islands and is duly licensed by the SEC to engage in the underwriting and distribution of securities. BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placement, project finance and loan syndication. It began operations as an investment house in December 1994.

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally. As of December 31, 2015, its total assets amounted to ₱ 989.5 million and its capital base amounted to

₱ 967.3 million. It has an authorized capital stock of ₱ 1.0 billion of which approximately ₱ 350.0 million represents its paid-up capital.

The Underwriters have no direct relations with Petron 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 Petron.

SALE AND DISTRIBUTION

The distribution and sale of the Offer Bonds shall be undertaken by the Underwriters who shall sell and distribute the Offer Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters 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 obligations of each of the Underwriters 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 Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by an Underwriter to carry out its obligations thereunder shall neither relieve the other Underwriters of their obligations under the same Underwriting Agreement, nor shall any Underwriter be responsible for the obligation of another Underwriter.

OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on [●], 2016 and end at 5:00 p.m. on [●], 2016, or such other date as may be mutually agreed by the Company and the Joint Lead Underwriters and Joint Bookrunners.

APPLICATION TO PURCHASE

Applicants may purchase the Offer Bonds during the relevant Offer Periods by submitting to the Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Offer Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional applicants must also submit, in addition to the foregoing:

- (a) an original notarized certificate of the corporate secretary or an equivalent officer of the Applicant setting forth resolutions of the board of directors, partners or equivalent body (i) authorizing the purchase of the Offer Bonds indicated in the Application to Purchase and (ii) designating the signatories, with their specimen signatures, for the said purposes;
- (b) copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);
- (c) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies);
- (d) identification document(s) of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and

- (e) such other documents as may be reasonably required by the Underwriters or the Registrar in the implementation of its internal policies regarding “know your customer” and anti-money laundering.

Individual applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments:

- (a) identification document (“ID”) of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Passport, Driver’s License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter’s ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman’s Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, *e.g.*, Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
- (b) two duly accomplished signature cards containing the specimen signature of the Applicant; and
- (c) such other documents as may be reasonably required by the Underwriters or the Registrar in implementation of its internal policies regarding “know your customer” and anti-money laundering.

In addition to the foregoing, all Applicants are required to provide their validly issued tax identification numbers issued by the BIR.

An Applicant who is claiming exemption from any applicable tax, or entitlement to preferential tax rates shall, in addition to the requirements set forth above, be required to submit the following requirements to the relevant Joint Lead Underwriter and Bookrunner, Participating Underwriter or Selling Agent (together with their respective Applications to Purchase), subject to acceptance by the Issuer as being sufficient in form and substance:

- (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;
- (ii) with respect to tax treaty relief, a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under the BIR Revenue Memorandum Order No. 72-2010; including any clarification, supplement or amendment thereto and, once available, a BIR-certified certificate, ruling or opinion addressed to the relevant applicant or Bondholder confirming its entitlement to the preferential tax rate under the applicable treaty;
- (iii) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (2) the trust officer, if the applicant is a universal

bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect 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 which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided that the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar;

provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

The purchase price for each Offer Bond which is equal to the face amount of such Offer Bond (the "**Purchase Price**") is payable in full upon submission of the duly executed Application to Purchase. Payments of the Purchase Price shall be made either in cash, checks or appropriate debit instructions or payment instructions made out to the order of [the relevant Joint Lead Underwriter and Bookrunner, Participating Underwriter or Selling Agent]. All payments must be made or delivered to the Joint Lead Underwriter and Bookrunner, the Participating Underwriter or Selling Agent to whom the Application to Purchase is submitted.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Offer Bonds and the acceptance by Petron. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱[50,000] shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱ 10,000.

ALLOTMENT OF THE OFFER BONDS

If the Offer Bonds are insufficient to satisfy all Applications to Purchase, the available Offer 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 Petron's exercise of its right of rejection.

ACCEPTANCE OF APPLICATIONS

Petron and the Joint Lead Underwriters reserve the right to accept or reject applications to purchase the Offer Bonds, and in case of oversubscription, allocate the Offer Bonds available to the Applicants in a manner they deem appropriate.

REJECTION OF APPLICATIONS

The Joint Lead Underwriters and Joint Bookrunners shall accept, reduce or reject Applications to Purchase on behalf of the Issuer in accordance with the following provisions and the allocation plan. Reasons for rejection may include the following:

- (a) Applications may be rejected if (i) the Purchase Price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonoured upon first presentation; (iii) the applications are not received by the Joint Lead Underwriters and Joint Bookrunners on or before the end of the Offer Period; (iv) the number of Offer Bonds subscribed is less than the minimum amount of subscription; (v) the applications do not comply with the terms of the Offer; or (vi) the applications do not have sufficient information or are not supported by the required documents.
- (b) Applications may be reduced if the Offer is oversubscribed, and the Oversubscription Option has been exercised and the Oversubscription Option bonds are not sufficient to cover such oversubscription, in which case the number of Offer Bonds covered by the applications shall be reduced *pro rata*.

In the event an Application to Purchase is rejected or the amount of Offer Bonds applied for is scaled down for a particular Applicant, the relevant Joint Lead Underwriter and Bookrunner, the Participating Underwriter or the Selling Agent shall notify the Applicant concerned that his/her application has been rejected or that the amount of Offer Bonds applied for is scaled down.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such Applicant through the relevant Underwriter with whom such Application to Purchase the Offer Bonds was made.

Refunds shall be made, at the option of each Joint Lead Underwriter and Bookrunner, the Participating Underwriter or the Selling Agent, either (i) through the issuance of check(s) payable to the order of the relevant Applicant and crossed "Payees' 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.

PAYMENTS

The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by the said Paying Agent in accordance with the Paying Agency and Registry Agreement, provided that beneficial ownership of the Payment Account shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the principal and interest on each Interest Payment Date.

The Paying Agent shall maintain the Payment Account for [six (6)] months from Maturity Date or date of early redemption. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Offer Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk and shall be dealt with in accordance with the relevant provisions 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 at market price 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 on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

SECONDARY MARKET

Petron intends to list the Offer Bonds in the PDEX. Petron may purchase the Offer Bonds at any time without any obligation to make *pro rata* purchases of Offer Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

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

Legal title to the Offer Bonds shall be shown in the Registry of Bondholders to be maintained by the Registrar. The names and addresses of the Bondholders and the particulars of the Offer Bonds held by them and of all transfers of Offer Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

Initial placement of the Offer Bonds and subsequent transfers of interests in the Offer Bonds shall be subject to applicable prevailing Philippine selling restrictions.

Legal Matters

All legal matters in connection with the Offer shall be passed upon by Sycip Salazar Hernandez & Gatmaitan (“**SycipLaw**”) for the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and Picazo Buyco Tan Fider & Santos Law Offices (“**Picazo Law**”) for the Company. SycipLaw and Picazo Law have no direct and indirect interest in Petron. SycipLaw and Picazo Law may, from time to time, be engaged by the Company to advise in other transactions and perform legal services on the same basis that SycipLaw and Picazo Law provide such services to their other respective clients.