

CREATION OF THE NATIONAL DEVELOPMENT FUND

EXECUTIVE ORDER NO. 842, November 05, 1982

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WHEREAS, the National Development Company under Presidential Decree No. 1648 is an agency of the Government created to promote overall economic development through assistance to commercial, industrial, agricultural, mining or other ventures;

WHEREAS, in fulfilling this task, the National Development Company has participated in the development of several ventures which are or promise to be economically viable and will contribute to the economic growth of the country;

WHEREAS, it is the avowed policy of government to transfer to the private sector its investments in pioneering projects and business enterprises, once such investments have been viable;

WHEREAS, in order to allow small investors to share in the fruits of these ventures and to enable the National Development Company to generate additional funds to assist other ventures, there is a need to create a fund to participate in, among others, economically viable projects of NDC;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby order and instruct the following:

SECTION 1. Creation of the National Development Fund. The National Development Company (“NDC”) is hereby authorized to enter into investment management agreements with interested investors whereby NDC shall undertake to manage the funds of said investors. The fund contributed by said investors shall, however, be pooled for administrative purposes in a fund or sub-funds to be collectively known as the “National Development Fund” (the “Fund”) which shall be invested in, among others, economically viable projects of NDC.

SECTION 2. Issuance of National Development Fund Certificates. To evidence the investments made in the Fund, NDC is hereby authorized to issue certificates, to be called “National Development Fund Certificates” (“NDF Certificates”) to investors. In issuing the NDF Certificates, NDC shall not be considered as exercising “quasi-banking functions” nor “financial intermediations” as defined under Section 2-D of the General Banking Act, and the NDF Certificates shall not be considered as “deposit substitutes” as defined under Section 100-A of the General Banking Act.

SECTION 3. Management. – The Fund shall be managed by NDC, as the agent of the investors, and NDC shall not charge a management fee nor share in the income of the Fund, although it shall be entitled to reimbursement of expenses. As investment manager, NDC is hereby authorized to formulate the specific features of the Fund and the NDC Certificates as well as the guidelines in the operation thereof.

SECTION 4. Board of Trustees. – The investors shall be represented by a Board of Trustees to whom NDC will report on the operations of the Fund.

SECTION 5. Protection of Investment. – To safeguard the interest of the investors in the Fund such that the investment of each investor can be redeemed at least at the face value of each NDC Certificate, NDC as

investment manager, is hereby directed to stand ready to purchase any of the investments of the Fund in the event the total net asset value of the Fund falls below its total original acquisition cost.

SECTION 6. Taxes. – For purposes of taxation, the Fund shall not be considered a “corporation” under the National Internal Revenue Code and as such will not be subject to income tax. The Fund shall be deemed owned by the investors in proportion to their respective interests and all income earned by the Fund shall be deemed the income of the investors for which said investors shall bear all taxes. In cases, therefore, where the income earned by the Fund is subject to final taxes, said taxes shall be deemed paid by the investors.

SECTION 7. Auditor. – NDC shall appoint an independent Certified Public Accountant to be the auditor of the National Development Fund.

SECTION 8. Separability Clause. – Should any provision of this Order be held to be unconstitutional, no other provision thereof shall be affected thereby.

SECTION 9. Effectivity. – This Order shall take effect immediately.

Done in the City of Manila, this 5th day of November in the year of Our Lord, nineteen hundred and eighty-two.

(SGD.) FERDINAND E. MARCOS

President of the Philippines

By the President:

(SGD.) JUAN C. TUVERA

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