

TERMS OF REFERENCE

For the corporate account First e-Bank

OCULAR (SITE) INSPECTION AND APPRAISAL OF REAL PROPERTY TO DETERMINE MARKET AND NON-MARKET VALUES

A. ENGAGEMENT PURPOSE AND COVERAGE

These terms of reference shall apply to the appraisal work on three (3) properties assigned to the Philippine Deposit Insurance Corporation (PDIC) by First e-Bank, which are described in Section C below.

B. OBJECTIVES

The objective of the service is to establish a fair and reasonable valuation of the property based on market value, prompt sale/forced sale value as well as market rent/current lease rate for possible renting/leasing out of properties pending disposal on an "as is where is" basis.

C. SCOPE OF WORK

1. The appraisal service shall cover land, building and other improvements of the property described as follows:

Title No.	Location	Area/ Description
T-134767	Lot 151-A located in Bacolod City, Negros Occidental	A parcel of land containing an area of 1,648 sq.m.
T-265684	Lot 5 located in Brgy. Poblacion, Bacolod City, Negros Occidental	A parcel of land containing an area of 446 sq.m.
T-265722	Lot 6 located in Brgy. Poblacion, Bacolod City, Negros Occidental	A parcel of land containing an area of 380 sq.m.

2. The appraisal service shall cover determination of the Market Value, Prompt/Forced Sale Value and Market Rent of the property taking into account its condition.

MARKET VALUE is the estimated amount for which a property may be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

PROMPT/FORCED SALE VALUE is the amount, which may reasonably be received from sale of property within a time frame too short to meet the marketing time frame required by the market value definition.

MARKET RENT is the estimated amount for which a property, or space within a property may be leased on the date of valuation between a willing lessee and a willing lessor on appropriate lease terms in an arm's length transaction,

after proper marketing, wherein the parties had each acted knowledgeably, prudently, and without compulsion.

3. The market value, prompt/force sale value and market rent appraisal shall be performed using generally accepted analytical methodologies that are of common use, such as but not limited to, Sales Comparison and Cost Approach.

The valuation of the properties shall consider the present condition of the properties at the time of the appraisal, without considering future developments or the completion of on-going developments. In addition, the appraisal shall take into account the status of the title to the properties, un-cancelled encumbrances, liens and specific rights/limitations imposed by the government. The report shall include a disclosure on the status of the titles to the properties.

In the case of specialized properties, including improvements thereon, the appraiser shall also determine the salvage value in addition to what is required in the preceding paragraph.

SPECIALIZED PROPERTY refers to property that is rarely, if ever sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness, arising from its specialized nature and design, its configuration, size, location, or otherwise such as refineries, power stations, docks, specialized manufacturing facilities, public facilities, churches, museums, etc.

SALVAGE VALUE is the value of the property, excluding land, as if disposed of for the materials it contains, rather than for continued use without special repairs or adaptation.

SALES COMPARISON APPROACH considers the sale of similar or substitute properties on cash basis, and related market date within the same or comparable area/location, and establishes a value estimate by process involving comparison. In general, a property being valued is compared with cash sales of similar properties that have been transacted in the market.

COST APPROACH considers the possibility that, as an alternative to the purchase of a given property, one could acquire an equivalent asset that would provide equal utility. This would involve the cost of acquiring equivalent land and constructing an equivalent new structure.

D. SPECIFICATION OF SERVICES AND REPORT PRESENTATION

1. Purpose, Scope and Date of Appraisal

Briefly describe the purpose, scope, date of inspection and appraisal services rendered on the properties, their location, the valuation method and the assumptions used as provided in Section C.

2. Neighborhood Data

Conduct a survey on the immediate neighborhood of the subject properties to have a data/record on the following:

- a. Compliance to official zoning of the area in which the property is located;
- b. Land development;
- c. Availability of utility and other public services – i.e. water, power, telephone, sanitation and transportation;
- d. Nature and condition of public roads leading to the property, including alternate routes;
- e. Nuisance and or easement, if any;
- f. Availability and accessibility of amenities – i.e. schools and public markets, hospitals and churches, commercial/business centers, and recreational facilities.

3. Property Location and Identification

Based on technical description as inscribed on the titles over the Property, conduct necessary inspection to verify and/or record property information which shall include but not be limited to the following:

- a. Property location and identification;
- b. Landmark and distance from main thoroughfares;
- c. Occupants and claimants, if any; and
- d. Developments on the property.

4. Land Data and Title Verification

Locate and plot the properties to determine boundaries, use and occupancy, illegal encroachments or structures, right of way (usufruct) or the lack thereof, obstruction that would affect the access to and from the property, easements, and physical characteristics of the land which shall include but not limited to the following:

- a. Size;
- b. Shape and/or terrain;
- c. Elevation in relation to fronting thoroughfare;

- d. Road type and width;
- e. Road frontage; and
- f. Average depth.

Conduct verification of the certified true copy (CTC) of the titles with the Registry of Deeds and tax declaration (TD) on file with the Municipal Assessor's Office.

Report all recorded liens, encumbrances or restrictions, e.g.. Notice of Lis Pendens, covered by the Comprehensive Agrarian Reform Act, subject to Certificate of Land Ownership Award, land patents, etc. and expropriation or eminent domain coverage. All processes adopted and findings should be specifically reported.

If the preceding paragraphs are not applicable to a particular Properties, the report should specifically state so.

Furthermore, the appraiser shall state the following in the report:

- a. zonal classification and zonal value of the Properties;
- b. whether the Properties needs to be re-surveyed by a professional surveyor.

5. Description of Improvements

Conduct inspection of improvements to determine floor area, number of rooms, nature, make or type, materials used, economic life, extent and condition of existing improvements and to include name/names of occupants, lessees and information if with or without existing lease contracts or agreements in respect of the property.

6. Highest and Best Use

Determine/report the most optimal use of the Property which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the property being realized.

7. Valuation

Gather data on the valuation of the Property under appraisal; investigate and identify sale of similar properties within the last two (2) years in the vicinity of the subject Property, whether undervalued or not; and interview people known to be knowledgeable of the real estate prices and circumstances of sale as identified; and, gather property listings including list of sales of similar bank foreclosed properties within the vicinity.

Gather construction cost information for materials, labor, contractor's overhead, profit and fees and provide an estimate of value of existing

improvements based on data collected and using appropriate valuation approach.

Describe the work process or approach to value, appraisal considerations and present summary showing the distribution of the Market Value and Market Rent of the Properties.

E. APPRAISAL REPORT

1. The appraisal report shall be comprehensive and must contain data required as indicated in Section D, and other disclosures essential to the proper valuation of the Property. The report shall clearly and accurately set forth the conclusions of the valuation in a manner that is not misleading with professional opinion on the Market Value, Prompt/Forced Sale Value, and Market Rent of the Property on an "as is where is" basis. **The appraisal report shall be submitted in two (2) original copies and pictures of the subject in JPG format with date stamp.**

The appraisal report shall include, but not be limited to the following data:

- a. Date as of which the value applies, date of the report and date of inspection;
- b. Basis of valuation, including type and definition of value. When any of the component of the valuation is valued on more than one basis of value, a clear distinction must be made between the bases;
- c. Identification and description of the following:
 1. property rights or interests to be valued;
 2. physical and legal characteristics of the Properties; and
 3. classes of properties included in the valuation other than the primary property category
- d. Description of the scope/extent of work used to develop the valuation;
- e. All assumptions and limiting conditions upon which the value conclusion is contingent;
- f. Special, unusual or extraordinary assumptions and address the probability that such condition will occur; and
- g. Description of the information and data examined, the market analysis performed, the valuation approaches and procedures followed, and the reasoning that supports the analyses, opinions and conclusions in the report.
- h. **Approximate location of listings/and comparable sales should be included in the vicinity /location map where listing no. 1 is the nearest to the subject property and listing no. 2 is the 2nd nearest, so on and so forth.**

2. The appraisal report shall be accompanied by the following documents:

- a. Certified true copy of the titles / latest revision of the TDs.**
- b. Pictures of the Property with date stamp;
- c. Approved subdivision plan, cadastral/ survey maps, tax maps, lot plans, compound layouts/ plots, vicinity/ location maps** to show the relative location of the Property to land, building and other land improvements;
- d. Certification from concerned government agency, in case of unavailability of the approved subdivision plans/cadastral maps/tax maps.**
- e. Certification that the property is not in the tax mapping/not covered by cadastral survey or no copy of the TD with the Assessor's Office.**
- g. Name of occupants, contact number and other relevant circumstances of their occupancy;
- h. Latest real estate tax assessment and other unpaid dues/assessments**
- i. Such other documents as may be required by PDIC.

F. DURATION OF WORK

The Appraiser shall immediately conduct actual ocular inspection and appraisal of the Property from receipt from PDIC of documents identified in Section L. Appraisal work including submission of final reports shall be completed within **ten (10) calendar days** after receipt of the Notice to Proceed, authority to inspect the properties and other documents needed, if available.

G. MODE OF PAYMENT

The service fee shall be a lump sum fee, as may be adjusted pursuant to Section H below, inclusive of all applicable taxes and all out-of-pocket expenses. Payment of the service fee is subject to PDIC's auditing and accounting requirements.

H. ADJUSTMENT IN REMUNERATION

The remuneration shall be adjusted in case additional properties for appraisal will be added to the Schedule or whenever PDIC engages the services of other appraisers to appraise the remaining un-appraised properties in the Schedule as provided under Section C.1.

In the event that the new properties for appraisal are added to the Schedule, the appraiser's remuneration shall be adjusted upward by multiplying said remuneration by the proportion that the total number of all properties for appraisal, including the properties for appraisal set out in the Schedule and the new properties added thereto, bears to the total number of properties for appraisal originally set out in the Schedule.

In the event that PDIC is constrained to engage the services of other appraisers to complete the appraisal of remaining un-appraised properties due to the failure of the appraiser to perform its obligations under the Contract, the appraiser's remuneration as may have been adjusted due to any addition of new properties for appraisal, shall be adjusted downward by multiplying said remuneration by the proportion that the number of appraised properties bears to the total number of properties for appraisal under the Schedule, including any amendment thereto due to a previous addition of new properties for appraisal. For the avoidance of doubt, the downward adjustment of the appraiser's remuneration shall be in addition to, and not in lieu of, the forfeiture of the Performance Security.

I. PERFORMANCE SECURITY

The Appraiser shall, upon execution of Contract, post in favor of PDIC the required Performance Security in any of the following forms of security as determined solely by PDIC:

Form of Security	Minimum Amount in % of Total Contract Price
1. Cash, cashier's/manager's check, bank draft/guarantee confirmed by a Universal or Commercial Bank 2. Irrevocable letter of credit issued by a Universal or Commercial Bank	} Five Percent (5%)
3. Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security	Thirty Percent (30%)
4. Any combination of the foregoing	Proportionate to share of form with respect to the total amount of security

The Performance Security shall be non-interest bearing, and shall be released to the appraiser within twelve (12) days upon PDIC's certification of the appraiser's faithful and complete performance of its obligations. The Performance Security shall answer for any damage PDIC may suffer by reason of the appraiser's default of any of its obligations under, and/or breach of the terms and conditions of the Contract.

The Performance Security shall be forfeited in favor of PDIC in the event it is established that the Appraiser is in default or breach of its obligation under the Contract. A mistake committed by the Appraiser in the performance of its obligations shall be considered a breach of its obligations. Any changes made in the Contract shall not, in any way, annul release or affect the liability of the appraiser and the surety.

J. LIQUIDATED DAMAGES

The appraiser shall be liable for payment of liquidation damages in case of breach of any provisions of the contract, including a mistake by the Appraiser in the performance of its obligations. The amount of liquidated damages shall be equal to one-tenth of one percent (1/10 of 1%) of the cost of the unperformed portion for every day of delay. Once the cumulative amount of liquidated damages reaches ten percent (10%) of the amount, PDIC, at its option, may rescind the Contract, without prejudice to other courses of actions and remedies open to it, including the liquidated damages.

Furthermore, PDIC reserves the right to deduct any and all of the liquidated damages from any money due or may become due to the appraiser under the terms of the contract and/or from the appraiser's performance bond, as PDIC may deem convenient and expeditious under the circumstances.

K. LITIGATION EXPENSES

In the event that PDIC shall be compelled to seek judicial relief, it shall be entitled to attorney's fees equivalent to ten percent (10%) of the amount claimed in the judicial action, but in no event shall it be less than Ten Thousand Pesos (P10,000.00), Philippine Currency, apart from the costs of litigation and other incidental expenses.

L. DOCUMENTS NEEDED

PDIC shall provide the following documents to the appraisal firm:

1. Notice to Proceed;
2. Letter of Authority from PDIC to inspect the property;
3. Letter to the Municipal Assessor and Treasurer where the property is located; and
4. Copy of the Transfer Certificate of Title, Tax Declaration, lot and building plan and layout, if available.

M. THE PROPOSAL

To facilitate the evaluation process, appraisal firms are to submit a proposal which shall include the following information, among others:

FEE STRUCTURES AND TIMETABLE

This section should contain the proposed fee structure and the proposed timetable to complete the project. Fees should be expressed in the Philippine currency, and will be presumed to have included all applicable Philippine taxes, fees and duties and out-of-pocket expenses to be incurred in the project. The appraisal firm must provide a bid price for each pool of properties as indicated in Annex A and a proposed timetable for each pool.

N. EVALUATION OF PROPOSALS

PDIC shall review and approve the submitted proposals, and may also request the appraisal firm to make a presentation. Appraisal firms are expected to make themselves available for said presentation at the date and time to be set subsequently by PDIC, upon at least three (3) days notice.

PDIC shall evaluate the proposals on the basis of their responsiveness to the Terms of Reference. Major considerations will include the appraisal firm's track record, and capability/experience of the project team, among others, as well as the proposed fee structure.

PDIC shall then hold negotiations with the appraiser deemed to have the most responsive proposal. The aim of the negotiation is to reach agreement on all points of the engagement. Negotiations will include a discussion of the proposal, the proposed staffing and the proposed fee structure, among others. The contract will be awarded following conclusion of the negotiations.