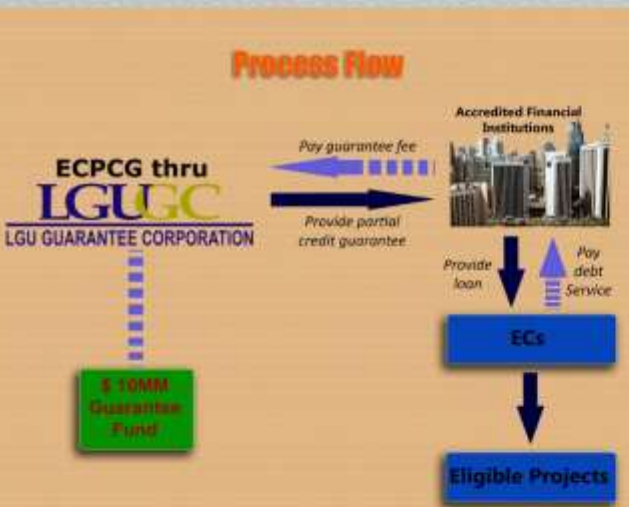


BENEFITS OF PARTICIPATING IN THE PROGRAM TO THE ECs

- Provision of consultants to prepare the Feasibility Study
- Assistance in negotiating for the most suitable credit terms and conditions with lenders
- Assistance in dealing with lenders until full liquidation of the loan

GUARANTEE APPLICATION AND APPROVAL



Documentary Requirements for Guarantee Approval

- Guarantee application form
- Constituent documents of the borrower
 - a. Certificate of registration from NEA
 - b. EC franchise certificate
 - c. BOD and management profile
 - d. Constitution and by-laws
 - e. Investment plan (ICPM)
- EC Board resolution signifying participation in ECPCG
- Past 5-years audited financial-statements
- Updated interim financial statements
- Monthly Financial & Statistical Reports for the past 5 years
- Certificate of Indebtedness of all outstanding debts with debt service schedules
- AFI's indicative credit terms and conditions
- Technical Due Diligence Report

Documentary Requirements After Guarantee Approval

- LGUGC notice of guarantee approval / Secretary's Certificate
- Loan Approval Memo from lender
- EC Board Resolutions
 - a. Confirming the loan and guarantee terms and conditions
 - b. Preferred lender
- Pertinent regulatory approvals
 - a. ERC approved capital expenditure projects
 - b. NEA clearance
 - c. ECC
- Signed Agreement/s
 - a. Guarantee and Loan Agreements
 - b. Deed of Assignment of Proceeds of Power Billings
 - c. Deed of Assignment of the Debt Reserve Account
 - d. Other collateral agreements

GUARANTEE CALL



Call on the guarantee may be made upon occurrence of default defined as the non-payment by the borrower of any principal and/or interest amortization beyond 30 calendar days after a given due date.

Two options available to the AFIs within 120 days from default:

- Call on the guarantee, or
- Restructure the loan account

Documentary Requirements to call on the Guarantee

- Call on Guarantee Form
- Original Loan Agreement and Deed of Assignment of collateral/s
- Special Power of Attorney executed by the AFI authorizing LGUGC to pursue extra-judicial and judicial cases for the AFIs share
- Original Promissory Note with Amortization Schedule
- Certified True Copy of the AFI's subsidiary loan ledgers on the borrower
- Statement of Account
- Other documents specific to the project as may be required such as, but not limited to, AFI's proof of collection efforts including final demand letter to borrower and copy of the latest appraisal report on the mortgaged properties, if applicable

ACCREDITED FINANCIAL INSTITUTIONS

- Banco de Oro
- Bank of the Philippine Islands
- Development Bank of the Philippines
- East West Banking Corporation
- Land Bank of the Philippines
- Metropolitan Bank and Trust Company
- Philippine Veterans Bank
- Philippine National Bank
- Robinsons Banking Corporation
- Security Bank Corporation
- Union Bank
- United Coconut Planters Bank

FOR INQUIRIES PLEASE CONTACT
The Program Manager

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844-26-58
751-87-64 to 68
E-mail Address:
ecpcg_pmo@lgugc.com

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LGU GUARANTEE CORPORATION

Unit 2801, Antel Corporate Centre, 121 Valero Street, Salcedo Village, Makati City, Philippines
Website: www.lgugc.com

ELECTRIC COOPERATIVE SYSTEM LOSS REDUCTION PROJECT PARTIAL CREDIT GUARANTEE PROGRAM



Your Access to Credit
for Power Distribution
Efficiency Projects

1. ABOUT THE PROGRAM



The Republic of the Philippines (RoP) received a US\$ 12 MM grant from the Global Environment Facility (GEF) through the World Bank (WB) on May 5, 2004. RoP through the Department of Finance (DOF) and the Department of Energy (DOE) entered into an agreement with LGUGC for the latter to be the Guarantee Program Manager (GPM) of the **Electric Cooperative Partial Credit Guarantee (ECPCG)** program. WB participation ended on December 31, 2013 but the Republic of the Philippines (RoP) is continuing the program and the appointment of LGUGC as Guarantee Program Manager (GPM).

2. ABOUT LGUGC

LGU Guarantee Corporation (LGUGC) is a private financial guarantee institution owned by the Development Bank of the Philippines (DBP) and Banker's Association of the Philippines (BAP) in trust for nine (9) banks, East West Banking Corporation and Robinsons Banking Corporation.

3. ABOUT THE EPIRA

RA 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) provides that:

Section 2 (d)

- It is the National Government's policy to enhance the inflow of private capital to the power generation, transmission and distribution sectors; and

Section 37 (e) (ii)

- The Department of Energy (DOE) is mandated to facilitate and encourage reforms in the structure and operations of distribution utilities for greater efficiency and lower costs.

4. ABOUT THE EC-CPG PROGRAM

PROGRAM OBJECTIVE

Assist the Republic of the Philippines in promoting energy efficiency improvements that will result to:

- The provision of reliable and least-cost power supply; and
- The reduction of carbon dioxide emissions and other pollutants through commercial lending.

PROJECT ELIGIBILITY CRITERIA

- Upgrade of ECs' power distribution systems to realize energy and emission savings
- At least 50% of the investment amount should result to direct measurable energy (kwh) savings
- Technically and financially viable as evidenced by a feasibility study or business plan
- Compliant with applicable RoP laws, regulations and environmental and social policy safeguards

EXAMPLES OF ACCEPTABLE PROJECTS

- Rehabilitation and capacity upgrades of existing supply system (including purchase of second-hand sub-transmission facility) to improve the reliability, efficiency and safety of supply system and the quality of service to costumers
- Removal of supply system constraints
- Institutional development of ECs
- Purchase of necessary hardware, software, motor vehicles, tools and equipment to improve employee productivity and customer service efficiency

BORROWER ELIGIBILITY CRITERIA

- Creditworthy ECs
- Duly registered with the National Electrification Administration (NEA) or the Cooperative Development Authority
- Must have Energy Regulatory Commission (ERC) approved capital investment proposal, accepted investment proposal, provisional approval and/or emergency investment proposal
- Must meet the minimum projected Debt Service Coverage Ratio of 1.0x based on the forecasted cash flow

ACCEPTABLE COLLATERALS

- Assignment of Receivables
- Real Estate properties and/or Chattels
- Other assets acceptable to the lender and LGUGC

INDICATIVE CREDIT TERMS

- Maximum Loan Amount – Peso equivalent of 25% of Guarantee Reserve and Interest Income Accounts
- Loan Interest Rate – Market Based
- Loan Term – Project Based

GUARANTEE COVERAGE

- Up to 80% of the principal and interest debt service subject to interest rate cap

GUARANTEE TERM

- Will match the approved term of the credit facility, but not to exceed fifteen (15) years

GUARANTEE FEE

- Risk-based, exclusive of applicable taxes and collected in advance

PROCESSING FEE

- One-time fee of 1.5% based on the guaranteed portion of the principal amount of the loan, exclusive of taxes and collected upfront

GUARANTEE APPROVAL VALIDITY

- Valid within one hundred twenty (120) calendar days from approval to signing of loan and guarantee documents
- Payment of guarantee fee shall render the guarantee cover operative