

BENEFITS OF PARTICIPATING IN THE PROGRAM TO THE ECS

- Feasibility Study preparation assistance of up to 82% of cost
- Provision of consultants to prepare the Feasibility Study or Business plan, and to assist in completing documentary requirements and filing for ERC, loan and guarantee approval
- Capacity building for EC key officers and qualified technical personnel such as training on Business Plan preparation, Competency Training and Certification Program in Electric Power Distribution System Engineering conducted by the University of the Philippines, and IMC Contract monitoring
- Assistance in negotiating for the most suitable credit terms and conditions with lenders
- Assistance in dealing with lenders until full liquidation of the loan

FOR INQUIRIES PLEASE CONTACT

The Program Manager

Telephone Numbers:
844-28-52
844-26-58

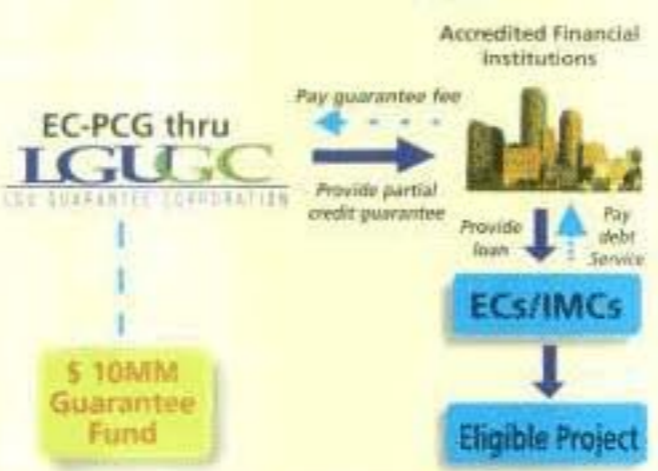
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GUARANTEE APPLICATION AND APPROVAL

Process Flow- Partial Credit Guarantee Program



Documentary Requirements for Guarantee Approval

- Guarantee Application form with Lender's Credit Approval Memo
- Feasibility Study
- Ownership documents and organizational structure of borrower
- Borrower's Board Resolution to borrow and list of authorized signatory/ies
- ERC and NEA clearances
- Three-year audited financial statements
- Latest interim financial statements
- Business plan including investment plan and financial projections of EC
- List and status of EC's past and existing loan accounts
- List and status of offered collateral
- Lender's and/or LGUGC's accredited appraisal company's report on offered collateral

Documentary Requirements after Loan Release

- Signed Loan and Collateral Documents
 - * Signed Guarantee Agreement
 - * Signed Loan Agreement with Amortization Schedule/Promissory Note(s)
 - * Mortgage Sharing Agreement, if applicable
 - * Real Estate and/or Chattel Mortgage
 - * Deed of Assignment on Receivables, Power Purchase Agreement, etc.
- Other Documents
 - * Insurance Policies
 - * Borrower's Board Resolution ratifying the loan and collateral documents
 - * DENR - ECC or its equivalent
 - * Other pertinent documents that may be required

GUARANTEE CALL

Process Flow- Call on the Guarantee



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 on collateral
- Special Power of Attorney executed by the AFI authorizing LGUGC to pursue extra-judicial and judicial cases for the AFI's 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 property

LIST OF ACCREDITED FINANCIAL INSTITUTIONS

- As of September 30, 2010
- Allied Banking Corporation
 - Banco de Oro
 - Bank of Commerce
 - Equitable PCIBank
 - First Metro Investment
 - Maybank Philippines, Inc.
 - Philippine National Bank
 - Philippine Veterans Bank
 - Security Bank Corporation
 - UCPB Savings Bank

ELECTRIC COOPERATIVE SYSTEM LOSS REDUCTION PROJECT

PARTIAL CREDIT GUARANTEE PROGRAM



Your Access to Credit for Power Distribution Efficiency Projects

1. ABOUT THE PROGRAM



Section 37 (e)(11)
• 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 GRANT



PART A: PARTIAL CREDIT GUARANTEE PROGRAM

Implementation of a partial credit guarantee program through the establishment of a Guarantee Reserve Account available to LGUGC for the purpose of:

- Guaranteeing commercial loans to investors, including Investment Management Contractors (IMC) in selected electric cooperatives, for the financing of economic power distribution system upgrades; and
- Guaranteeing commercial loans to selected ECs for the financing of economic power distribution system upgrades.

PART B: CAPACITY BUILDING

- US\$ 1.123 Million grant to DOE for technical assistance, training, study tours and workshops to strengthen the capacity of ECs, NEA, ERC and DOE.
- US\$ 0.877 Million grant to LGUGC for carrying out workshops, market promotion and information dissemination to borrowers, investors and lenders.

5. ABOUT THE EC-PCG 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 and private investment in Electric Cooperatives (ECs).

PROJECT ELIGIBILITY CRITERIA

- Upgrade of EC 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; and
- Compliant with applicable laws, regulations and the following environmental and social policy safeguards of the World Bank:
 - * Environmental Policy Framework,
 - * Policy Framework: Land Acquisition, Resettlement and Rehabilitation of Displaced Persons, and
 - * Project Policy Framework on Indigenous Peoples.

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 customers
- 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

- Electric Cooperatives**
- Creditworthy;
 - Duly registered with the National Electrification Administration (NEA) or the Cooperative Development Authority and must have NEA clearance for mortgage sharing, if EC has existing NEA loan;
 - Must have Energy Regulatory Commission (ERC) approved capital investment proposal;
 - Must meet the 20% minimum equity requirement for the proposed project; and
 - Must meet the minimum projected Debt Service Coverage Ratio of 1.0x based on the forecasted cash flow.
- Non-ECs**
- Private firm and/or investor with viable Investment Management Contract (IME) for management of EC duly approved for implementation by the ERC and other regulatory bodies; and
 - Creditworthy;

2. ABOUT LGUGC

LGU Guarantee Corporation (LGUGC) is a private financial guarantee institution owned by the Development Bank of the Philippines (DBP), Banker's Association of the Philippines (BAP) and the Asian Development Bank (ADB).

3. ABOUT THE EPIRA

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

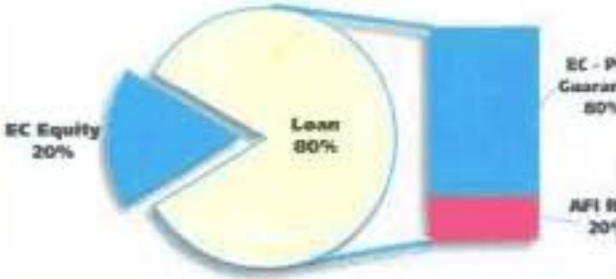
Section 2 (d)
• It is the National Government's policy to enhance the inflow of private capital to the power generation, transmission and distribution sectors; and

ACCEPTABLE COLLATERALS

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

INDICATIVE CREDIT TERMS

- Minimum equity requirement - at least 20% of the investment amount of the proposed project.
- Maximum Loan Amount - PHP 300 Million
- Loan Interest Rate - Market Based
- Loan Term - Project Based



GUARANTEE COVERAGE

- Up to 80% of the loan principal amount and interest subject to cap.

GUARANTEE TERM

- Will match the approved term of the credit facility, but not to exceed ten (10) years.

GUARANTEE FEE

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

PROCESSING FEE

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

GUARANTEE APPROVAL VALIDITY

- Approval is valid within one hundred twenty (120) calendar days.
- Payment of guarantee fee shall render the guarantee cover operative.