



Republic of the Philippines
National Electrification Administration

August 9, 2006

NEA MEMORANDUM No. 2006-022

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : Amendment on the Policy of Collateral Sharing

The NEA Board of Administrators recently approved the proposed amendment to the Guidelines on Collateral Sharing.

Please be guided accordingly on the following amendments:

| Existing | Amendments |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. The purpose of the EC's borrowing is for revenue enhancement, performance improvement projects, rehabilitation and upgrading projects or for rural electrification investment projects within the approved medium term plan of the Electric Cooperative. | 1. Same |
| 2. Appraisal of the assets of the EC has been conducted in the last three years in accordance with Loan Policy 24 - Appraisal of Mortgaged Properties. | 2. Same |
| 3. The total outstanding loans of the EC do not exceed 50% of the revalued net Utility Plant in Service. If the total outstanding loans exceed this limit, the NEA Board of Administrators may allow sharing of collateral on a case-to-case basis. | 3. The total outstanding loans of the EC including the outstanding balance of loans assumed by PSALM (except Mini-Hydro and Dendro Thermal loans) must not exceed 70% of the revalued net Utility Plant in Service. If the total outstanding loans exceed this limit, the NEA Board of Administrators and PSALM may allow sharing of collateral on a case-to-case basis. |

4. The requirements of the provision of Section 9 P.D. 269 have been fully met in the sense that the proposed loan from the Non-NEA Lender is, in the judgment of the NEA Board of Administrators, (i) necessary or desirable to achieve the total electrification of the Philippines on an area coverage service basis, (ii) necessary to make or keep the EC's project operationally viable, (iii) necessary or desirable to enable the EC to accomplish the purpose for which it has already received a NEA loan, and (iv) the Non-NEA loan will not result in any diminution of the security of the ability of the EC to repay any of its outstanding indebtedness below the level of such security and ability where additional borrowings from a Non-NEA Lender not undertaken.

4. Same

5. In case the loan to be secured by the EC's or by investors in EC's under Investment Management Contract would require guarantee, the Guarantor of the said loan shall be included as party to the Mortgage Sharing Indenture. The rights and obligations of the Guarantor who may be subrogated to the rights of the Non-NEA Lender upon guarantee call shall be specified on the MSI.

5. Same

6. None

6. The EC shall at all times be compliant with the Energy Regulatory Commission rules on the collection and remittance of universal charges.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING, PLEASE REFER TO: #0R009036



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