[QRCGC MEMORANDUM CIRCULAR NO. 321, September 01, 2004]

GUIDELINES ON SECURITIZATION UNDER THE VARIOUS QUEDANCOR FINANCING PROGRAMS

Pursuant to QUEDANCOR's colossal task of establishing a convenient credit support mechanism and reliable guarantee system that will effectively address the credit needs of the agri-fishery sector in line with its investment blueprint for countryside development, there is a need to rationalize and standardize the Corporation's existing loan security and collateral requirements under its various financing program. This will hasten program implementation and generate more job and business opportunities to cover more agri-lands in the countryside.

1. Objective

Rationalize and standardize the loan security requirements under the various QUEDANCOR credit programs to encourage more entrepreneurs to undertake viable agri-fishery projects.

2. Definition of Terms

2.1 *Perfect Repayment* - refers to a 98%-100% on time payment by a borrower of his/her/its loan amortizations for amortized loans, or full payment on or before due date, for loans requiring a one-time payment scheme.

2.2 *Satisfactory Repayment* - refers to a loan payment by a borrower of his/her/its amortizations with delays, but fully paid on or before the maturity date.

2.3 *Prime Accounts* - refer to accounts or borrowers, whether existing or new, with Marketing Contract/Supply and Purchase Agreement and other Joint Venture Agreement/Purchase Order/Letter of Credit, with top 1,000 local/foreign Buyers/processors/Integrators such as SMC and RFM for local market, and with a credit evaluation rating of 90% and above.

2.4 *Unsecured Portion* - refers to the portion of the loan not covered by a Real Estate Mortgage (REM), Chattel Mortgage (CM), Cash Bond, Deed of Assignment of Liquid Risk-Free Assets, Deed of assignment of Acceptable Shares of Stocks in government/private corporations/Bonds and other related investments, Deed of Assignment of Receivables, Deed of assignment of Stocks-in-trade/inventories/Standing Crops and related securities.

3. Statement of Policies

3.1 *Scope* - This guideline shall cover all QUEDANCOR accounts/borrowers under its various financing programs except, IAL Program for Government Employees; Small Retail Enterprises (SRE); NCB Card Program; Inventory

Financing Programs; and all other programs with existing Memorandum of Agreement as to source of funds/co-program implementors, with pre-arranged provisions on loan collateral or security requirements such as Dairy Program, CDA-CLP program, Livecor Agri-Aqua Equipment Leasing Program, Palay Warehouse Receipt Program; and other Special Programs.

3.2 *Standardized Collateral/Security Requirements*

3.2.1 For SRT

a. Joint and Several Signatures (JSS) of members of the SRT group; and

b. Deed of Assignment of Receivables supported by a Marketing Contract/Agreement, if applicable.

3.2.2 For Non-SRT (Entity and Non-Entity)

a. Prime Accounts with Marketing Contract/Agreement with QUEDANCOR and local/foreign Buyer/Processor/Integrator/Input Supplier.

The minimum security requirements subject to the sound judgment of LMG & CAG, shall be a choice among or combination of the following:

- 20%-30% of the loan must be secured by a REM (valuation shall be 100% of the appraised value) or 50% in case of CM (brand new) or 40% CM (used); or
- 10%-20% of the loan in Cash Bond to be entrusted to QUEDANCOR; or
- 15%-25% of the loan in Investment in Blue Chips Commercial Shares of Stocks (top 1,000 corporations) to be valued at 90% of the current/face value.

b. Non-Prime Accounts with Marketing Contract/Agreement with QUEDANCOR and local/foreign buyer/integrator/input Supplier.

The minimum security requirements shall be a choice among:

- 30% of the loan must be secured by an REM (valuation shall be 100% of the appraised value) or 50% in case of CM (brand new) or 40% of CM (used); or
- 20% of the loan value in Cash Bond to be entrusted to QUEDANCOR; or
- 25% of the loan value in Investment in Blue Chips Commercial Shares of Stock (top 1,000 corporations) to be valued at 90% of the current/face value.

All production loans must be supported/secured by a Marketing Contract/Agreement.

c. Prime or Non-Prime Accounts without Marketing Contract/Agreement with QUEDANCOR and local/foreign Buyer/Processor/Integrator/Input Supplier

The loan must be fully secured by any or combination of the following:

Type of Security	Percentage of Valuation