

QUEDANCOR PROGRAM FOR HYBRID CORN SEED PRODUCTION

QRCGC MEMORANDUM CIRCULAR NO. 326, September 30, 2004

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This program shall be covered by Circular No.232 on the Consolidated Implementing Guidelines for GMA-CARES and Selected Non-GMA-CARES Programs. However, the following governing policies are hereby issued exclusively for the subject program:

1. Objective

To provide affordable and accessible credit to hybrid corn seed growers/farmers and other entities.

2. Definition of Terms

2.1 Hybrid Corn Seed Production - refers to the cultivation, growing or tending of hybrid corn seeds in the open fields.

2.2 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.

2.3 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. Loan Purpose

To finance hybrid corn seed production project by growers/farmers and other entities.

4. Lending Scheme

This program shall be implemented through the Special Window Mode (SWM) facility either under the individual or SRT scheme.

5. Eligible Clientele

Growers/farmers/other entities engaged or will engage in the production/cultivation of hybrid corn seeds.

6. Eligible Requirements

6.1 Borrowers

6.1.1 General Requirements

- a. Must be 18 to 64 years old at the time of application;
- b. Must be duly identified/endorsed by the Department of Agriculture/Concerned Agency;
- c. Must have sufficient knowledge/experience or willing to undergo training on the project;

- d. Must be willing to enter into a Marketing Agreement/Contract Growing Agreement with an established accredited market-buyer; and
- e. Must own the project site or must have a long term lease agreement with the owner of the project site.

6.1.2 Additional Requirements

a. For SRT

- 1. Must be a bona fide resident of the area/community for at least one (1) year, or with the same project/farm location; and
- 2. Must have attended the required Values Orientation Seminar with QUEDANCOR.

b. For Individual Borrowers (Entity - or Non-Entity)

SOLE Proprietorship/Partnership/Corporation

- 1. Must be duly accredited by QUEDANCOR;
- 2. Must be duly registered/licensed by appropriate government agency; and
- 3. Must have current officers of good moral character (for entities).

For Associations, Federations, Cooperatives, POs & NGOs

- 1. Must have juridical personality with authority to contract/borrow/lend money;
- 2. Must have current officers of good moral character;
- 3. Must be duly accredited by QUEDANCOR; and
- 4. Must be of good standing with the CDA, if cooperative.

6.2 Input Suppliers (IS/Service Providers (PS)

Must be accredited by QUEDANCOR as a supplier of related inputs/services.

7. Loan Requirements

7.1 General Requirements

7.1.1 For SRT

- a. Application for Loan;
- b. Two (2x2) latest picture of the borrower/SRT members;
- c. Certification from QUEDANCOR Field Service Division - Credit and Guarantee Department (FSD-CGD/DO-LMG) that the applicant member has attended the required values orientation training/seminar program;
- d. Memorandum of Agreement among SRT member-borrowers; and
- e. Farm Plan and Budget (FPB).

7.1.2 For Individual Borrowers (Entity or Non-Entity)

- a. Application for Loan and Accreditation;
- b. Two 2x2 latest pictures of individual applicant or of the authorized officers/representative(s);
- c. Current Mayor's Permit/Municipal License/Business permit, whichever is applicable;
- d. FPB; and
- e. Two (2) photocopies of collateral documents offered as security for the loan.

7.2 Additional Requirements

7.2.1 For Partnerships & Corporations

- a. Board resolution authorizing the corporation/partnership to apply for a loan/ accreditation under the specified program and designating its authorized representative(s) thereof, with specimen signatures, and act as beneficiary for insurance claims, if any;
- b. List of names and addresses of current key officials and members;
- c. SEC Registration;
- d. Copy of Articles of Incorporation/Partnership, By-Laws and amendments, if any; and
- e. List of stockholders/partners/members with their corresponding percentages of ownership or interest in the firm/enterprise.

7.2.2 For Associations, Federations, Cooperatives, POs & NGOs

- a. Board Resolution authorizing the organization to apply for a loan/ accreditation under the specified program and designating its authorized representative(s) thereof, with specimen signatures, and act as beneficiary for insurance claims, if any;
- b. List of names and addresses of current key officials and members;
- c. Certificate of Registration or confirmation from CDA (for cooperatives/ federations) and SEC Registration (for NGOs/associations, if applicable); and
- d. Copy of Articles of Cooperation, By-Laws and amendments, if any.

8. Collateral/Security Requirements

8.1 For SRT

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

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

8.2 For Individual Borrowers (Entity and Non-Entity)

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

The minimum security requirements subject to sound judgment of Loans Management Group (LMG) and Credit Assessment Group (CAG), shall be a choice among or combination of the following:

- a. 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
- b. 10%-20% of the loan in Cash Bond to be entrusted to QUEDANCOR; or
- c. 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.

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

The minimum security requirements shall be a choice among or combination of the following:

- a. 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
- b. 20% of the loan value in Cash Bond to be entrusted to QUEDANCOR; or
- c. 25% of the loan value in investment in Blue Chips Commercial Shares of Stocks (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.

8.2.3 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

a) Real Estate Mortgage (at least 30% of the loan amount); 100% of Appraised Value

b) Chattel Mortgage; 80% of Appraised Value

c) Cash Bond 100% of Cash Value (in P)

d) Deed of Assignment of Liquid Risk-Free Assets;

- Cash/TDs/Government Securities 100% of Cash Value

- Accounts receivables 80% of Outstanding Principal

- Inventories/Stocks-in-Trade 70% of Cash Value

e) Deed of Assignment of Internal Revenue Allotment, if LGU; 80% of the free/alienable % of the gross revenue

f) Deed of Assignment of Acceptable Shares of Stocks in government/private corporations; 80% of the current/face value for Non-Blue Chips Shares of Stock or 90% if Blue Chips

g) Deed of Assignment of Landbank and other government bonds; and 100% of Face Value

h) Other acceptable securities Shall be determined by QUEDANCOR.

For loans up to P120,000.00 by individual farmers, fisherfolk, agri-fishery workers, government/urban and rural workers and the like, Co-Maker/s will suffice as security for the loan subject to the evaluation by the QUEDANCOR LMG and approved by CAG.

In addition, all borrowers (except LGU and other government corporations) shall be required to issue post-dated checks (PDCs) to cover all loan amortizations, and execute JSS of Officers or authorized representative/s for

Corporations, Cooperatives, Federations, Associations and other entities with juridical personality, or Co-Maker for non-entities.

8.3 Group Credit Life Insurance (GCLI)

8.3.1 For SRT

Principal loan of the TL and members of the SRT must be 100% covered by a GCLI.

8.3.2 For Individual Borrowers (Entity or Non-Entity)

Individual farmers, fisherfolk, agri-fishery workers, government/urban and rural workers, sole proprietors and partners, designated officers/representatives/stockholders signing the JSS and PNs in behalf of the entities such as corporations, cooperatives, associations, federations, NGOs, and similar entities with juridical personality except LGU, shall be required to secure a GCLI for the unsecured portion of their loans.

9. Loanable Amount

9.1 For SRT

The maximum loanable amount shall be P60,000/ha. Per borrower for a maximum of three (3) hectares per farmer-borrower/member.

9.2 For Individual Borrowers (Entity or Non-Entity)

The loanable amount shall depend on the production cost or as determined by the QUEDANCOR CAG, but not to exceed P60,000.00 per hectare.

10. Mode and Term of Payment

The term of loan shall be for a maximum of six (6) months. Mode of payment shall depend on the project cash flow or payback period as determined by the QUEDANCOR-CAG.

11. Interest Rate

Interest rate shall be fourteen (14%) percent per annum subject to 1% rebate.

12. Rebate on Interest Rate

To encourage prompt/perfect and on-time repayment on the regular amortization due or on due date/maturity date (for lump sum payment), a rebate on the interest rate equivalent to one (1%) percent computed based on the principal amount of the loan shall be given/refunded to the borrower or the Input Supplier (IS), or whoever actually pays the loan amortization to QUEDANCOR.

The rebate shall be given/refunded upon full payment or on maturity date which may be deducted from the borrower's last amortization, if last payment is through the QUEDANCOR Cashier, or through the voucher, if last payment is with the bank.

For the Team Leader (TL) of the SRT, an additional one (1%) percent rebate shall be given to him in lieu of the previous 15% incentive. The rebate shall be given/refunded upon full payment or on maturity date. The rebate may be deducted from the group's last amortization, if last payment is through the QUEDANCOR Cashier or through the voucher, if last payment is with the bank.

The rebate is subject to issuance of a Certification form the concerned DO/RO Accountant for the correctness of the rebate computation and the borrower's/TL/IS entitlement to said rebate.

13. Service Fee (SF)

SF shall be two (2%) percent per transaction (term of up to 1 year).

13.1 For Cash Loan

SF for the first year shall be deducted from the loan proceeds while succeeding SF shall be billed/collected annually, computed based on the outstanding principal.

13.2 For PO/JO/CIS

13.2.1. If loan is to be paid in lump sum, SF is collected upon maturity of the loan. In case the borrower pays in advance/with partial payment prior to maturity of the loan, SF shall be applied/deducted on the advance payment of first partial payment.

13.2.2. If loan is amortized, SF (for the first year) is added to the first loan amortization. Succeeding SF, based on the outstanding principal, shall be collected every anniversary date of release of loan.

13.3 For IS/SP

SF shall be 2.5% of the amount of inputs provided/delivered by the IS/SP to be deducted from the payment of QUEDANCOR to IS/SP.

14. Pre-Termination Fee

If the borrower pre-terminates his/her/their loan, a pre-termination fee of three (3%) percent of the outstanding principal shall be charged/added to the outstanding payable. The pre-termination provision must be duly annotated in the Promissory Note (PN).

15. Manner of Loan Release

The loan shall be released either in cash or in the form of PO/JO/CIS or as determined by the QUEDANCOR-CAG/LMG.

16. Effectivity

This Memorandum Circular shall take effect immediately.

Adopted: 30 Sept. 2004

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President and CEO

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