

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (MOA) is entered into among:

THE NATIONAL POWER CORPORATION (NPC), a corporation duly organized and existing by virtue of Republic Act 6395, as amended, with principal address at NPC Building Complex, BIR Road corner Quezon Avenue, Diliman, Quezon City, represented by its President, Mr. Froilan A. Tampinco;

THE POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM), a government-owned and controlled corporation by virtue of Section 49 of Republic Act 9136 or Electric Power Reform Act of 2001, with principal address at the 6th Floor Bankmer Building, 6756 Ayala Avenue, Makati City, represented by its President and Chief Executive Officer, Mr. Jose C. Ibazeta;

SN ABOITIZ POWER - BENGUET, INC. (SNAPB), a stock corporation duly organized and existing under the laws of the Republic of the Philippines, with office address located at the 2nd Floor, HERCO Center, 114 Benavidez Street, Makati City, Philippines, represented by Mr. Emmanuel V. Rubio, in his capacity as Chief Executive Officer;

and the various Host Communities of the Ambuklao-Binga Hydroelectric Power Plant represented by the local governments of:

THE PROVINCE OF BENGUET, created under Republic Act No. 4695 dated June 18, 1966, with office address at the Capitol Building, Km 6, La Trinidad, Benguet, Philippines, represented by its Provincial Governor, Nestor B. Fongwan;

THE MUNICIPALITY OF ITOGON, with address at Municipal Hall, Itogon, Benguet represented by its Municipal Mayor Mario W. Godio

THE MUNICIPALITY OF BOKOD, with address at Municipal Hall, Bokod, Benguet, represented by its Municipal Mayor Mauricio T. Macay

BARANGAY TINONGDAN with address at Barangay Hall, Tinongdan, Itogon, Benguet, represented by its Barangay Chairman, Norberto I. Pacio;

BARANGAY AMBUKLAO, with address at Barangay Hall, Ambuklao, Bokod, Benguet, represented by its Barangay Chairman, Polido E. Tello;

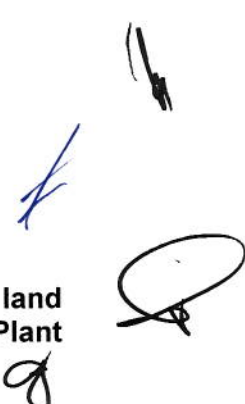
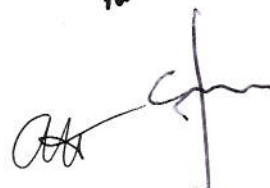
THE SNI-INDIGENOUS PEOPLES ORGANIZATION BOKOD (SNI-IPO) located at Municipality of Bokod, Province of Benguet represented by Eugene E. Alico;

THE TINONGDAN INDIGENOUS PEOPLES ORGANIZATION (TINPO) located in Barangay Tinongdan, Municipality of Itogon, Province of Benguet, represented by Norberto Pacio;

to set forth the commitments reached after collaborative talks concerning land and the takeover of operations of the Ambuklao-Binga Hydroelectric Power Plant by the SNAPB from NPC.



Page 1



With the understanding that:

We voluntarily agreed to participate in the process convened by the Compliance Advisor Ombudsman of the World Bank to whom local government units (LGU) and some citizens lodged their request for assistance in addressing issues related to land claims and operation of the Ambuklao-Binga Hydroelectric Power Plant.

We share in every stakeholder's expressed desire, among others, to talk collaboratively, build an ongoing partnership among all stakeholders.

We recognize the efforts of every stakeholder to contribute to this MOA as a sign of willingness to progress towards a sustainable, mutually respectful and forward-looking partnership.

We are committed to working in an open and cooperative atmosphere to encourage and pursue policies and programs that will focus on addressing the Ambuklao-Binga community's 3 major needs: *acknowledgement/respect, opportunity and security.*

We commit to fostering an environment of communication and partnership through the conduct of consultations, cooperative working sessions and transparent interaction.

We are entering into this MOA to define how to pursue future arrangements based on basic agreements and directions reached and how to strengthen working relationships among all stakeholders in fulfilling the partnership objectives.

And guided by the following principles:

Voluntariness: Stakeholder groups participate freely in the process of addressing community interests.

Collectivity: Stakeholders commit to promote benefits for all, with no preference for any specific person, individual, family, group or clan;

Inclusiveness: Any new and future participants are welcome to participate based on mutual respect and shared responsibility of all participants, who recognize and accept the fundamental principles and values expressed herein.

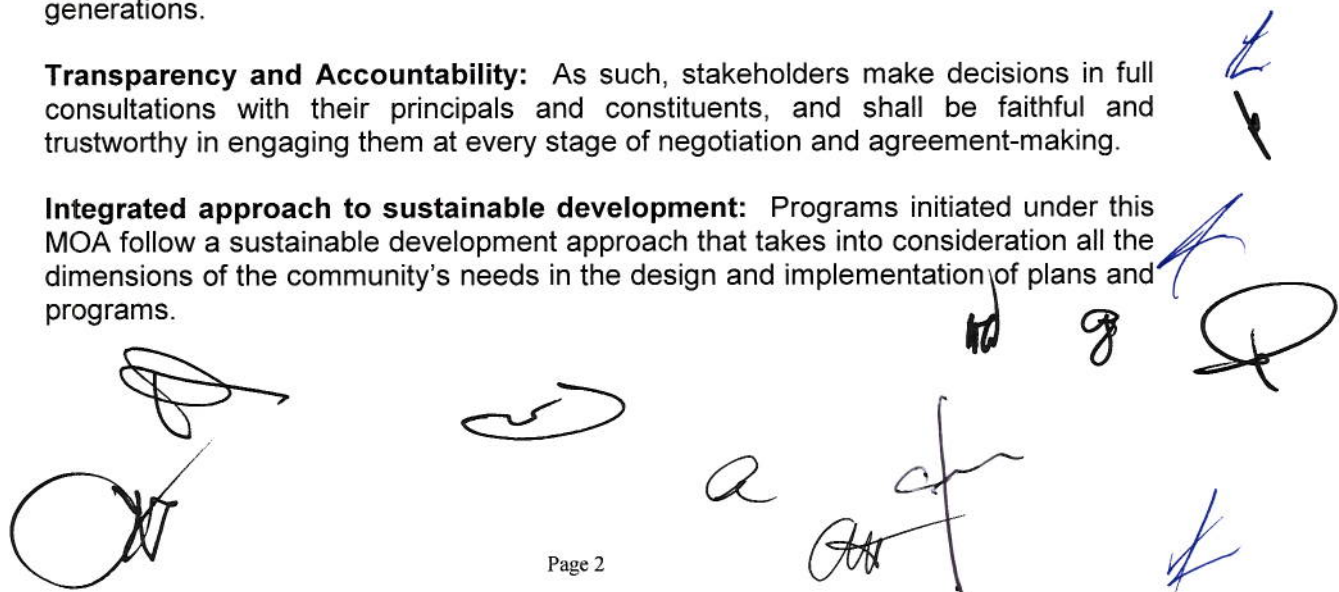
Generosity: This is derived from the parties' mutual acknowledgement of their needs, the desire to contribute to all the stakeholders' well being, and the compassion to give more than what is asked, if necessary.

Preservation of Relationships: All parties recognize the importance of working together towards a long, peaceful, and mutually beneficial relationship.

Empowerment: All stakeholders recognize that the control over the process and the outcome of their negotiation is theirs, and they take full responsibility over decisions they make, taking into account the needs of their principals, constituents and future generations.

Transparency and Accountability: As such, stakeholders make decisions in full consultations with their principals and constituents, and shall be faithful and trustworthy in engaging them at every stage of negotiation and agreement-making.

Integrated approach to sustainable development: Programs initiated under this MOA follow a sustainable development approach that takes into consideration all the dimensions of the community's needs in the design and implementation of plans and programs.



Tangible Results: To ensure successful operationalization of this MOA, programs and activities contain clear objectives and measurable targets. Stakeholders shall commit to their specific roles in the achievement of objectives.

We intend to:

Enter into policies, programs and activities that are in line with the Ambuklao-Binga community's 3 major needs we collectively defined as: *acknowledgement / respect, opportunity and security.*

Acknowledgement / Respect: refers to the recognition and respect of the past, the cultural heritage of the indigenous peoples, and the traditions that must live on for future generations.

Opportunity: refers to building a collaborative relationship towards socio-economic programs that promote livelihood, health, security, infrastructure and access in order to speed up the entry of development and progress of the people.

Security: Creating a stable and productive future through education and training, environment protection and humane settlement.

We agree to:

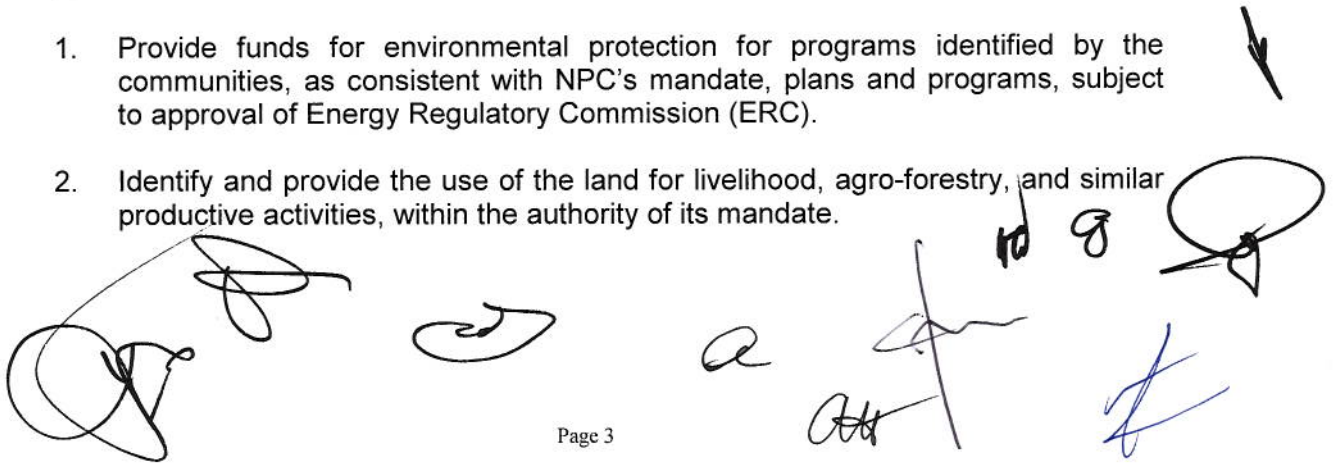
A. Continue the negotiations towards the establishment and development of an Indigenous Peoples Cultural Heritage Site (hereinafter referred to as "The Site") by the end of Year 2009 with the objective of granting the concerned Indigenous Peoples the right to use the residual areas of NPC (the "Residual Areas") in Marian Village and Sombrero, guided by the following principles:

1. Residual areas shall be understood to mean those areas that are excluded from the privatization of the Ambuklao and Binga Hydroelectric Power Plants and no longer needed by PSALM / NPC such as churches, schools, multi-purpose halls and other facilities denoted as "Common Facilities" and identified for use by the community located in Marian Village and Sombrero;
2. Right to use shall be understood to mean that the Residual Areas shall be administered, managed and maintained by the concerned Indigenous Peoples (IP), through their duly authorized representatives such as the Barangay Government Unit and/or the Municipal Government Unit; *provided that*, such right to use shall be consistent with: (i) existing use of the Residual Areas; (ii) communal/indigenous peoples use/purpose; and (iii) other use determined and identified by the community and agreed upon by the parties; and
3. The purpose of establishing The Site is to empower the concerned IP to: (i) enjoy and benefit from the Residual Areas of NPC; (ii) determine how the Residual Areas can be used to improve their quality of life; and (iii) ensure its continued use and maintenance for future generations.

B. Address concretely the Host Communities' need for Opportunity and Security

NPC shall:

1. Provide funds for environmental protection for programs identified by the communities, as consistent with NPC's mandate, plans and programs, subject to approval of Energy Regulatory Commission (ERC).
2. Identify and provide the use of the land for livelihood, agro-forestry, and similar productive activities, within the authority of its mandate.



PSALM shall:

1. Assist NPC in facilitating the granting of special use of the land consistent with NPC's authority, in pursuit of the people's needs.

SNAPB shall:

1. Ensure the continued collaboration between and among the communities and organizations by developing / supporting programs that focus on addressing the communities' needs.
2. Make available Corporate Social Responsibility (CSR) Fund for projects, programs and activities based on identified, prioritized, and detailed proposals in accordance with the CSR program implemented and administered by SNAPB and communicated to Host Communities and identified Indigenous Peoples groups of Bokod and Tinongdan. The herein CSR Fund shall be independent from any benefits to hosts communities required to be provided by SNAPB under applicable laws, rules and regulations.
3. Continue to conduct regular consultations with the community to align with and support its needs.

Provincial Government of Benguet shall:

1. Provide funds, as available, for projects of the Municipalities of Itogon and Bokod, and the Barangays of Tinongdan and Ambuklao based on a prioritized list under their Annual Development Plans as approved by the respective and pertinent Municipal and Barangay Councils.

Municipal Government of Itogon shall:

1. Consider providing funds for projects and plans subject to availability of funds, based on the prioritized list under the Annual Investment Plan (AIP) of Barangay Council of Tinongdan.

Municipal Government of Bokod shall:

1. Consider providing funds based on the Annual Investment Plan (AIP) of Barangays Ambuklao and Tikey, subject to availability of funds.

Barangay Tinongdan and Barangay Ambuklao shall:

1. Coordinate closely with its constituents to ensure that the communities' needs are heard and acted upon.
2. Ensure that they provide detailed proposals of their updated, prioritized plans and programs and aligned with the CSR Program and Fund allocations by SNAPB, supported by the appropriate Barangay Council resolutions.
3. Always be cognizant and respectful of the existing procedures and requirements set by SNAPB under its CSR program applications, endorsements and implementation.
4. Actively participate and conduct all negotiations in a manner where the interests of the communities are put forward.
5. Ensure the protection and sustainability of CSR-funded programs.
6. Maintain harmonious relationship between and among SNAPB, NPC, PSALM and the communities.

7. Provide technical assistance from the Municipal Development Office for the development of plans and programs.

Tinongdan Indigenous Peoples' Organization and SNI-Indigenous Peoples' Organization Bokod shall:

1. Actively initiate the conduct of regular meetings and consultations with their constituents for the identification and updating of their communities' needs.
2. Call the attention of pertinent local LGU's on the inclusion of programs and their implementation.
3. Provide detailed and prioritized proposals for appropriate action of the pertinent LGU's, SNAPB, NPC and PSALM.

C. Strengthen the partnership among Local Government Units and Indigenous Peoples' Organizations

The Provincial Government of Benguet shall:

1. Ensure that Barangay Councils conduct consultations with Indigenous Peoples Organization (IPO) prior to submission of the AIP.

The Municipalities of Itogon and Bokod shall:

2. Ensure that Barangay Councils conduct consultations with IPO prior to submission of the AIP.

The Barangays of Tinongdan and Ambuklao shall:

1. Observe the system of procedures for considering, reviewing and endorsing of IP programs.
2. Coordinate with government agencies and other organizations crucial to the development, implementation and sustainability of the IP program/s.
3. Conduct regular consultations with the IPO's on program development and monitoring.

The SNI-Indigenous Peoples' Organization Bokod and the Tinongdan Indigenous Peoples' Organization shall:

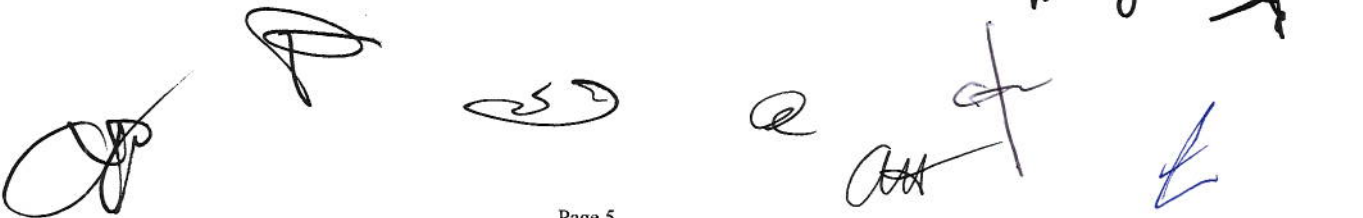
1. Ensure ample and dynamic voice of the indigenous peoples' interests and needs in the Development Councils of the Barangay, Municipality, and Province.

GENERAL PROVISIONS:

This MOA shall not amend, modify or revoke any previous agreements entered into by the parties herein on matters related to the subject of this MOA.

Within 15 days from the signing of this MOA by all parties, the duly designated representatives of the parties shall meet and agree on the schedule of activities leading to the establishment of The Site as discussed in Paragraph A of this MOA.

Other areas in Ambuklao and Binga, excluding the areas on which the Ambuklao-Binga Hydroelectric Power Plant stands, may be included in the proposed Indigenous Peoples' Cultural Heritage Site in the future upon written agreement by the parties.



Dispute Resolution Provision

In case of any misunderstanding or disputes as a result of this MOA, the matter shall be amicably settled by the parties to the extent possible. Otherwise, the matter shall be referred to the Compliance Advisor Ombudsman (CAO) of the International Finance Corporation/World Bank for facilitation, prior to accessing adversarial processes.

Information

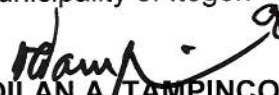
A report shall be released by the parties in the form of a newsletter or public announcement of developments resulting from this MOA.


THIS MEMORANDUM OF AGREEMENT IS SIGNED AND APPROVED ON May 19, 2009 in Baguio City BY:



NESTOR B. FONGWAN
Governor
Province of Benguet


MARIO W. GODIO
Mayor
Municipality of Itogon



MAURICIO T. MACAY
Mayor
Municipality of Bokod


FROILAN A. TAMPINCO
President
National Power Corporation



JOSE C. IBAZETA
President and CEO
Power Sector Assets and Liabilities
Management Corporation


NORBERTO I. PACIO
Punong Barangay
Barangay Tinongdan, Itogon, Benguet

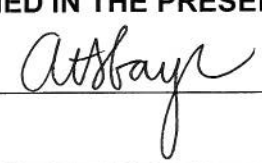
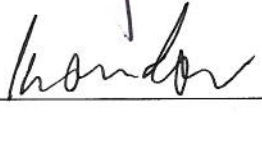


POLIDO E. TELLO
Punong Barangay
Barangay Ambuklao, Bokod, Benguet


EUGENE E. ALICO
Chieftain
SNI-Indigenous Peoples Organization
Bokod


NORBERTO I. PACIO
President
Tinongdan Indigenous Peoples
Organization


EMMANUEL V. RUBIO
Chief Executive Officer
SN Aboitiz Power – Benguet, Inc.

SIGNED IN THE PRESENCE OF:

[Handwritten mark]

[Handwritten signature]