

# EQUITY FINANCING AGREEMENT

## KNOW ALL MEN BY THESE PRESENTS:

This AGREEMENT, made and entered into this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ at \_\_\_\_\_ by and between:

**MARIANO T. CUENCO**  
Deputy Administrator for  
Corporate Resources &  
Financial Services

**NATIONAL ELECTRIFICATION ADMINISTRATION** a government corporation organized and existing under Presidential Decree No. 269, as amended, with office address at #57 NEA Building, NIA Road, Government Center, Diliman Quezon, City, hereinafter referred to as "NEA" represented herein by its Deputy Administrator, **MARIANO T. CUENCO**

- and -

\_\_\_\_\_ **ELECTRIC COOPERATIVE, INC.** an electric cooperative organized and existing under the laws of the Philippines with office address at \_\_\_\_\_ represented herein by \_\_\_\_\_, hereinafter referred to as "BORROWER".

**SONIA B. SAN DIEGO**  
Director, Financial Svcs. Dept.

## WITNESSETH: THAT -

**WHEREAS**, the BORROWER has applied for a loan under NEA's Equity Financing Scheme for the Electric Cooperatives (EFSEC) to finance the actual equity requirement or up to 20% of the total purchase price of the distribution equipment and in the implementation of their rehabilitation and upgrading projects;

**WHEREAS**, the NEA is willing to extend said loan to the BORROWER which meets the following criteria;

- 1) Must have a debt-service ratio of 1.2
- 2) The BORROWER must show capability to pay the proposed loan on top of all other existing obligations
- 3) With a loan/financing application or other mode of financing agreement

**WHEREAS**, funds, grant of the loan shall be prioritized as follows:

- First Priority – Overloaded substations
- Second Priority – Loaded Substations
- Third Priority – Other rehab/upgrading projects.

**NOW THEREFORE**, for and in consideration, of the mutual covenants herein contained, NEA and BORROWER hereby agree as follows:

President

General Manager

## SECTION I TERMS OF THE LOAN

**SECTION 1.01 Loan** – The NEA agrees to lend to the BORROWER an amount not exceeding pesos: \_\_\_\_\_

(P \_\_\_\_\_) to finance the equity requirement of the BORROWER in the procurement of distribution equipment up to 20% of the total purchase price thereof through financing or not to exceed P8M as well as in the implementation of their rehabilitation and upgrading projects.

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Financial Services

**SECTION 1.02 Interest** – The BORROWER shall pay to NEA interest on the loan at the rate of 12% per annum.

**SECTION 1.03 Repayment –**

- A. The BORROWER may avail of the EFSEC with 3 years repayment period with six (6) months grace period;
- B. NEA, however, may require accelerated repayment if the financial condition of the BORROWER warrants;
- C. Should there be default in the payment of any loan amortization, the amount in arrears shall bear interest at the rate of 1% per month;

**SECTION 1.04 Application and Place of Payment** – All payments by the BORROWER shall be made thru an inter-bank fund transfer/electronic transfer of funds to the account of NEA-EFSEC without further demand from NEA.

**SECTION II  
REQUIREMENTS PRIOR TO DISBURSEMENT**

**SECTION 2.01** The BORROWER shall before the implementation of the EFSEC, submit a Board Resolution covering the same a, Project Profile (Projected Cost, Technical study, benefit/impact); 5 years Projected Income Statement and Cash Flow including schedules and assumptions to projections. Term Loan Summary/offer sheet from the Bank or other Financing Agreement.

**SECTION III  
DEFAULTS, REMEDIES, AND SANCTIONS**

**SECTION 3.01** The occurrence of any of the following events shall constitute default by the BORROWER:

- a. failure to perform any term, covenant, promise, condition or agreement as set forth in the contract;
- b. breach of any warranty or gross misrepresentation;
- c. violation of any policy, rules or regulations issued by NEA.

**SECTION 3.02.** In the event of default, the NEA may, in addition to the rights, privileges, powers and remedies granted to it under Presidential Decree No. 269 as amended and other pertinent laws, exercise any or all of the following remedies:

- a. Refuse to make or approve any new loan to the borrower or to release funds to implement loans that are otherwise already approved;
- b. Withhold NEA advances, or withhold advances released in behalf of any other lender with respect to which the NEA has such power relative to loans made;
- c. Withhold any technical or professional assistance otherwise being furnished or that might be furnished to the borrower;
- d. Foreclose any mortgage or deed of trust or other security held by the NEA on the properties of such borrower;

**SONIA B. SAN DIEGO**  
Director, Financial Svcs. Dept.

President

General Manager

- e. Take preventive and/or disciplinary measures including suspension and/or removal and replacement of any or all of the members of the Board of Directors, officers or employees of the Cooperative, other borrowing institutions or supervised or controlled entities as the NEA Board of Administrators may deem fit and necessary and to take other remedial measures as the Law or the Loan Agreement may provide.

**SECTION IV  
MISCELLANEOUS**

**SECTION 4.01** This contract maybe revised or amended by mutual consent of the parties.

**Section 4.02** The Projected Income or Cash Flow Statements submitted by the BORROWER to NEA along with the commitments/assumptions used in such statements shall form an integral part of this Contract.

**Section 4.03** The BORROWER shall not assign or transfer to a third party any of the rights arising from this Agreement..

**Section 4.04** Should any part of this Contract be declared invalid, such declaration shall not affect the validity and enforceability of the other provisions.

**IN WITNESS WHEREOF**, the parties have affixed their signatures on the date and place first above-written.

**NATIONAL ELECTRIFICATION  
ADMINISTRATION**

\_\_\_\_\_  
**ELECTRIC COOPERATIVE, INC.**

By:

By:

**MARIANO T. CUENCO**  
Deputy Administrator for  
Corporate Resources &  
Financial Services

\_\_\_\_\_  
President

**SIGNED IN THE PRESENCE OF:**

**SONIA B. SAN DIEGO**  
Director, Financial Services Dept.

\_\_\_\_\_  
General Manager

**ACKNOWLEDGEMENT**

**MARIANO T. CUENCO**  
Deputy Administrator for  
Corporate Resources &  
Financial Services

REPUBLIC OF THE PHILIPPINES)  
\_\_\_\_\_ )

BEFORE ME, a Notary Public for and in \_\_\_\_\_,  
Philippines, on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ personally  
appeared:

**SONIA B. SAN DIEGO**  
Director, Financial Svcs. Dept.

NAME	CTC No.	ISSUED ON/ISSUED AT
<u>MARIANO T. CUENCO</u>	_____	_____
_____	_____	_____

Known to me and to me known to be the same persons who executed the foregoing Equity Financing Scheme for Electric Cooperatives (EFSEC) and who acknowledged to me that the same is their true and voluntary act and deed and the true and voluntary act and deed of the Offices they respectively represent.

I CERTIFY that this Contract consists of 4 pages including this page whereupon this Acknowledgment is written each page duly signed by the PARTIES and their instrumental witnesses at the left-hand margin except page 3 which is signed at the foot thereof.

\_\_\_\_\_  
President

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

\_\_\_\_\_  
Notary Public  
Until December 31, 20\_\_\_\_

\_\_\_\_\_  
General Manager

Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of \_\_\_\_\_