

**CONTRACT OF LOAN
(Calamity Loan)**

KNOW ALL MEN BY THESE PRESENTS:

MARIANO T. CUENCO
Deputy Administrator
Corporate Resources &
Financial Services

This CONTRACT, made and entered into this ____ day of _____ at _____ by and between

NATIONAL ELECTRIFICATION ADMINISTRATION, a government corporation created under Presidential Decree No. 269, as amended, represented herein by MARIANO T. CUENCO with office address at #57 NEA Building, NIA Road, Government Center, Diliman, Quezon City, Metro Manila, herein after referred to as "NEA"

- and -

SONIA B. SAN DIEGO
Director
Finance Services Department

ELECTRIC COOPERATIVE, INC. an electric cooperative organized under existing laws with principal office address at _____ represented herein by _____, Filipino, of legal age, herein after referred to as "BORROWER". The appropriate Board Resolution authorizing him/her to appear for and on behalf of his/her principal is hereto attached as Annex "A", and made an integral part hereof;

W I T N E S S E T H :

WHEREAS, the BORROWER has applied for a loan from NEA; (through _____)

WHEREAS, the BORROWER, due to major disruption of electric service, as a result of typhoon and other natural calamities, as evaluated and recommended by the NEA-Engineering Department has requested for NEA assistance in the rehabilitation, restoration of its systems.

President

WHEREAS, NEA has agreed, on the basis of the foregoing, to extend the loan to the BORROWER upon the terms and conditions set forth in this Contract;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE 1
THE LOAN

SECTION 1. NEA agrees to lend to the BORROWER, on the terms and conditions set forth or referred to herein as aggregate amount of _____

(P _____) Philippine Currency.

General Manager

SECTION 2. The amount of the loan may be withdrawn from the loan account in accordance with the provisions of Schedule 2 of this Contract for expenditures made (or, if NEA shall so agree, to be made) in respect of the reasonable cost of goods and/or services required for the project described in Schedule 1 of this Contract and to be financed out of the proceeds of the loan.

SECTION 3. Interest – The BORROWER shall pay NEA interest which shall accrue at the rate of _____ per annum on the outstanding balance of the principal and any due and unpaid interest subject to the provisions of Section 2, Article VII. Interest shall be computed on the basis of a 365-day year.

MARIANO T. CUENCO
Deputy Administrator
Corporate Resources &
Financial Services

SECTION 4. Repayment – The BORROWER shall repay to NEA the principal and interest within _____ years in _____ equal quarterly installments during the repayment period; provided however, that NEA may require accelerated repayment if the financial condition of the BORROWER warrants.

Payments of principal and interest shall be deferred for not more than _____ year/s after _____. Interest accruing during the deferment period shall be capitalized and treated as principal.

Should there be default in the payment of any loan amortization, the amount in arrears shall bear penalty interest at the rate of _____ per annum.

SECTION 5. Application of Payment – All payments shall be applied in the following order: 1. surcharges, 2. interest and 3. principal. All payments shall be made to the order of the National Electrification Administration.

SONIA B. SAN DIEGO
Director
Finance Services Department

SECTION 6. Terminal Date of Disbursement – The BORROWER shall have a period not exceeding _____ from the date of first release within which to submit all requests for disbursements and, unless otherwise agreed upon in writing, this period will pertain even in the event that this Contract is amended for an increase in the amount of the loan.

After such period, NEA may, in its discretion, by written notice to the BORROWER terminate any commitment to disburse and such action by NEA shall be conclusive.

ARTICLE II
REQUIREMENTS PRIOR TO DISBURSEMENT

SECTION 1. Requirements – The BORROWER shall furnish to NEA, prior to initial disbursement, the following:

- a. The Promissory Note, Deed of Mortgage and other Supplemental Mortgages, as may be required by NEA;
- b. Damage Report
- c. Board resolution requesting for loan.

President

ARTICLE III
EXECUTION OF THE PROJECT

SECTION 1. The BORROWER declares its commitment to the rehabilitation/restoration of the operations of the EC in compliance with the Damage Report, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, financial and public utility practices, and shall provide, promptly as needed, the counterpart funds, facilities, services and other resources required for the undertaking.

General Manager

MARIANO T. CUENCO
Deputy Administrator
Corporate Resources &
Financial Services

SECTION 2. Without limitation upon the provisions of the above and except as NEA and the BORROWER shall otherwise agree, the BORROWER shall carry out whatever projects are needed.

SECTION 3. The BORROWER shall cause the SYSTEM to be constructed by contract and/or by Force Account, subject to approval of NEA.

SECTION 4. All line extensions, rehabilitations and additional work shall commence in consonance with the requirements of the EC and as approved by NEA.

SECTION 5. Bidding and construction administration shall be in accordance with NEA Construction Administration Procedures and other pertinent laws, rules and regulations.

SECTION 6. The NEA or its duly authorized representative and/or representative/s of international lending institutions reserve the right to inspect, examine and test all the work and materials relating thereto, and the BORROWER shall provide reasonable facilities for the use of the NEA or its duly authorized representative and/or representative/s of international lending institutions.

SECTION 7. NEA shall administer all loan funds of the BORROWER.

SONIA B. SAN DIEGO
Director
Finance Services Department

ARTICLE IV
PARTICULAR COVENANTS

SECTION 1. The BORROWER shall continue to:

- a. Deposit its funds in government Banks or any established bank duly approved by NEA.
- b. Select an auditing firm from accredited list of NEA external auditors.
- c. Provide adequate coverage for insurable assets.
- d. Appoint a general manager or designate an OIC subject to the confirmation of NEA, who shall not be suspended or dismissed without prior approval of NEA.

President

SECTION 2. The BORROWER shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

SECTION 3. The BORROWER shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and replacements thereof, all in accordance with sound engineering, financial and public utility practices.

General Manager

SECTION 4. The BORROWER shall obtain easements, authorizations and permits necessary for the construction and operation of the System. No funds shall be used by BORROWER to pay for easements without prior approval of NEA.

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Deputy Administrator
Corporate Resources &
Financial Services

SECTION 5. The BORROWER shall establish or adopt rules and regulations, policies and such other terms and conditions affecting its extension and furnishing of services, to ensure achievement of the loan purposes, subject to prior approval and/or revision by NEA before implementation.

SECTION 6. The BORROWER covenants that it shall not operate or energize any portion of the System until the BORROWER and the NEA shall have determined that such portion of the System has been properly constructed, completed and closed-out in accordance with prescribed procedures.

SECTION 7. The BORROWER represents and warrants that no fee or commission has been or shall be paid and no agreement therefore has been or shall be entered into by the BORROWER or any of its officials, employees, agents or representatives in order to obtain the loan.

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SECTION 8. The BORROWER agrees and binds itself to comply with all NEA policies, letters, bulletins, memoranda, guidelines, rules and regulations, procedures and other documents issued pursuant to Presidential Decree No. 269, as amended, the Contract of Loan and Mortgaged Contract and other pertinent laws, rules and regulations.

SECTION 9. The BORROWER shall before implementation, submit all budget appropriations for approval by NEA. Cooperative funds disbursed without NEA approval shall be accounted for by the accountable Cooperative officials and they shall be held liable therefore.

SECTION 10. NEA, through its authorized representative and/or representatives of international lending institutions, shall have access to and the right to inspect and require the BORROWER to submit all such books, records, accounts and plans, specifications, drawings and other documents pertaining to the management, operations and maintenance of the SYSTEM.

President

SECTION 11. The NEA reserves the right to be represented and to participate in all Board meetings and deliberations of the Borrower of whatever kind, nature and character, and to approve policies and resolutions of the Board. Further, the Borrower hereby agrees that during the lifetime of this Contract, it shall remain under the supervision of the NEA.

SECTION 12. The BORROWER agrees and binds itself to adopt policies, resolutions or amendments to its By-Laws in conformity with existing laws. In case of conflict among such policies, resolutions or amendments to the BORROWER'S By-Laws and the NEA policy and future issuances, the latter shall conclusively prevail.

ARTICLE V
FINANCIAL COVENANTS

General Manager

SECTION 1. (a) The BORROWER shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to NEA;

MARIANO T. CUENCO
Deputy Administrator
Corporate Resources &
Financial Services

- (ii) furnish to NEA as soon as available, but in any case not later than six (6) months after the end of such year: (A.) certified copies of BORROWER's financial statements for such year as so audited; (B.) the report of such audit by said auditors, of such scope and in such detail as the NEA shall have reasonably requested; and
- (iii) furnish to NEA such other information concerning said records, accounts and financial statements as well as the audit thereof as NEA may reasonably request.

SECTION 2. Each year and during Project implementation period, the BORROWER shall:

- a.) carry out in consultation with NEA, a review of its investment program for the succeeding five (5) years and its accomplishment report and accounting of funds for the preceding two (2) years.

SONIA B. SAN DIEGO
Director
Finance Services Department

ARTICLE VI
DEFAULTS, REMEDIES, AND SANCTIONS

SECTION 1. 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 of Loan, Mortgage Contract and Supplemental Mortgage(s);
- b. breach of any warranty or gross misrepresentation;
- c. violation of any policy, rules or regulations issued by NEA.

SECTION 2. 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. Suspend and/or stop all types of assistance (financial, technical and institutional);
- b. Declare all unpaid obligations to be immediately due and payable;
- c. Assign or designate an Acting General Manager and/or a Project Supervisor;
- d. Take over the construction, operation, management and control of the SYSTEM;
- e. Take any other lawful remedial measure.

President

General Manager

SECTION 3. Every right, privilege, power or remedy herein or in the Notes or in the Mortgage or in any Supplemental Mortgage conferred upon or reserved to the NEA or any holder thereof or holders of the Notes shall be cumulative and in addition to every other right, privilege, power and remedy now or hereafter existing in law or in equity or by statute. The pursuit of any right, privilege, power or remedy shall not be construed as an election of the foregoing.

ARTICLE VII
MISCELLANEOUS

SECTION 1. This Contract may be revised or amended by mutual consent of the parties.

SECTION 2. NEA reserves the right to increase or decrease, with notice to the BORROWER, the rate of interest on the loan pursuant to such policy as it may adopt from time to time during the pendency of the loan.

SECTION 3. The BORROWER shall not assign to a third party any of the rights arising from this Contract.

SECTION 4. 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
Corporate Resources &
Financial Services

President

WITNESSES:

SONIA B. SAN DIEGO
Director
Finance Services Department

General Manager

ACKNOWLEDGMENT

MARIANO T. CUENCO
Deputy Administrator
Corporate Resources &
Financial Services

REPUBLIC OF THE PHILIPPINES)
_____)

BEFORE ME, a Notary Public for an in _____ Philippines,
on this _____ day of _____, 20____ personally appeared
_____ with Residence Certificate No. A/B
_____ issued at _____ on
_____ and MARIANO T. CUENCO with Residence Certificate
No. A/B _____ issued at _____ on _____
representing the _____ ELECTRIC COOPERATIVES, INC. and the
NATIONAL ELECTRIFICATION ADMINISTRATION, respectively, known to me and to me
known to be the same persons who executed the foregoing Contract of Loan 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.

SONIA B. SAN DIEGO
Director
Finance Services Department

I CERTIFY that this Contract consists of Ten (10) pages including this one,
each page duly signed by the PARTIES and their instrumental witnesses at the left hand
margin except page Six (6) which is signed at the foot thereof and wherein this
Acknowledgment is written.

IN WITNESS WHEREOF, I have hereunto affixed my signature and my official
seal on the date and at the place first above-written.

President

NOTARY PUBLIC
My Commission expires on _____
PTR NO. _____

Doc. No. _____
Page No. _____
Book No. _____
Series of 20 _____

General Manager

SCHEDULE 1

MARIANO T. CUENCO
Deputy Administrator
Corporate Resources &
Financial Services

PROJECT DESCRIPTION

- A. REHAB OF LINES
- B. SYSTEM UPGRADING
- C. REHAB / UPGRADING
- D. EXPANSION OF LINES

Three Phase Line _____ Kms.

Two Phase Line _____ Kms.

Single Phase Line _____ Kms.

Open Secondary Line _____ Kms.

Underbuilt Secondary Line _____ Kms.

- E. ADD ONS

Connections of about _____ customers to existing lines.

- F. LOGISTICS

SONIA B. SAN DIEGO
Director
Finance Services Department

President

General Manager