FINANCING AGREEMENT

This **FINANCING AGREEMENT** (hereinafter "**Agreement**"), effective from ..13..Day June Month 2019.Year (the "**Effective Date**"), is made and entered into by and between:

Druk Holding & Investments Limited, a company registered under the Companies Act of the Kingdom of Bhutan, 2000/2016 having its office in Motithang, Thimphu, Bhutan (hereinafter "**DHI**"), duly represented by the Chief Executive Officer;

AND

M/s **PEMA CHOZOM** holding a Citizenship ID no. **10311000065** (hereinafter "**Entrepreneur**") owning a business M/s. **(Chechay Sanitary Pads** *and Business License number* ***1040126)*** having its office in **Thimphu,** Bhutan;

DHI and the Entrepreneur are sometimes referred to herein individually as the "**Party**" and collectively as the "**Parties**".

Recital

As the commercial arm of the Royal Government of Bhutan and in keeping with Article III (xii) of its Articles of Incorporation, DHI desires to support entrepreneurs to facilitate private sector development in Bhutan by providing eligible entrepreneurs with access to finance businesses on mutually agreed terms.

The Entrepreneur desires to avail financing to promote their business and agrees to put in sincere and best effort to make the business successful.

The Parties acknowledge and understand the need to mutually collaborate to fulfill the requirements of fund management and repayment, among other things.

THEREFORE, in consideration of the foregoing premises and the mutual understandings and agreements set forth herein, the Parties do hereby agree as follows:

1. Business Activity

The Parties acknowledge and agree that the financing by DHI shall be for the following business activity:

- Business Name: **Chechay Sanitary Pads**
- Nature of Business: **Manufacturing of Sanitary Pads**
- Business License no : ***1040126***

2. Financing Amount

DHI will provide an amount of ***Nu. 500,000 only (Ngultrum Five Hundred Thousand Only)*** to the Entrepreneur to finance the Business Activity in accordance with the provisions of this Agreement.

3. Utilization

DHI's financing will be utilized, recognized and accounted as part of the Entrepreneur's contribution in the Business activity specified under Clause 1 above. The financing shall be utilized only for the intended purposes as specified by the Entrepreneur to DHI. Utilization of the fund must begin within 4 months of the date of signing of this contract after which nullification of the contract shall be initiated.

4. Limitation of Liability

a) Unless otherwise decided by DHI, DHI's financing through this Agreement shall not imply automatic additional fund commitment by DHI to the Entrepreneur.
b) DHI shall not have any ownership stake in the Business of the Entrepreneur and bears no responsibility, whether legal or otherwise, on behalf of the Entrepreneur or the Business Activity including contractual obligations with third parties whether fiduciary, pecuniary, or other such undertakings and liabilities entered into by the Entrepreneur or the Business.
c) The Business and the Entrepreneur shall be jointly and/or severally responsible for any claims, liabilities, and disputes arising from the Business Activity and shall under any circumstances absolve DHI from any claims, liabilities or disputes due to the Business Activity including indemnification.
d) DHI and the Entrepreneur are not partners in the Business Activity and any misrepresentation as partners shall be *void-ab-initio*. In the event of any claims or liabilities in violation of this provision, the Entrepreneur shall indemnify DHI.

5. Collateral

The DHI financing is provided as a collateral free financing essentially based on the potential viability of the business proposal and the credibility of the Entrepreneur.

6. Guarantor

The Guarantor of the Entrepreneur in the Agreement shall be subject to the terms and conditions provided in the Letter of Guarantee executed by the Guarantor and provided as Annex I

7. Disbursement

The financing amount will be disbursed on the disbursement requests from the Entrepreneur. This may be in tranches or in entirety based on the agreed financing plan of the business. The disbursements will be made directly to the vendors wherever applicable. DHI reserves the right to stop further disbursements where circumstances relevant to the business has changed resulting in a need to reassess the credibility of the Entrepreneur or the potential of the Business.

8. Changes in Business Plan or Circumstances

The Entrepreneur shall obtain prior consent of DHI for any major changes in the business plan or major changes in circumstances of the Business than that proposed during the application for financing. If DHI is satisfied upon review of the Business Plan or the situation with respect to realignment of Business activity through credible actions by the Entrepreneur, DHI may decide to disburse the

outstanding fund based on revised Business Plan which may entail revision of the repayment schedule. In such a case, the other terms and conditions of this Agreement will apply *mutatis mutandis*. However, if DHI is not satisfied, the Entrepreneur shall repay the fund already disbursed within a reasonable period determined by DHI. In the event of inability to repay the fund by the Entrepreneur, DHI may take actions including legal recourse or other appropriate measures that may lead to termination of the Agreement.

9. Full Financing

In case, the financing provided by DHI is inadequate to operationalize the Business Plan, the fund disbursements shall be subject to obtaining remaining financing from other sources. Disbursements for parts of the Business plan may be considered as long as it results in revenue generation or enhances productivity of existing business.

10. Gestation Period

The gestation period shall be for duration of ***12 months*** from the date of first disbursement. Until the end of the gestation period, no administration fee shall be applicable on the amount disbursed and outstanding, and repayment shall commence only after the gestation period. The gestation period however can be affected by the Poor Conduct Penalty in Clause 17 of this contract.

11. Interest charges

No interest charges are applicable for the financing.

12. Administration Fee

An administration fee of 5% per annum shall be applicable from the end of gestation period.

13. Repayment Schedule

Repayments shall commence only after the gestation period. Repayments may be monthly/quarterly in accordance with the equated periodic repayment schedule provided by BOBL.

14. Tenure

The financing shall be for a maximum period of ***60* months** excluding the gestation period.

15. Pre-payment penalty

No pre-payment penalty shall be applicable.

16. Late Payment Penalty

A penalty amount of 2% per annum shall be charged on the repayment amount past due date.

17. Poor Conduct Penalty

The Gestation period will be reduced if the funded entrepreneur displays poor conduct such as:

i. Repeated late submission of documents (invoices, receipts, authorization letters, etc.)
ii. Refusing to accept or follow up with communication with DHI.
iii. General poor decorum that leads to the difficulty of administering the fund.

The reduction in the gestation period will be communicated through a letter from DHI and this letter shall form an integral part of this agreement.

18. Defaults

In case of repayment default, DHI may *suo moto* or in consultation with the Entrepreneur take remedial measures including revision of the repayment schedule. Except for this change, the Agreement shall apply *mutatis mutandis* between the Parties until final settlement of dues outstanding. Any further default may result in DHI taking appropriate measures including legal recourse.

19. Insurance

Wherever applicable, the entrepreneur shall consider availing of insurance services for the Business.

20. Maintenance of records

The entrepreneur shall maintain proper records of utilization of the financing and business revenue and expenses. Such records shall be made accessible to DHI Officials for purposes of verification, information and record keeping. DHI in turn shall be obliged to utilize such information only for the intended purposes of ensuring repayment.

21. Other Financing

The Entrepreneur shall obtain prior consent of DHI for obtaining additional financing for the Business.

22. Progress Report

The Entrepreneur shall submit both physical and financial progress reports every quarter in an agreed format.

23. Mentor

The Entrepreneur shall agree to take guidance of a mentor and to attend any relevant training prescribed or/and required by DHI.

24. Information Sharing

The Entrepreneur will give his/her consent to DHI for sharing His/Her/Their personal bio-data and any other details relating to loan accounts with regulatory agencies with the Royal Monetary Authority, Credit Information Bureau and as required by law. DHI shall however ensure that such information sharing shall not adversely affect the Entrepreneur's business.

25. Partner Bank

To facilitate fund management services such as fund disbursement, repayment etc., DHI has employed the services of Bank of Bhutan. The Entrepreneur will be required closely work with the Bank of Bhutan and ensure smooth operation of fund management services.

26. Final Settlement

This Agreement shall cease to bind the Parties after final settlement of dues owed to DHI by the Entrepreneur in keeping with the terms and conditions of this Agreement as signified by issuance of the Final Settlement Letter by DHI.

Under any other circumstances, if the Parties mutually wish to no longer proceed with the terms of the Agreement, the following shall apply;

a) If any or all the agreed financing has been disbursed, the Entrepreneur shall refund the entire outstanding amount along with the applicable administrative charges within a reasonable period determined by DHI. DHI shall then issue a letter of Final Settlement and the Agreement shall then be terminated. In the event, the outstanding amount and the applicable administrative charges are not refunded in the said period, then the Agreement shall continue to remain in force and DHI may choose to initiate appropriate measures as per the provisions of the Agreement.

b) If no funds have been disbursed, DHI shall issue a Letter of Final Settlement and then the Agreement shall be terminated.

27. Governing Law

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Kingdom of Bhutan.

28. Entire Understanding

This Agreement constitutes entire agreement between the Parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the Parties with respect to the subject matter of this Agreement. The Annexes to this Agreement shall constitute and be construed as integral part of the Agreement.

29. Amendment

The Parties may amend any provision of this Agreement by executing another agreement in writing and upon fulfilling the requirements of a valid agreement under law.

30. Notices and other Communication

Notices, approvals and other communication under this Agreement shall be in writing and delivered by mail or other electronic transmission or by express or personal delivery, addressed as follows:

To DHI:

Director

Department of Investments

Druk Holding and Investments Limited

Phone: +975-2-337530

PO Box 1127

Thimphu, Bhutan

To the Entrepreneur:

DCSI Startup Center,

Chamzamtog, Thimphu

+975-77442071

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the Effective Date.

For:

DRUK HOLDING & INVESTMENTS LTD.

By:

Name: Dasho Karma Yezer Raydi
Title: Chief Executive Officer, DHI
Date:

THE ENTREPRENEUR

By:

Name..... Pema Choezom
Title Ms.
CID No. 10311000065
Date: 13/06/2019

WITNESS

Name..... Sonam Phuntsho
Title AD, CSD
CID No....10103000832
Mobile No. 17660078

WITNESS

Name..... Tenzin Dorji
Title
CID No. 11606001824
Mobile No. 17872797

ANNEXURE I: LETTER OF GUARANTEE

That I, **Lotay** holding CID card no: **10805000737**, a resident of **Thimphu** hereby submit an irrevocable letter of guarantee to stand as the guarantor for the amount **Nu 500,000** availed by Mr./Ms **Pema Chozom** holding CID no **10311000065** hereinafter referred to as "Entrepreneur", from Druk Holding and Investments Limited, hereinafter referred to as "DHI".

That I, **Lotay** after having understood all implications with free will consented to stand as the guarantor for the above Entrepreneur hereby undertake to repay the aforesaid amount along with the penalty amount (if charged) upon any default by the Entrepreneur or upon demise of the Entrepreneur or based on any other exigencies, without any external recourse against the Entrepreneur.

That this guarantee shall be binding as a continuing security on me, **Lotay,** and/or my heirs or legal representatives, until the Entrepreneur notifies me, **Lotay,** in writing that the amount borrowed is fully liquidated or the fund account is closed, without any objection from the DHI.

That the DHI has the absolute right to make any demand or provide intimation or serve a written notice to me **Lotay,** or my heirs or legal representatives either through the postal service or hand delivery or email to the last known place of the guarantor.

That in the event of nonpayment of the amount availed from DHI, I fully authorize DHI to debit money from my personal account number **BOB ACC*:* 100382621** ***or*** any deposit account or realize the amount from the proceeds of any Cheque payable to me towards the repayment of the amount availed with the intimation to me. I fully understand that I have surrendered my right to seek any external recourse and I shall be fully governed by this letter of guarantee submitted herein.

The Guarantee may not be waived, modified, amended, terminated, released or otherwise changed except by writing signed by the undersigned and DHI.

That the contact details are true and accurate and shall intimate DHI of any change in the contact details and shall be held liable for providing false information if proved wrong.

IN WITNESS WHEREOF, the guarantor has executed this Letter of Guarantee on the **13th June *2019.***

(Signature of Guarantor)

Name....Lotay.....

CID No....10805000737

Address...National Land.....

Ministry/Agency...Commission, Thimphu

(Signature of Witness)

Name....Tenzin Dorji

CID No..11606001824

Mobile No..17872797

THE ENTREPRENEUR

(Signature

Name .....Pema chozom

Title .....Ms.

CID No.....10311000065

Date...13/06/2019.....

དཔལ་ལྡན་ འབྲུག་གཞུང་ བསྟན་རྩིས་ལྷན་ཁག།

Ministry of Economic Affairs
Royal Government of Bhutan

ཡིག་ཆུང་།
LICENCE

Regional Office THIMPHU BHUTAN Ministry of Economic Affairs

License Number : **1040126**

Classification : **Production and Manufacturing**

ISIC Code : **17296**

Name of Licencee **Pema Chozom**

Permanent Address: **Babythang,Tshangkha,Dagana**

Nationality: **Bhutanese** Citizenship ID No: **10311000065**

Registered **Chechay Sanitary Pads**

Exact Location and Address of Establishment **Changzamtog**
Thim Throm,Thim Throm,Thimphu

Investment (in Nu)and Scale : **1400000** **Small**

Approval Date : **22-October-2018** Date of Issue : **22-October-2018**

Activity Name: **Manufacturing of Sanitary Pads(PSL Approved Project)**

Regional Director
Regional Trade Office
Thimphu, Bhutan

Signature and Seal of Licensing Authority

ལག་ཁྱེར་དུས་ཡུན་ཡར་སེང།
LICENCE RENEWALS

གནས་ཚོ Year	ལག་ཁྱེར་དུས་ཡུན་ཡར་སེང་གི་སྤྱི་ཚེས Date of Licence Renewal	དུས་ཡུན་ཡར་སེང་ཆ་འཇོག Validity	འཕྲོད་རྟགས་ཨང Receipt No.	དུས་ཡུན་ཡར་སེང འགོ་དཔོན་གྱི་ལག་རྟིས་དང་ཐིག Signature
2018	22/10/18	21/10/19	8286845	Regional Director Regional Trade & Industry Office Thimphu: Bhutan

BHUTAN

KINGDOM OF BHUTAN

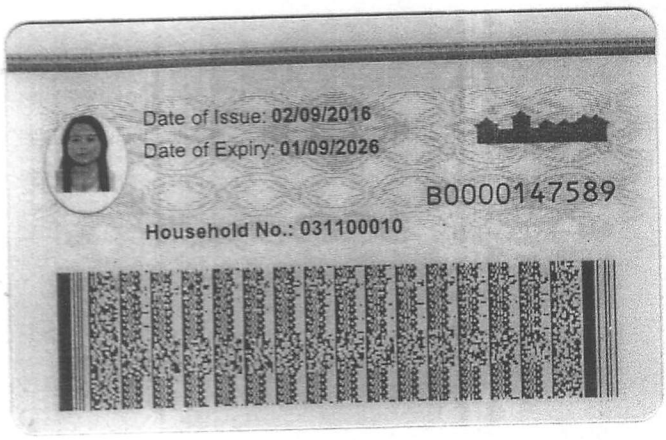
Citizenship Card

Name:Pema Chozom

Sex: Female

Date of Birth:21/02/1989

Citizenship ID No. 10311000065



Date of Issue: 02/09/2016

Date of Expiry: 01/09/2026

B0000147589

Household No.: 031100010

Pema chozom :- BOBL :- 100763774 /- (Pursonal)

Chechay Sanitary Pads :- 201717021 (BOBL).

BHUTAN

KINGDOM OF BHUTAN

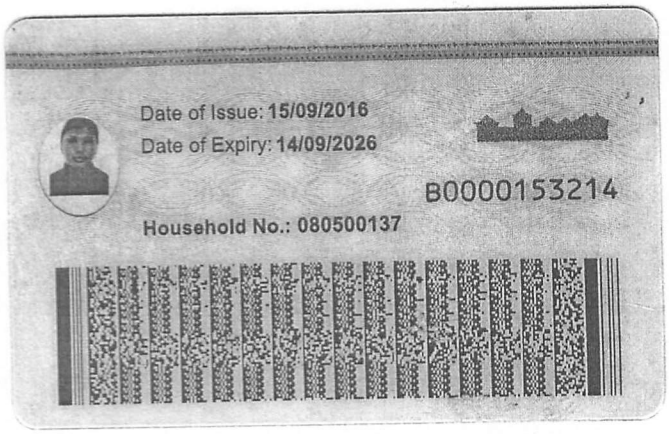
Citizenship Card

Name:Lotay

Sex: Male

Date of Birth:21/08/1980

Citizenship ID No. 10805000737



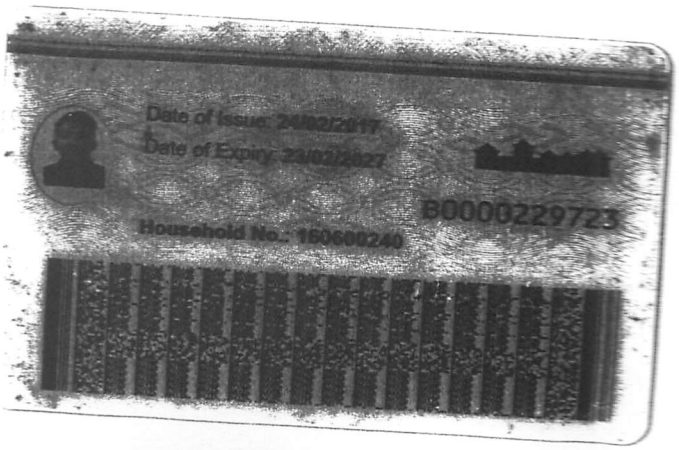
Date of Issue: 15/09/2016

Date of Expiry: 14/09/2026

B0000153214

Household No.: 080500137

KINGDOM OF BHUTAN
Citizenship Card
Name:Tenzin Dorji
Sex: Male
Date of Birth:01/01/1985
Citizenship ID No. 11606001824


Date of Issue: 24/02/2017
Date of Expiry: 24/02/2027
80000229723
Household No.: 160600240