

# Covenants and Undertakings

## Debt Agreement for Capital Expansion

This document outlines key Covenants and Undertakings which form an integral part of the Debt Agreement ("Agreement") entered into between the Borrower and the Lender for the purpose of capital expansion.

### 1. Affirmative Covenants

- **Financial Reporting:** The Borrower shall provide the Lender with quarterly and annual financial statements within 30 days of the end of each period.
- **Use of Proceeds:** All borrowed funds shall be utilized solely for the purposes of capital expansion as detailed in Schedule I of this Agreement.
- **Compliance with Laws:** The Borrower shall comply in all material respects with all applicable laws, rules, and regulations at all times during the term of the Agreement.
- **Maintenance of Insurance:** The Borrower shall maintain adequate insurance coverage for its assets and operations, satisfactory to the Lender.

### 2. Negative Covenants

- **Additional Indebtedness:** The Borrower shall not incur or permit to exist any additional indebtedness without the prior written consent of the Lender.
- **Dividends and Distributions:** No dividends or other distributions shall be declared or paid to shareholders during the term of the loan, except as approved by the Lender.
- **Asset Disposal:** The Borrower shall not sell, lease, or otherwise dispose of any significant assets, except in the ordinary course of business.

### 3. Financial Covenants

- **Debt Service Coverage Ratio:** The Borrower shall maintain a minimum debt service coverage ratio of 1.25x throughout the loan period.
- **Leverage Ratio:** The Borrower agrees not to exceed a maximum leverage ratio of 2.5x total debt to EBITDA.

### 4. Undertakings

- **Project Completion:** The Borrower undertakes to complete the capital expansion project within 18 months from the Effective Date.
- **Change of Control:** The Borrower shall notify the Lender in writing within five (5) business days of any change in management or control.
- **Inspection Rights:** The Borrower allows the Lender, upon reasonable notice, to inspect premises and review relevant project documents.

### 5. Events of Default

- Failure to perform or observe any covenant or undertaking specified herein.

- Non-payment of any scheduled repayment beyond ten (10) business days after its due date.
  - Occurrence of insolvency, bankruptcy, or similar proceedings by or against the Borrower.
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## **Important Notes**

- This document is for reference and illustrative purposes only; actual covenants may differ based on transaction specifics.
- Covenants and undertakings are legally binding and may have serious consequences if breached.
- Consult with legal and financial professionals before entering into any debt agreement.
- Adapt covenants to reflect the unique risks and requirements of your capital expansion project.