

# Commercial Contract

## LETTER OF PLEDGE



*Empowered lives.  
Resilient nations.*



### Small and Medium Enterprises Development Authority

#### Ministry of Industries & Production

#### Government of Pakistan

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**January 2013**

## **Letter of Pledge**

Pro- Gole (Right to do Business)

Legal Services, B&SDS

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### **LEGAL SERVICES, SMEDA**

The Legal Services (LS) department is a part of Business & Sector Development Services Division of the Small Medium Enterprises Development Authority and plays a key role in providing an overall facilitation and support to the small businesses. The LS believes that information dissemination among the small businesses on the existing legal & regulatory environment and business to business and business to client contracting is of paramount importance and plays a pivotal role in their sustainable development.

In order to facilitate small businesses, the LS, under the Pro-GOLE (Right to do business) project, a joint SMEDA-UNDP initiative for supporting the small businesses, has developed user-friendly contract templates.

### **Pro-GOLE, (Right to do Business)**

The UNDP has partnered with the Small and Medium Enterprises Development Authority to initiate and execute the Pillar 4 (Right to do business) component of the UNDP PRO-GOLE project which seeks to enhance the legal awareness and mobility of marginalized/ informal businesses. Under the project legal services outreach shall be extended to small businesses including home based enterprises, small shopkeepers, growers, women entrepreneurs, hawking vendors etc. In addition, small business shall be mobilized to access legal services.

### **The Need for Commercial Contracts Templates**

In an increasingly complex and competitive industry, it is vital that suppliers and purchasers are fully protected against legal and commercial risks. To counter such risks, a viable solution; available as- of the shelf commercial contract templates- will provide the users with first class ready to use support. With obligations properly set out and liabilities accurately defined, the users will be in a far better position to look after their rights and interests and move forward from their marginalized positions to being active players of the economy. The Legal Service Providers can equally take benefit of these templates for their professional and business development.

### **Disclaimer**

The information contained in this template is meant to facilitate the businesses in documenting transactions with reference to manufacturing. However, SMEDA, UNDP or any of their employees or representatives accept no responsibility and expressly disclaim any and all liabilities for any and all losses/shortfalls caused by or motivated by recommendations from the information contained within this document. Although SMEDA's ambition is to provide accurate and reliable information; yet, the document is not an alternative to expert legal advice and should ideally be used in conjunction with the same. Any person using this document and or benefiting from the information contained herein shall do so at his/her own risk and costs and be deemed to have accepted this disclaimer.

All information contained in this document may be freely used provided that relevant acknowledgement is accurately quoted with each usage.

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### **B13. LETTER OF PLEDGE**

**THIS LETTER OF PLEDGE OF GOODS** (hereinafter referred to as the "Letter of Pledge") made at [insert place] on this [insert date] day of [insert month], 20\_\_ (insert year)

#### **BY**

M/s [Name], a sole proprietorship concern of Mr/Mrs/Ms [Name], having its place of business at [Address] through Mr/Mrs/Ms [Name];

#### **OR**

M/s [insert Name], a public/private company incorporated under the Companies Ordinance, 1984, having its registered office at [insert Address] through its [insert Designation], Mr/Mrs/Ms [insert Name];

#### **OR**

M/s [insert Name], a partnership concern of Mr/Mrs/Ms [insert Name] and Mr/Mrs/Ms [insert Name], having its place of business at [insert Address] through its Partner, Mr/Mrs/Ms [insert Name];

(hereinafter referred to as the "**Pledgor**", which expression shall, where the context so permits, mean and include his successors-in-interest and assigns);

#### **IN FAVOUR OF**

[Insert Name of the Bank], a banking company incorporated under the laws of Pakistan having its Registered Office at \_\_\_\_\_ (insert address of registered office) and a Branch at \_\_\_\_\_ (insert address) (hereinafter referred to as "Pledgee", which expression shall include its successors-in-interest and assigns).

(The Pledgor and the Pledgee shall hereinafter individually be referred to as the "Party" and collectively be referred to as the "Parties")

**WHEREAS** the Parties have entered into a Facility Agreement dated [insert date] (hereinafter referred to as the "Facility Agreement") whereby the Pledgee has agreed to provide a Finance Facility (hereinafter referred to as the "Facility") to the Pledgor on the terms and conditions set forth in the Facility Agreement.

**AND WHEREAS** it is a condition precedent to disbursement of the Facility that the Pledgor pledge certain goods (hereinafter referred to as the "Pledged Goods", and more particularly described in Schedule A to this Agreement) in favor of the Pledgee in order to secure the Pledgor's obligations under the Facility Agreement on the terms and conditions hereinafter appearing.

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### **NOW, THEREFORE, I/WE HEREBY CONFIRM HAVING AGREED AND UNDERTAKEN AS FOLLOWS:**

#### **1. PLEDGE OF GOODS**

In consideration of your having at my/our request, entered into the Facility Agreement with me/us, and/or providing the Facility to me/us, I/we do hereby pledge, all the stocks, and securities, including but not limited to [insert description of the stock being pledged] and more particularly described in the Schedule hereunder (hereinafter referred to as the "Pledged Goods") as a continuing security for the due payment/repayment of any and all dues owing to you or which may at any time hereafter become due to you from me/us in respect of the Facility, up to a maximum of [insert amount] plus your service charge and all costs, charges and expenses payable to and/or incurred by you, along with an addition of 20% hereto as liquidated damages.

#### **2. ASCERTAINMENT OF VALUE**

You shall be at liberty to have the Pledged Goods valued by an appraiser to be appointed by you at any time and the fees and expenses of such appraisal shall be debited to my/our account, and shall be recoverable as provided in Clause 1 above, together with and additional of 20% thereto as liquidated damages.

#### **3. BANK'S LOCK AND KEY**

The Pledged Goods shall remain under your lock and key at all times, and I shall not be entitled to use, sell, appropriate, or exchange any portion of the Pledged Goods during the continuity of the pledge, unless prior permission in writing to do the same has been acquired from you.

#### **4. INDEMNIFICATION**

I/We shall hold you, your nominees and agents harmless and indemnified against all loss or injury, damage or deterioration that may be caused to the Pledged Goods as a consequence or result, however, remote, or any cause whatever, including fire, storm, tempest, earthquake, rains, floods, riots, civil commotion, rebellion insurrection and acts of God or the enemies of the State, strikes, lockouts, political or labour disturbances, theft, misappropriation or embezzlement, notwithstanding the fact of your possession of the same or otherwise, and if the Pledged Goods shall at any time suffer any reduction or diminution in their market value as a consequence or result of any such cause as aforesaid, I/we shall forthwith, upon demand, made by you deposit with you further securities in the manner and to the extent of shortfall in the value of the same.

#### **5. PAYMENTS OF RENTS, ETC.**

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I/We shall at all times regularly and punctually pay all rents, rates, taxes and other impositions and outgoings and shall duly discharge and comply with all orders and requirements of the appropriation authorities that may from time to time respectively become due and payable by me/us or be made upon me/us in respect of any building or place wherein the Pledged Goods may be stored.

### **6. INSURANCE**

I/We shall at all times during the continuation of this pledge and so long as any money shall remain due and owing to you by virtue of the said Facility Agreement insure and keep insured all the Pledge Goods to the full extent of their value against fire, theft, and all other risks, as you may require, with such insurance company as may be approved by you and in your name and shall duly and punctually pay the premia payable in respect thereof at least one week before the same shall become due or payable, and shall handover the policy or policies of insurance and receipts for premia paid in respect thereof to you. I/We agree not to raise at any time any dispute as to the amount of your insurable interest. If default be made in payment of such premia or in keeping the Pledged Goods so insured, it shall be lawful but not obligatory upon you to pay such premia and to keep the Pledged Goods so insured and expenses incurred by you for the purpose, together with an addition of 20% thereto as liquidated damages, shall be charged to and paid by me/us, as if the same were part of the amount due to you under the said Facility Agreement.

You shall be entitled to adjust, settle, compromise or refer to arbitration any dispute with the insurance company arising under or in connection with any such policy or policies as aforesaid and such adjustment, settlement, compromise and any award made on such arbitration shall be valid and binding on me/us and you shall also be entitled to receive all moneys payable under any such policy or under any claim made thereunder and to give a valid receipt for the amount so received, which amount shall be credited towards the outstanding amount under the said Facility Agreement, and I/we shall not raise any objection whatsoever in this regard.

### **7. SALE OF PLEDGED GOODS**

In default of payment/repayment of any moneys hereby secured or in the performance of any obligations hereunder, you shall be entitled to sell the Pledged Goods or any part thereof either by public auction or private agreement, including the right to acquire the same yourself.

### **8. DECLARATION OF OWNERSHIP**

I/We confirm that the Pledged Goods are my/our absolute property and are at my/our sole disposal, free from any prior charge or encumbrance and that

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all future goods and merchandise to be pledged hereafter shall likewise be my sole, unencumbered absolute disposable property.

### 9. NOTICE

Any notice by way of request, demand or otherwise may be given to the addressee by leaving the same at or sending the same by post to the Registered Office or principal place of business in Pakistan, or may be left at the last known place of business or residence in Pakistan, and any notice sent by post shall be deemed to have been given at the time when it would be delivered in due course of post and in proving such notice when given by post, it shall be sufficient to prove that the envelope containing the notice was posted and a Certificate signed by your officer that the envelope was so posted, shall be conclusive.

### SCHEDULE I

#### DETAILS OF THE PLEDGED GOODS

**IN WITNESS WHEREOF**, the Pledgor has executed these presents.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

N.I.C. No.: \_\_\_\_\_

#### WITNESS NO. 1

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

#### WITNESS NO. 2

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

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Date: \_\_\_\_\_

Date: \_\_\_\_\_