

Loss Reserve Fund Escrow Agreement

Solar Home Systems Finance

among

_____ **(Donor)**

_____ **(Bank)**

and

_____ **(Escrow Agent)**

**LOSS RESERVE FUND
ESCROW ACCOUNT AGREEMENT**

This LOSS RESERVE FUND ESCROW ACCOUNT AGREEMENT (this "Agreement"), dated _____, 200_ is undertaken into by:

_____ (hereinafter DONOR) a _____ agency organized and existing under the laws of _____, having its principal place of business at _____;

_____ (hereinafter BANK) a _____ company organized and existing under the laws of _____, having its principal place of business at _____;

_____ (hereinafter referred as Escrow Agent), a financial institution duly organized and existing under the laws of _____, duly authorized to perform trust and other fiduciary business, having its principal place of business at _____.

WHEREAS:

- (A) DONOR is _____ [ddonor background, program and objectives];
- (B) Part of this DONOR program is a component for supporting the development and finance of renewable energy projects, which has specifically targeted support for financing direct sales of solar home systems (SHSs);
- (C) Bank can provide loan financing direct to individual customers ("Loans") for SHSs and wishes to expand its SHS finance activity both geographically and in volume and wishes to obtain the financial support for its SHS financing activities available from DONOR and as provided herein;
- (D) Escrow Agent can provide fiduciary services to manage the receipt, disbursement and investment of DONOR funds as provided herein;

NOW, THEREFORE, in consideration of the premises and the agreements set forth herein, the parties have agreed to enter into this Loss Reserve Fund Escrow Account Agreement and to establish a Deposit Account and a Reserve Account (such terms as defined below) with the Escrow Agent, to be funded and administered in accordance with the terms as provided herein.

**ARTICLE I
Definitions**

Section 1.01: Definitions. The following terms shall have meanings defined below when used herein.

"Deposit Account" has the meaning given in Section 2.01 hereof.

"Defaulted Loans" shall be those Loans which are (i) in default, and, having remained uncured, proceeded to loan acceleration, as defined in the Loan Agreement, (ii) for which the subject SHS or other energy equipment has been repossessed, and (iii) for which BANK has obtained the Realized Value pursuant to the Memorandum of Agreement entered into by BANK, Vendor and DONOR dated June____, 2004.

"Loans" shall be loans made by BANK for the purposes of financing SHSs or other energy services equipment approved by DONOR using a form Loan Agreement approved by DONOR; all Loans eligible for coverage under this Agreement must be closed and funded by BANK no later

than June 30, 2006.

"Initial Deposit" means an initial deposit by DONOR of GEF funds in the amount of _____ Dollars (\$ _____) to be deposited into the Deposit Account.

"Memorandum of Agreement" means the Memorandum of Agreement between BANK, _____ (Vendor) and DONOR dated _____, 200_, hereinafter "VENDOR MOA".

"Monthly Report" means the monthly reports on new Loans and Loan repayment and loss status as defined in Section 3.02, below; a form Monthly Report is attached hereto as Annex A.

"Net Loss Amount" shall equal (A) the outstanding principal balance on a Defaulted Loan plus, as applicable, accrued interest for no more than two months, minus (B) the Realized Value for the given subject SHS.

"Permitted Investments" shall mean, for both the Deposit Account and the Reserve Account, which are _____ currency] -denominated current accounts of the Escrow Agent, any of the following investment opportunities: demand deposits, call account deposit (48 hours notice before draw downs), or 1, 3, 6, 9 or 12 month _____ Government securities.

"Portfolio" refers to the portfolio of Loans scheduled to this Agreement via the Monthly Reports.

"Reserve Account" has the meaning given in Section 3.01 hereof.

"Subsequent Deposit" means any subsequent deposit by DONOR to be deposited into the Deposit Account.

"Realized Value" means the net amount realized by BANK from a repossessed SHS either by (i) resale of the SHS by VENDOR, or (ii) purchase of the SHS by VENDOR as per the terms of the VENDOR MOA.

"Realized Value Date" means the date when the Realized Value is received by BANK.

ARTICLE II Deposit Account

Section 2.01: Deposit Account. The Escrow Agent, on behalf of DONOR and at the request of and for the benefit of the BANK and DONOR, hereby establishes a segregated _____ [currency] -denominated special account, named the LRF DEPOSIT ACCOUNT, account number _____ (the "Deposit Account") to be funded and administered as provided in this Agreement. The escrow arrangement hereby established does not create a debtor-creditor relationship between the parties, and all monies, funds, or assets of the Deposit Account shall not be insured with the Philippine Deposit Insurance Corporation (PDIC). Losses, if any, shall be for the sole account and risk of the DONOR.

Section 2.02: Funding of the Deposit Account.

(a) On the date hereof DONOR has agreed to make an Initial Deposit into the Deposit Account in the amount of USD \$ _____ (_____ US Dollars), and the Escrow Agent shall acknowledge receipt of such funds upon deposit. Escrow Agent shall convert this deposit into _____ [currency] upon receipt.

(b) DONOR may, at its option, make a Subsequent Deposit to the Deposit Account, provided that the Subsequent Deposit shall not be made after _____.

Section 2.03: Interest on Deposit Account. Any interest earned on the Deposit Account shall accrue to the Deposit Account and may be used for the purposes defined herein, including payment of Escrow Agent fees, as per Section 7.02, below.

Section 2.04: Disbursements from Deposit Account. Disbursements from the Deposit Account will be made by Escrow Agent as follows:

(a) to the Reserve Account, as provided for in Section 3.02, below; and

(b) to DONOR, as provided for in Section 2.05, below.

(c) In no event, except as provided in Subsections (a) and (b) immediately above, shall funds to be disbursed or withdrawn from the Deposit Account.

Section 2.05: Termination of Deposit Account. The Deposit Account shall terminate on July 31, 2006 at which time Escrow Agent shall notify DONOR of any remaining balance including interest and remit such balance to DONOR at such bank as DONOR may be instruct at that time.

ARTICLE III Reserve Account

Section 3.01: Reserve Account. The Escrow Agent, on behalf of the BANK and at the request of and for the benefit of the BANK and DONOR, hereby establishes a segregated _____ [currency] -denominated special account, named the LRF RESERVE ACCOUNT, account number _____ (the "Reserve Account") to be funded and administered as provided in this Agreement. Losses, if any, shall be for the sole account and risk of the DONOR.

Section 3.02: Funding of Reserve Account. The Reserve Account will be funded by funds from the Deposit Account on a monthly basis according to the following procedure.

(a) BANK will provide DONOR and Escrow Agent the Monthly Reports by the fifteenth day of each month. The Monthly Report shall, amongst other information, list all new SHS Loans financed by BANK for the preceding month, give each Loan a unique identification number, and indicate the original principal amount of each Loan. A full form Monthly Report is attached hereto as Annex A.

(b) Within ten (10) calendar days (or next day if it were a banking holiday) of receipt by DONOR and the Escrow Agent of each Monthly Report, if DONOR does not communicate its disapproval of the Monthly Report, in whole or in part as to an individual Loans in the Portfolio, the Escrow Agent shall transfer funds from the Deposit Account to the Reserve Account in an amount equal to 15% (fifteen percent) of the principal amount of all new Loans added to the Portfolio indicated in the Monthly Report.

(c) Each Monthly Report and all Loan Agreements corresponding to Loans listed on the Monthly Reports will be scheduled to this Agreement.

Section 3.03: Interest on Reserve Account. Interest earned on the Reserve Account shall be disbursed to BANK. The amount to be disbursed shall be equal to the monthly interest earned net of the monthly Escrow Agent Fee referred to in Section 7.02 that cannot be sufficiently covered by the interest earnings of the Deposit Account referred to in Section 2.03. Disbursement to BANK of the interest earnings on the Reserve Account shall be done on monthly basis.

Section 3.04: Use & Disbursement of Funds from the Reserve Account.

(a) BANK will utilize Reserve Account funds as additional security for it SHS Loans. Defaulted Loans, Realized Value for SHSs which are the subject of Defaulted Loans, and Net Loss Amounts for Defaulted Loans shall be reported in the Monthly Reports. For each Defaulted Loan, BANK shall include in the respective Monthly Reports a completed calculation of the Realized Value and Net Loss, a form for which is included in Annex A. Certification by VENDOR of the Realized Value calculation for each SHS which is subject of a Defaulted Loan shall be attached to each Monthly Report.

(b) Within ten (10) calendar (or next day if it were a banking holiday) of receipt by Escrow Agent of each Monthly Report, if DONOR does not communicate its disapproval of the Monthly Report, in whole or in part as to an individual Loans in the Portfolio, Escrow Agent will disburse to BANK from the Reserve Account funds equal to 100% (one hundred percent) of BANK's Net Loss Amounts on the Defaulted Loans newly reported on the Monthly Report.

(c) All funds in the Reserve Account shall be available to BANK for the purposes defined herein. When and if the Reserve Account has zero balance (no funds), (i) BANK will have no further financial support pursuant to this Agreement, the Escrow Agent shall not be obligated to pay any Net Loss Amounts to BANK, DONOR shall not be obligated to pay any Net Loss Amounts to BANK, and all further Net Losses will be to BANK's own account.

Section 3.05: Resolution of Monthly Reports. If, for the purposes of sections 3.02(b) and 3.04(b), above, DONOR should disapprove of a Monthly Report within the 10 day period following its receipt of a Monthly Report, then:

(a) DONOR shall immediately so notify BANK and Escrow Agent in writing;

(b) Escrow Agent shall temporarily suspend its actions with respect to that Monthly Report;

(c) DONOR shall immediately state to BANK its reasonable cause for such disapproval and request from BANK such additional information as needed to resolve the matter in question;

(d) BANK shall provide additional information as requested by DONOR to support and document its Monthly Report; and

(e) BANK and DONOR shall immediately use their best efforts to complete the mutually acceptable corrected Monthly Report.

(f) When the Monthly Report is accepted by DONOR, DONOR and BANK will forward the approved Monthly Report to Escrow Agent to take its actions as defined herein.

Section 3.06: Use of Monthly Reports. DONOR may use aggregated information, not specific individual loan information, contained in the Monthly Reports to report to its management and stakeholders on the success of this LRF and SHS loan program.

Section 3.07: Termination of Reserve Account. The Reserve Account shall terminate on the date when the BANK notifies the Escrow Agent that the last Loan in the Portfolio has matured; this date shall be no later than July 31, 2010. At such time the Escrow Agent shall notify DONOR of any remaining balance (including interest) and remit such balance to DONOR at such bank as DONOR may be instruct at that time.

ARTICLE IV

Assignment & Assurances

Section 4.01: Negative Pledge. Neither the BANK nor the Escrow Agent shall grant, assign, or otherwise create, or permit to exist, any assignment, lien, encumbrance, security interest, pledge, charge, privilege or priority of any kind in or to the Deposit Account or the Reserve Account or any of the funds at any time or from time to time deposited therein in favor of any person or entity other than DONOR.

Section 4.02: Assignment by BANK. Notwithstanding the foregoing in Section 4.01, BANK may assign its rights under this Agreement with the prior approval of DONOR. BANK assignment for the purposes of refinancing its SHS Loan portfolio is contemplated and DONOR will support and cooperate with this effort. In event of such assignment, DONOR will direct Escrow Agent to effect and document such assignment and Escrow Agent will do so as directed by DONOR.

Section 4.03: Further Assurances. At the request of DONOR, the Escrow Agent and the BANK shall cooperate in executing one or more financing or other supplemental statements, instruments or other documents in form reasonably satisfactory to DONOR in all public offices where filing is reasonably deemed by DONOR to be necessary or desirable. All cost of filing incurred in the _____ shall be paid by the Escrow Agent and BANK while the cost of filing incurred outside _____ shall be paid by DONOR. DONOR hereby grants to the Escrow Agent the right to do all acts and things which DONOR may reasonably deem necessary or desirable to maintain and operate the Deposit Account and the Reserve Account provided by this Agreement, including without limitation the filing of financing continuation or termination statements, any cost of which shall be funded from the earnings of the Deposit Account from Permitted Investments, and the DONOR hereby irrevocably appoints the Escrow Agent as its attorney-in-fact to do all acts and things to accomplish the foregoing as long as this Agreement is in effect.

Section 4.04: Escrow Agent Notice. Neither the Escrow Agent nor the BANK has actual knowledge of any other assignment, lien, encumbrance, pledge, security interest, charge, privilege or other priority of any kind related to the Deposit Account and the Reserve Account other than that created pursuant to this Agreement, and the Escrow Agent shall give DONOR prompt notice of any such interest other than that created pursuant to this Agreement of which a Responsible Officer of the Escrow Agent obtains actual knowledge after the date hereof. For the purpose of this Agreement, a "Responsible Officer" of the Escrow Agent means any officer of the Escrow Agent with responsibility for the administration of this Agreement, the Deposit Account or the Reserve Account.

ARTICLE V

Administration of Account

Section 5.01: Investment of Funds. The Escrow Agent shall invest and re-invest all funds in such Permitted Investments as the Escrow Agent shall, in its discretion, select. The exercise of the investment powers by the Escrow Agent under the terms of this Agreement does not guarantee a yield, return or income, as such performance of the investment of the Deposit Account and Reserve Account is not a guaranty of future performance and the income of the investment can fall as well as rise depending on prevailing market conditions.

Section 5.02: Earnings; Statements.

(a) All income or interest earned on the balance from time to time standing to the credit of the Deposit Account and/or the Reserve Account, as the case may be, including income or interest earned on Permitted Investments, shall be deposited in the Deposit Account and/or the Reserve Account, respectively, and added to the funds therein. Interest earnings on the Deposit Account and Reserve Account shall be available for payment of Escrow Agent Fees, as defined in Section 7.02, below.

(b) The Escrow Agent shall provide to DONOR on a monthly basis and from time to time upon request a statement with respect to the Deposit Account and the Reserve Account of (i) the balance of funds as of the beginning and the end of, (ii) all deposits, income and interest received and all withdrawals made, and all transactions in Permitted Investments and payment of Escrow Agent Fees during, and (iii) the Permitted Investments held as of the beginning and the end of, the month or period covered by such statement. Except in the case of manifest error, each such statement shall be deemed correct and final upon receipt thereof by DONOR unless the Escrow Agent is notified in writing to the contrary within thirty (30) days after the date of such statement.

ARTICLE VI

Representations, and Warranties and Covenants; Indemnification

Section 6.01: Representations of the Escrow Agent and BANK. The Companies individually and jointly represent and warrant to DONOR as follows:

(a) Each has the requisite corporate power to own its assets, conduct its business as presently conducted, and enter into, and perform its obligations under, this Agreement.

(b) Neither the making of this Agreement nor the compliance with its terms will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default or require any consent under, any indenture, lien, mortgage, pledge, charge, conditional assignment, hypothecation, security interest, title retention, preferential right, trust arrangement, privilege or priority of any kind, agreement or other instrument or arrangement to which either the Escrow Agent or the BANK is a party or by which it is bound, or violate any of the terms or provisions of either the Escrow Agent or the BANK's charter or any judgment, decree or order or any statute, rule or regulation applicable to either BANK.

(c) This Agreement has been duly authorized and executed by each of the Escrow Agent and the BANK and constitutes the valid and legally binding obligation of each, enforceable against each in accordance with its terms.

(d) There is not any consent, authorization or approval of, or any registration or filing with, any government or governmental, administrative, fiscal, judicial or government-owned body, department, commission, tribunal, agency, entity or authority required under any law, regulation, order, decree or judgment applicable to each of the Escrow Agent and the BANK in connection with the making and performance of this Agreement.

(e) The Deposit Account and all funds from time to time deposited therein are and shall be lawfully owned by DONOR, free and clear of any assignment, pledge, lien, charge, encumbrance or security interest, other than those granted hereby to DONOR.

(f) The Reserve Account and all funds from time to time deposited therein are and shall be lawfully owned by DONOR, free and clear of any assignment, pledge, lien, charge, encumbrance or security interest, other than those granted hereby to DONOR and BANK.

Section 6.02: Indemnification. BANK shall indemnify, hold and save harmless, and defend, at their own expense, DONOR and the Escrow Agent, their officials, agents, and employees from and against all suits, claims, demands and liability of any nature or kind, including their costs and expenses, arising out of acts or omissions of BANK's employees, officers, agents or sub-contractors, in the execution and implementation of this Escrow Agreement. This provision shall extend, inter alia, to claims and liability in the nature of workmen's compensation, products liability and liability arising out of the use of patented inventions or devices, copyrighted materials or other intellectual property by BANK and VENDOR, its employees, officers, agents or sub-contractors. The obligations under this Article do not lapse upon termination of this Escrow Agreement.

Section 6.03: DONOR Immunity. Nothing in or relating to this Escrow Agreement shall be deemed a waiver, express or implied, of any privileges and immunities of DONOR, including its subsidiary organs.

Section 6.04. Covenants of DONOR and BANK. DONOR and BANK shall each submit to the Escrow Agent a certification under oath by its Corporate secretary or other equivalent officer attesting to the authority of the officer duly designated each by DONOR and BANK to issue instructions for purposes of this Agreement and setting forth their full names, their respective positions and specimen signatures. All orders, instructions, requests or certifications of such duly designated officers shall be in writing and the Escrow Agent may rely upon, and shall be fully protected and discharged from any responsibility, or accountability in acting in accordance with such orders, instructions, requests or certifications which DONOR and BANK hereby warrant to be valid, binding and duly authorized by its Board of directors.

ARTICLE VII

The Escrow Agent

Section 7.01: General.

(a) The Escrow Agent shall not deal with the Deposit Account, the Reserve Account and the funds in each respective account, except in accordance with (i) this Agreement, (ii) written instructions given in conformity with this Agreement, or (iii) instructions agreed to in writing by DONOR. It is understood that this Agreement expressly sets forth all of the duties and obligations of the Escrow Agent with respect to the Deposit Account, the Reserve Account, and the funds in each respective account. In the event that any of the terms and provisions of any other agreement between or among any of the parties hereto conflict or are inconsistent with any of the terms and provisions hereof for purposes of determining the duties and obligations of the Escrow Agent under this Agreement, the terms and provisions of this Agreement shall govern and control in all respects.

(b) The Escrow Agent shall not have any liability with respect to any action taken by it arising out of or in connection with this Agreement except for its own gross negligence, fraud, or willful misconduct. Without limiting the generality of the foregoing, the Escrow Agent shall not be liable in connection with its investment or re-investment of any cash held by it hereunder in good faith, in accordance with the terms hereof, including without limitation any liability for any delay not resulting from its own gross negligence or willful misconduct in the investment or re-investment of the funds or any loss of interest incident to any such delays.

(c) The Escrow Agent may rely and shall be protected in relying upon any notice, instruction, instrument or other writing in good faith believed by it to be genuine and to be signed and presented by the proper party or parties. The Escrow Agent may act in reliance upon the advice of counsel with respect to any matter relating to this Agreement, and shall not incur any liability for any action taken or not taken in good faith in accordance with such advice.

(d) This Agreement is for the exclusive benefit of the parties hereto and their respective successors and permitted assigns hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.

(e) If at any time the Escrow Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects the Deposit Account, the Reserve Account or any of the funds in the accounts (including but not limited to order of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of any of the funds), the Escrow Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate, and if the Escrow Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, the Escrow Agent (except in the case of the Escrow Agent's gross negligence or willful misconduct) shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or affect.

(f) In no event (except in the case of the Escrow Agent's gross negligence or willful misconduct or fraud) shall the Escrow Agent be liable (i) for any consequential, punitive or special damages, (ii) for the acts or omissions of its nominees, correspondents, designees, subagents or sub-custodians, or (iii) for an amount in excess of the value of the funds, valued as of the date of deposit.

(g) The Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Escrow Agent (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, or the unavailability of the Bangko Sentral wire or telex or other wire or communication facility).

(h) The Escrow Agent shall not be responsible in any respect for the form, execution, validity, value or genuineness of documents or securities deposited hereunder, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document, security or endorsement.

(i) The Escrow Agent is authorized to comply with and rely upon any notices, instructions or other communications believed by it to have been sent or given by a person or persons authorized by any other party hereto. Whenever under the terms hereof the time for giving a notice or performing an act falls upon a Saturday, Sunday, or banking holiday, such time shall be extended to the next day on which the Escrow Agent is open for business.

Section 7.02: Escrow Agent Fees.

(a) Escrow Agent fees for its services provided hereunder shall be paid monthly and shall be the greater of (i) ___% of interest earnings from Permitted Investments of Deposit Account and Reserve Account monies, or (ii) _____ per month plus ___% VAT. Additionally, all out of pocket expenses shall be for the account of DONOR which is subject to prior approval of DONOR; such expenses shall also be payable from interest earnings on the Deposit Account. If the interest earnings on the Deposit Account are not sufficient to cover the amount due to the Escrow agent, then the balance will be funded by the interest earned on the Reserve Account.

Section 7.03: Replacement and Resignation. The Escrow Agent or any successor Escrow Agent hereunder may be replaced by DONOR at any time or may resign upon the giving or at least sixty (60) days' prior written notice of resignation to the BANK and DONOR, and such resignation shall be effective from the date specified in such notice. If the office of Escrow Agent shall be vacant for any reason, DONOR may, upon consultation with the BANK, appoint a Escrow Agent as successor Escrow Agent hereunder by an instrument or instruments of appointment in writing delivered to such successor Escrow Agent, the retiring Escrow Agent, the BANK, together with (in the case of such successor Escrow Agent) a copy of this Agreement, and upon written acceptance by such Escrow Agent of such appointment such successor Escrow Agent shall succeed to all the rights and obligations of the retiring Escrow Agent as if this Agreement were originally executed by such successor Escrow Agent, and the retiring Escrow Agent shall duly transfer and deliver to such successor Escrow Agent the Funds in the form held by it hereunder at such time.

Section 7.04: Waiver of Set-off. The Escrow Agent shall not have, and hereby expressly waives, any right of bankers' lien, setoff or counterclaim in respect of the Deposit Account, the Reserve Account, or and any of the funds.

ARTICLE VIII
Miscellaneous

Section 8.01: Termination of Agreement.

(a) This Agreement shall terminate upon the payment in full by the Escrow Agent of all amounts that may be or become due and owing to the BANK and DONOR under Sections 2.05 and 3.06 and payment to Escrow Agent of all fees due under Section 7.02.

(b) In addition to the termination provisions provided in subsection (a) above, this Agreement shall terminate upon agreement of all of the parties hereto regardless of cause.

If the Parties are in breach of any provision of this Escrow Agreement, such breach shall be remedied within thirty (30) days of written notice by the concerned party. The initiation of arbitral proceedings in accordance with the herein prescribed procedure for Arbitration shall not be deemed a termination of this MOA/Escrow Agreement.

(c) Should BANK be adjudged bankrupt, or be liquidated or become insolvent, or should BANK make an assignment for the benefit of its creditors, or should a Receiver be appointed on account of the insolvency, DONOR may, without prejudice to any other right or remedy it may have, terminate this Escrow Agreement forthwith. BANK shall immediately inform DONOR of the occurrence of any of the above events.

(d) In the event of misrepresentation, or any other just cause for the termination of this Escrow Agreement, BANK shall be temporarily disqualified from future participation in

DONOR contracting for a period of two (2) successive years for the first offense and perpetual disqualification for the second offense.

Section 8.02: Settlement of Disputes and Arbitration.

(a) The parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this Escrow Agreement or the breach, termination or invalidity thereof. Where the parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with UN Commission on International Trade Law (UNCITRAL) Conciliation Rules then obtaining, or according to such other procedures as may be agreed between the parties.

(b) Unless any such dispute, controversy or claim between the parties arising out of or relating to this MOA/Escrow Agreement or the breach, termination or invalidity thereof is settle amicably under the preceding paragraph of this Article within sixty (60) days after receipt by one party of the other party's request for such amicable settlement, such dispute, controversy or claim shall be referred by either party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining, including its provisions on applicable law. The arbitral tribunal shall have no authority to award punitive damages. The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute. Any arbitration award rendered as a result of such arbitration shall bind the parties as the final adjudication of any such controversy, claim or dispute.

(c) During the dispute or arbitration, the performance of the obligations of the Parties shall not be stopped or put on hold except for such work as may be the subject matter of the dispute or arbitration, or is directly affected thereby.

Section 8.03: Use of DONOR Name, Observance of UN Conventions and Other Laws

(a) BANK shall not advertise or otherwise make public in any manner whatsoever, use the name, emblem or official seal of the DONOR or UN, or any abbreviations of the name of DONOR or UN in connection with its business or otherwise.

(b) BANK represent and warrant that neither it, nor any of their suppliers, personnel, agents or sub-contractors is engaged in any practice inconsistent with the rights set forth in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development. Any breach of this representation and warranty shall entitle DONOR to terminate this Escrow Agreement immediately upon notice to the Parties, without any liability for termination charges or any other liability of any kind to DONOR.

(c) BANK represent and warrant that neither their, nor any of their suppliers, personnel, agents or sub-contractors is actively and directly engaged in patent activities, development, assembly, production, trade or manufacture of mines, or in such activities in respect of components primarily utilized in the manufacture of mines. The term "mines" shall herein refer to those devices defined in Article 2, Paragraphs 1, 4 and 5 of Protocol II annexed to the Convention on Prohibitions and Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to be Excessively Injurious or to Have Indiscriminate Effects of 1980. Any breach of this representation and warranty shall entitle DONOR to terminate this Escrow Agreement immediately upon notice to the Parties, without any liability for termination charges or any other liability of any kind to DONOR.

(d) BANK shall comply with all laws, ordinances, rules and regulations bearing upon the performance of its obligations under the terms of this Escrow Agreement.

(e) Nothing in this Escrow Agreement shall constitute a partnership among the parties nor constitute one party the agent of the other party and vice versa. Except as set out in this Escrow Agreement, no party shall have express or implied authority to bind or represent any other party for any purpose whatsoever unless expressly agreed in writing by the party concerned.

(f) This Escrow Agreement may not be released, discharged, supplemented, interpreted, amended, varied or modified in any manner except in writing signed by a duly authorized officer or representative of each of the parties hereto.

(g) The Parties shall notify the other party of any material changes in the production process, nature and quality of supplies, mode of operation, delivery schedule, change of premises, change in the financial position as well as any litigation or proceedings involving the other party before any court or administrative agency which may adversely affect the ability of the other party to fulfill its contractual obligations to each other.

Section 8.04: Taxes

(a) The Parties recognize that Section 7 of the Convention on Privileges and Immunities of DONOR provides, inter-alia, that the UN, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of similar nature in respect of articles imported or exported for its official use. In the event any Governmental authority refuses to recognize the UN exemptions from such taxes, duties or charges, the Parties shall immediately consult with DONOR to determine a mutually acceptable procedure to address any issues arising from or as a result of the non-recognition of the UN tax exemption privilege.

(b) BANK shall not be exempted from the payment of taxes, if any, which they shall incur in the process of undertaking their respective obligations under this Escrow Agreement, such as, but not limited to, taxes due to the Government on the gross income, among others.

Section 8.05: Notices. All notices, instructions and other communications hereunder shall be in writing and shall be given personally or sent by cable, tested telex, telecopy or by registered airmail, to the parties hereto at the following addresses or for any party at such other address as shall be specified by such party to each other party by like notice:

For BANK:

For ESCROW AGENT (Escrow Agent):

For DONOR:

All such notices and communications shall be deemed to have been given on the date of delivery if personally delivered, the date of sending if sent by cable (with proof of receipt from the cable office) or if telexed (with proper answerback received), or the date of receipt if telecopied or mailed.

Section 8.06: Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties hereto and the respective successors and assigns, but shall not be assignable by the BANK or the Escrow Agent without the prior written consent of DONOR. Any purported assignment in violation of this Section shall be void.

Section 8.07: Entire Agreement; Waiver and Modification. This Agreement constitutes

the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements and undertakings, written or oral, with respect to the subject matter hereof. Any waiver, amendment or modification of the provisions hereof shall not be effective unless in writing and signed by all the parties hereto. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, and shall not be construed to affect any other or future waiver or consent.

Section 8.08: Headings. Headings and Articles and Sections of this Agreement are for convenience of reference only, and shall not be used in the interpretation or construction of this Agreement.

Section 8.09: Severability. If any one or more of the provisions of this Agreement shall be found to be invalid, illegal or unenforceable in any respect or to any extent, such finding shall not affect the validity, legality or enforceability of such provisions in any other jurisdiction, and the validity, legality and enforce-ability of the remaining provisions hereof shall not in any way be affected, impaired or restricted thereby.

Section 8.10: Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be a single agreement.

Section 8.11: No Waiver; Remedies. No failure on the part of DONOR or the Escrow Agent to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or remedy under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 8.12. Governing Laws. Except as provided for Section 8. 02 hereof, the terms and conditions, as well as the form and solemnities of this Agreement, shall be governed by and construed in accordance with the laws of the Republic of the _____.

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed as of the date first written above.

_____ **(BANK)** _____ **(Escrow Agent)**

By: _____
Title: _____

By: _____
Title: _____

_____ **(Donor)**

By: _____
Title: _____

Signed in the Presence of:

Annex A, page 1 of 2
SSRE Equipment Finance Program, Loss Reserve Fund Agreement

ANNEX A
MONTHLY REPORT to DONOR and Escrow Agent
pursuant to Loss Reserve Fund Escrow Agreement dated December __, 2003

Reporting

Period: 1-Jan-04 to 31-Jan-04

New Loans Added to Portfolio during Period

Loan #	Borrower	Location	Equipment Description	Net Sales Price	Customer Downpayment	Loan Principal	Closing date	Maturity date	Interest Rate
1									
2									
3									
4									
example 00214	Reyes, Joel	El Nido	50Wp SHS	PHP 20,000	PHP 2,000	PHP 18,000	15-Jan-04	15-Jan-08	24.00%
etc.									
Total						PHP 18,000			

Funds to be Transferred from Deposit Account to Reserve Account for these new Loans as per Escrow Agreement Section 3.02(b)

	15.00%	PHP 2,700
Funds Transferred from Deposit Account to Reserve Account, per all prior Monthly Reports		PHP 200,000
Funds Transferred from Deposit Account to Reserve Account, with this Monthly Report		PHP 2,700
Total Funds transferred from Deposit Account to Reserve Account, as of this Monthly Report		PHP 202,700

Defaulted Loans During Period

Loan #	Borrower	Location	Outstanding Loan Principal	Accrued Interest* 1	Realized Value	Net Loss Amount	Calculation Attached	Realized Value Date	VENDOR Confirmation of Realized Value
1									
2									
3									
4									
example 00306	Lopez, Manual	El Nido	PHP 12,000	PHP 240	PHP 6,000	PHP 6,240	yes		
etc.									
Total						PHP 6,240			

*not greater than two months accrued interest

Annex A, page 2 of 2

Funds to be Disbursed to FI from Reserve Account for total Net Loss Amount per this Monthly Report, as per Escrow Agreement Section 3.02(b)

80.00% PHP 4,992

Funds Disbursed to FI from Reserve Account, per all prior Monthly Reports	
Funds to be Disbursed to FI from Reserve Account, with this Monthly Report	<u>PHP 4,992</u>
Total Funds Disbursed to FI from Reserve Account, as of this Monthly Report	PHP 4,992

Portfolio Data

1	Total Loans in Portfolio, prior Monthly Report		<input type="text"/>
2	Total # New Loans Added, this Monthly Report		<input type="text"/>
3	Total # Loans as of this Monthly Report		<input type="text"/>
4	Total Original Loan Principal, all Loans in Portfolio, with prior Monthly Report		<input type="text"/>
5	Total Original Principal, all New Loans, this Monthly Report		<input type="text"/>
6	Total Original Principal, all Loans in Portfolio, this Monthly Report		<input type="text"/>
7	Total Outstanding Principal, all Loans in Portfolio, as of	31-Jan-04	<input type="text"/>
8	# Loans current		<input type="text"/>
9	# Loans past due 30 days		<input type="text"/>
10	# Loans past due 60 days		<input type="text"/>
11	Total Outstanding Principal, all Loans in Portfolio past due 60 days		<input type="text"/>
12	Total outstanding principal of Loans in default, but prior to Realized Value Date		<input type="text"/>

Prepared By: _____

Approved By: _____
 Manager
 Financial Institution Bank