

AFFILIATION AGREEMENT

AGREEMENT subscribed between **ACCION International**, domiciled in 56 Roland Street, Suite 300, Boston, MA 02129, United States of America, called hereinafter "ACCION", and, domiciled in,, called hereinafter the "Affiliate";

CONSIDERING that ACCION is a non profit entity, incorporated under the laws of the State of New York, United States of America, with the purpose of contributing to the improvement of social, economic and cultural conditions of the countries of Latin America; and

CONSIDERING that the Affiliate is an institution incorporated under the laws of; and

CONSIDERING that ACTION, during its years of activity, has developed a Network of affiliated entities throughout Latin America and the USA dedicated to promoting policies and to carry out support programs for micro-enterprise, in general, and for highly needed micro entrepreneurs, in particular, whose efforts have resulted in the invigoration of hundred of thousands of precarious employments, creating new work positions and increasing family revenues; and

CONSIDERING that ACCION, the Affiliate and other institutions that have signed or shall sign agreements similar to this Agreement, share the desire to form, integrate and maintain a group of organizations with the Mission and the Principles stated in the First and Second Clauses of this Agreement, known hereinafter as "ACCION Network" or the " Network ", indistinctly;

CONSIDERING that the Affiliate recognizes that ACCION, due to its reputation and the work performed in the past, has created along the time an intangible value around the name of ACCION that requires of the appropriate and adequate defenses to maintain the good name and the future promotion of ACCION and ACCION Network; and

CONSIDERING that the Affiliate accepts and recognizes that ACCION, always respecting the terms hereof, shall act as coordinator and organizer of the ACCION Network, and in that capacity it will look after the good operation of the Network and in defense of its integrity;

THEN, THEREFORE, considering the mutual agreements established herein, and other good and valid considerations whose receipt and sufficiency are also acknowledged, ACCION and the Affiliate have agreed on the following Affiliation Agreement to the ACCION Network, where the standards and obligations of the entities are set forth, as stated in the clauses below:

FIRST CLAUSE: MISSION OF ACCION NETWORK. The Mission of ACCION Network, known hereinafter as the “Mission”, is:

To promote micro enterprise development creating and strengthening an alternate financial system able to access capital markets under commercial terms.

SECOND CLAUSE: PRINCIPLES OF ACCION NETWORK. In attaining its Mission, ACCION Network shall be governed under the following principles, known hereinafter as the “Principles”:

1. Network Affiliates shall look to contribute to the development of their nations by means of their commitment to lower income sector population.
2. Network Affiliates shall look for the massification of their services by means of the efficiency of their operations.
3. Network Affiliates shall look for self-sufficiency to achieve autonomous maintenance of their efforts.
4. Network Affiliates shall look for Network invigoration through solidarity, reciprocity and mutual support.
5. Network Affiliates shall look for ongoing improvement of their services with creativity and innovation.
6. Network Affiliates shall treat their clients as entrepreneurs, avoiding paternalism.
7. Network Affiliates, both in the internal management of their institutions and in clients treatment, shall avoid all discrimination based on race, social or ethnic group, political affiliation, religion or gender.
8. Network Affiliates shall behave according to the highest ethical and professional standards and values and in consonance with the Network Mission.

THIRD CLAUSE: AFFILIATES TO ACCION NETWORK. Network Affiliates, known hereinafter as “Affiliate” in singular form or “Affiliates” in plural form, shall be ACCION and any institution signing an ACCION Network Affiliation Agreement whose form and content is substantially similar to this Agreement, for the time it remains in effect. Said Affiliation Agreements may be signed by those institutions fulfilling the following requirements:

- a. To be included in the list of institutions named in Annex A of this Agreement; or
- b. In the case of institutions located in countries where no Affiliate has operations, the institution whose application to join the Network has been presented by ACCION before the Directors Committee (affiliation process defined in the Eighth

Clause hereof) and this entrance application being approved by a majority of votes of the Members of the Directors Committee; or

- c. In the case of institutions located in countries where some Affiliate is already operating, the institution whose application to join the Network has been presented by ACCION before the Directors Committee (affiliation process defined in the Eighth Clause hereof) and this entrance application being approved by a majority of votes of the Members of the Directors Committee, after express consultation by the committee to the affected Affiliate or Affiliates.

FOURTH CLAUSE: AFFILIATE CHARACTERISTICS: (REGULATED ENTITIES OR IN TRANSITION TO BECOME REGULATED FINANCIAL ENTITIES)

- a. It shares ACCION Network social impact and economic development Mission and Principles.
- b. The Directory has decided to evolve the micro-finances activity toward an entity supervised by national authorities regulating the activity of the banking/financial sector. Seeking for massive coverage and leadership of the micro-finances market.
- c. As a regulated entity, it expects to fulfill all the characteristics set forth by ACCION Network for said institutions.
- d. It has, or it will soon have, all the necessary conditions to fulfill the requirements of regulated entities (including board of directors, management, operational systems).
- e. Has long-term relationship with ACCION International.

FIFTH CLAUSE: RIGHTS OF AFFILIATES (REGULATED ENTITIES OR IN TRANSITION TO BECOMING REGULATED FINANCIAL ENTITIES). All the Affiliates, including ACCION, in their character of independent entities and acting individually and not on behalf of the Network or as Representatives thereof, are entitled to operate in the environments they freely choose and join the organizations they freely select, provided these activities do not contradict ACCION Network's Mission nor Principles and do not cause the violation of the terms set forth herein. Additionally, the Affiliate and ACCION, each one on their own, are also entitled to the following:

- a. The Affiliate is entitled to:
 - 1) Obtain from ACCION the authorization to identify itself as a Member of the Network ACCION-Entities in Transition to become Financial Regulated Entities, pursuant to as established in Paragraph (b) of the Seventh Clause of this Agreement; and
 - 2) Use ACCION's specialized services and benefit from ACCION's further obligations with the Affiliate, as stated herein; have access to services from Capital Market Department (including Bridge Fund, Gateway and capital

venture products, investment and commercial banking); have access to technical assistance in microfinance of specialized teams (subject to mutually agreed terms and conditions).

- 3) Participate in the Annual Conference and specialized workshops.
- 4) Receive support from ACCION's Office in Washington D.C.
- 5) Receive and make training and professional exchange visits to other Affiliates of the Network.
- 6) Receive, free, ten copies of each publication made by ACCION of the series of manuals, monographs and discussion documents.
- 7) Obtain ACCION and the other Affiliates' support to fulfill the Mission and the Principles, including direct contacts of the Affiliate with the Affiliates of their choice; and
- 8) Demand from ACCION, as Network coordinator and organizer, the establishment and control of the quality levels through the Network, consistent with the Mission and the Principles; and
- 9) Request assistance and mediation from ACCION and the Directors Committee (defined in the Ninth Clause of this Agreement) in case the Affiliate considers to have been hurt by some Affiliate's activities.
- 10) Failure to fulfill these rights, at the same time, will grant the right to withdraw the institution from ACCION's Network.

b. ACCION is entitled to:

- 1) Request and receive assistance from the other Affiliates so they support its function as Network coordinator and organizer and its efforts to assure the Network's success; and
- 2) Request the assistance and mediation of the Directors Committee (defined in the Ninth Clause of this Agreement), in case it considers to have been hurt by the activities of some Affiliate.

SIXTH CLAUSE: OBLIGATIONS OF THE AFFILIATE. The Affiliate is committed to:

- a. Devote to the execution of ACCION Network's Mission and Principles, including carrying out its programs with the professionalism required to obtain, today or in the near future, the financial self-sufficiency, solvency, portfolio quality, profitability and liquidity conditions that assure the preservation of the Network's standards and allow considering the massification of its programs and access to financial markets under commercial terms; and

- b. In good faith, preserve and protect the good name of ACCION, the Network and each one of its other Affiliates, both inside the institution and before other Network Affiliates and before third parties; and
- c. Maintain as one of its main activities, the promotion and carrying out of programs to support micro enterprise, in general, and micro entrepreneurs who have the greater needs, in particular; and
- d. Timely deliver Network's periodic statistical reports to ACCION, with ACCION's consent for their use and dissemination in representation of the Network or acting as Network coordinator and organizer, without disclosing outside of the Network all information identified by the Affiliate as confidential and not to be disseminated to third parties, save with the Affiliate's express consent; and
- e. Collaborate in the delivery of other non confidential reports, materials, financial statements, descriptions, pictures, etc., requested by ACCION from time to time; and
- f. Accept the application of at least one CAMEL as part of Network Affiliation requirement, and unless there are restricted resources for this purpose, corresponding costs shall run at expense of the institution. Other CAMELs shall take place as part of an ACCION Network quality control program. The CAMELs shall consider each institution's monitoring context to avoid the duplication of works made by other independent entities. These routine CAMELs shall be carried out with the frequency that ACCION considers necessary in consultation with the Affiliate. Some reasons to carry out a CAMEL would include: (1) as part of the Affiliation process of a new Affiliate to the Network; (2) when by means of quarterly statistical or financial reports a trend to deterioration is evidenced in key performance indicators, including assets quality, operative efficiency, self-sufficiency, profitability and growth in coverage; (3) when the institution changes its legal structure (NGO becoming a regulated entity, a regulated entity merging with another, change of financial company to bank, etc.); (4) in those occasions, when ACCION determines that more information is required to fulfill "due diligence" obligations as part of a service of the Capital Markets Department, and (5) when it is considered that CAMEL application is useful as part of a technical assistance program duly negotiated with the Affiliate. Costs will be shared between the institution and ACCION International unless there are restricted resources or donations to cover them. The Directors Committee shall decide to suggest a direct partial or total financing by ACCION and/or the Network in the case of a deep crisis in a Affiliate that threatens the performance of its efforts or microfinance activities of its program. The result of this analysis shall be kept strictly confidential, and both ACCION and the Affiliate shall abstain from communicating it to third parties without obtaining the consent of both parties.

Usually, a new activity (from 0) shall not have a CAMEL before two (2) years.

In the case of the commercial banks, CAMELs shall be performed, usually, only in the microfinance portfolio.

- g. Receive training and professional exchange visits of Network Affiliates (except direct competitors) and of ACCION, with a preferential rate in case the institution has a collection policy.
- h. Network representation in national and international events.
- i. Keep the Network, its Affiliates and ACCION very high in conversations and activities with third parties, acting in good faith in settling internal differences in the Network, using the mechanisms contemplated herein and without involving third parties what so ever.
- j. Pay the Affiliation quota and timely fulfill corresponding financial obligations.
- k. Annually obtain a financial statements external audit, carried out by a well-known public accountants firm submitting a copy of these audited financial statements to ACCION on time once concluded; and
- l. Grant ACCION access to Affiliate's publications that may be of common interest to the Network and that, given their nature, are not designated by the Affiliate as confidential. ACCION shall not disclose Affiliate's material in Affiliate's national territory, without Affiliate's express consent. In all cases, the material will be clearly attributed to the Affiliate; and
- m. Provide ACCION or their Agents a copy of each document referred to in Paragraph (l) of Clause Sixth hereof, free of charge or at duplication cost. In the event of material purchase to be sold to the public in general, the Affiliate shall give ACCION a discount similar to the one received from ACCION for the purchase of similar materials; and
- n. Receive visits made by Affiliates' staff with the objective of disseminating the Affiliate's experiences. In case they are training visits, the Affiliate shall be able to establish fees to cover the costs incurred in, being understood that these rates shall represent a discount before what the Affiliate would charge to institutions that are not Affiliated, remaining the collection of these amounts at entire discretion of the Affiliate; and
- ñ. Upon ACCION's request, supply, to the extent possible, but without unacceptably harming the Affiliate's own activities, personnel to provide technical consultantship to the other Affiliates. If so desired, the Affiliate can request that this technical assistance be coordinated ahead of time by ACCION. The Affiliate and ACCION, or directly the Affiliate and the other Affiliate receiving the consultantship, shall establish ahead of time the corresponding fee, or absence of fee. In case ACCION receives financial support from third parties to finance these services, ACCION shall recognize a fee to the Affiliate, or to the people or

entities appointed by the Affiliate, up to the value authorized by this donating institution.

- o. Failure to fulfill the previous obligations will cause the withdrawal of the institution from the Network.
- p. Inform ACCION about their plans to contract services with suppliers of services that ACCION could normally provide, particularly in the case of international entities as IPC, DAI and other consultant firms that directly compete with ACCION. Also, keeping ACCION informed about negotiations with international donors as the IDB, AID, CGAP and other, to avoid resource competition problems of when more than one Network Affiliate can be looking for funding from one single source under competitive conditions. This information may remain strictly confidential, even with other Network Affiliates, if the Affiliate so requests.
- q. Inform any Network Affiliate that may be affected by technical assistance service rendering from an Affiliate to an entity that is not affiliated to the Network, on their intention of offering those services, directly or through a third party, before activities begin. This communication shall be in writing, with copy to ACCION and the members of the Directors Committee.

SEVENTH CLAUSE: ACCION'S OBLIGATIONS. ACCION commits, directly or through its Agents and Representatives, to:

- a. Be devoted to fulfill the Mission and the Principles; and
- b. Grant the Affiliate the right of being identified as a Network Affiliate in connection with its activities in support to the micro entrepreneurial sector, both in the national and in the international environment. This identification will be expressed by using the following sentence: "Member of the ACCION International Network" or its equivalent in another language, with ACCION's previous consent. The Affiliate accepts and recognizes that the right of using the names of ACCION and ACCION Network originates exclusively by means of this Agreement, and the Affiliate shall not have right, title or interest in these names, except for the limited and exclusive right of using them according to the specifications hereof during the term this Agreement remains effective; and
- c. Give the Affiliate five free copies of each monograph and each new discussion document published by ACCION as of the date of this Agreement, and to provide additional copies at a price that includes the discounts established for Affiliates; and
- d. Make available to the Affiliate all training material developed by ACCION, respecting ACCION's intellectual property rights, including, but not limited to, manuals and materials designed for users, at the printing cost plus a 20% AIU surcharge (Administration, Unforeseen and Profit); and

- e. Organize, upon request by the Affiliate, some visits by the institution's personnel to another Affiliate's program. The Affiliate and ACCION shall jointly determine ahead of time, the objectives of the visit, the Affiliate shall receive a program of activities and schedules to be followed, and the Affiliate shall later present ACCION with a written report of his visit, including an appreciation of the extent to which the established objectives were achieved. Travel costs shall be at expense of the Affiliate; and
- f. Periodically organize conferences, seminars, work sessions, plenary meetings and other similar meetings on topics of common interest to the Network, to which the Affiliate's participation will be invited. These meetings may be about topics of interest or of particular relevance for an Affiliated subgroup. ACCION, using its own good criteria and responsibility as Network coordinator and organizer, and always applying technical and professional criteria, may be able to invite a reduced group of participants to these meetings that may or may not include the Affiliate. In particular, meetings that are of exclusive interest for NGOs or for regulated entities Affiliated to the Network will be considered. Travel costs to attend these meetings shall be the Affiliate's responsibility. However, from time to time, ACCION, at its sole discretion, may be able to provide financial support to cover in part or completely these travel costs; and
- g. Organize, upon Affiliate's request or ACCION's suggestion, but always by common agreement, support to the Affiliate in the form of technical assistance, consultancy, exchange of ideas or similar efforts, using other Affiliates professional resources. These projects shall have reference terms established ahead of time and by common agreement between the Affiliate, ACCION and the Adviser, and shall later include the Adviser's final written reports. The Affiliate shall be accountable for the cost of this technical support, reimbursing (in the event of being requested) all the expenses incurred in by services supplier that have not been reimbursed by third parties; and
- h. Grant the Affiliated access to ACCION's specialized services, including, but not limited to, the following:
 - 1) Consulting Service - Methodological Aspects. Upon Affiliate's request, and to the extent resources so allow, ACCION will make available to the Affiliate its technical personnel, as well as specialized consultants to offer support in the methodological and operative area of the programs of solidary groups and individual loans, oriented both to urban and rural micro enterprise, including, but not limited to, loan analysis and follow-up aspects, clients' training, elaboration of operational plans, internal control, loan official /Agent management, new products development, processes re-engineering, development of agency models, collection strategies, etc.; and
 - 2) Consulting Service – Business Administration. Upon request of the Affiliate, and in the extent resources so allow, ACCION will make available to the Affiliate its technical personnel, as well as specialized consultants to offer

support in the general area of business administration, including, but not limited to operational and strategic planning (*"Business Plans"*), incentives plan, budgets, cost structure analysis, profitability analysis, etc.; and

- 3) Consulting Service - Financial Management. Upon request of the Affiliate, and in the extent resources so allow, ACCION will make available to the Affiliate its technical personnel, as well as specialized consultants to offer support in the finances area, including but not limited to the access to financial markets, formulation of financial plans, analysis of capital structure, analysis of financial costs, etc.; and
- 4) Consulting Service - Organizations Development. Upon request of the Affiliate, and in the extent resources so allow, ACCION will make available to the Affiliate its technical personnel, as well as specialized consultants to offer support in the area of organizational development, including, but not limited to training programs, human resources, designing of training courses, personnel selection, growth management, etc.; and
- 5) Management and Communication Courses. Upon request of the Affiliate, and in the extent resources so allow, ACCION will make available to the Affiliate its technical personnel, as well as specialized consultants to offer support in the area of management and communication courses, including, but not limited to workshops, trainers' training, designing of special courses, etc.; and
- 6) Innovations Introduction. Upon request of the Affiliate, and in the extent resources so allow, ACCION will make available to the Affiliate its technical personnel, as well as specialized consultants to offer support in the introduction of innovations that improve competitiveness, quality of the service offered and institutions profitability such as PortaCredit, Credit Scoring, specialized marketing tools, etc..
- 7) Representation in Washington, D.C. Upon request of the Affiliate, and to the extent resources so allow, ACCION will make available to the Affiliate its office in Washington, D.C. and its personnel's support for any action required, including but not limited to, organizing meetings, visits with official institutions and bilateral and multilateral agencies, fund-raising, follow-up of proposals presented by the Affiliate, etc.; and
- 8) Financial Products and Services. ACCION will make available to the Affiliate, to the extent resources so allow, the opportunity to request support from its Capital Markets Department whose products and services include, but are not limited to, letters of guarantee for the Bridge Fund , direct loans and placement of financial instruments, both debt and stock (direct investment). The Affiliate accepts and recognizes that, although its Affiliate condition allows him to request said financial services, they are not obtained automatically, depending only and exclusively of the Capital Markets Department, which will analyze each application in function of its own criteria that include, but are not limited to, the quality of the credit, the financial risk, profitability perspectives and the fiduciary accountability; and

- 9) Support from Resource Mobilization Department. In the course of its operations, ACCION's Resource Mobilization Department will be alert to the possibility of capturing funds specifically oriented to the Affiliate and other Affiliates. Upon request of the Affiliate, and to the extent resources so allow, the Resource Mobilization Department will support the Affiliate's efforts directly.

The Affiliate accepts and recognizes that access to ACCION's specialized services, incorporated in this Paragraph (h) of this Seventh Clause hereof, shall be necessarily conditioned to ACCION's technical resources and materials availability and both the Affiliate and ACCION commit themselves to coordinate efforts to maximize the efficiency of said services. In the case of the use of these specialized services, the Affiliate and ACCION shall come to an agreement regarding to the cost of the services, refunding incurred expenses and specific terms and conditions that will govern the delivery of those services; and

- i. Preserve the Network's Mission and Principles and general quality by means of periodic analysis and revision of the Affiliates' operations, using means that include, but are not limited to, the application of diagnoses tests like CAMEL®, to verify the fulfillment of obligations relevant to the Sixth Clause hereof; and
- j. Annually obtain a financial statements external audit, carried out by a well-known public accountants firm submitting a copy of these audited financial statements to the Affiliate, on time once concluded; or when incorporated to the publication of their Yearly Report; and
- k. Provide, from time to time, at their sole criteria and to the extent their resources so allow, financial support to the Affiliate or other Affiliates to support specific activities under terms and conditions established ahead of time among the parties directly affected. The Affiliate accepts and recognizes that nothing of what appears herein should be interpreted as right to receive this financial assistance. It is not included in this paragraph the distribution of funds coming from donating institutions in application of concrete terms that specify the application of said funds to the Affiliate.
- l. Maintain internal communication mechanisms, both for the entire Network as well as for subgroups like the one conformed by NGOs, veiling for the channels and the contents to contribute in keeping all the Network Affiliates informed about the activities of its Affiliates, and to maintain the transparency and good understanding in the bilateral relationships with ACCION or between two or Network Affiliates.
- m. Keep the Network, its Affiliates and ACCION very high in conversations and activities with third parties, acting in good faith in settling internal differences in

the Network, using the mechanisms contemplated herein and without involving third parties what so ever.

- n. Inform any Affiliate, by means of written communication and with copy to the members of the Directors Committee, on any attempt of subscribing a technical assistance contract with institutions not affiliated to the Network that operate in said Affiliate's country, regardless of said institution being considered as competition by the Affiliate or not.

EIGHTH CLAUSE: AFFILIATION TO THE NETWORK. Applications to **join** and **leave** the Network shall be determined by the Directors Committee operating under the following terms:

- a. It shall be conformed by the members of the Directors Committee (defined in the Ninth Clause hereof ;) and
- b. The Directors Committee shall base its entrance and separation decisions keeping in mind the well being of the Network only. In the assessment of entrance and separation applications, the Directors Committee shall use as one of its main criteria the capacity of the affected institution to fulfill, or to continue fulfilling, the Network Mission and Principles; and
- c. Entrance applications can only be presented by ACCION, in its Network coordinator and organizer role. Exercising this responsibility, ACCION shall place its best efforts to give consideration to entrance recommendations brought before ACCION by other Affiliates; and
- d. Separation applications may be presented to the Directors Committee by any Affiliate or through written communication to ACCION's Executive President, listing the reasons for such application to take place; and
- e. In case a member of the Directors Committee is an affected Affiliate according to Paragraph (c) of the Third Clause hereof or a Affiliate whose separation is being requested under Paragraph (d) of this Eighth Clause, such member shall abstain itself from participating both in the deliberations as well as in the vote of the Directors Committee, without this limiting such member from responding to the Directors Committee consultation; and
- f. The members of the Directors Committee shall keep their deliberations in the strictest confidentiality.

NINTH CLAUSE: DIRECTORS COMMITTEE. To represent the Affiliates in all the aspects of the Network requiring of the intervention of the Directors Committee, according to as specified by this Agreement, a Directors Committee is established under the following terms:

- a. The Directors Committee shall be conformed by one ACCION Representative and by four executive directors of the Affiliates (called hereinafter the “Representatives”), two representing regulated entities or in transition to become regulated entities and two representing the NGOs,
- b. The four Representatives shall be those that have received the largest number of votes from the Affiliates in an electoral process summoned specifically for this purpose (called hereinafter the “Election”); and
- c. To achieve the Directors Committee quorum, three Representatives of the five votes shall be required, but among the three one must belong to regulated entities and one to NGOs.”
- d. The Representatives will exercise their function until they are replaced by Election, understanding that Elections shall take place approximately every twelve months; and
- e. The Elections shall be carried out, in general, in the Network’s Directors Annual Conference, being possible for any Affiliate absent to give its vote through written instructions or by duly authorized Representatives, without this limiting the possibility for Elections to take place entirely in writing; and
- f. Each Affiliate is entitled to issue a maximum of three votes, each vote having to be for a different person; and
- g. Any Executive Director, Executive President, or General Manager (as the maximum executive authority of the institution is appointed) of an Affiliate can be elected as Representative; and
- h. In case a Directors Committee member is an affected Affiliate according to the Twenty-fifth Clause hereof, this Affiliate shall abstain itself from participating in the committee’s deliberations and vote, without this limiting such member in any manner from responding to the Directors Committee consultation; and
- i. The Representatives will lose their conditions and shall stop to exercise their functions as such in case the entities they manage cease being Affiliates.
- j. The ACCION Network Plan proposes a more active participation from the Steering Committee as far as support and supervision of the proposed activities herein.

THENTH CLAUSE: THE NETWORK COORDINATOR/SUPPORT

In order to support and coordinate all the Network activities:

- a. ACCION selects and hires a Coordinator in order to support the Network Activities.
- b. The coordinator of the Network has as his main function to support and organize all the activities of the Network. These include: the elaboration of a Business Plan, the fulfillment of the activities of the Network, the continuous search of financing funds for all activities, as well as any other support activities that he may provide for the Network
- c. The coordinator will work in close collaboration with the Steering Committee of the Network.

ELEVENTH CLAUSE: ANNUAL QUOTA AS AFFILIATED TO ACCION NETWORK.

a) DETERMINATION OF ANNUAL QUOTA: in consideration to the rights, services and other benefits conferred to the Affiliate by means of this Agreement, the Affiliate will pay ACCION an annual quota of US \$4,000 (four thousand US dollars), called hereinafter the "Annual Quota." In the event of covering periods smaller than one complete calendar year, the corresponding Annual Quota will be determined by multiplying the calculated Annual Quota as if the corresponding period was the complete calendar year by a fraction whose numerator will be 12, less the months (complete and/or partial) that have already lapsed and whose denominator shall be 12. b) PAYMENT DATE: the Affiliate shall deliver its Annual Quota to ACCION on the fifteenth of January every year for the period of time this Agreement remains effective. c) PAYMENT MODE: payment of the Annual Quota shall be in dollars of the United States of America, payable to the bank account designated by ACCION for such purpose, unless it is prohibited by the laws of the Affiliate's country, in which case the Annual Quota will be determined and it shall be paid in some other way, previously agreed with ACCION.

OTHER COSTS: when receiving technical assistance support, the Affiliate shall pay preferential rates (compared to those of non-affiliates). When participating in Network activities, the affiliate might have to pay some subscription fees.

TWELFTH CLAUSE: VALIDITY OF THE AGREEMENT. This Agreement shall have a two year validity counted as of the first of January of year 2004 until December 31 of year 2005, unless it is terminated or dissolved before, according to as specified hereinunder.

THIRTEENTH CLAUSE: NON-FULFILLMENT EVENTS. In spite of what appears stated in the Eleventh Clause hereof, upon occurrence of any of the events below and subsequent to their occurrence, with the previous authorization by majority of the Directors Committee, ACCION shall have, entirely at its own criteria, the option of terminating this Agreement and all the rights that this Agreement assigns to the Affiliate, if the events are on the part of the Affiliate, and the Affiliate shall have, entirely at its own criteria the option of terminating this Agreement and all the rights that this Agreement assigns to ACCION, if the events are on the part of ACCION:

- a. Failure to fulfill the agreements, terms, obligations and conditions set forth herein by one of the parties hereto, and when this failure to fulfill continues for more than five days after having received written notification in this respect from the other party; or

- b. Failure to fulfill the confidentiality required by Paragraph (f) of the Sixth Clause hereof; or
- c. Failure to fulfill audit requirements established in Paragraph (j) of the Seventh Clause and Paragraph (k) of the Sixth Clause hereof; or
- d. Economic insolvency, declaration by competent authorities of a bank failure, insolvency, concordat, bankruptcy condition or any other similar measure, upon request made by the party itself or by third parties, the assignment of goods, values or assets to creditors, or the appointment by competent authorities of an administrator, trustee or alike to take over the entity's matters; or
- e. Initiating steps for the dissolution, liquidation or distribution of the entity, both by the party's own initiative or by third parties; or
- f. Failure to fulfill for more than 15 days any verdict dictated by competent authorities against the entity, provided this verdict is not undergoing a legitimate appeal process or does not involve a matter that, under application of criteria generally considered reasonable, can be considered as trivial.
- g. If with base on ACCION's recommendation the Directors Committee determines that the Affiliate is not duly fulfilling microfinances quality standards, including target population, coverage, assets quality, efficiency and sustainability mentioned herein as a criteria to maintain the affiliation to the Network, even after having granted the period specified to improve those indicators.

FOURTHTEENTH CLAUSE: SEPARATION EVENT. In spite of as set forth in the Eleventh Clause hereof, the Affiliate ceases to be an Affiliate and this Agreement shall be unfaithfully terminated in case a separation application against the Affiliate had been approved by a majority not less than seventy five percent (75%) of the votes of the Directors Committee, after express consultation made to the Affiliate by the Directors Committee.

FIFTEENTH CLAUSE: TERMINATION OR EXPIRATION OF THE AGREEMENT. Upon completion of this Agreement, and in case the Affiliate and ACCION have not signed a new affiliation agreement:

- a. The Affiliate shall immediately cease to identify himself as an ACCION Network Affiliate and shall stop using the name of ACCION and ACCION Network; and
- b. ACCION shall immediately cease to identify the Affiliate as an ACCION Network Affiliate; and
- c. The total amounts owed by the Affiliate to ACCION for concept of this Agreement shall become due immediately and their payment shall occur at once; and

- d. The total amounts owed by ACCION to the Affiliate for concept of this Agreement shall become due immediately and their payment shall occur at once.

SIXTEENTH CLAUSE: NOTIFICATIONS. Whenever ACCION and the Affiliate must or need to be notified under the terms of this Agreement, this shall be done in writing, and delivered by mail or through a courier service or via fax, with confirmation of delivery to the addressee, to the address set forth in this Agreement or according to changes indicated, from time to time, by one party to the other according to the notification process described herein. All notifications shall be deemed as delivered once delivered to this address.

SEVENTEENTH CLAUSE: SURVIVAL OF CERTAIN OBLIGATIONS. All the obligations contained in Paragraphs (b) and (i) of the Sixth Clause and Paragraphs (a) and (b) of the Fifteenth Clause hereof shall survive the expiration or premature termination of this Agreement.

EIGHTEENTH CLAUSE: FULL AGREEMENT. This Agreement represents the total agreements between the two parties on the subject addressed, and it precedes and supersedes any previous agreement, both verbal and in writing, between the parties referring to this matter.

NINETEENTH CLAUSE: CHANGES AND AMENDMENTS. This Agreement can only be changed or amended by means of a written instrument signed by both parties to this Agreement.

TWENTIETH CLAUSE: WAIVERS AND CANCELLATION OF CERTAIN OBLIGATIONS. By means of a notification, in writing, any of the parties to this Agreement may cancel or waive the applicability or the effect of any of the obligations contained herein set forth for their protection or that may confer them a right. The fact of having suspended or waived an obligation or right in a certain occasion shall not be deemed as a waiver or cancellation of that same obligation or any other obligation in any other occasion.

TWENTY-FIRST CLAUSE: ASSIGNMENTS AND BENEFITS OF THE AGREEMENT. None of the parties to this Agreement shall be entitled to assign or transfer by any other means (by means of legal processes or other processes), any of their rights or delegate any of their obligations hereinunder without the previous consent, in writing, of the other party. This Agreement bounds, protects and benefits the signatories hereof, its allowed legal Representatives, successors and assignees.

TWENTY-SECOND CLAUSE: LIMIT OF THE RESPONSIBILITY. Notwithstanding, any clause or paragraph of this Agreement that can be interpreted on the contrary, ACCION and the Affiliate are independent entities and neither one of the parties shall contract, nor will it be represented with the power of contracting obligations on behalf of the other party. Both ACCION and the Affiliate shall be in charge of and assume responsibility for contracting, managing, controlling, handling and for the acts of their own personnel exclusively.

TWENTY- THIRD CLAUSE: COUNTER PARTIES. This Agreement can be executed in any number of counter parties, each one of which shall be considered an original and the total number of counter parties shall constitute a single and same Agreement.

TWENTY-FOURTH CLAUSE: HEADINGS. The headings used in this Agreement only exist as reference effects and shall not affect in any way the meaning or interpretation thereof.

TWENTY-FIFTH CLAUSE: SEVERABILITY. The terms and clauses of this Agreement shall be separable. In case one of the terms or clauses of this Agreement, or its application to a person, property or circumstance, be declared as invalid or partially or fully inapplicable by courts of competent jurisdiction, the remainder of the Agreement, and its applicability to persons, properties or circumstances, save in the case its invalidity or unenforceability has been dictated, shall not remain affected and each one of the terms or clauses shall remain effective and enforceable to the maximum extent allowed under the law.

TWENTY-SIXTH CLAUSE: UNFORESEEN MATTERS. In case matters arise between ACCION and the Affiliate that have not been foreseen by this Agreement, both parties commit to perform their best effort, within a friendship and good faith framework, to arrive to a mutual agreement solution. If this was not possible without the intervention of third parties, ACCION and the Affiliate shall ask for the assistance and advice of the Directors Committee.

TWENTY-SEVENTH CLAUSE: GOVERNING LAW. This Agreement shall be governed, interpreted and construed under the laws of the State of The Commonwealth of Massachusetts, USA and, in case any controversy may arise, it shall be brought to an arbitrage sought by common agreement.

IN WITNESS THEREOF the parties hereto, fully authorized by their respective Boards of Directors, grant and sign this Agreement in three copies of the same tenor and validity.

ACCION INTERNATIONAL
56 Roland Street; Suite 300
Boston, Massachusetts 02129

Signature: _____

Signature: _____

Name: María Otero

Name:

Title: President

Title:

Date: _____

Date: _____

ANNEX A

INSTITUTIONS AFFILIATED TO ACCION NETWORK -		
COUNTRY	INSTITUTION	TELEPHONE, FAX, E-MAIL
	<p>ACCION International Presidenta: María Otero 733 15th St., NW Suite 700 Washington, DC 20005</p> <p>Senior Vice President LAO: Carlos Castello 56 Roland St., Suite 300 Boston, MA 02129 EE.UU.</p> <p>www.accion.org</p>	<p>Tel: (202) 393 51 13 Fax: (202) 393 51 15</p> <p>E-mail: motero@accion.org</p> <p>Tel: (617) 625 70 80 Fax: (617) 625 70 20</p> <p>E-mail: ccastello@accion.org</p>
BOLIVIA	<p>BANCOSOL Kurt Koenigsfest, Gerente General Calle Nicolás Acosta No. 289 Esq. Calle Cañada Strongest Plaza San Pedro. La Paz, Bolivia Asistente: Sonia Arze</p> <p>www.bancosol.com.bo</p>	<p>Tel: (591) 248 42 42; 563; 486 / 248 64 75; 495; 485; 505</p> <p>Fax: Central 248 65 33 Contab. 248 64 68 Sist. 248 64 66</p> <p>E-mail: kkoenigsfest@bancosol.com.bo sarze@bancosol.com.bo</p>
BRASIL	<p>BANCO DE NORDESTE/CREDIAMIGO Stélio Gama Lyra Júnior, Gerente Av. Paranjana, 5.700 – Passaré 60740-000 Fortaleza – Ceará Brasil</p> <p>www.banconordeste.gov.br</p>	<p>Tel: (011-55-85) 299 31 48/ 299 30 49 / 299 30 77/ 299 33 18</p> <p>Fax: (011-55-85) 299 31 81</p> <p>E-mail: stelioglj@banconordeste.gov.br</p>
COLOMBIA	<p>COOPERATIVA EMPRENDER Claudio Higuera, Gerente General Carrera 33 No. 89-82 Barrio La Castellana Bogotá, Colombia</p>	<p>Tel: (571) 621 48 00 Fax: (571) 618 04 83</p> <p>E-mail: claudioh@aolpremium.com</p>
	<p>FINAMÉRICA Germán Contreras, Presidente Calle 16 No. 6-66, piso 4 Bogotá, Colombia</p>	<p>Tel: (571) 286 86 09 Fax: (571) 342 70 70 Presidencia: (571) 342 03 04 (telefax)</p> <p>E-mail: gcontreras@finamerica.com.co</p>
	<p>FUNDACIÓN MARIO STO. DOMINGO Marciano Puche, Director Ejecutivo Carrera 45 No. 34-01, segundo piso Barranquilla, Colombia</p> <p>www.fundacionmariosantodomingo.org.co</p>	<p>Tel: (575) 340 24 00 379 19 19; 33 00; 31 90</p> <p>Tel. Address: (575) 351 38 61 Fax: 379 19 19. Call first</p> <p>E-mail: puchepuche@hotmail.com</p>

ECUADOR	FUNDACIÓN ECUATORIANA DE DESARROLLO (FED) Aníbal Baño, Director Ejecutivo 9 de octubre, 1212 y Colón Quito, Ecuador	Tel: (593 2) 252 63 72 254 78 64; 78 73 Fax: (593 2) 250 90 84 E-mail: fed@ecuanex.net.ec
	BANCO SOLIDARIO / ENLACE Santiago Ribadeneira, Pres. Ejecutivo Mónica Hernández, Vicep. Proyectos María Luisa Salvador (Asistente) Amazonas 3887 y Corea Quito, Ecuador	Tel: (593 2) 226 85 34; 85 46 226 02 60 Fax: (593 2) 226 88 43 E-mail: sribaden@enlace.fin.ec mhernand@enlace.fin.ec msalvador@enlace.fin.ec
EL SALVADOR	FUSAI (Fundación Salvadoreña de Apoyo Integral) Luis Antonio Castillo, Gerente General Sara Vásquez (Asistente) Calle Nueva No. 1 Casa No. 3733 Colonia Escalón A.P. 1773 San Salvador, El Salvador, C.A. INTEGRAL S.A. Luis Antonio Castillo, Director Presid. Manuel Torres, Gerente General Calle Lorena y Alameda Manuel Enrique Araujo Casa No. 104, Colonia Roma San Salvador, El Salvador	Tel: (503) 245 26 11 / 298 20 40 / 223 82 70 Fax: (503) 224 33 10 E-mail: Fusai: luis.castillo@fusai.org.sv Tel: (503) 223 63 59 / 223 63 61 E-mail: Integral: luis.castillo@integral.com.sa
GUATEMALA	GÉNESIS Edgar Búcaro, Director Ejecutivo 13 Calle 5-51 zona 9 Guatemala, Guatemala	Tel: (502) 334 44 66; 3705; 3706 Fax: (502) 334 44 74 E-mail: ebucaro@genesisempresarial.com genesisempre@c.net.gt
HAITI	SOGESOL Pierre-Marie Boisson, President of the board Martine Jean-Claude, General Manager Angle rues Darguin et Geffrard Pétion Ville, Haïti B.P. 1416 SOGEBANK Inge Fombrun (Assistant to the Board) Route de Delmas B.P. 1315 Port Au Prince, Haïti www.sogebank.com	Tel: (509) 229 58 32 / 5827 / 5840 Fax: (509) 299 36 24 E-mail: pmboisson@sogebank.com mjclaud@sogebank.com Tel: (509) 229 51 12 Fax: (509) 229 50 55 E-mail: ifombrun@sogebank.com
HONDURAS	FINSOL (Financiera Solidaria S.A.) Francisco Madrid, Director Ejecutivo Av. Júnior 5 y 6 Calles N.E. Edificio 504 San Pedro Sula, Honduras www.finsolhn.com	Tel: (504) 550 83 20; 8318; 8323; 8324; 8326; 8327 Sistemas: 550 83 16 Fax: (504) 550 83 22 E-mail: fmadrid@finsolhn.com

MÉXICO	ADMIC (Asesoría Dinámica a Microempresas) José Benito Cabello, Director General Diana Guzmán Edificio BISA Treviño # 415, planta baja, Poniente Centro Monterrey, Nuevo León C.P. 64000, MÉXICO	Ciudad Neza: (525) 735 49 41 Tel: (528 1 8) 125 38 01/ 374 63 30 / 3370; 5052; 6966 / 375 04 17 Fax: (528 1 8) 374 63 13 E-mail: admic@infosel.net.mx
	Financiera COMPARTAMOS Carlos Labarthe, Director General Carlos Danel, Director General Adjunto Av. Insurgentes Sur No. 553 Primer piso de oficinas Colonia Escandón Delegación Miguel Hidalgo CP 11800 México, D.F.	Tel: (525 5) 276 72 50 Fax: (525 5) 276 72 99 E-mail: clabarthe@compartamos.com cdanel@compartamos.com
NICARAGUA	FAMA Víctor Tellería, Gerente General Apartado Postal 3695 Edificio FAMA De Montoya 3 ½ cuadradas abajo, sobre carretera sur Managua, Nicaragua www.fama.org.ni	Tel: (505) 268 48 26 al 28 / 268 35 70 / 266 56 47 / 222 49 94 Fax: (505) 266 52 92 E-mail: fama@fama.org.ni
PARAGUAY	FUNDACIÓN PARAGUAYA Martín Burt, Director Ejecutivo Calle Manuel Blinder 5589 Esquina Teniente Espinoza Asunción, Paraguay	Tel: (595-21) 609 277; 279; 232; 290 Fax: Todos los anteriores. Call first E-mail: burt@fundacionparaguaya.org.py
PERÚ	MIBANCO Rafael Llosa, Director Gerente General Av. Domingo Orué No. 165 Lima 34, Perú	Tel: (511) 513 80 00 Directo: (511) 513 81 24 Fax: (511) 513 81 55 E-mail: rllosa@mibanco.com.pe
VENEZUELA	BANGENTE Juan Uslar, Presidente Judith Taylhardit (Asistente) Avenida Bolívar, Cruce con Avenida Washington #79 Urbanización Nueva Carata Catia. Caracas, Venezuela	Tel: (582 12) 870 13 33; 1422 872 17 30 Capacitación: (582 12) 872 10 11 Fax: Same, call first 1012 E-mail: juslar@bangente.com.ve Juan_uslar@cantv.net
UGANDA	UGANDA MICROFINANCE UNION Rodney Shuster, General Manager Plot Kanjokya Street, Kamwokya, P.O.10184 Kampala, Uganda	Tel: 256-41-531-377 FAX: 256-31-262-436 E-mail: rschuster@umu.co.ug

ANNEX B

STANDARDS TO REMAIN IN ACCION NETWORK

According to **ACCION Network's** mission: "Promoting micro enterprise development, creating and strengthening an alternative financial system capable to access capital markets under commercial terms", and according to governing principles, all Affiliates are committed in achieving minimum quality standards in serving the target group, allowing for the consolidation of **ACCION Network's** good name.

Quantitative standards refer to:

1. Massification.
2. Market niche.
3. Capital sufficiency.
4. Portfolio Quality.
5. Operational efficiency.
6. Self-sufficiency.

Adjusted indicators for the effect shall be measured biannually (to June 31 and December 31), as of December 2.000, taking as initial references, those obtained by each institution to the closing of December 1999.

To remain in the Network, a mature institution, with at least five years of existence, must at least maintain the following standards:

1. **Massification:** the affiliate must grow in active clients' number, as a minimum, the Network's growth average percentage, less 10%. In the case of saturated markets, defined as those where at least one third of the potential market is served, market participation by the Network affiliate will be considered. Massification standard is considered as non fulfilled when competition growth in the year, as for active clients, exceeds affiliate's growth in 50% or more.
2. **Market niche:** the Affiliate's micro enterprise program must have, as minimum, 50% of the number of active clients with loan amounts below or equal to US \$2.000 and 80% with amounts of up to US\$5.000. In the case of those countries with a GDP per capita greater than US\$3.000 (considered as medium superior income countries in Latin America, according to the World Bank), 50% of the clients must have active amounts equal or less than the respective GDP per capita and 80% shall have amounts up to twice this indicator. Any program whose average loan balance, taking into account all active clients, exceeds four times the Network's average balance, shall be considered as not fulfilling this criteria.

2. **Capital sufficiency:** risk weighted assets / adjusted equity, must be less or equal to 7.0 for NGOs and to 10.0 for regulated entities.
3. **Portfolio Quality:** yearly average affected portfolio should be less or equal to 10%.
4. **Operative efficiency:** adjusted operational expenses / average active portfolio, must show an improvement of at least 10% annual until the indicator arrives to 25%.
5. **Financial self-sufficiency:** this indicator should be greater or equal to 100%.

Institutions with less than five years of existence must show annual improvement in self-sufficiency indicators. Portfolio quality, operational efficiency and massification indicators that govern mature institutions shall also govern younger ones.

Non-fulfillment of market niche indicator, even in one single year, shall give cause to initiate a testing period. In the case of Commercial Banks that add a micro enterprise product to their portfolio, these receivables shall be clearly differentiated from other traditional products in the Bank's statistics and financial statements and the standard shall only be applied to that portfolio. In the case of banking institutions specialized in micro enterprises, either transformed or created for this purpose, leaving their market niche violates the standard and is considered as a cause to initiate a test period as for Network affiliation.

Procedure: any institution keeping two or more of the previous indicators below the standards during two consecutive years shall initiate a testing period of one year to revert this situation. If deficiencies are due to situations foreign to the institution, as crisis in the financial system or a deep recession, ACCION and the Directors Committee will be able to extend the test period for the time considered necessary. In the event there is failure to fulfill the criteria mentioned ACCION, having informed the Directors Committee, shall assign a technical mission who will visit and lift a report (due diligence) that shall include recommendations to the Directors Committee as for alternatives to support the institution in reverting the situation and/or proposing the steps to be followed in order to define the remaining of the institution as an active member of the NETWORK.

Any drastic changes in the statutes that imply deviation in the mission will also be causal for disaffiliation. Likewise, when big approach differences persist between top management and ACCION International that harm the fulfillment of the mission or relationships with other Affiliates, with the Network or with ACCION International.