

Note: This is an example of how to regulate the relations between contributors and a fund manager. A funds administration contract of this kind can be concluded separately for each contributor or jointly between several contributors and the fund manager.

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ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT
ADMINISTRATION CONTRACT

between
◇
as Contributor

and

◇
as Fund Administrator

This Funds Administration Contract (the “Contract”) is made between ◇ (hereinafter referred to as “the Contributor”) and ◇ (hereinafter referred to as “Fund Manager”) (collectively referred to as the “Parties”) for administration and disbursement of funds made available by the Contributor for financing Arctic Council projects.

Article 1 - BACKGROUND

The Arctic Council as a part of its activities has identified and agreed upon a number of priority projects, the implementation of which contribute to meeting the objectives of the Council, and other such projects are foreseen to be identified and agreed upon in the future;

The Arctic Council member countries, observer countries and others are engaged with important bilateral contributions for Arctic Council projects;

It has been recognized that in addition, the development and implementation of Arctic Council projects will benefit from a concerted and comprehensive approach whereby resources are pooled for this purpose;

The Fourth Ministerial Meeting of the Arctic Council in Reykjavik 2004 requested the Senior Arctic Officials (“SAOs”) to establish a pilot phase of the Arctic Council Project Support Instrument to focus on actions against pollution in the Arctic;

The SAOs on <>>2005 decided to establish the Arctic Council Project Support Instrument (“PSI”) and approved Guidelines for the management of the PSI;

[<>] has been requested to establish the Project Support Instrument(“PSI”);

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The PSI will be governed by a PSI Committee providing strategic guidance, in a manner compatible with this Contract, and the Fund Manager will manage and administer the Funds on behalf of the Contributor;

ACCORDINGLY, the Board of Directors of [<>] has established the Fund and accepted the administration of the Fund in accordance with the PSI Guidelines and this Contract.

Article 2 - DESIGNATION OF DUTIES. OPERATIONS OF THE PSI

1. The Contributor makes available, on a non-reimbursable basis, to the Fund Manager the amount (the “Contributor funds”) specified in the Contribution Confirmation in accordance with the template in Annex 2 to this Contract. These funds shall form part of the PSI.
2. The Contributor hereby appoints the Fund Manager to be the fund administrator with respect to the PSI. The Fund Manager has only those duties, which are expressly specified in this Contract. The Fund Manager on behalf of the PSI shall enter into such Contracts with other parties as are needed to meet its objectives.
3. The Fund Manager shall administer the PSI funds in accordance with this Contract and the normal practices of the Fund Manager and with the same care as the Fund Manager’s own funds.
4. The PSI shall direct its activities towards Arctic Council projects, i.e. projects approved as such by the Arctic Council, or measures linked to or supporting such projects (the “Projects”) . The PSI may provide financing, subject to approval by the Contributor, for:
 - project development and preparation through the financing of pre-feasibility and feasibility studies, business and financing plans, environmental impact assessments and other corresponding actions; and
 - implementation assistance through selective co-financing, through grants or loans or a combination of these, of investments or investment components in demonstration Projects.
5. The parties shall consult from time to time and whenever deemed necessary, in conformity with and subject to their respective practices with respect to the treatment of information of a confidential nature, exchange views on the progress of, and any difficulties or problems encountered in, the carrying out the purpose of this Contract and the implementation of the Projects.

In particular the parties shall promptly inform each other of any of the following events:
(a) any event which in its opinion is likely to interfere materially with or hinder the implementation of any of the Projects or the Contract, and; (b) any suspension or cancellation under any agreement relevant to the implementation of the Projects.

Article 3 - MANAGEMENT OF THE PSI

1. The Fund Manager will for the purpose of this Contract open an interest bearing bank account administered by the Fund Manager (the “PSI Account”). The PSI Account shall be denominated in EUR and shall include no other funds except the PSI funds.
2. The PSI Account shall be accounted for annually in a PSI Account Report which shall be

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submitted to the Contributor by the Fund Manager and which shall be supported by a record of PSI funds used in the preceding period; and a bank reconciliation for the PSI Account. During the lifetime of the PSI Account, the Contributor shall be entitled to request information from the Fund Manager regarding disbursements made from and the balance of the PSI Account.

3. The Contributor may request clarification of information received from the Fund Manager on the use of the Contributor funds and the Contributor's Financial Control shall be given access to pertinent information held by the Fund Manager relating to the use of the Contributor funds. Such access shall be limited to verifying whether the proceeds of the Contributor funds have been used in conformity with this Contract and shall not prejudice the confidentiality of other information related to the Fund Manager's affairs or clients.

Article 4 – PSI COMMITTEE

1. The PSI is constituted of contributions by several contributors. In order to effectively coordinate the interaction between the contributors and the Fund Manager the parties together with other contributors will establish a PSI Committee. The PSI Committee shall operate in accordance with the Rules of Procedure set out in Annex 1 to this Contract. The Contributor agrees to participate in the PSI Committee and to execute its powers under this Contract as a member of the PSI Committee to the extent they are regulated by said Rules of Procedure.

Article 5 - PLACEMENTS AND DISBURSEMENTS. MANAGEMENT FEE

1. The Fund Manager is authorized to use the funds in the PSI Account for making deposits in interest earning instruments in order to obtain a higher yield. Such placements shall be made in instruments of equal standard as those utilized by the Fund Manager for managing its own liquidity.

The interest earned on such placements shall be added to the PSI Account.

2. In consideration of its services the Fund Manager is entitled to charge an annual administration fee. The administration fee, payable to the Fund Manager shall be limited to [$\langle \rangle$] p.a. of the total amount (the aggregated subscriptions by the Contributors) of the PSI.* The administration fee is payable in the first instance from the interest revenue flow of the PSI and to the extent this does not suffice, from the fund capital.

The compensation arrangements in this section shall under no circumstances imply the use of the chartered capital resources of the Fund Manager to finance or subsidise PSI activities.

Article 6 - EFFECTIVENESS AND TERMINATION OF THIS CONTRACT

* In recognition of the fact that the PSI can be expected to have a limited fund capital and that the Fund Manager will be providing the services on a non-profit basis but without incurring any liabilities or losses, the administration fee may have to be determined on a different basis so as to secure cost coverage.

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1. This Contract shall enter into force upon its signature by the Parties, and shall remain in effect until all Funds have been exhausted and all parties have fulfilled their obligations hereunder.
2. This Contract may be modified from time to time by further Contract in writing between the Parties.
3. Each party may terminate this Contract by ninety (90) day's written notice to the other party.
4. Upon expiry or termination of this Contract:
 - (i) the Fund Manager shall carry on no business for the PSI except for the purpose of winding up its affairs, and all of the powers of the Fund Manager under his Contract shall continue until the affairs of the PSI shall have been wound up; and
 - (ii) the PSI Account shall be terminated, and any unutilised amounts and/or invested instruments (after deducting any unpaid management fee to the Fund Manager and paying or adequately providing for the payment of all liabilities, and upon receipt of such indemnities and refunding Contracts as the Fund Manager may deem necessary for its protection) shall be repaid to the Contributor.

Article 7 - INDEMNIFICATION

1. The Contributor agrees to indemnify, defend and hold harmless the Fund Manager from and against all claims, liability, loss or expense (including costs and reasonable attorney's fees) in connection with the activities of the PSI, relating to or resulting from the violation by any of the Contributors of any law or administrative regulation or any judicial, administrative or arbitration order, award, judgement, writ, injunction or decree.

The Fund Manager agrees to indemnify, defend and hold harmless the Contributor from and against all claims, liability, loss or expense (including costs and reasonable attorney's fees) in connection with the activities of the PSI, relating to or resulting from the violation by the Fund Manager of any law or administrative regulation or any judicial, administrative or arbitration order, award, judgement, writ, in injunction or decree.

2. The PSI shall act in its own name in relation to all third parties and neither the Fund Manager, the Contributor nor any officer, employee or agent of any of these shall through the performance of their functions in connection with the activities of the PSI under this Contract assume any personal liability to any third party. Every obligation, contract, certificate or undertaking, and every other act executed in connection with the PSI, shall be presumed to have been executed or done by the executors thereof only in their capacity as officers, employees or agents of the Fund Manager.

ARTICLE 8 - RESOLUTION AND DISPUTES

1. Any dispute, controversy or claim arising out of or relating to these Guidelines, or the breach, termination or invalidity hereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. There shall be one arbitrator and the appointing authority shall be the London Court of International Arbitration. The seat

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and place of arbitration shall be London, England and the English language shall be used throughout the arbitral proceedings.

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ARTICLE 9 - NOTICES

1. Any notice or other communication given or made under this Contract shall be sent to the following addresses:

For <> (the Fund Manager)

Address: <>

Contact person: <>

For <> (the Contributor)

Address: <>

Contact person: <>

Done in two (2) original copies in the English language – one for the Contributor and one for the Fund Manager.

For and on behalf of <>

For and on behalf of <>

Rules of procedure for the PSI Committee

1. The Contributors to the PSI will establish a PSI Committee, which shall be comprised of one member from each Contributor and the Fund Manager.
2. The PSI Committee shall elect one of its members to serve as chairperson for one year commencing from its first meeting or until such a time as such a member has ceased to be a member of the PSI Committee or until such a member's successor as chairperson has been elected.
3. Invited experts and observers shall also be permitted to attend meetings.
4. No member of the PSI Committee shall receive any compensation from the PSI for its services as such, nor shall any member of the PSI Committee be entitled to payment or reimbursement from the PSI or the Fund Manager for travel or other costs incurred in attending meetings of the PSI Committee.
5. The PSI Committee shall have the following powers and duties:
 - a) reviewing the operations of the PSI to provide the Fund Manager with general policy and strategic guidance on the operations of the PSI;
 - b) approving detailed criteria for project selection;
 - c) reviewing project proposals presented by the Fund Manager and approving Projects;
 - d) reviewing and approving the business plan and annual budget for the PSI for each fiscal year;
 - e) approving rules of procedure for the Advisory Committee;
 - f) taking any other action that may be taken by the Contributors under these Guidelines.

Decisions on matters specified in item b) and c) above shall be approved unanimously.

6. A majority of the members of the PSI Committee present at a meeting shall constitute a quorum for the transaction of business. Each member of the PSI Committee, with the exception of the Fund Manager, shall be entitled to cast one vote. Every matter submitted to the PSI Committee shall be decided by a single majority (greater than fifty percent) of the votes cast at the meeting of the Contributors present and voting or voting by proxy or electronically (other than by telephone) except where a greater majority is proved elsewhere in these Guidelines. Abstentions shall be counted as a non-vote. Any Contributor entitled to vote at an PSI Committee meeting may vote by proxy.
7. Meetings of the PSI Committee shall be called by the chairperson or by the Fund Manager. Each member of the PSI Committee and the Fund Manager shall be given at least 14 days' written notice of any PSI Committee meeting unless such notice has been waived by the intended recipient. Such notice shall specify the agenda to be considered and shall designate the place, date and time of the meeting.

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8. One or more members of the PSI Committee may, if all of the other members of the PSI Committee participating in the meeting consent, participate in a meeting of the PSI Committee by means of such telephone or other communications facilities as permit all members participating in the meeting to hear each other or participate by other electronic means, and a member of the PSI Committee participating in such a meeting by such means is deemed for the purposes of these Guidelines to be present at that meeting.

9. Any action required or permitted to be taken at an PSI Committee meeting may be taken without a meeting if a consent in writing, setting forth the action to be so taken, has been circulated to all of the Contributors 14 days' prior to the action required, and agreed by a majority of Contributors or, in the case of an action requiring unanimous approval, by all Contributors.

10. The PSI Committee may establish additional rules of procedure for itself.

Form of Contribution Confirmation

A. Form of Letter by Contributor

Dear Sir,

We are writing to acknowledge the establishment of the Arctic Council Project Support Fund (the "PSI").

1. We are pleased to confirm that [name of country] wishes to make a Contribution to the PSI in the aggregate amount of [] [freely convertible currency] on the basis of domestic laws and regulations and in accordance with annual budgetary appropriations.
2. To the extent it is available by legislative action the Contribution will be paid in Euro/other freely convertible currency in one or more instalments during the period of calendar year(s) [].
3. We authorize the Fund Manager to act on our behalf in actions related to the operations of the PSI.
4. We confirm that the terms used herein have the meaning attributed to them in the Arctic Council Project Support Fund Administration Contract dated [].

Sincerely yours,

B. Form of confirmation by Fund Manager

Dear Sir,

Thank you for your letter of _____ concerning your contribution to the Arctic Council Project Support Fund (the "PSI") in the aggregate amount of _____ .

This is to confirm that [<>] will be pleased to accept this contribution for inclusion in the PSI pursuant to the Arctic Council Project Support Fund Administration Contract governing the fund and that [<>] will manage the contribution in accordance with the said Contract.

Sincerely yours,