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CHINA DEVELOPMENT BANK CORPORATION

INDICATIVE TERM SHEET

**CHINA DEVELOPMENT BANK CORPORATION
AS LENDER**

AND

**THE MINISTRY OF FINANCE AS REPRESENTATIVE FOR AND ON BEHALF OF THE
REPUBLIC OF ECUADOR
AS BORROWER**

UP TO USD 2,000,000,000 EQUIVALENT DUAL CURRENCY TERM LOAN FACILITY

21 JANUARY 2016

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Indicative Term Sheet

This Indicative Term Sheet does not constitute, and may not be construed as constituting, a commitment or an offer to commit to any transaction or financing by the Lender, or any other affiliates or subsidiaries of the Lender. The entering into such a commitment or making such an offer is subject to internal credit approvals, governmental approvals, satisfactory completion of due diligence, agreement on the terms of the Oil Transaction (as defined below), execution of legal documentation acceptable to the Lender and receipt of positive legal opinions from legal counsels acceptable to the Lender.

This Indicative Term Sheet is further subject to there having been, in the sole opinion of the Lender, no material adverse change in the international capital or loan markets, the political or economic situation of the Republic of Ecuador ("**Ecuador**"), or in the legal and financial condition of the Borrower, PetroEcuador, the Central Bank the Purchasers or any other entity involved in the proposed financing or the legal status of the Lender with respect to conducting business with Ecuador entities prior to implementation of the proposed financing.

Preamble:

On 31 August 2010, the Ministry of Finance, as borrower, and CDB, as lender, entered into a US\$1,000,000,000 Facility Agreement supported by the sale of oil from Empresa Pública de Hidrocarburos del Ecuador EP PetroEcuador for and on behalf of the Republic of Ecuador ("**PetroEcuador**") to PetroChina International Company Limited ("**PetroChina Intl.**") pursuant to crude and fuel oil sale and purchase contracts dated 31 August 2010 (the "**Phase I Transaction**").

Following the successful implementation of the Phase I Transaction, on 27 June 2011, the Ministry of Finance, as borrower, and CDB, as lender, entered into a US\$2,000,000,000 Equivalent Facility Agreement, supported by the sale of oil from PetroEcuador to PetroChina Intl. pursuant to crude and fuel oil sale and purchase contracts dated 27 June 2011 (the "**Phase II Transaction**").

Following the successful implementation of the Phase I Transaction and the Phase II Transaction, the Parties agreed to further broaden their co-operation, and on 20 December 2012, the Ministry of Finance, as borrower, and CDB, as lender, entered into a US\$1,700,000,000 and RMB 1,900,000,000 Facility Agreement supported by crude and fuel oil sale and purchase contracts between PetroEcuador and each of PetroChina Intl. and Unipecc Asia Co. Ltd. dated 20 December 2012 (the "**Phase III Transaction**").

Based on strengthening the strategic relationship between China

and Ecuador, and following friendly discussions, the parties propose to further expand their cooperation upon the indicative terms set out herein (the "**Phase IV Transaction**").

Phase IV Transaction Structure: The Lender (as defined below) will provide to the Borrower (as defined below) a dual currency facility in an amount up to the equivalent of USD2,000,000,000 (the "**Phase IV Facility**") which will be utilised solely for the development of projects or programmes in Ecuador in accordance with and subject to the terms and conditions to be set forth in the Facility Agreement (as defined below) and the Support Documents (as defined below).

In support of the Phase IV Facility, the Seller (as defined below) will enter into arrangements for oil sale and purchase with the Purchaser (with corresponding payments from the Purchaser) in form and substance acceptable to CDB (in its sole discretion) (the "**Oil Transaction**"). The Oil Transaction shall include, without limitation, the entry into a long term sale and purchase agreement between the Seller and the Purchaser for the supply of Export Goods (in a volume and for a period acceptable to CDB (in its sole discretion)), together with any other contractual arrangements agreed between the parties, until all amounts outstanding under the Phase IV Facility have been irrevocably and unconditionally paid in full.

The Borrower and Lender acknowledge and agree that the financing arrangements contemplated in this terms sheet and the commencement of negotiation on the legal documentation in respect thereof, are (amongst other things) conditional upon agreement between the Seller, the Purchaser and CDB on the terms of the Oil Transaction.

Lender: China Development Bank Corporation ("**CDB**" or "**Lender**").

Borrower: The Ministry of Finance for and on behalf of the Republic of Ecuador ("**The Ministry**" or "**Borrower**").

Purchaser: A Chinese oil company or companies (which may include Unipet Asia Co. Ltd.) selected by the Seller and approved by the Lender, as purchaser(s) with respect to the Oil Transaction ("**Purchaser**").

Seller: Empresa Publica De Hidrocarburos Del Ecuador EP PetroEcuador for and on behalf of the Republic of Ecuador ("**PetroEcuador**" or

the "Seller").

Other relevant entities: The Central Bank of the Republic of Ecuador ("Ecuador").

Export Goods: Means the fuel and/or crude oil of Ecuador origin delivered by PetroEcuador to the Purchaser pursuant to the Oil Transaction, meeting the quality specifications described therein (the "Export Goods").

Phase IV Facility Amount: Up to the equivalent of USD 2,000,000,000

Currencies: US Dollars ("USD") and Renminbi ("RMB").

Phase IV Facility Type: Dual currency term loan facility, consisting of:

- (i) tranche A in an aggregate amount of USD1,500,000,000 ("Tranche A"); and
- (ii) tranche B in an RMB aggregate amount equivalent to USD500,000,000 ("Tranche B").

Phase IV Facility Purpose: Pursuant to the laws applicable to the Borrower, and consistent with Lender's policies for use of loan proceeds, the proceeds from the Phase IV Facility will be applied towards projects and programmes in Ecuador selected from the priority list of projects from Secretaria Nacional de Planificación y Desarrollo ("SENPLADES") in any of the following sectors (the "Eligible Projects"):

- (i) infrastructure projects, including railways, highways, ports, water and telecommunications networks;
- (ii) social development projects, including housing, hospital and medical aid centres, educational infrastructure, sanitary, social security and welfare programmes;
- (iii) energy production enterprises, oil refineries, petrochemical production facilities, joint oil and gas development, natural gas projects, oil and gas pipelines, hydropower and alternative energy projects;
- (iv) integrated industrialisation projects, including ship building, fertiliser manufacturing, chemical products manufacturing, automobile industry development,

agricultural industry development and farming development, electronics and equipment manufacturing; and

- (v) mining projects, including exploration projects, mining projects, processing projects and steel and aluminium manufacturing projects,

but in each case excluding projects in the nuclear sector and/or projects involving the military.

Tranche B of the Phase IV Facility shall be applied exclusively towards:

- (I) Eligible Projects to be engineered, procured, developed or constructed by Chinese contractors; and/or
- (II) Eligible Projects using equipment and service exported by Chinese suppliers,

(such Chinese contractors and suppliers being the “Chinese Counterparties”).

For the avoidance of doubt, payments from Tranche B as described above may also be made to Chinese Counterparties with respect to Eligible Projects funded from the proceeds of the Phase II Transaction and/or the Phase III Transaction

Recourse:

The Lender shall have full recourse to the Borrower as well as all available rights contained in the Support Documents (as defined below) and under applicable law.

Account and repayment structure:

The account and repayment structure with respect to the Phase IV Facility will be consistent with the account and repayment structure with respect to the Phase III Transaction. The minimum balance required in the Proceeds Account of PetroEcuador shall be no less than a multiple of 1.3 times the next instalment of principal and interest due under Phase IV Facility.

Availability Period:

The period from and including the execution date of the Facility Agreement to and including the day falling two (2) years after the execution date of the Facility Agreement.

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Final Maturity Date: 8 years from the execution date of the Facility Agreement.

Principal Repayment Grace Period 2 years from the execution date of the Facility Agreement.

Repayment: The Phase IV Facility shall be repaid in periodic instalments in amounts to be agreed (each such date on which a instalment payment is to be made, a "**Repayment Date**"). The repayment schedule shall take into account the Principal Repayment Grace Period and otherwise be discussed and agreed in the Facility Agreement.

Prepayment, Cancellation and Mandatory Prepayments: Prepayment, Cancellation and Mandatory Prepayment provisions shall be the same as those contained in the facility agreement with respect to the Phase III Transaction (the "**Phase III Facility Agreement**").

Voluntary Prepayment: Allowed on an Interest Payment Date with at least thirty (30) business days prior written notice.

Interest Period: Each interest period in respect of a loan shall be a period of three (3) months beginning on an Interest Payment Date and ending on and including the day immediately before the next following Interest Payment Date, except in the case of the first interest period of each loan which shall begin on the utilisation date of such loan and end on and including the day immediately preceding the next following Interest Payment Date (each an "**Interest Period**").

Interest Rate: The following fixed interest rates shall apply:

- (a) for loans denominated in USD, 7.25% per annum; and
- (b) for loans denominated in RMB, 6.8717% per annum.

Payment of Interest Interest shall accrue in arrears on the outstanding principal amount of the Phase IV Facility and shall be payable on each Interest Payment Date.

Interest Payment Date: The last day of an Interest Period (each an "**Interest Payment Date**"). The first Interest Payment Date shall be the date three (3) months after the execution of the Facility Agreement.

Default Interest: Any sum due but unpaid shall accrue interest at a rate to be agreed which is higher than the Interest Rate per annum.

Management Fee: USD26,000,000, being an amount equal to 1.3% of the Phase IV Facility Amount, payable at such times and in such amounts to be agreed in the Facility Agreement.

Facility Agreement and Support Documents: The terms of the Phase IV Facility shall be set forth in a facility agreement to be entered into between the Borrower and the Lender (the "**Facility Agreement**").

In addition to the Facility Agreement, the relevant parties shall also enter into the following support documents ("**Support Documents**"):

- (i) Repayment procedure mechanism between the Borrower and the Lender (the "**Repayment Procedure Mechanism**");
- (ii) Four Party Agreement between the Borrower, CDB, PetroEcuador and the Purchaser (the "**Four Party Agreement**");
- (iii) Account Management Agreement between the Lender and PetroEcuador in respect of the Proceeds Account (the "**Account Management Agreement**");
- (iv) Settlement Account Agreement between the Lender and the Borrower in respect of the Settlement Account (the "**Settlement Account Agreement**");
- (v) documentation with respect to the Oil Transaction;
- (vi) Central Bank confidentiality letter from the Central Bank to the Lender, Borrower, PetroEcuador and the Purchaser (the "**Central Bank Confidentiality Letter**");
- (vii) Central Bank undertaking letter from the Central Bank to the Lender and PetroEcuador (the "**Central Bank Undertaking Letter**");

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- (viii) Letter of commitment from the Ministry to the Lender in which the Ministry undertakes that it will include the annual principal and interest payments due under the Facility Agreement in the relevant annual fiscal budgets of Ecuador (the "**Letter of Commitment**");
- (ix) Letter of undertaking from the Ministry to the Lender in which the Ministry undertakes to use funds from the Treasury of Ecuador, or other sources, to fund shortfalls in funding or projects funded by the RMB tranche of the Phase II Facility or the RMB tranche of the Phase III Facility (the "**Letter of Undertaking**");
- (x) a confidentiality undertaking from the Borrower to the Lender (the "**Confidentiality Undertaking**");
- (xi) a Ministry undertaking with respect to funding shortfalls in Approved Projects funded by the Phase IV Facility (the "**Ministry Undertaking**"); and
- (xii) such other agreements as deemed necessary by the Lender and agreed between the relevant parties.

The Support Documents together with the Facility Agreement shall be collectively referred to as the "**Transaction Documents**". The "**Finance Documents**" refer to (i) the Facility Agreement; (ii) the Four Party Agreement; (iii) the Repayment Procedure Mechanism; (iv) the Settlement Account Agreement; (v) the Letter of Commitment; (vi) the Letter of Undertaking; (vii) the Confidentiality Undertaking; and (viii) the Ministry Undertaking and any other document designated as such by the Lender and the Borrower. To the extent possible, the terms of the Transaction Documents shall be consistent with the equivalent documents in respect of the Phase III Transaction.

Representations and Warranties:

The Facility Agreement shall contain representations and warranties consistent with those contained in the Phase III Facility Agreement and any additional representations and warranties agreed by the Lender and the Borrower in respect of the Phase IV Facility.

Covenants:

The Borrower will make positive and negative covenants consistent

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with those contained in the Phase III Facility Agreement and any additional covenants agreed by the Lender and the Borrower in respect of the Phase IV Facility.

Events of Default:

Events of default (each an "Event of Default") shall be consistent with those contained in the Phase III Facility Agreement and any additional Events of Default required by the Lender in respect of the Phase IV Facility.

Conditions Precedent for Drawdown:

Each drawdown is subject to fulfillment of conditions precedent, each in form and substance satisfactory to the Lender. Such conditions precedent (including conditions precedent for the signing of the Facility Agreement) will be consistent with those agreed for the Phase III Transaction, and also include additional conditions precedent required by the Lender with respect to the Phase IV Transaction, including (without limitation) the Borrower certifying in a form satisfactory to the Lender that a settlement agreement has been reached with respect to the ICSID Case No. ARB/06/11, and that the Borrower is complying with the terms and conditions of such settlement agreement.

Taxes:

All amounts payable under the Facility Agreement will be paid free and clear of any and all taxes, duties or charges, consistent with the corresponding provisions of the Phase III Transaction. If any taxes are payable under the Facility Agreement, the Borrower will increase the amount due thereunder, such that the amount paid, after deduction for such taxes or withholdings, will equal the amount that would have been paid had there been no such taxes, consistent with the corresponding provisions of the Phase III Transaction.

Immunity, Governing Law and Jurisdiction:

The provisions relating to immunity, governing law and jurisdiction in the Transaction Documents will be consistent with those contained in the equivalent documents with respect to the Phase III Transaction.

Miscellaneous Provisions:

The Facility Agreement will contain provisions relating to, among other things, illegality, market disruption, breakage costs, increased costs, indemnities, set-off and administration.

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Each Party undertakes to keep any and all information concerning the other Party and the contents and transactions described in this Indicative Terms Sheet confidential. No Party shall provide any third party (other than their professional advisers or as required by law) with such information without prior authorisation in writing from the other Party.



For and on behalf of

CHINA DEVELOPMENT BANK CORPORATION

Name: Mr. Wang Lei

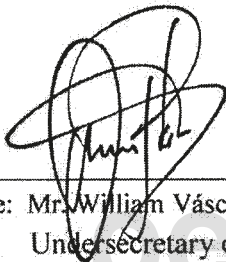
Title: Deputy General Manager

China Development Bank Corporation, Shandong Branch

For and on behalf of

THE MINISTRY OF FINANCE AS REPRESENTATIVE

FOR AND ON BEHALF OF THE REPUBLIC OF ECUADOR



Name: Mr. William Vásconez Rubio

Title: Undersecretary of Public Finance

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