


Aug 27, 2012

REFNO: BOCEXPCT12017

**To: The Ministry of Finance of the Government of the Republic of Ecuador**  
**Re: Control de Inundaciones Cañar & Control de Inundaciones Naranjal Project**

Dear Sirs,

We refer to the captioned project financing facility.




Bank of China understands that your good country is now in discussion with China International Water & Electric Corp. on Control de Inundaciones Cañar & Control de Inundaciones Naranjal Project. We are pleased to present hereinafter SINOSURE Facility Proposals for the project, which is a facility covered by the China Export & Credit Insurance Corporation ("SINOSURE"), the Chinese Export Credit Agency. You will find attached the indicative Terms and Conditions of the facility.

Bank of China is well positioned to arrange finance for this type of transaction and has dedicated Export Credit teams available to this transaction on a priority basis.

Please note that the terms indicated in our proposal are based on the current market conditions and are subject to banks' internal credit and other approvals. The Proposal is strictly private and confidential in regard to terms, pricing and structures proposed and its contents may not be divulged to any other party.

We remain at your disposal. If you need any further explanation or information, please do not hesitate to contact the following persons in charge of your file.



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Manager

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Mr. Zhong Liang  
Manager

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Yours faithfully,

**Bank of China**

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**Li Mang**  
**Deputy General Manager**  
**Corporate Banking Department**

**SUBJECT TO INTERNAL APPROVAL OF THE PARTIES AND NON-BINDING UNTIL  
DULY EXECUTED**

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**INDICATIVE TERMS AND CONDITIONS**

**SINOSURE Buyer's Credit**

**To finance**

***Control de Inundaciones Cañar & Control de Inundaciones Naranjal Project***

**Presented to**

***The Ministry of Finance as representative of the Government of the  
Republic of Ecuador***

**By**



***Beijing***

***Aug 27, 2012***

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The information contained herein is made available to the recipient on a confidential basis and may only be provided to the recipient's agents, employees and representatives who need to know such information for the purpose of evaluating the transaction described herein and who are informed of the confidential nature of the information. This document and the information herein may not be provided to any third party without the Lender' prior written approval.

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**INDICATIVE TERMS AND CONDITIONS  
OF SINOSURE BUYER'S CREDIT**

This proposal does not constitute an agreement or commitment to lend or otherwise provide funding on the part of the Lender or to borrow funds or otherwise assume obligations on the part of the Borrower. The actual terms and conditions upon which the Lender might extend credit to the Borrower are subject to the Lender's credit committee approval, SINOSURE providing its comprehensive guarantee/insurance, internal review and approval by all parties of the final terms of the transaction, execution of mutually satisfactory documentation, obtaining of the documentation required by the relevant authorities and such other terms and conditions as determined by the banks.

<b>Buyer / Borrower:</b>	The Ministry of Finance as representative of the Government of the Republic of Ecuador ("Borrower") and Secretaría Nacional del Agua, SENAGUA ("Buyer").
<b>Supplier:</b>	China International Water & Electric Corp.
<b>Lender:</b>	Bank of China Limited
<b>Commercial Contract:</b>	The two contracts entered into between the Buyer and the Supplier in relation to Control de Inundaciones Cañar and Control de Inundaciones Naranjal, respectively, jointly referred to as the "Project" in the estimated total price amount of up to USD351,624,225.80
<b>Purpose:</b>	To finance 85% of the Commercial Contract
<b>Financed Amount:</b>	USD298,880,591.93
<b>Tenor:</b>	A total duration of 14 years door-to-door, subject to the approval of SINOSURE and the Ministry of Finance of the People's Republic of China.
<b>Disbursements:</b>	Disbursements will be allowed during a period of up to 48 months from the date of signature of the facility agreement to be signed between the Borrower and the Lender (the "Facility Agreement"), such term referred to as the "Disbursement Period".

Disbursements will be made in conformity with the underlying Commercial Contract between the Supplier and the Borrower, and with the guidelines of SINOSURE. They will be subject to terms and conditions outlined in the Facility Agreement.

Disbursements will be made by the Lender to the Borrower at a Central Bank Specific Account opened with the Bank of China Limited for onward payment to the Supplier according to the terms of the Commercial Contract and against documentary evidence to be agreed upon.

**Repayment Period:**

Repayment Period is up to 10 years commencing after the end of a 4 year grace period ("Grace Period").

**Repayment:**

The repayment may be effected in 20 equal and consecutive semi-annual instalments of principal, the first one falling due 6 months after the expiration of the Grace Period, which is the starting point for repayment.

**Prepayment:**

Permitted during the Repayment Period without penalty; provided, however, that the Borrower will pay any breakage costs incurred by the Lender as a result of the prepayment on any date other than a payment date.

**Interest Rate:**

**To be discussed:** the Borrower proposes a fixed interest rate of 5.5% and the Lender proposes a floating rate of:

USD 6-month LIBOR + Margin per annum.

The Margin will be 3.50%.

Fixed interest rate can be provided to the Borrower upon request and an indicative fixed interest rate of 5.75% could be offered by the Lender based on the current capital markets. Please note that the level of the fixed interest rate is subject to change depending on market conditions prevailing at the time of signing the agreement and that such offering is subject to the approval of the Lender's credit committee and the acceptance by SINOSURE.

The interest would be calculated on the drawn amount during the drawdown period and on the outstanding balance of the Facility Agreement during the Repayment Period.

**Fees:**

COMMISSION IS 1.25%  
Arrangement Fee of 1.00% flat calculated on the amount on

the date of signature of the Facility Agreement;

*2015年12月20日*

A Commitment Fee of 0.75% per annum calculated on the undisbursed balance payable semi-annually in arrears starting from the signing date of the Facility Agreement.

**Insurance premium:** At the discretion of SINOSURE subject to an agreed cap, payable during the Grace Period in four equal annual instalments, and calculated on principal plus estimated interest, subject to SINOSURE's consent.

The premium should be payable as provided above.

**Interest Payments:** To be made at the end of each interest period. Interest is to be computed based a year of 360 days and a month of 30 days.

**Default Interest:** 1.5% per annum over the applicable rate on any sum (excluding interest accrued on any outstanding principal) due and payable but unpaid by the Borrower under the Facility Agreement. Default Interest will be calculated daily.

**Costs and Expenses:** All reasonable out of pocket expenses including but not limited to travel and legal expenses, incurred by the Lender in connection with the negotiation, preparation, review, execution and enforcement of the facilities will be for the account of the Borrower, subject to an agreed cap.

**Governing Law/Dispute Resolution:** All the documentation shall be governed by English Law and any dispute arising out of or in connection with the Facility Agreement shall be resolved by arbitration in London, England by the London Court of International Arbitration (the "LCIA") under the LCIA Arbitration Rules..

**Documentation:** The transaction shall be documented pursuant to a Facility Agreement and other documents customary for loan transactions of this type.

**Taxes:** All payments by the Borrower under the facilities are to be made without set-off or counterclaim and net and free of all present and future taxes, deductions, charges, withholding, stamp duty, liability or impost of whatever nature.

**Reserve and Applicable Requirements:** **Other Local** Any mandatory deposits and/or fees to be made or to be paid to legal financial regulators in connection to this transaction, and any and all costs associated to any applicable regulations of the

Republic of Ecuador affecting this transaction will be for the sole account of the Borrower.

**Conditions Precedent, Representations and Warranties, Covenants:** Those customarily found in financings of this type and others appropriate as agreed to by the parties, including but not limited to :

- Issuance by SINOSURE of an insurance policy, in form and substance satisfactory to the Lender ;
- All relevant government and public authorities approvals, permits and licenses in full force and effect;
- Execution and coming into full force and effect of the Commercial Contract;
- Execution of Documentation in form and substance acceptable to the Lender;
- Receipt of down-payment by Supplier as provided in the Commercial Contract;
- Payment of outstanding amounts of SINOSURE Insurance Premium as well as all other fees and expenses provided that they do not exceed the agreed cap, prior to the first disbursement;
- Legal opinions in form and substance acceptable to Lender;
- No material adverse change in the financial condition, assets and operations or otherwise of the Borrower and the Buyer; and
- No material adverse change in the political, economic, financial, commercial, legal and fiscal environment in the Republic of Ecuador.

**Syndication:** The Lender reserve the right under the Facility Agreement to sell or assign notes created with respect to the Facility Agreement to third parties acceptable to the Borrower.

**Immunity:** The Borrower should confirm that the performance of its obligations under the Loan Agreement constitutes a commercial public credit activity by nature and the Facility Agreement shall include a provision whereby Borrower irrevocably agrees not to claim any immunity of itself or its assets in connection with execution proceedings arising out of or in connection with the Facility Agreement, as permitted by the laws of the Republic of Ecuador (subject to Lender's legal counsel review).

**No Material Adverse Change:**

The terms and conditions herein are subject to, in the opinion of the Lender, (i) there being no material adverse change in any of the business, condition (financial or otherwise), operations, performance, properties, prospects or credit standing of the Borrower and (ii) there being no material adverse change in the socio-political and economic situation of the Republic of Ecuador, which could adversely affect the successful completion of the facilities.

**Clear Market:**

Upon acceptance of the summary of terms and conditions described herein, the Borrower shall refrain from discussing with or mandating other banks to do any other fund raising exercise (save for bilateral and equity related transactions as well carve-out agreed between the Parties) until syndication of this transaction having been successfully completed or the expiration of the validity of this offer.

**Validity:**

This offer remains valid until November 27, 2012.