

-PD-ABS-639_{ISN}-91210

AGREEMENT

Between

FINANCIERA IBERO-AMERICANA S.A.

and the

UNITED STATES OF AMERICA

Acting through the

AGENCY FOR INTERNATIONAL DEVELOPMENT

Project No. 940-0002.36
Loan No. 518-S-060
Date: September 27, 1984

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ANNEXES

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Annex E - Supplemental Subloan Terms

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LOAN AGREEMENT

This loan agreement ("Agreement") is entered into this 27 day of September, 1984 by and between Financiera Ibero-Americana S.A., a corporation organized and existing under the laws of Ecuador, ("Borrower") and the United States of America, acting through the Agency for International Development ("A.I.D.").

Recitals

WHEREAS, A.I.D. wishes to increase the amount of foreign exchange and long-term Sucre-denominated financing available to small agribusinesses in rural Ecuador; and

WHEREAS, A.I.D. wishes to assist in development of private capital markets in Ecuador; and

WHEREAS, A.I.D. wishes to assist the Borrower in increasing its access to existing but currently non-functioning credit lines which the Borrower has with various international financial institutions.

NOW, THEREFORE, A.I.D. and the Borrower (hereinafter collectively termed the "Parties") agree as follows:

Article 1: The Agreement

The purpose of this Agreement is to set forth the obligations and understandings of the Parties with respect to the financing and execution of the Project as defined below.

Article 2: Definition of Terms

Section 2.1. "A.I.D. Letter of Credit." A standby letter of credit issued by the Depository Bank, under which A.I.D. is the beneficiary, guarantying an amount of the Borrower's obligations to A.I.D. under the Agreement equal to the amount of funds and investments in the Collateral Account which are not subject to the Depository Bank Security Interest.

Section 2.2. "A.I.D. Security Interest." The security interest which the Borrower grants A.I.D. to secure the Borrower's performance under this Agreement.

Section 2.3. "Borrower Standby Certificate." The certificate in the form of Annex C attached hereto, which the Borrower submits to the Depository Bank in accordance with Section 4.9(c) to authorize the Depository Bank to issue a Standby Letter of Credit Guaranty, or if the Depository Bank is the same as the Issuing Bank, then to issue a Standby Letter of Credit, covered by the Depository Bank Security Agreement.

Section 2.4. "Borrower Trade Credit Certificate." The certificate in the form of Exhibit D attached hereto, which the Borrower submits to the Depository Bank in accordance with Section 4.9(b) to authorize the Depository Bank to issue an Interbank Confirmation Guaranty, or if the Depository Bank is the same as the Confirming Bank, then to confirm a Commercial Letter of Credit, covered by the Depository Bank Security Agreement.

Section 2.5. "Collateral Account." An account opened in the Depository Bank containing the funds disbursed under this Agreement and the investments into which such funds are invested.

Section 2.6. "Commercial Letter of Credit." A letter of credit issued by the Borrower and with respect to which the Borrower has submitted a Borrower Trade Credit Certificate.

Section 2.7. "Commercial Letter of Credit Agreement." The agreement evidencing the obligations of the account party of a Commercial Letter of Credit to the Borrower arising from the issuance of such letter of credit.

Section 2.8. "Confirming Bank." A bank which confirms a Commercial Letter of Credit.

Section 2.9. "Depository Bank." The Eligible Depository Bank selected by the Borrower to hold and manage the funds and investments in the Collateral Account.

Section 2.10. "Depository Bank Fees." Fees charged by the Depository Bank for issuance of an A.I.D. Letter of Credit, if one is required by A.I.D., or for managing the funds and investments in the Collateral Account which fees will be specified in the Three-Party Agreement.

Section 2.11. "Depository Bank Security Agreement." An agreement executed by the Borrower granting the Depository Bank a security interest in an amount of funds or investments in the Collateral Account equal to the Depository Bank's total outstanding contingent liability on Standby Letters of Credit, Interbank Confirmation Guaranties and Standby Letter of Credit Guaranties, and one-half (1/2), or such other fraction as A.I.D. agrees to in writing, of the Depository Bank's liabilities under Confirmations of Commercial Letters of Credit, which security interest secures some or all the Borrower's obligations to indemnify the Depository Bank for amounts paid out under Interbank Confirmation Guaranties, Standby Letter of Credit Guaranties, Standby Letters of Credit and confirmations. The Depository Bank Security Agreement and the Three-Party Agreement may be embodied in a single document.

Section 2.12. "Depository Bank Security Interest." The security interest created by the Depository Bank Security Agreement.

Section 2.13. "Development Bond." A Sure-denominated bond either issued by the Borrower and guaranteed in whole or in part by a Standby Letter of Credit or issued by the Borrower in connection with other Development Bonds so guaranteed.

Section 2.14. "Eligible Depository Bank." A national banking association or a subsidiary of a bank holding company, approved by A.I.D., which bank or bank holding company (1) is organized and existing under the laws of the United States of America, (2) has total assets of not less than One Billion U.S. Dollars (\$1,000,000,000), and (3) has a subsidiary with an active branch in Ecuador or correspondent relations with an Ecuadorian bank or private financial institution.

Section 2.15. "Eligible Subborrower." A company having the following characteristics:

- (a) One hundred percent (100%) private ownership and control;
- (b) No less than fifty-one percent (51%) owned by Ecuadorian nationals;
- (c) Fixed assets, as defined under standard accounting principles but excluding land and buildings, of less than the equivalent of Three Hundred Thousand United States ("U.S.") Dollars (\$300,000) according to the official exchange rate in effect on the date the Borrower issues the related Commercial Letter of Credit or makes the related Subloan; and
- (d) Engaged in or intending to use to credit made available hereunder to engage in a Qualifying Activity.

Section 2.16. "Interbank Confirmation Guaranty." A guaranty or similar assurance of payment under which the Depository Bank guaranties one-half (1/2), or such other fraction as A.I.D. agrees to in writing, of the Borrower's payment to the Confirming Bank of any indebtedness arising from the Confirming Bank's confirmation of a Commercial Letter of Credit.

Section 2.17. "Issuing Bank." A bank which issues a Standby Letter of Credit.

Section 2.18. "Project." The Project, which is further described in Annex A, will consist of assisting the Borrower to obtain credit from various international financial institutions and local capital markets which credit will be used to finance Qualifying Activities by Eligible Subborrowers. A.I.D. will furnish such assistance by disbursing the proceeds of the Loan into the Collateral Account in the Borrower's name in the Depository Bank where the proceeds will be invested in Qualifying Investments. The Borrower will have the authority to grant the Depository Bank a security interest in the funds and investments in the Collateral Account to secure (1) one hundred percent (100%) of the Borrower's obligation to indemnify the Depository Bank for payments pursuant to Standby Letters of Credit issued by the Depository Bank, Interbank Confirmation Guaranties and Standby Letter of Credit Guaranties; and (2) one-half (1/2), or such other fraction as A.I.D. agrees to in writing, of the Borrower's obligations arising from amounts paid out pursuant to confirmations of Commercial Letters of Credit.

Section 2.19. "Qualifying Activity." An agricultural or agribusiness activity, including aquaculture and related activities, in Ecuador outside the urban areas of Guayaquil or Quito, but not including activities prohibited under the Supplemental Subloan Terms.

Section 2.20. "Qualifying Commercial Letter of Credit." A Commercial Letter of Credit of no more than 180 day maturity issued for the account of a Qualifying Subborrower to assure the Borrower's payment to the supplier of a Qualifying Import.

Section 2.21. "Qualifying Import." A product to be used in agriculture or agribusiness, but not including the items prohibited in the Supplemental Subloan Terms.

Section 2.22. "Qualifying Investment." United States Treasury Bills of One Hundred Eighty (180) day maturity or such other investments as A.I.D. agrees to in writing.

Section 2.23. "Qualifying Standby Letter of Credit." A letter of credit issued at the Borrower's request to guaranty some or all of the Borrower's indebtedness under Development Bonds which letter of credit shall be in the form of letter of credit approved by A.I.D. under Section 6.4(f) and contain the provisions stated in Section 4.9(c).

Section 2.24. "Qualifying Subloan." A loan by the Borrower to an Eligible Subborrower for the purpose of financing a Qualifying Activity.

Section 2.25. "Standby Letter of Credit." A letter of credit issued at the Borrower's request and with respect to which the Borrower has submitted a Borrower Standby Certificate.

Section 2.26. "Standby Letter of Credit Guaranty." A guaranty or similar assurance of payment under which the Depository Bank guarantees the Borrower's payment to the Issuing Bank of any indebtedness arising from the Issuing Bank's issuance of a Standby Letter of Credit.

Section 2.27. "Subborrower." The recipient of a Subloan or an account party of a Commercial Letter of Credit.

Section 2.28. "Subloan." A loan from the Borrower whose proceeds came from the Development Bonds.

Section 2.29. "Supplemental Subloan Terms." Those provisions stated in Annex E to this Agreement.

Section 2.30. "Three-Party Agreement." An agreement or set of agreements between the Borrower, the Depository Bank and A.I.D. creating the A.I.D. Security Interest, notifying the Depository Bank of such interest, containing any necessary provisions regarding disbursement of funds, and appointing the Depository Bank as A.I.D.'s agent for the purpose of perfecting the A.I.D. Security Interest to the extent possession is required for perfection.

The definitions contained in Article 2 or elsewhere in this Agreement shall apply throughout this Agreement and all attached Annexes except as otherwise expressly provided or as the context otherwise clearly indicates.

Article 3: Resources for the Project

Section 3.1. The Loan. A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to make available to the Borrower under the terms of this Agreement an amount not to exceed One Million Four Hundred Thousand U.S. Dollars (\$1,400,000) ("Loan"). Except as A.I.D. may agree otherwise in writing, the Loan will be available for disbursement ("Availability Period") for up to eight (8) months following the date of the execution of this Agreement ("Execution Date").

Section 3.2. Borrower Resources for the Project. The Borrower agrees to issue, from time to time during the two (2) years following the Execution Date, Qualifying Commercial Letters of Credit in amounts aggregating up to One Million Four Hundred Thousand U.S. Dollars (\$1,400,000) multiplied by the inverse of the fraction to which A.I.D. agrees under Sections 2.16 and 2.18 above, for the account of Eligible Subborrowers which the Borrower determines to be creditworthy. The Borrower agrees to issue, after satisfaction of Section 6.4, such Development Bonds as the Borrower deems appropriate to raise Sucres in amounts up to the equivalent of Two Million Eight Hundred Thousand U.S. Dollars (\$2,800,000) which the Borrower will lend to Eligible Subborrowers to finance Qualifying Activities. The Borrower also unconditionally agrees to repay the Loan in accordance with the terms of this Agreement notwithstanding the actions of any Subborrower, Confirming Bank, Issuing Bank, Depository Bank or beneficiary of any Commercial Letter of Credit.

Article 4: Loan Terms

Section 4.1. Interest. The Borrower will pay to A.I.D. interest on the outstanding principal balance which will accrue at a rate equal to the yield on the Qualifying Investments per annum minus Depository Bank Fees. Interest on the outstanding balance will accrue from the date of the first disbursement hereunder. Interest shall be payable every six (6) months ("Interest Due Date") with the first Interest Due Date being six (6) months after the first disbursement under this Agreement. The interest rate shall be adjusted semi-annually as follows: The interest rate for the six (6) months immediately following the first disbursement shall be determined by reference to yield on the Qualifying Investments on the date of such disbursement. The interest rate for each subsequent six-month period shall be determined by reference to yield on the Qualifying Investments on the first day of each such six-month period.

Section 4.2. Repayment of Principal.

- (a) If the conditions precedent stated in Section 6.4 have been satisfied within two and one-half (2-1/2) years of the Execution Date, then the Borrower shall repay to A.I.D. the principal of

the Loan within ten (10) years of the date of the first disbursement hereunder in sixteen (16) equal semi-annual installments the first of which shall be due two and one-half (2-1/2) years after the first Interest Due Date. The remaining installments will be due every six (6) months thereafter until paid in full. A.I.D. will provide the Borrower with an amortization schedule consistent with this Section after the final disbursement.

- (b) If the conditions precedent in Section 6.4 have not been satisfied within two and one-half (2-1/2) years of the Execution Date, then the Borrower shall repay all outstanding principal no later than two and one-half (2-1/2) years after the Execution Date.

Section 4.3. Utilization Fee. The Borrower shall, in addition to all other amounts owing under this Agreement, pay A.I.D. a fee ("Utilization Fee") equal to two percent (2%) per annum of the average daily amount of funds and investment in the Collateral Account which are subject to the Depository Bank Security Interest. Such fee shall be payable on each Interest Due Date.

Section 4.4. Facility Fee. The Borrower shall, in addition to all other amounts owing under this Agreement, pay A.I.D. a fee ("Facility Fee") equal to Seven Thousand U.S. Dollars (\$7,000). The Facility Fee shall be payable within thirty (30) days of the Execution Date.

Section 4.5. Interest Rate After Default. If A.I.D., upon the occurrence of an Event of Default, declares all principal, interest and fees immediately due, or if A.I.D. notifies the Borrower of the occurrence of an Event of Default which the Borrower does not cure within twenty (20) days of the receipt of such notice, then interest on the outstanding balance shall immediately upon such acceleration or the expiration of such twenty (20) day period and without any further notice to the Borrower, begin to accrue at the rate of two percent (2%) per annum plus the interest rate provided in Section 4.1 until all amounts owing under this Agreement have been paid.

Section 4.6. Application, Currency, and Place of Payment. All payments of amounts owing under this Agreement including principal, interest and fees shall be made in U.S. Dollars and shall be applied first to the payment of fees then to interest due and then to principal. Except as A.I.D. may otherwise specify in writing, payments shall be made by electronic funds transfer to the Federal Reserve Bank of New York by specifying a Credit to U.S. Treasury, New York City, A.I.D. Agency Location Code 72000001, A.I.D. Loan Number 518-S-060, in payment on the referenced Loan.

Section 4.7. Prepayment. At any time when the Borrower is current on all payments, the Borrower may prepay all or any part of the principal and interest without penalty. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied first to fees then to accrued interest and then to the installments of principal in the inverse order of their maturity.

Section 4.8. Termination on Full Payment. Upon payment in full of all amounts owing under this Agreement, the Agreement and all obligations of the Borrower and A.I.D. under it will immediately cease.

Section 4.9. Operation of the Collateral Account. The rights and obligations of A.I.D., the Borrower and the Depository Bank with respect to the Collateral Account shall be set forth in the Three-Party Agreement, the Depository Bank Security Agreement, if a separate document, and such other agreements as the Parties and the Depository Bank deem necessary. The Collateral Account shall operate as follows, unless otherwise provided in one of the foregoing agreements to which A.I.D. is a party. Nothing in this Section 4.9, or any other provision of this Agreement, is intended to limit in any way the Borrower's unconditional obligation to pay A.I.D. the entire amount of principal, interest and fees regardless of the default of any Subborrowers.

- (a) Funding of Collateral Account. After satisfaction of the Conditions Precedent to Initial Disbursement set out in Section 6.1 below, the Borrower may request a disbursement under the Loan by submission to A.I.D. of a Request and Certificate in the form attached hereto as Annex B and in accordance with Article 9 below. Upon determining that the Borrower is entitled under this Agreement to the amount of the disbursement requested, A.I.D. will disburse funds into the Collateral Account in accordance with Article 9.
- (b) Confirmation of Commercial Letter of Credit. The Borrower may authorize the Depository Bank, at any time after the first disbursement, by submission to such bank, by telex or otherwise, of a Borrower Trade Credit Certificate or other document containing the provisions of a Borrower Trade Credit Certificate, to issue an Interbank Confirmation Guaranty, or if the Depository Bank and Confirming Bank are the same, to confirm a Commercial Letter of Credit under which the Borrower's obligation to indemnify the Depository Bank is secured by the Depository Bank Security Interest, provided, however, that the amount in the Collateral Account made subject to the Depository Bank Security Interest for any single confirmation, whether or not the Depository and Confirming Bank are the same, shall not exceed one-half (1/2), or such other fraction as A.I.D. agrees to in writing, of the amount of the Commercial Letter of Credit confirmed. The Parties and the Depository Bank will agree on a period of time the Depository Bank must wait before foreclosing on the Depository Bank Security Interest. Prior to foreclosing, the Depository Bank will give reasonable notice of its intention to foreclose to both the Borrower and A.I.D. The Borrower, upon receipt of such notice, will purchase U.S. Dollars on the legally sanctioned non-official foreign exchange market in Ecuador in amounts sufficient to satisfy its obligations to the Depository Bank, thereby avoiding foreclosure of the Depository Bank Security Interest. The maximum amount of a Commercial Letter of Credit confirmed under this arrangement is Two Hundred Fifty

Thousand U.S. Dollars (\$250,000). The Borrower may not authorize the issuance of any Interbank Confirmation Guaranty or the confirmation of a Commercial Letter of Credit at any time more than two (2) years after the Execution Date.

- (c) Issuance of Standby Letter of Credit. The Borrower may authorize the Depository Bank, by submission to such bank of a Borrower Standby Certificate, to issue a Standby Letter of Credit Guaranty to an Issuing Bank, or if the Depository Bank and Issuing Bank are the same, to issue a Standby Letter of Credit under which the Borrower's obligation to indemnify the Depository Bank is secured by the Depository Bank Security Interest, but only where the Standby Letter of Credit guaranties no more than fifty percent (50%) of the Borrower's obligations under Development Bonds and contains terms under which the amount guarantied by the Standby Letter of Credit periodically decreases according to a schedule which corresponds to the Borrower's principal repayment obligation hereunder so that an amount in the Collateral Account equal to the amount of the Borrower's principal installment is released from the Depository Bank Security Interest and becomes available for payment to A.I.D.
- (d) Fees for Collateral Account and Standby L/Cs. All fees charged by the Depository Bank will be the Borrower's responsibility, provided, however, that the Borrower may authorize the Depository Bank to receive payment of the Depository Bank Fees by deducting a like amount from interest earned on investments in the Collateral Account.

Section 4.10. Security Interests. The Borrower hereby grants A.I.D. a security interest ("A.I.D. Security Interest") in (1) all its rights now existing or hereafter arising in the Collateral Account including all funds and investments contained in that account and any claims the Borrower may have against any person or entity in connection with the Collateral Account; and (2) all rights of the Borrower now existing or hereafter arising against any account party of a Commercial Letter of Credit arising out of any such letter of credit, including but not limited to, any rights the Borrower has against any collateral securing or guarantor guarantying the related Commercial Letter of Credit Agreement. The A.I.D. Security Interest will be further evidenced and defined by the Three-Party Agreement and such other documents as A.I.D. may deem appropriate ("Security Documents") and perfected, if necessary, such that it will remain valid and enforceable in any bankruptcy, receivership or insolvency proceeding of the Borrower or upon sale or other disposition and such that A.I.D.'s interest in all such property ("A.I.D. Collateral") is prior to any other claim or interest except the the Depository Bank Security Interest and those claims or interests specifically afforded priority over all security interests by Ecuadorian law. The A.I.D. Security Interest secures the Borrower's performance of all its obligations under this Agreement and shall cover all proceeds of the A.I.D. Collateral.

Section 4.11. A.I.D. Letter of Credit. The Borrower agrees, if A.I.D. so requests, to instruct the Depository Bank to issue an A.I.D. Letter of Credit and to grant the Depository Bank a security interest in an amount in the Collateral Account equal to the amount of the A.I.D. Letter of Credit, securing the Borrower's obligations to the Depository Bank under the A.I.D. Letter of Credit.

Article 5: Representations and Warranties

The Borrower hereby represents and warrants as follows:

Section 5.1. Organization, Existence, Etc. of Borrower. The Borrower is a corporation duly organized and validly existing under the laws of Ecuador. The Borrower is qualified to do business in each jurisdiction where the conduct of its business requires such qualification, and it has full power, authority and legal right to carry out its business as presently conducted, to execute, deliver and perform this Agreement, the Three-Party Agreement, the Borrower Certificate, the Security Documents and all other documents which this Agreement contemplates will be executed by the Borrower.

Section 5.2. Authorization. The execution, delivery and performance by the Borrower of this Agreement and the Three-Party Agreement, and any borrowing hereunder, have been duly authorized by all necessary action of the Borrower, do not require any additional approval, do not contravene any law, regulation, rule or order binding on the Borrower, and do not contravene the provisions of or constitute a default under any indenture, mortgage, contract or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its properties may be bound or affected.

Section 5.3. Government Approvals, Etc. No approval, permit, license, authorization, certificate, or consent of the Government of Ecuador or any political subdivision of any such government of any branch, department, agency, instrumentality, court, tribunal or regulatory authority which constitutes a part or exercises any sovereign power of any such government, including but not limited to all competent Ecuadorian monetary authorities, ("Governmental Authority"), is required for the making and performance by the Borrower of this Agreement, except such as have been heretofore obtained and are in full force and effect or will be obtained prior to any disbursement hereunder.

Section 5.4. Binding Obligations, Etc. This Agreement has been duly executed and delivered by the Borrower and constitutes, and the Three-Party Agreement and the Security Documents when duly executed and delivered will constitute, legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

Section 5.5. Litigation. There are no actions, proceedings, investigations or claims against or affecting the Borrower now pending before any court, arbitrator or Governmental Authority (or to the knowledge of the Borrower has any thereof been threatened nor does any basis exist therefor) which, if determined adversely to the Borrower, would be likely to have a material adverse effect on the financial condition or operations of the Borrower, or to impair or defeat the A.I.D. Security Interest.

Section 5.6. Financial Condition. The audited financial statement of the Borrower for the fiscal year ending 1983 and the unaudited June 1984 financial statement, copies of which have been furnished to A.I.D., fairly represent the financial condition of the Borrower as of such dates and the results of their operations for the periods then ended, all in accordance with generally accepted accounting principals consistently applied. The Borrower does not have, on the date of this Agreement, any contingent liabilities for taxes, unusual forward or long-term commitments, or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the above-referenced financial statements or as otherwise disclosed to A.I.D. in writing.

Section 5.7. Title and Liens. The Borrower has good and marketable title to all its properties and assets. No assets or revenues of the Borrower are subject to any lien except as required or permitted by this Agreement.

Section 5.8. Taxes and Certain Other Debts. The Borrower has filed all tax returns and reports required of it, has paid all taxes which are due and payable, and have provided adequate reserves for payment of any tax whose payment is being contested. There are no disputes or questions between the Borrower and any Government Authority with respect to any taxes except as previously disclosed to A.I.D. in writing. The Borrower has also paid all Social Security obligations and other types of obligations which have priority, under Ecuadorian law, over all security interests.

Section 5.9. Lien Priority. Before requesting any disbursement under this Agreement, all actions necessary to perfect the A.I.D. Security Interest will have been taken such that the A.I.D. Security Interest shall have the characteristics stated in Section 4.10 above as soon as the Borrower obtains rights in the A.I.D. Collateral.

Section 5.10. Other Agreements. The Borrower is not in material breach of or in default under any agreement to which it is a party or which is binding or on it or its assets other than those being contested in good faith and for which reserves have been established in accordance with generally accepted accounting principles.

Section 5.11. Representations as a Whole. This Agreement and any of the documents referred to herein, including but not limited to any Request and Certificate, the Three-Party Agreement, the Borrower Standby Certificate and the Borrower Trade Credit Certificate, taken as a whole, do not, and will not when executed, contain any untrue statements of material fact or omit to state any material fact necessary in order to make the statements contained herein or therein not misleading. The facts and circumstances of which the Borrower has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Loan, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of the Borrower's obligations under this Agreement. The Borrower will inform A.I.D. in a timely manner of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the Borrower's discharge of its obligations under this Agreement.

Section 5.12. Security for Development Bonds. The Borrower is legally able to take security interests in all property of the Subborrowers which has significant value as collateral, except such property which is specifically exempted by Ecuadorian law, to secure the Subborrowers' obligations to the Borrower under the Commercial Letters of Credit and the Subloans.

Article 6: Conditions Precedent

Section 6.1. Conditions Precedent to Initial Disbursement. The obligation of A.I.D. to make the initial disbursement under the Loan is subject to the fulfillment of each of the following conditions precedent in form and substance satisfactory to A.I.D., except as A.I.D. may agree otherwise in writing:

- (a) An opinion of counsel retained by the Borrower acceptable to A.I.D. that all the Borrower's representations in Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7 and 5.12 are true and correct, and that all actions necessary to perfect the A.I.D. Security Interest have been taken such that the A.I.D. Security Interest shall have the characteristics stated Section 4.10 above as soon as the Borrower obtains rights in the A.I.D. Collateral.
- (b) An opinion by special counsel retained by A.I.D. stating that the A.I.D. Security Interest has the characteristics stated in Section 4.10 above and that the A.I.D. Letter of Credit, if requested, is valid and enforceable, and covering such other matters relating to this Agreement as A.I.D. may reasonably request, provided, however, that A.I.D. shall be deemed to have waived this condition precedent if it has not obtained the opinion within one hundred eighty (180) days of the Execution Date;

- (c) A statement of the name of the person holding or acting in the Office of the Borrower specified in Section 11.2 and of any additional representative of the Borrower, together with a specimen signature of each person specified in such statement; and
- (d) Evidence that the Borrower has established the Collateral Account with an Eligible Depository Bank which evidence shall include copies of any agreements or documents relating to the Collateral Account;
- (e) Evidence that all actions necessary for the perfection of the A.I.D. Security Interest in accordance with Section 4.10 have been taken, which evidence shall include but not be limited to an executed original of the Three-Party Agreement and the Security Documents and proof of the filing of any financing statements necessary, or deemed necessary by A.I.D., to perfect the A.I.D. Security Interest;
- (f) A copy of the form of Commercial Letter of Credit to be issued under this Agreement including the agreement evidencing the Borrower's obligation to indemnify the Confirming Bank;
- (g) A duly executed A.I.D. Letter of Credit, if required by A.I.D.;
- (h) Evidence that the Borrower has identified at least one bank outside Ecuador which is willing to act as a Confirming Bank;
- (i) If the Confirming Bank is different from the Depository Bank, a copy of the form of Interbank Confirmation Guaranty to be used by the Depository Bank including the Borrower's obligation to indemnify the Depository Bank or a description of the form and substance of such agreement or agreements; and
- (j) A Request and Certificate in the form of Annex B attached hereto.

Section 6.2. Terminal Dates for Conditions Precedent for Initial Disbursement. If all of the conditions specified in Section 6.1 have not been met within one hundred eighty (180) days of the Execution Date, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

Section 6.3 Conditions Precedent to Subsequent Disbursements. The obligation of A.I.D. to make any subsequent disbursements under the Loan is subject to the fulfillment of each of the following conditions precedent in form and substance satisfactory to A.I.D., except as A.I.D. may agree otherwise in writing:

- (a) A Request and Certificate in the form of Annex B attached hereto;
- (b) A representation that the Borrower has, since the Execution Date, carried out the Project as contemplated hereunder; and

- (c) A representation by the Borrower that, to the best of its knowledge, the A.I.D. Security Interest continues to be valid, enforceable, and perfected as contemplated by Section 4.10 above.

Section 6.4. Conditions Precedent to Borrower's Authority to Direct Issuance of Standby Letters of Credit. The Borrower shall have the authority to submit a Borrower Standby Certificate to the Depository Bank requesting issuance of a Standby Letter of Credit or a Standby Letter of Credit Guaranty only after fulfillment of each of the following conditions precedent in form and substance satisfactory to A.I.D., except as A.I.D. may agree otherwise in writing:

(a) Evidence that the Government of Ecuador has enacted a law which permits private Ecuadorian financial institutions including the Borrower to issue development bonds which are taxed at a rate no higher than the tax rate applicable to development bonds issued by the Government of Ecuador or any Governmental Authority;

(b) Evidence that the Government of Ecuador has enacted a law which either (1) permits the interest rate on loans to small businesses by private financial institutions in Ecuador to vary freely in accordance with market forces, or (2) permits the Borrower to lend to small businesses at an interest rate which exceeds by at least five percent (5%) per annum the interest rate ceiling otherwise imposed by Ecuadorian law;

(c) A certified copy of the resolution of the Borrower's Board of Directors approving the Borrower's issuance of any Development Bonds and such other documentation as A.I.D. may request relating to the Borrower's public offering of Development Bonds;

(d) To the extent any Standby Letter of Credit guaranties more than fifty percent (50%) of any Development Bond, evidence that the Borrower intends to, and is legally able to, issue additional Development Bonds such that the amount of funds and investments in the Collateral Account which are subject to the Depository Bank Security Interest at no time exceeds fifty percent (50%) of the Borrower's total outstanding indebtedness under the Development Bonds;

(e) An opinion of counsel retained by the Borrower acceptable to A.I.D. stating (1) that the Borrower is authorized to issue the Development Bonds, (2) that such issuance has been approved by all relevant Governmental Authorities, (3) that all steps necessary to make the Borrower's public offering of Development Bonds have been completed except the issuance of the Standby Letter of Credit and that such offering will comply in all respects with relevant Ecuadorian law, (4) that the laws referred to in Section 6.4(a) and (b) are currently in effect and by their terms will remain in effect throughout the life of this Agreement, and (5) that there has been no lawsuit or proceeding filed challenging such laws; and

(f) A copy of the form of Standby Letter of Credit to be issued guarantying the Development Bonds and any related documents.

Article 7: General Covenants

Section 7.1. Project Evaluation. The Parties agree to cooperate on an A.I.D.-conducted evaluation program as part of the Project. The program may include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project. A.I.D. shall bear its costs involved in such evaluation.

Section 7.2. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, will exchange views in accordance with the consultations provisions of Annex A and as otherwise requested by A.I.D.

Section 7.3. Execution of Project. The Borrower shall:

- (a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices; and
- (b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Section 7.4. Reports, Records, Inspections, Audit. The Borrower shall:

- (a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- (b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, Borrower's books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Loan. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained except as A.I.D. may otherwise agree in writing, until the Loan has been fully repaid by the Borrower;

- (c) afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect Borrower's books, records, and other documents relating to the Project and the Loan to verify that Project funds are being used in accordance with the terms and conditions of this Agreement; and
- (d) comply with the reporting requirements detailed in part III of Annex A.

Section 7.5. Information and Marking. The Borrower will give appropriate publicity to the Loan and the Project as a program to which the United States has contributed and identify the Project as financed partially by A.I.D., as may be requested in Project Implementation Letters, as described in Section 11.3 below.

Article 8: Special Covenants

Section 8.1. Covenant of Non-Subordination. The Borrower confirms that the Loan is not and shall not be subordinated to any other indebtedness of the Borrower now existing or hereinafter incurred, except as A.I.D. may otherwise agree in writing.

Section 8.2. Use of Loan Proceeds. The Borrower covenants that it will use the Loan proceeds only to carry out the Project and only in accordance with Section 4.9 above.

Section 8.3. Instructions to Issue Bank Guaranties. The Borrower agrees to request the issuance of an Interbank Confirmation Guaranty or a Standby Letter of Credit Guaranty only to guaranty the Borrower's obligations to a Confirming Bank under the confirmation of a Qualifying Commercial Letter of Credit or to an Issuing Bank under a Qualifying Letter of Credit which has terms of coverage consistent with the Borrower's principal repayment obligation under this Agreement.

Section 8.4. Instructions to Issue Standby Letters of Credit. The Borrower agrees to submit a Borrower Standby Certificate to the Depository Bank only for the issuance of letters of credit which are Qualifying Standby Letters of Credit and which have terms of coverage consistent with the Borrower's principal repayment obligation under this Agreement.

Section 8.5. Instructions to Confirm Commercial Letters of Credit. The Borrower agrees to submit Borrower Trade Credit Certificates to the Depository Bank only in connection with confirmations of Qualifying Commercial Letters of Credit.

Section 8.6. Issuance of Additional Development Bonds. The Borrower agrees to issue Development Bonds in such an amount and having such terms of repayment that the amount in the Collateral Account which is subject to the Depository Bank Security Interest shall, at no time, be greater than fifty percent (50%) of the Borrower's total outstanding indebtedness under the Development Bonds.

Section 8.7. Use of Development Bond Proceeds. The Borrower shall use all amounts borrowed through the issuance of the Development Bonds to finance Qualifying Activities by Eligible Subborrowers.

Section 8.8. Security for Obligations under Commercial Letters of Credit and Subloans. The Borrower agrees to obtain security interests, if commercially feasible, from Subborrowers in the imports financed by the Commercial Letters of Credit.

Section 8.9. Additional Security Documentation. The Borrower agrees to execute such additional documentation ("Security Documents") as A.I.D. may reasonably request related to the creation and perfection of the A.I.D. Security Interest.

Section 8.10. Supplemental Subloan Terms. The Borrower covenants that all Subloan agreements and Commercial Letter of Credit Agreements will contain the Supplemental Subloan Terms. The Borrower also covenants that it will enforce the Supplemental Subloan Terms with at least as much diligence as any other term of the Subloan agreements. The Borrower need not attach the Supplemental Subloan Terms to the Commercial Letter of Credit Agreements if, based on other documents submitted by account parties, such account parties are obligated to comply with the substance of the Supplemental Subloan Terms.

Article 9: Disbursements

Section 9.1. Disbursement Mechanism. After satisfaction of conditions precedent as set forth in Section 6.1 (except Section 6.1(j)), the Borrower may obtain disbursement of funds under the Loan by submitting to A.I.D. a document ("Request and Certificate"), in the form set forth in Annex B. The Borrower shall submit each Request and Certificate directly to The A.I.D. Washington, D. C. Office. Such submission shall be addressed to The Office of Financial Management, A.I.D., FM/IMD, Room 619, SA-12, Washington, D. C. 20523. Upon receipt of the appropriate documents and A.I.D.'s determination that the Borrower is entitled under this Agreement to the disbursement requested, A.I.D. shall disburse the requested amount into the Collateral Account. Each submission of a Request and Certificate shall be deemed, in addition to the representations contained therein, a renewal of all representations and warranties contained in Article 5 as of the date of such submission.

Section 9.2. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Parties agree to in writing.

Section 9.3. Date of Disbursement. Disbursements by A.I.D. will be deemed under any of the foregoing procedures to occur on the date on which the Depository Bank invests the funds disbursed into the Collateral Account.

Article 10: Cancellation, Events of Default, Remedies

Section 10.1. Cancellation by Borrower. The Borrower may, by giving A.I.D. thirty (30) days written notice and after payment of the Facility Fee, cancel any part of the Loan which has not been disbursed. If such cancellation occurs when no amounts are owing under this Agreement, then the Borrower shall have no further obligations hereunder.

Section 10.2. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Agreement regardless of the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority.

- (a) Payment Default. The Borrower shall fail to pay when due any amount of principal or interest on the Loan or any other amount payable by the Borrower under this Agreement or the Three-Party Agreement; or
- (b) Breach of Warranty. Any representation, certification, or warranty made by the Borrower under or in connection with this Agreement, including but not limited to representations made in Article 5 hereunder or any Request and Certificate, or under or in connection with the Three-Party Agreement, the Borrower Trade Credit Certificate, or the Borrower Standby Certificate shall prove to have been incorrect when made or deemed made in accordance with Section 9.1; or
- (c) Breach of Covenant. The Borrower shall fail to comply with any covenant contained in this Agreement; or
- (d) Insolvency, Etc. The Borrower shall admit in writing its inability to pay its debts or shall voluntarily suspend its business operations, or to make a general assignment for the benefit of creditors; or any proceeding shall be instituted by the Borrower in any jurisdiction seeking to adjudicate it a bankrupt or insolvent, seeking reorganization, arrangement, adjustment or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking appointment of a receiver, trustee or other similar official for it or for such part of its property as in the reasonable opinion of A.I.D. is a substantial part; or any such proceeding is instituted against the Borrower which is not dismissed within reasonable time in the jurisdiction of or within whose venue the matter falls after the institution thereof; or the Borrower shall take action to authorize any of the actions set forth above in this paragraph (d); or

- (e) Adverse Events. Any event shall have occurred which, in A.I.D.'s reasonable opinion, makes it improbable that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or
- (f) Legality. Any event (including but not limited to a change in the legislation governing A.I.D.) shall have occurred making any disbursement by A.I.D. a violation of such legislation; or
- (g) A.I.D. Security Interest. A.I.D. determines that, for any reason, the A.I.D. Security Interest is no longer valid, enforceable and perfected as contemplated in Section 4.10 above; or
- (h) Breach of Supplemental Subloan Terms. Any Subborrower shall have breached any of the Supplemental Subloan Terms, and the Borrower shall have failed, within thirty (30) days of obtaining notice or knowledge of such breach, either to declare an event of default on the defaulting Subloan or Commercial Letter of Credit Agreement and commence reasonable collection activity or to furnish reasonable assurance, to the satisfaction of A.I.D., that such default has been, or will promptly be, cured; or
- (i) Cross-Default. The Borrower shall failed (i) to pay when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any indebtedness to any person or entity other than indebtedness created by this Agreement, including but not limited to indebtedness to any or all of the holders of the Development Bonds, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or (ii) to perform any term, condition or covenant required to be performed by it under any agreement or instrument after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to perform is to permit the acceleration of the maturity of such indebtedness.

Section 10.3. Consequences of Default. Upon the occurrence of an Event of Default, A.I.D. may at its sole option, in addition to any other remedies provided by governing to make any further disbursements under the Loan; and/or

- (b) Accelerate and declare immediately due all or any part of the outstanding principal, interest and fees, under this Agreement. All without any presentment, demand or protest of any kind, all of which are expressly waived by the Borrower. Notwithstanding

such acceleration, however, if the only Events of Default which have occurred are those stated in Section 10.2(e) and (f), then the amount immediately due and owing upon acceleration may be reduced by the amount of funds and investments in the Collateral Account which are subject to the Depository Bank Security Interest. Such amounts not immediately due upon acceleration shall become due and owing immediately upon their release from the Depository Bank Security Interest or removal from the Collateral Account.

Section 10.4 Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursements, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all principal and interest hereunder.

Section 10.5. Refunds. In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Borrower to refund the amount of such disbursement less the amount of whatever funds or investments have become subject to the Depository Bank Security Interest which amounts shall be refunded immediately upon their release from the Depository Bank Security Interest or removal from the Collateral Account. The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for the term of this Agreement. Any refund will be applied to the installments of principal in the inverse order of their maturity.

Section 10.6. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section 10.7. Suspension of Disbursements. Notwithstanding any other provision of this Agreement or the Three-Party Agreement, A.I.D. may decline to make any disbursements hereunder which would cause A.I.D. to be in violation of any statute or regulation governing it.

Section 10.8 Legality of Parallel Market. In the event that the Government of Ecuador changes its current policy relating to the purchase of foreign exchange in Ecuador in a way that eliminates or significantly restricts the Borrower's ability to obtain foreign exchange from the parallel market, then A.I.D. shall have the right to terminate or suspend its obligation to make further disbursements under the Loan; and/or notify the Depository Bank that the Borrower is no longer authorized to request the confirmation of Commercial Letters of Credit or the issuance of Interbank Confirmation Guaranties under which the Borrower's indemnification obligation is secured by the funds and investments in the Collateral Account; and/or accelerate and declare immediately due and owing all or any part of the outstanding principal, interest and fees under this Agreement less the amount of funds and investments in the

Article 11: Miscellaneous

Section 11.1. Communications. Except as otherwise specifically provided above, any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, cable or telex, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Borrower:

Mail Address: Financiera Iberoamericana S.A.
Av. Colon 535, 9 Piso
P.O. Box 3598
Quito, Ecuador
Attn: Mr. Raul Daza Martinez

Alternate address for telex: 2287 FINIBR

To A.I.D.:

Mail Address: Office of Investment
Bureau for Private Enterprise
Agency for International Development
Washington, D.C. 20523

Alternate address for telex: 248766 COM UR

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 11.2. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individuals who are duly authorized representatives of the Borrower empowered to commit the Borrower, and A.I.D. will be represented by the individual holding or acting in the Office of Assistant Administrator, Bureau for Private Enterprise, each of whom, by written notice, may designate additional representatives for all purposes. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 11.3. Project Implementation Letters. To assist the Borrower in the implementation of the Project, A.I.D., from time to time, may issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

Section 11.4. Governing Law. This Agreement shall be governed by the laws of the United States and the State of New York, including its conflict of law rules.

Section 11.5. Amendments. This Agreement may be amended only in writing signed by authorized representatives of both Parties.

Section 11.6. Jurisdiction. The Borrower consents to jurisdiction in the United States Federal District Court for the District of Columbia and agrees that, unless waived by A.I.D., any action brought to resolve any breach, default, dispute or interpretation of this Loan Agreement shall be commenced in the United States District Court for the District of Columbia. Borrower agrees not to claim, in any such legal action, that the District of Columbia is an inconvenient place for trial. The foregoing shall not, however, limit the right of A.I.D. to serve legal process in any manner permitted by law or affect the right of A.I.D. to bring any action or proceeding against the Borrower or its property in the courts of Ecuador or in any other courts having jurisdiction.

Section 11.7. Costs of Collection. With respect to any action brought by A.I.D. for breach of this Agreement, Borrower shall pay to A.I.D. all costs of collection, including reasonable attorneys fees, incurred in connection with any such action.

Section 11.8. Headings. The headings of the various provisions of this Agreement are for convenience of reference only, do not constitute a part hereof, and shall not affect the meaning or construction of any provision hereof.

Section 11.9. Assignment of Rights. The Borrower may assign any of its rights and delegate any of its duties under this Agreement only with the express written consent of A.I.D.

Section 11.10. Language of Agreement. This Agreement is executed in the English language. Translations may be made into Spanish or any other language, but the original English version will remain definitive.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

FINANCIERA IBERO-AMERICANA S.A.

By: _____

Title: Attorney-in-Fact

UNITED STATES OF AMERICA

By: _____

Title: Acting Assistant Administrator
Bureau for Private Enterprise
Agency for International
Development

ANNEX A

PROJECT DESCRIPTION

Annex A is for descriptive purposes only and does not create or vary contractual obligations except as specifically provided in the main body of the Agreement.

I. Objectives

The Project consists of funding an account in the name of the Borrower which will be used to finance agriculture and agribusiness-related activities in Ecuador outside Guayaquil and Quito conducted by Eligible Subborrowers. The account ("Collateral Account") will be with an Eligible Depository Bank which will invest the funds in Qualifying Investments. Funds and investments in the Collateral Account will be used as collateral to secure some or all of the Borrower's indemnification obligations under Standby Letters of Credit, confirmations of Commercial Letters of Credit, Interbank Confirmation Guaranties and Standby Letter of Credit Guaranties. The Borrower will issue and request confirmation of Commercial Letters of Credit to finance the purchase of Qualifying Imports by Eligible Subborrowers. The Standby Letters of Credit will guaranty some or all of the Borrower's indebtedness under Development Bonds issued in Ecuador.

The Standby Letter of Credit facility will be available to the Borrower only after the Government of Ecuador has enacted legislation permitting private financial institutions to issue development bonds which are taxed at no higher rate than the bonds issued by the Ecuadorian Government and permitting the Borrower to lend in Sucres at an interest rate which varies according to market conditions or, if an interest ceiling remains, permitting the Borrower to lend in Sucres to small businesses at an interest rate not less than five percent (5%) in excess of the legal ceiling.

The Interbank Confirmation Guaranty and the Standby Letter of Credit Guaranty are guaranties of the Depository Bank in favor of banks which issue Standby Letters of Credit or confirm Commercial Letters of Credit issued by the Borrower. The Depository Bank may also issue or confirm such letters of credit. The Commercial Letters of Credit will finance the importation of agriculture or agribusiness-related commodities by Eligible Subborrowers. It is contemplated that the Borrower will request confirmation of its letters of credit by foreign banks with which the Borrower already has an established banking relationship. The Interbank Confirmation Guaranty is intended to facilitate the Borrower's utilization of its existing credit lines by guarantying up to fifty percent (50%) of the Borrower's obligations to the Confirming Bank arising from the confirmation. The Depository Bank which issues the Interbank Confirmation Guaranty will have the right to recover from the Borrower any amounts paid on the guaranty. This right to recover from

the Borrower will be fully collateralized by the funds and investments in the Collateral Account, except that, if the Depository Bank and the Confirming Bank are the same, the Borrower's obligations under the confirmation will be secured by funds and investments only up to fifty percent (50%) of the amount of the confirmed letter of credit.

The Project has the following developmental benefits for Ecuador: (1) increasing the flow of outside capital into the agribusiness sector of the Ecuadorian economy, (2) increasing the availability of credit to small agribusinesses in Ecuador with the corresponding employment generation and technology transfer, and (3) encouraging the Government of Ecuador to adopt policies which will improve the ability of private Ecuadorian financial institutions to provide credit to small enterprises generally.

II. Project Implementation

The Borrower expects to satisfy the conditions precedent to disbursement within several weeks of the Execution Date and in no event later than six (6) months after the Execution Date. The Borrower intends to draw down the entire amount of the Loan shortly after satisfaction of the conditions precedent and to begin requesting confirmations or issuance of Interbank Confirmation Guaranties immediately after disbursement. By the end of six (6) months after disbursement, the Borrower intends to have no less than \$2,000,000 U.S. in outstanding liability under Commercial Letters of Credit.

Promptly after passage of the relevant legislation, the Borrower intends to take whatever actions are necessary to issue the Development Bonds. Within six (6) months after passage of such legislation, the Borrower will have satisfied the conditions precedent to utilization of the Standby facility and requested issuance of a Standby Letter of Credit. By the end of six (6) months after the issuance of the Development Bonds, the Borrower will have made Qualifying Subloans with Sucres raised through such issuance in an amount not less than the equivalent of \$1,500,000 U.S. In summary, the Borrower intends to adhere to the following implementation schedule:

| | |
|---|--------------------|
| Execution Date - | September 17, 1984 |
| Satisfaction of Conditions Precedent to Initial Disbursement - | December 17, 1984 |
| Disbursement into Collateral Account - | December 30, 1984 |
| Borrower reaches \$2,000,000 level of outstanding liability under Commercial Letters of Credit - | June 30, 1985 |

Satisfaction of condition's
Precedent in Section 6.4 - March 15, 1987

Borrower issues Development
Bonds - March 30, 1987

Borrower has made Qualifying
Subloans in amounts of not
less than the equivalent of
\$1,500,000 U.S. September 30, 1987

III. Reporting Requirements

The Borrower is required to submit quarterly and annual financial statements consistent with the terms and conditions of the Loan and to maintain complete and accurate books and records in accordance with generally accepted accounting standards. The Borrower will provide A.I.D. its unaudited financial statements-- footnoted and certified by the Chief Financial Officer--within approximately forty-five (45) days of the end of each quarter, and statements audited by an accounting firm acceptable to A.I.D. within approximately ninety (90) days after the end of each fiscal year. The Borrower agrees upon reasonable notice and at reasonable times and frequencies to permit A.I.D. and its representatives access to its books and records maintained hereunder together with all supporting documents relating to the A.I.D. Loan.

The Borrower's management shall furnish to A.I.D. semi-annual operating reports whose contents shall include, in addition to commercial matters, details of the impact of Subloans and Commercial Letter of Credit confirmations in terms of certain development criteria, including:

- o Direct employment creation and identifiable indirect employment creation, broken out by skill and compensation levels.
- o Identifiable employment displacement, if any.
- o Net foreign exchange generation, including imported inputs, export sales, and identifiable import substitution.
- o Forward/backward linkages to other local enterprises, including especially the extent to which non-traditional export production is accomplished through small independent farmers, agroindustrial intermediaries or other entrepreneurs.
- o Significant transfers of technology, including training of employees or independent suppliers.
- o Degree of local ownership, including a description of the Subborrowers' assets.

ANNEX B

REQUEST AND CERTIFICATE

Under the terms of the loan agreement ("Agreement") between Financiera Ibero-Americana S.A., a corporation organized and existing under the laws of Ecuador, ("Borrower") and the United States of America acting through the Agency for International Development ("A.I.D"), dated _____, for Project No. _____, the Borrower hereby requests a disbursement of _____ United States Dollars.

Without limiting any other representations, warranties or certifications the Borrower has made under the Agreement, the Borrower certifies that, with the submission of this Request and Certificate, it has complied with all Conditions Precedent to Initial Disbursement set forth in Section 6.1, and if the disbursement requested is other than the initial disbursement, that all representations set forth in Section 6.3 are true and correct as of the date of the submission of this Request and Certificate.

The Borrower further certifies that it is in compliance with all the covenants and other terms and conditions of the Loan Agreement and that there has been no material adverse change in the financial condition of the Borrower since the date of the Agreement which has affected or is likely to affect the Borrower's operations.

FINANCIERA IBERO-AMERICANA S.A.

By: _____

Position: _____

Date: _____

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ANNEX C

BORROWER STANDBY CERTIFICATE

Financiera Ibero-Americana S.A. ("Borrower") hereby requests [the Depository Bank] ("the Depository Bank") to issue a guaranty or similar assurance of payment ("Standby Letter of Credit Guaranty") to [the Issuing Bank] ("Issuing Bank") under which the Depository Bank guaranties one hundred percent (100%) of the Depositor's obligation to the Issuing Bank arising out of the Issuing Bank's issuance of a letter of credit ("Standby Letter of Credit") in the amount of _____ Ecuadorian Sucres plus interest thereon at _____ percent (____%) per annum in the form of the document approved by A.I.D. pursuant to that agreement between the Borrower, the Depository Bank and the United States of America, acting through the Agency for International Development ("A.I.D.") dated _____ ("Three-Party Agreement"), or if the Depository Bank and the Confirming Bank are the same, to issue such Standby Letter of Credit. The Borrower certifies that it has satisfied all "Conditions Precedent to Borrower's Authority to Direct Issuance of Standby Letters of Credit" in Section 6.4 of that loan agreement between the Account Party and A.I.D. dated September __, 1984 ("Loan Agreement") and that the document attached to this Borrower Standby Certificate as Exhibit A is a true and correct copy of A.I.D.'s written acknowledgement of the satisfaction of those conditions precedent. The Borrower acknowledges that its obligation to indemnify the Depository Bank for payments made on the Standby Letter of Credit Guaranty or Standby Letter of Credit requested herein are secured in accordance with the agreement between the Borrower, the Depository Bank and the United States of America, acting through the Agency for International Development ("A.I.D.") dated _____ ("Three-Party Agreement"). The Borrower certifies that the letter of credit whose issuance is being sought satisfies the requirements for a Qualifying Commercial Letter of Credit contained in Section 2.23 of the Loan Agreement.

FINANCIERA IBERO-AMERICANA S.A.

By: _____

Title: _____

Date: _____

ANNEX D

BORROWER TRADE CREDIT CERTIFICATE

Option No. 1 - Depository and Confirming Banks Different.

Financiera Ibero-Americana S.A. ("Borrower") hereby requests [the Depository Bank] ("Depository Bank") to issue a guaranty or similar assurance of payment ("Interbank Confirmation Guaranty") to [the Confirming Bank] ("Confirming Bank") under which the Depository Bank guaranties [fraction agreed to by A.I.D.] of the Borrower's obligation to the Confirming Bank arising out of the Confirming Bank's confirmation of that letter of credit ("Commercial Letter of Credit") issued by the Borrower dated _____ under which [seller of the Qualifying Import] ("Exporter") is beneficiary and [Subborrower] ("Importer") is account party. The amount of the Commercial Letter of Credit to be confirmed is \$ _____ U.S.

Option No. 2 - Depository and Confirming Banks Same.

Financiera Ibero-Americana S.A. ("Borrower") hereby requests [the Depository/Confirming Bank] ("Depository Bank") to confirm that letter of credit ("Commercial Letter of Credit") issued by the Borrower dated _____ under which [seller of the Qualifying Import] ("Exporter") is beneficiary and [Subborrower] ("Importer") is account party. The amount of the Commercial Letter of Credit to be confirmed is \$ _____ U. S.

The Borrower acknowledges that its obligation to indemnify the Depository Bank for any payments made on [the confirmation or Interbank Confirmation Guaranty] requested herein are secured in accordance with the agreement between the Borrower, the Depository Bank and the United States of America, acting through the Agency for International Development ("A.I.D."), dated _____ ("Three-Party Agreement"). The Borrower certifies that the letter of credit whose confirmation is being sought satisfies the requirements a Qualifying Commercial Letter of Credit contained in Section 2.20 of the loan agreement between the Depositor and A.I.D. dated _____, 1984.

FINANCIERA IBERO-AMERICANA S.A.

By: _____

Position: _____

Date: _____

ANNEX E

SUPPLEMENTAL SUBLOAN TERMS

The provisions contained in this Annex shall supplement the terms of the loan agreement or letter of credit agreement between [the Subborrower] and [the Borrower] dated _____.

1. [The Subborrower] covenants that no portion of the credit extended shall be used, unless the United States Government acting through the Agency for International Development (hereinafter "A.I.D.") agrees otherwise in writing, to finance enterprises involving the production, processing or marketing of sugar, palm oil, cotton, or citrus, in whole or in part, for export; or to finance the manufacture, importation, distribution or application of pesticides; or to finance luxury goods or gambling equipment, activities related to abortion or involuntary sterilization, police, other law enforcement, or military activities, materials for explosives, surveillance equipment, or weather modification equipment.

2. [The Subborrower] covenants that it will not use more than fifty percent (50%) of the proceeds of this loan to finance motor vehicles not manufactured in the United States.

3. [The Subborrower] covenants that it will not use any of the credit extended to finance goods or services which have their Source, Origin or Nationality in USSR, Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Poland, Vietnam, North Korea, People's Republic of China, Mongolia, Laos, Cambodia, and Cuba. "Source" means the country from which the good is shipped, and "Origin" is the country in which the good is produced. "Nationality" for an individual means the country of citizenship and country of principal place of business, and for a firm means country of incorporation or legal organization, country of principal place of business and country of citizenship of owners of more than fifty-percent (50%) of each class of stock.

4. [The Subborrower] agrees to maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, its books and records related to this loan, adequate to show, without limitation the receipt and use of goods and services acquired under this loan. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained, except as A.I.D. may otherwise agree in writing, until the loan has been fully repaid by [the Subborrower].

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5. [The Subborrower] also acknowledges that the only person or entity which can waive any of these supplemental provisions is A.I.D. The existence of the letter of credit has no effect on [the Subborrower's] obligation to repay this loan and creates no rights in [the Subborrower] against any other person or entity.

[Subborrower]

By: _____

Title: _____

Date: _____