

BANCO DE DESARROLLO ECONÓMICO Y SOCIAL DE VENEZUELA (BANDES), PETRÓLEOS DE VENEZUELA S.A., CHINA NATIONAL UNITED OIL CORPORATION AND CHINA DEVELOPMENT BANK CORPORATION CONFIRM THAT THIS VERSION OF THE FRAMEWORK AGREEMENT IS THE FORM AGREED IN THEIR MEETINGS IN BEIJING AND SINGAPORE FROM 2 MARCH TO 18 MARCH 2011 AND IS IN SUBSTANTIALLY AGREED FORM SUBJECT TO; COMMENT BY EL FONDO DE DESARROLLO NACIONAL S.A., THE MINISTRY OF PEOPLE'S POWER FOR PLANNING AND FINANCE OF THE BOLIVARIAN REPUBLIC OF VENEZUELA AND THE MINISTRY OF PEOPLE'S POWER FOR ENERGY AND PETROLEUM OF THE BOLIVARIAN REPUBLIC OF VENEZUELA; REVIEW BY LOCAL COUNSEL; INTERNAL APPROVALS OF EACH PARTY, AND ANY AMENDMENTS OF A MINOR OR TYPOGRAPHICAL NATURE.

Ms Edmee Betancourt
President
For and on behalf of
**BANCO DE DESARROLLO
ECONÓMICO Y SOCIAL DE
VENEZUELA (BANDES)**

Mr Tian Yunhai
Deputy Director-General
For and on behalf of
**CHINA DEVELOPMENT BANK
CORPORATION**

Mr Asdrubal Chavez
Vice President
For and on behalf of
PETRÓLEOS DE VENEZUELA S.A.

Mr Zhao Yong
Vice President
For and on behalf of
**CHINA NATIONAL UNITED OIL
CORPORATION**

..... **2011**

CHINA DEVELOPMENT BANK CORPORATION

CHINA NATIONAL UNITED OIL CORPORATION

BANCO DE DESARROLLO ECONÓMICO Y SOCIAL DE VENEZUELA

PETRÓLEOS DE VENEZUELA S.A.

EL FONDO DE DESARROLLO NACIONAL S.A.

**THE MINISTRY OF PEOPLE'S POWER FOR PLANNING AND FINANCE OF THE
BOLIVARIAN REPUBLIC OF VENEZUELA**

and

**THE MINISTRY OF PEOPLE'S POWER FOR ENERGY AND PETROLEUM OF THE
BOLIVARIAN REPUBLIC OF VENEZUELA**

FRAMEWORK AGREEMENT

This framework agreement (this "**Agreement**") is entered into by and between the following parties and shall come into effect on [●] 2011:

- (1) **CHINA DEVELOPMENT BANK CORPORATION ("CDB")**, a financial institution duly incorporated and validly existing under the laws of the People's Republic of China ("**China**");
- (2) **CHINA NATIONAL UNITED OIL CORPORATION**, a company duly incorporated and validly existing under the laws of the People's Republic of China ("**CHINAOIL**");
- (3) **BANCO DE DESARROLLO ECONÓMICO Y SOCIAL DE VENEZUELA (BANDES)**, an entity organised and existing under the Laws of the Bolivarian Republic of Venezuela, and subject to the oversight of the Ministry of People's Power for Planning and Finance of the Bolivarian Republic of Venezuela, created by Presidential Decree No 1.274 as published in Venezuelan Official Gazette No. 37.228 of June 27, 2001, as amended by Presidential Decree No. 6.214 dated July 15, 2008 as published in Venezuelan Official Gazette No 5.890 on July 31, 2008, as further amended by the Law for the Partial Reform of Decree No. 6.214 as published in Venezuela Official Gazette No. 39.429 on May 21, 2010 ("**BANDES**");
- (4) **PETROLEOS DE VENEZUELA S.A.**, a company registered with the First Commercial Registry of the Judicial Circuit of the Capital District and Miranda State on September 15, 1975, under N° 23, Volume 99-A-Pro., the latest version of its Articles of Incorporation/By-Laws evidenced through Presidential Decree N° 3.299, published in Venezuelan Official Gazette N° 38.081 of December 7, 2004 as amended by Presidential Decree N° 6.234, published in Venezuelan Official Gazette N° 38.988 of August 6, 2008 with principal offices of URB. La Campiña, Avda. Libertador, Calle el Empalme EDIF. Petróleos de Venezuela, Torre Oeste, Piso 7 Venezuela 1060 ("**PDVSA**");
- (5) **EL FONDO DE DESARROLLO NACIONAL S.A.**, a company created by Presidential Decree N° 3.854 published in the Venezuelan Official Gazette N° 38.261 of August 30, 2005 and registered with the First Commercial Registry of the Judicial Circuit of the Capital District and Miranda State on September 9, 2005, under N° 35 Volume 133-A-Pro ("**FONDEN**");
- (6) **THE MINISTRY OF PEOPLE'S POWER FOR PLANNING AND FINANCE OF THE BOLIVARIAN REPUBLIC OF VENEZUELA ("MPF")**; and
- (7) **THE MINISTRY OF PEOPLE'S POWER FOR ENERGY AND PETROLEUM OF THE BOLIVARIAN REPUBLIC OF VENEZUELA ("MEP")**,

(each a "**Party**" and together the "**Parties**").

RECITALS

WHEREAS

- (A) In 2007 the government of China and the government of the Bolivarian Republic of Venezuela ("**Venezuela**") established the Sino-Venezuela Joint Fund through a US\$2,000,000,000 contribution from FONDEN and a US\$4,000,000,000 loan from CDB to BANDES (the "**Joint Fund Phase I Facility**"). The Joint Fund Phase I Facility contained a mechanism for the rollover of the Joint Fund Phase I Facility for four (4)

further terms of three (3) years, each on substantially the same terms of the Joint Fund Phase I Facility.

- (B) In 2009 the government of China and the government of Venezuela agreed to increase the Sino-Venezuela Joint Fund from US\$6,000,000,000 to US\$12,000,000,000 through an additional contribution of US\$2,000,000,000 from FONDEN and a further loan of US\$4,000,000,000 from CDB to BANDES (the "**Joint Fund Phase II Facility**").
- (C) Since its establishment, the Sino-Venezuela Joint Fund has been operating smoothly and has played an active role in advancing the economic and social development of Venezuela;
- (D) Sino-Venezuelan cooperation in projects in the energy, infrastructure, agriculture and high-tech industries is under active development;
- (E) the Parties acknowledge that there exists enormous potential for further development of economic and trade cooperation between the two countries in the petroleum trade and other fields and both countries have expressed sincere wishes to explore such opportunities;

THEREFORE, in order to further strengthen and deepen the joint development of the strategic partnership between the two countries and following the repayment of the Joint Fund Phase I Facility, the governments of China and Venezuela have agreed to increase the Sino-Venezuela Joint Fund, based on the existing Sino-Venezuela Inter-governmental Agreement on the Sino-Venezuela Joint Fund and by exercising the first rollover of the Joint Fund Phase I Facility. In order to increase the Sino-Venezuela Joint Fund, **THE PARTIES AGREE AS FOLLOWS:**

1. DOCUMENTS TO BE ISSUED BY THE VENEZUELAN GOVERNMENT

- 1.1 The following letters of instruction will be issued by the competent authorities of the Venezuelan government:
 - 1.1.1 from MEP to PDVSA instructing PDVSA, on behalf of the Bolivarian Republic of Venezuela, to negotiate with CHINAOIL to execute petroleum sales and purchase contract(s) (the "**New Petroleum Sales and Purchase Contract**") with the understanding that the fuel and/or crude oil thereunder will be supplied to a China National Petroleum Corporation entity and a China Petrochemical Corporation entity;
 - 1.1.2 a supplemental letter of instruction from MEP to PDVSA amending and supplementing letter of instruction 463 from MEP to PDVSA dated 27 December 2007 as amended and supplemented by letter of instruction 033 dated 13 February 2009;
 - 1.1.3 a supplemental letter of instruction from MPF to MEP amending and supplementing letter of instruction F194 dated 4 February 2008 as amended and supplemented by letter of instruction F344 dated 20 March 2009;
 - 1.1.4 from MPF to MEP permitting BANDES to use the proceeds from the sale of fuel and crude oil by PDVSA under the New Petroleum Sales and Purchase Contract to repay the First Rollover Facility; and
 - 1.1.5 from MPF to BANDES instructing BANDES to (amongst other things) open a new collection account with CDB (the "**New Collection Account**") and use funds in the New Collection Account to repay the First Rollover Facility.

- 1.2 MPF shall issue a letter of comfort in favour of CDB to ensure that BANDES shall perform its obligations under the relevant agreements to which it is a party and, as a first priority, apply the proceeds from the sale of petroleum under the New Petroleum Sales and Purchase Contract to repay the principal and accrued interests of the First Rollover Facility.
- 1.3 MEP shall issue a letter of comfort in favor of CDB to ensure that PDVSA shall perform its obligations under the New Petroleum Sales and Purchase Contract and the other agreements in connection with the First Rollover Facility to which PDVSA is a party.
- 1.4 The Parties agree that issuance of the aforesaid documents, determined to be necessary by CDB and agreed between the Parties (including any document referred to in Clause 6 and Clause 7 below), shall constitute the conditions precedent to the execution of the definitive finance documents for the present transaction.

2. THE INCREASE IN THE SINO-VENEZUELA JOINT FUND

2.1 Method of increase

The Parties agree that they will implement the increase of the Sino-Venezuela Joint Fund through:

- 2.1.1 a contribution by FONDEN to the Sino-Venezuela Joint Fund of US\$2,000,000,000 as authorised by the government of Venezuela; and
- 2.1.2 an up to US\$4,000,000,000 loan from CDB to BANDES, as authorised by the government of China and the government of Venezuela, to be applied by BANDES towards the Sino-Venezuela Joint Fund (the "**First Rollover Facility**").

2.2 Purpose of the First Rollover Facility

Proceeds under the First Rollover Facility are to be applied by BANDES to the Sino-Venezuela Joint Fund to provide Venezuela with the required support for the construction of infrastructure, social development, energy development, mineral development and agriculture development and other large-scale projects located in Venezuela.

3. STRUCTURE OF FIRST ROLLOVER FACILITY

3.1 Amount, term and conditions and purpose of the First Rollover Facility

Subject to Clause 2.2 above and Clause 3.2 below, the First Rollover Facility shall be provided for a term of three (3) years to be applied towards the funding of eligible projects selected by the government of Venezuela in accordance with the Sino-Venezuela Joint Fund Joint Office Management Mechanism to be set out in the facility agreement for the First Rollover Facility.

3.2 Disbursement of the First Rollover Facility

As a general matter funds under the First Rollover Facility shall be disbursed in a single instalment based on the utilisation request delivered by the Borrower, subject to satisfaction of conditions customary for facilities of this type to be specified in the facility agreement.

4. REPAYMENT OF THE FIRST ROLLOVER FACILITY

4.1 Sources of repayment

4.1.1 Prior to the first payment of oil in respect of the New Petroleum Sales and Purchase Contract:

(A) repayment of the First Rollover Facility will be ensured through the proceeds of the oil contract in respect of the Joint Fund Phase II Facility (the "**Existing Petroleum Sales and Purchase Contract**"); and

(B) amounts to fund such repayment and payment of all other amounts owed in respect of the First Rollover Facility as well as amounts required to satisfy the required amount in respect of the New Collection Account shall be transferred from the collection account in respect of the Joint Fund Phase II Facility to the New Collection Account in accordance with the procedure to be set out in the facility agreement.

4.1.2 PDVSA shall, pursuant to the New Petroleum Sales and Purchase Contract, sell, on behalf of the Bolivarian Republic of Venezuela fuel and/or crude oil, based on a pre-agreed pricing formula, of 230,000 barrels of fuel and/or crude oil per day (as may be adjusted in accordance with the relevant agreements) from 19 February 2012 until the full repayment of all amounts due in connection with the Facility. After 19 February 2012, repayment of the First Rollover Facility will be ensured through the proceeds under the New Petroleum Sales and Purchase Contract. The proceeds generated from the sale of fuel and/or crude oil under the New Petroleum Sales and Purchase Contract shall be sufficient to cover the principal and interest payable by BANDES to CDB under the First Rollover Facility.

4.2 New Collection Account

Payments due under the New Petroleum Sales and Purchase Contract for the fuel and/or crude oil delivered thereunder will be made in US Dollars. The US Dollar payments will be remitted to the New Collection Account, which shall be a USD account opened by BANDES under its name with CDB. The outstanding principal and interest under the First Rollover Facility will be repaid using the proceeds standing to the credit of the New Collection Account. After 19 February 2012 BANDES may withdraw funds from the New Collection Account provided that, among other things to be specified in the facility agreement, on the date of withdrawal there remains an amount in the New Collection Account of no less than 1.3 times the aggregate amount of principal, interest and any other amount due and payable under the First Rollover Facility required to be paid on the immediate following repayment date. Interest will be paid for the account of BANDES with respect to funds deposited in the New Collection Account in accordance with the finance documents to be agreed by CDB and BANDES.

4.3 Maintenance of Actual Debt Service Coverage Ratio; shortfall in New Collection Account

If, on the applicable calculation date (as specified in the facility agreement), the prospective debt service coverage ratio is not met or the balance in the New Collection Account is less than 1.3 times the aggregate amount of principal, interest and any other

amount due and payable under the First Rollover Facility required to be paid on the immediate following repayment date, then either:

- 4.3.1 PDVSA undertakes, on behalf of the Bolivarian Republic of Venezuela, to increase the amount of fuel and/or crude oil to be delivered under the New Petroleum Sales and Purchase Contract to ensure that
- (A) the actual debt service coverage ratio is maintained at the required level at the required times; and
 - (B) the amount in the New Collection Account is sufficient to meet the required balance requirements set out in the facility agreement; or
- 4.3.2 BANDES undertakes to transfer funds to the New Collection Account to remedy any shortfall in the New Collection Account.

5. MANAGEMENT MECHANISM

In order to ensure efficient management of the Sino-Venezuela Joint Fund and the financing contemplated hereunder, the Parties agree to amend the Sino-Venezuela Joint Fund Joint Office Management Mechanism to be operated by CDB and BANDES. The functions of the aforesaid mechanism shall be set out in the relevant agreement(s) to be further discussed and agreed among the Parties.

6. LEGAL SUPPORT

BANDES shall apply to the Venezuelan government to ensure that the financing contemplated under this Agreement shall be fully recognized and protected by all relevant Venezuelan laws (including, without limitation, through the issuance of executive orders and/or legislative acts wherever necessary) in respect of the utilization of the First Rollover Facility, establishment of offshore accounts, taxation, repayment and repatriation of amounts due under the First Rollover Facility.

7. RELEVANT DOCUMENTATION

The Parties agree to prepare and negotiate the following agreements and, in due course, to execute the same:

- 7.1.1 Diplomatic notes in respect of the Law of Approval of the Sino-Venezuela Inter-governmental Agreement published in the Bolivarian Republic of Venezuelan Official Gazette N 39.019 of September 18th 2008, amended and restated by the Law of Approval of the Amendment Protocol of Sino-Venezuela Inter-governmental Agreement published in the Bolivarian Republic of Venezuelan Official Gazette N 39.183 of May 21st 2009;
- 7.1.2 a facility agreement in respect of the First Rollover Facility to be executed by CDB and BANDES and all ancillary agreements with respect thereto;
- 7.1.3 a four party agreement in respect of the First Rollover Facility to be executed by CDB, BANDES, CHINAOIL and PDVSA;
- 7.1.4 the Petroleum Sales and Purchase Contract as described in Clause 1.1 above;

- 7.1.5 letters of instruction as described in Clause 1.1 above, a Letter of Comfort to be issued in favor of CDB by MPF and a Letter of Comfort to be issued in favor of CDB by MEP;
- 7.1.6 an account management agreement in respect of the New Collection Account to be executed by CDB and BANDES; and
- 7.1.7 such other documents deemed necessary in connection with the transactions contemplated in this Agreement.

8. MISCELLANEOUS

- 8.1.1 This Agreement reflects the results of preliminary discussions among the Parties in respect of establishment of the Sino-Venezuela Joint Fund contemplated hereunder. This Agreement does not represent a comprehensive statement of the Parties' intentions or a complete understanding of the contractual arrangements which may be entered into in the future. Furthermore, this Agreement does not represent any final commitment on the part of either the Chinese or Venezuelan government. The increase in the Sino-Venezuela Joint Fund as described herein shall be contingent upon the approval by the relevant governmental authorities of both countries and shall be subject to the inter-governmental agreements and/or treaties to be executed by the two governments.
- 8.1.2 Each Party shall undertake all reasonable endeavours and comply with all reasonable warnings to protect confidential information and trade secrets provided by the other Party or Parties to this Agreement, and each Party shall prevent the disclosure or leakage of any such information to any employee, agent or person who does not need to know such information or for purposes beyond those stipulated herein.
- 8.1.3 This Agreement shall be executed in English, Chinese and Spanish by the authorized signatory of each Party in seven (7) originals of each language version. Each Party shall take one (1) original of each language version, and all original copies shall have equal validity. In the event of any discrepancies among the different language versions, the English version shall prevail.

9. GOVERNING LAW

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

10. DISPUTE RESOLUTION

All disputes, controversies or claims arising out of or in relation to this Agreement, including the validity, invalidity, breach or termination thereof, shall be settled exclusively by arbitration in accordance with the UNCITRAL Arbitration Rules ("**Rules**") in effect at the time of the arbitration, except as such Rules may be modified herein or by mutual agreement of the parties:

- 10.1.1 the arbitration shall be administered by the Singapore International Arbitration Centre ("SIAC") in accordance with its practice rules and regulations;
- 10.1.2 the place of arbitration shall be Singapore;
- 10.1.3 the language of the arbitration shall be English;
- 10.1.4 the number of arbitrators shall be three (3) to be appointed as follows:
 - (A) the claimant shall appoint one (1) arbitrator in the request for arbitration. If there is more than one (1) claimant, all claimants shall jointly appoint one (1) arbitrator in their request for arbitration. If they cannot agree on their choice of arbitrator, any claimant may request the SIAC in writing to appoint the arbitrator for them and the SIAC shall appoint the arbitrator for them as soon as practicable following receipt of such request;
 - (B) the respondent shall appoint one (1) arbitrator within thirty (30) days following the service of the request for arbitration upon the respondent. If there is more than one respondent, all respondents shall jointly appoint one (1) arbitrator within thirty (30) days following the service of the request for arbitration upon the respondents. If at the end of the 30-day period the second arbitrator has not been appointed, the Chairman or Deputy Chairman of the SIAC shall appoint the second arbitrator as soon as practicable.
- 10.1.5 the two (2) arbitrators thus appointed shall choose the third arbitrator who will act as the presiding arbitrator of the tribunal. If within thirty (30) days of the appointment of the second arbitrator, the two (2) appointed arbitrators fail to appoint the presiding arbitrator, the Chairman or Deputy Chairman of the SIAC shall appoint the presiding arbitrator.
- 10.1.6 the arbitral award shall be in writing and shall be final and binding on the Parties. The award may include an award of costs, including reasonable attorney's fees and disbursements. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over party against which the award is entered or its assets;
- 10.1.7 during arbitration, all the Parties shall continue to fulfill their respective obligations under this Agreement and the other Transaction Documents; and
- 10.1.8 the Parties agree to waive, for purposes of arbitration pursuant to this Clause 10 (*Dispute Resolution*), any right of application to determine a preliminary point of law or appeal to any court of law on a point of law which may be available to it under any applicable law.

SIGNATURE PAGE

China Development Bank Corporation

Authorized signatory: [●]

China National United Oil Corporation

Authorized signatory: [●]

Banco de Desarrollo Económico y Social de Venezuela (BANDES)

Authorized signatory: [●]

Petróleos De Venezuela S.A.

Authorized signatory: [●]

El Fondo De Desarrollo Nacional S.A.

Authorized signatory: [●]

The Ministry of People's Power for Planning and Finance of the Bolivarian Republic of Venezuela

Authorized signatory: [●]

The Ministry of People's Power for Energy and Petroleum of the Bolivarian Republic of Venezuela

Authorized signatory: [●]