

No. 5750

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
PERU**

Guarantee Agreement—Huinco Project (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Lima Light and Power Company (Empresas Eléctricas Asociadas)). Signed at Washington, on 29 June 1960

Official text: English.

Registered by the International Bank for Reconstruction and Development on 12 July 1961.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
PÉROU**

Contrat de garantie — Projet d'Huinco (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Compagnie d'électricité de Lima [Empresas Eléctricas Asociadas]). Signé à Washington, le 29 juin 1960

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 12 juillet 1961.

No. 5750. GUARANTEE AGREEMENT¹ (*HUINCO PROJECT*)
BETWEEN THE REPUBLIC OF PERU AND THE INTER-
NATIONAL BANK FOR RECONSTRUCTION AND DEVEL-
OPMENT. SIGNED AT WASHINGTON, ON 29 JUNE 1960

AGREEMENT, dated June 29, 1960, between REPUBLIC OF PERU (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Lima Light and Power Company (Empresas Eléctricas Asociadas) (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-four million dollars (\$24,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in said Loan Agreement shall have the same meaning as if such definitions were fully set forth herein.

¹ Came into force on 7 April 1961, upon notification by the Bank to the Government of Peru.

² See p. 108 of this volume.

³ See p. 128 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Debentures of the Series D, and the premium, if any, on the prepayment of the Loan or the redemption of the Debentures of the Series D, all as set forth in the Loan Agreement, the Supplemental Indenture and the Debentures of the Series D.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Debentures of the Series D, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banco Central de Reserva del Perú.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Debentures of the Series D shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Debenture of the Series D to a holder thereof other than the Bank when such Debenture of the Series D is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement, the Supplemental Indenture and the Debentures of the Series D shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Debentures of the Series D shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor covenants that it will not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement and will take or cause to be taken all action necessary or appropriate to enable the Borrower to perform such obligations.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Debentures of the Series D to be executed and delivered by the Borrower. The *Ministro de Hacienda y Comercio* of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministerio de Hacienda y Comercio
Lima, Peru

Alternative address for cablegrams and radiograms :

Minhacienda
Lima, Peru

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 5.02. The *Ministro de Hacienda y Comercio* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Peru :
By P. G. BELTRÁN
Authorized Representative

International Bank for Reconstruction and Development :
By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 260, p. 376.*]

LONA AGREEMENT (*HUINCO PROJECT*)

AGREEMENT, dated June 29, 1960, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and LIMA LIGHT AND POWER COMPANY (EMPRESAS ELÉCTRICAS ASOCIADAS) (hereinafter called the Borrower).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,¹ subject, however, to the modifications thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Loan Agreement or any Schedule thereto :

- (a) The term "Indenture" means the Indenture dated as of July 1, 1957, executed by the Borrower in favor of Schroder Trust Company, as Trustee, and includes any indenture supplemental thereto which has been or shall be executed and delivered in accordance with the provisions of the Indenture.
- (b) The term "Supplemental Indenture" means the supplemental indenture or supplemental indentures which shall be executed by the Borrower pursuant to the provisions of Section 5.04 of this Agreement providing for the issue, authentication and delivery of Debentures of the Series D.
- (c) The term "Debentures" shall mean debentures issued in accordance with the terms of the Indenture.
- (d) The term "Debentures of the Series D" shall mean Debentures of the various series issued pursuant to the Supplemental Indenture and this Agreement.

¹ See above.

² See p. 128 of this volume.

- (e) The term "subsidiary" shall mean any corporation, firm or association directly or indirectly controlled by the Borrower.
- (f) The term "Affiliate" or "Hidrandina" means Energia Hidroeléctrica Andina S.A.
- (g) The term "soles" and the symbol "S/." mean currency of the Guarantor.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty-four million dollars (\$24,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan and

¹ See p. 124 of this volume.

² See p. 126 of this volume.

the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project and, except as the Bank shall otherwise agree, title to all such goods shall be acquired by the Borrower free and clear of all liens, charges and encumbrances.

Article IV

DEBENTURES

Section 4.01. The Borrower shall execute and deliver Debentures of the Series D representing the principal amount of the Loan of the form, tenor and purport prescribed in the Indenture as modified by the Supplemental Indenture and as provided therein and in the Loan Regulations.

Section 4.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall, against payment by the Bank of any amount to be withdrawn from the Loan Account, deliver to or on the order of the Bank, Debentures of the Series D in the aggregate principal amount so paid.

Section 4.03. The Borrower shall effect original issues of the Debentures of the Series D only as provided herein and in the Supplemental Indenture.

Section 4.04. The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time mutually agree as to procedure for the issue, authentication and delivery of the Debentures of the Series D and such arrangements may be in addition to or in substitution for any of the provisions of this Agreement or of the Loan Regulations.

Section 4.05. (a) The Debentures of the Series D shall be bearer Debentures with coupons for semi-annual interest attached (hereinafter sometimes called Series D coupon Debentures). Debentures of the Series D delivered to the Bank shall be Series D coupon Debentures in such temporary or definitive form (authorized by the Supplemental Indenture) as the Bank shall request. Series D coupon Debentures payable in dollars shall be substantially in the forms set forth in the Supplemental Indenture. Series D coupon Debentures payable in any currency other than dollars shall be substantially in the form set forth in the Supplemental Indenture, except that they shall (i) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (ii) provide for such place of payment at such agency as the Bank shall specify, and (iii) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

(b) All Debentures of the Series D shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out and complete the Project and operate and maintain its business and properties, including the Project, with due diligence and efficiency and in conformity with sound engineering, business, financial and electric utility practices. To that end, the Borrower shall employ engineering consultants mutually acceptable to the Borrower and the Bank on terms and conditions mutually satisfactory to the Borrower and the Bank.

Section 5.02. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications (including construction schedules) for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(b) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower and of its subsidiaries.

(c) The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, the sites, works, construction and operations included in the Project and all other plants, works, properties, equipment and operations of the Borrower and its subsidiaries, and to examine any relevant records and documents.

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the use of the goods purchased therewith, the progress of the Project and the operations and financial condition of the Borrower and of its subsidiaries.

Section 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.04. The Borrower shall execute and deliver a Supplemental Indenture, the form and substance of which shall be satisfactory to the Bank, providing for the issue, authentication and delivery of Debentures of the Series D; shall protocolize, record, file and register the Supplemental Indenture as provided in Section 7.09 of the Indenture as promptly as shall be reasonably practicable; and shall, upon the protocolization, recorda-

tion, filing and registration thereof, furnish to the Bank an opinion or opinions satisfactory to the Bank of legal counsel acceptable to the Bank showing that the Supplemental Indenture has been validly and effectively protocolized, recorded, filed and registered, and has created valid and effective liens, charges and priorities in accordance with its terms.

Section 5.05. Except as the Bank and the Borrower shall otherwise agree, the Borrower will not, and will not permit any subsidiary to, create, incur, assume or suffer to exist any mortgage, pledge, lien or encumbrance, except the lien of the Indenture, upon any of its properties or assets, whether now owned or hereafter acquired, unless such mortgage, pledge or lien shall provide for the security of the Debentures in priority to the debentures, notes or other obligations or liabilities of whatsoever character which are to be secured by such mortgage, pledge or lien; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (iii) any "permitted lien" as defined in the Indenture on the date of this Agreement, excluding subsection (i) of said definition.

Section 5.06. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement,¹ the Indenture, the Supplemental Indenture or the Debentures of the Series D, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Debenture of the Series D to a holder thereof other than the Bank when such Debenture of the Series D is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.07. The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Debentures of the Series D are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement, the Indenture, the Supplemental Indenture or the Debentures of the Series D.

Section 5.08. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall take out or cause to be taken out and maintain or cause to be maintained such insurance, against such risks and in such amounts, as shall be consistent with sound business practices. Insurance covering marine and transit hazards on the goods financed out of the proceeds of any part of the Loan shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

¹ See p. 100 of this volume,

Section 5.09. (a) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards ; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

Section 5.10. The Borrower shall not agree to any change in the contract between it and its Affiliate, dated February 7, 1956, known as the Amended Contract for the Supply of Electric Power, unless the Borrower shall have notified the Bank in advance and obtained approval by the Bank of the change or a determination by the Bank that the change is not material.

Section 5.11. The Borrower shall have its financial statements (balance sheet and related income and earned surplus statements) certified annually by an independent accounting firm satisfactory to the Bank and shall promptly after their preparation transmit to the Bank certified copies of such statements and a signed copy of the accountant's report.

Section 5.12. Unless it shall have obtained the prior approval of the Bank, the Borrower shall not make any investment in any corporation, firm or association in excess of \$1,000,000 or its equivalent in other currencies.

Section 5.13. Unless it shall have obtained the prior approval of the Bank, the Borrower will not redeem or prepay, prior to the maturity thereof, any Debentures otherwise than : (i) upon a refunding thereof by the issuance of Debentures of the same or later maturity or maturities ; or (ii) for the purpose from time to time of meeting the next semi-annual sinking fund or analogous payment.

Section 5.14. The Borrower shall not consent to any action taken at any meeting of Debentureholders pursuant to Section 13.06 of the Indenture or by written instrument pursuant to Section 13.09 of the Indenture, unless the Bank shall have given its approval of such action or consent.

Section 5.15. The Borrower may authorize the issue, execution and delivery of additional Debentures upon compliance with the present provisions of Sections 4.02 and 4.04 of the Indenture.

Section 5.16. The Borrower shall duly perform all covenants, agreements and obligations to be performed by it under the Indenture.

Section 5.17. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall, as promptly as may be required, offer for subscription at a price reasonably

related to their market price such additional capital shares as shall be sufficient to provide funds, not otherwise available, needed to carry out and complete the Project and to provide adequate working capital during and at the completion thereof.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if the event specified in Section 6.02 of this Agreement shall occur, or (iii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Debentures of the Series D then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement, or in the Indenture, or in the Debentures of the Series D to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 (j) of the Loan Regulations, the following event is specified, namely, that there shall have occurred one of the events specified in the Indenture as "events of default."

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations :

- (a) that, since December 31, 1959, the Borrower has issued for cash additional shares with either paid-in or par value of not less than 7 million dollars or the equivalent thereof in soles ;
- (b) that, since December 31, 1959, the Borrower has sold Debentures in an aggregate principal amount of 3 million dollars and has executed a contract whereby Compagnie Sud-Américaine d'Electricité, Zurich, undertakes to purchase on or before December 31, 1961 additional Debentures in an aggregate principal amount of 3 million dollars, in the event that the Borrower has not otherwise sold said additional principal amount of Debentures ;
- (c) that the Borrower has executed a contract with Hidrandina whereby Hidrandina is obligated, to the extent its funds are in excess of the amount required to meet its expenses, its regular dividends, its working capital and its obligations to other creditors, to use such excess : first, to repay advances made to it by the Borrower ; and, second, to make long-term advances to the Borrower ;

- (d) that the Borrower has complied with Section 5.04 of this Agreement ; and
- (e) that the Borrower shall have certified in writing to the Bank that, as of a date to be agreed between the Borrower and the Bank, there has been no material adverse change in its condition since the date of this Agreement.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

- (a) that the Debentures of the Series D issued to satisfy Section 7.01 (b) are valid and binding obligations of the Borrower and comply with the provisions of the Indenture ;
- (b) that the agreements required pursuant to Section 7.01 (b) and (c) constitute valid and binding obligations of the parties thereto ; and
- (c) that the requirements of Section 5.04 of this Agreement have been satisfied.

Section 7.03. March 1, 1961 is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1965.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Lima Light and Power Company
Veracruz 261
Lima, Peru

Alternative address for cablegrams and radiograms :

Asociadas
Lima, Peru

For the Bank :

International Bank for Reconstruction and Development
1818 H. Street N. W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :
by Eugene R. BLACK
President

Lima Light and Power Company (Empresas Eléctricas Asociadas) :
by H. DE LAVALLE
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
September 15, 1965	\$ 305,000	March 15, 1976	\$ 568,000
March 15, 1966	314,000	September 15, 1976	585,000
September 15, 1966	324,000	March 15, 1977	602,000
March 15, 1967	333,000	September 15, 1977	620,000
September 15, 1967	343,000	March 15, 1978	639,000
March 15, 1968	354,000	September 15, 1978	658,000
September 15, 1968	364,000	March 15, 1979	678,000
March 15, 1969	375,000	September 15, 1979	698,000
September 15, 1969	387,000	March 15, 1980	719,000
March 15, 1970	398,000	September 15, 1980	741,000
September 15, 1970	410,000	March 15, 1981	763,000
March 15, 1971	422,000	September 15, 1981	786,000
September 15, 1971	435,000	March 15, 1982	809,000
March 15, 1972	448,000	September 15, 1982	834,000
September 15, 1972	461,000	March 15, 1983	859,000
March 15, 1973	475,000	September 15, 1983	884,000
September 15, 1973	490,000	March 16, 1984	911,000
March 15, 1974	504,000	September 15, 1984	938,000
September 15, 1974	519,000	March 15, 1985	966,000
March 15, 1975	535,000	September 15, 1985	995,000
September 15, 1975	551,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	½ of 1 %
More than 3 years but not more than 6 years before maturity	1 %
More than 6 years but not more than 11 years before maturity	2 %
More than 11 years but not more than 16 years before maturity	3 %
More than 16 years but not more than 21 years before maturity	4 %
More than 21 years but not more than 23 years before maturity	5 %
More than 23 years before maturity	6 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project includes two separate, but related, parts : the first stage of the Marcapomacocha Diversion Scheme and the Huinco Hydroelectric Power Plant.

I. Marcapomacocha Diversion Scheme

The Marcapomacocha Diversion Scheme entails the diversion of water from the Marcapomacocha Basin on the Eastern slope of the Andes Mountain Range to the Santa Eulalia Basin on the Western side of that Range. The principal works to be constructed for the first stage of this Scheme include :

(A) Two concrete gravity dams to control the flow from two natural lakes, Huarmi-cocha and Sangrar ;

(B) Concrete intake structures on the Cuevas, Antacasha and Sangrar Rivers ;

(C) A concrete diversion canal about five kilometers long to conduct water from the intakes to the diversion tunnel ; and

(D) A diversion tunnel about ten kilometers long with a capacity of about ten cubic meters per second to convey water from the Marcapomacocha Basin to the Santa Eulalia Basin.

It is expected that this part of the Project will be completed about mid-1962.

II. Huinco Hydroelectric Power Plant

The Huinco Hydroelectric Power Plant, which will be located about 65 kilometers northeast of Lima, will exploit waters from the Santa Eulalia Basin. Its principal elements include :

(A) Construction across the Rio Santa Eulalia at Sheque of a concrete arch dam about forty meters high to create a reservoir with a water storage capacity of about 800,000 cubic meters. Associated structures will include diversion tunnels, intake structures, a silt sluice, a spillway, a bottom discharge tunnel and a flood water bypass canal and tunnel.

(B) Construction of a concrete-lined pressure tunnel with a length of about thirteen kilometers and a maximum capacity of twenty-four cubic meters per second.

(C) A valve chamber and surge tank will be built at the lower end of the pressure tunnel.

(D) A penstock and a steel-lined pressure shaft with combined length of about 2000 meters will connect the pressure tunnel with the powerhouse.

(E) Excavation of an underground powerhouse cavern large enough to accommodate four turbine generating units. The powerhouse cavern will be lined with concrete.

(F) Construction of an access tunnel, a tailrace and a canal connecting the tailrace and the intake for the existing Callahuanca Plant.

(G) Installation in the powerhouse cavern of two units, each consisting of a Pelton type turbine and a 60 MW generator ; of two 90,000 KVA transformer banks, each consisting of three single-phase units (with one spare single-phase unit) ; and of auxiliary equipment.

(H) Construction of an outdoor switchyard and its connection with the Santa Rosa Substation in Lima by means of a 220 KV double circuit transmission line about 65 kilometers in length.

(I) Expansion of the Santa Rosa Substation by the installation of two 90,000 KVA transformer banks consisting of three single-phase units.

It is expected that this part of the Project will be completed toward the end of 1964.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, are modified as follows :

(a) Wherever the terms "Bond" or "Bonds" are used in the Loan Regulations, the terms "Debenture of the Series D" or "Debentures of the Series D" shall be substituted therefor.

(b) Section 2.02 is deleted.

(c) The following sentence is added at the end of Section 3.05 :

"Whenever it shall be necessary to value soles in terms of dollars or another currency, such value shall be as reasonably determined by the Bank."

(d) By the deletion of the first five lines of Section 5.02 and the substitution therefor of the following lines :

"SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account :"

(e) By the deletion of subparagraphs (c), (f) and (i) of Section 5.02 and the substitution therefor of the following subparagraphs :

"(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement, the Indenture, the Supplemental Indenture or the Debentures of the Series D."

"(f) The Guarantor or any governmental authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of its operations or for the acquisition or control of all or a substantial part of its undertaking or assets."

"(i) On or after the date of the Loan Agreement and prior to the Effective Date there shall have been any act or omission to act which would have constituted a violation of any covenant contained in the Loan Agreement or the Guarantee Agreement if the Loan Agreement and Guarantee Agreement had been effective on the date of such act or omission."

(f) By the deletion of the last paragraph of Section 5.02 and the substitution therefor of the following paragraph :

"The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier ; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section."

(g) By the deletion of Section 5.03 and the substitution therefor of the following section :

"SECTION 5.03. *Cancellation by the Bank.* (a) If any of the events described or referred to in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part the right of the Borrower to make withdrawals from the Loan Account and, upon the giving of such notice, the unwithdrawn amount of the Loan with respect to which such notice of termination shall have been given shall be cancelled.

"(b) If the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled."

(h) Section 6.01 is deleted.

(i) The words "delivered pursuant to any request under Section 6.03" and the words "in such request" are deleted from Sections 6.05 and 6.10.

(j) Section 6.07 is deleted.

(k) The first two sentences of Section 6.09 are deleted.

(l) Subparagraph (a) of Section 6.12 is deleted.

(m) Subparagraph (b) of Section 6.11 is deleted.

(n) Section 6.13 is deleted.

(o) Section 6.18 is deleted.

(p) By the addition in Section 7.01, after the words "Guarantee Agreement" where those words occur, of the words ", the Indenture, the Supplemental Indenture".

(q) By the deletion of the second sentence of Section 7.02 and the substitution thereof of the following sentence :

"Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower ; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan ; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof ; any modification or amplification of any other document related to the Loan or related to any security therefor ; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor."

(r) By the deletion of subparagraph (j) of Section 7.04 and the substitution thereof of the following :

"(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties under the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder ; provided, however, that nothing herein shall be deemed to preclude any of the said parties from exercising, or instituting any legal or equitable action to enforce, any right or claim arising out of or pursuant to the Indenture, Supplemental Indenture or the Debentures of the Series D, and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim."

(s) Subparagraph (b) of Section 9.02 is deleted.

(t) By the deletion of Section 9.03 and the substitution therefor of the following section :

“SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 9.01.”

(u) Paragraph 10 of Section 10.01 is deleted.

(v) By the deletion of paragraph 14 of Section 10.01 and the substitution therefor of the following :

“The term ‘external debt’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.”

(w) By the deletion of Schedules 1 and 2.

(x) By the addition of the following paragraph to Schedule 3 :

“The Guarantor agrees to endorse its guarantee in the form hereof on any Debenture or Debentures which shall be issued in exchange or substitution for, or replacement of, the within Debenture.”