

No. 7175

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

Guarantee Agreement—*Huinco II Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Lima Light and Power Company (Empresas Eléctricas Asociadas)). Signed at Washington, on 22 November 1963

Official text: English.

Registered by the International Bank for Reconstruction and Development on 23 March 1964.

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

Contrat de garantie — *Deuxième 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 22 novembre 1963

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 23 mars 1964.

No. 7175. GUARANTEE AGREEMENT¹ (*HUINCO II PROJECT*) BETWEEN THE REPUBLIC OF PERU AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 NOVEMBER 1963

AGREEMENT, dated November 22, 1963, 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 fifteen million dollars (\$15,000,000), 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 February 15, 1961,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ 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 20 December 1963, upon notification by the Bank to the Government of Peru.

² See p. 110 of this volume.

³ See p. 108 of this volume.

⁴ See p. 130 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 F, and the premium, if any, on the prepayment of the Loan or the redemption of the Debentures of the Series F, all as set forth in the Loan Agreement, the Fifth Supplemental Indenture and the Debentures of the Series F.

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 F, 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 Peru.

Section 3.02. (a) The Guarantor and the Bank shall co-operate 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 F shall be paid without deduction for, and free from, any taxes 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 payments under any Debenture of the Series F to a holder thereof other than the Bank when such Debenture of the Series F is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement, the Fifth Supplemental Indenture and the Debentures of the Series F shall be free from any taxes 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 F 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 any of the covenants, agreements and obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and 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 F 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 F. BERCKEMEYER
Authorized Representative

International Bank for Reconstruction and Development :

By G. M. WILSON
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[Not published herein. See *United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT
(*HUINCO II PROJECT*)

AGREEMENT, dated November 22, 1963, 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 February 15, 1961,¹ 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 hereto :

- (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 "Fifth 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 F.
- (c) The term "Debentures" shall mean debentures issued in accordance with the terms of the Indenture.
- (d) The term "Debentures of the Series F" shall mean Debentures of the various series issued pursuant to the Fifth Supplemental Indenture and this Agreement.
- (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/." means currency of the Guarantor.
- (h) The term "First Loan Agreement" means the Loan Agreement dated June 29, 1960³ between the Bank and the Borrower.
- (i) The term "First Guarantee Agreement" means the Guarantee Agreement dated June 29, 1960³ between the Guarantor and the Bank.

¹ See p. 108 of this volume.

² See p. 130 of this volume.

³ United Nations, *Treaty Series*, Vol. 400, p. 99.

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 fifteen million dollars (\$15,000,000).

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.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) 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 February 15 and August 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 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.

¹ See p. 126 of this volume.

² See p. 128 of this volume.

Article IV

DEBENTURES

Section 4.01. The Borrower shall execute and deliver Debentures of the Series F representing the principal amount of the Loan of the form, tenor and purport prescribed in the Indenture as modified by the Fifth 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 F in the aggregate principal amount so paid.

Section 4.03. The Borrower shall effect original issues of the Debentures of the Series F only as provided herein and in the Fifth 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 F 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 F shall be bearer Debentures with coupons for semi-annual interest attached (hereinafter sometimes called Series F coupon Debentures). Debentures of the Series F delivered to the Bank shall be Series F coupon Debentures in such temporary or definitive form (authorized by the Fifth Supplemental Indenture) as the Bank shall request. Series F coupon Debentures payable in dollars shall be substantially in the form set forth in the Fifth Supplemental Indenture. Series F coupon Debentures payable in any currency other than dollars shall be substantially in the form set forth in the Fifth 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 F 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 co-operate 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 F; shall protocolize, record, file and register said supplemental indenture as provided in Section 7.09 of the Indenture as promptly as shall be reasonably practicable; and shall, upon the protocolization, recordation, 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 said 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, 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 Fifth Supplemental Indenture or the Debentures of the Series F, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Debenture of the Series F to a holder thereof other than the Bank when such Debenture of the Series F 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, if any, imposed under the laws of the country or countries in whose currency the Loan and the Debentures of the Series F 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 Fifth Supplemental Indenture or the Debentures of the Series F.

Section 5.08. (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territory of the Guarantor and shall be for such amounts as shall be consistent with sound commercial practices. Such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, the Borrower shall take out and maintain, with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound business and electric utility practices.

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.

¹ See p. 102 of this volume.

(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 electric 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 F 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 F to the contrary notwithstanding.

Section 6.02. The following event is specified for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations, namely, one of the events specified in the Indenture as "events of default".

Article VII

MODIFICATION OF FIRST LOAN AGREEMENT

Section 7.01. For the purposes of the First Loan Agreement, paragraph (c) of Section 5.02 of the Loan Regulations of the Bank dated June 15, 1956,¹ as amended in Schedule 3 of said First Loan Agreement, is further amended hereby to read as follows :

"(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, or the Guarantee Agreement, or the loan agreement dated November 22, 1963, or the guarantee agreement of even date therewith, or the Indenture, the Supplemental Indenture (as defined in the Loan Agreement), the Fifth Supplemental Indenture (as defined in the loan agreement dated November 22, 1963), the Debentures of the Series D, or the Debentures of the Series F (as defined in the loan agreement dated November , 1963)."

and the term "Loan Regulations" as used for the purposes of the First Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated June 15, 1956, as modified by the First Loan Agreement and as further amended hereby.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) that the Borrower has complied with Section 5.04 of this Agreement; and

¹ United Nations, *Treaty Series*, Vol. 260, p. 376.

(b) 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 8.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : namely, that the requirements of Section 5.04 of this Agreement have been satisfied.

Section 8.03. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be January 31, 1967, or such other date as shall be agreed by the Bank and the Borrower as the Closing Date.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Empresas Eléctricas Asociadas
Casilla 1384
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 G. M. WILSON
Vice President

Lima Light and Power Company (Empresas Eléctricas Asociadas) :

By C. MARIOTTI
Authorized Representative

SCHEDULE I
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>
February 15, 1967	\$180,000	February 15, 1978	\$325,000
August 15, 1967	185,000	August 15, 1978	335,000
February 15, 1968	190,000	February 15, 1979	345,000
August 15, 1968	195,000	August 15, 1979	355,000
February 15, 1969	200,000	February 15, 1980	365,000
August 15, 1969	205,000	August 15, 1980	375,000
February 15, 1970	210,000	February 15, 1981	385,000
August 15, 1970	215,000	August 15, 1981	395,000
February 15, 1971	225,000	February 15, 1982	405,000
August 15, 1971	230,000	August 15, 1982	415,000
February 15, 1972	235,000	February 15, 1983	425,000
August 15, 1972	240,000	August 15, 1983	440,000
February 15, 1973	250,000	February 15, 1984	450,000
August 15, 1973	255,000	August 15, 1984	465,000
February 15, 1974	260,000	February 15, 1985	475,000
August 15, 1974	270,000	August 15, 1985	490,000
February 15, 1975	275,000	February 15, 1986	505,000
August 15, 1975	285,000	August 15, 1986	515,000
February 15, 1976	290,000	February 15, 1987	530,000
August 15, 1976	300,000	August 15, 1987	545,000
February 15, 1977	310,000	February 15, 1988	560,000
August 15, 1977	315,000	August 15, 1988	580,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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>Premiums</i>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	1 1/2%
More than eleven years but not more than sixteen years before maturity	2 1/2%
More than sixteen years but not more than twenty-one years before maturity	3 1/2%
More than twenty-one years but not more than twenty-three years before maturity	4 1/2%
More than twenty-three years before maturity	5 1/2%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project includes three separate, but related, parts : the second stage of the Marcapomacocha Diversion Scheme; the second stage of the Huinco Hydroelectric Plant; and expansion of the Borrower's distribution system during the period from 1963 to mid-1966.

I. The Second Stage of the Marcapomacocha Diversion Scheme

The Marcapomacocha 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 second stage of this scheme include :

- A) Two concrete gravity dams to control the flow from two natural lakes, Antacoto and Marcapomacocha, and a discharge gallery through the rock barrier which separates the two lakes;
- B) A 4.5 km long collecting canal from Lake Marcapomacocha to Lake Antacoto;
- C) A 12.5 km long canal conveying the outflow of Lakes Antacoto and Marcapomacocha to the existing diversion tunnel; and
- D) A 4 km collecting canal to conduct the water from the Tuctu Creek to the existing Antacasha Intake.

It is expected that this part of the Project will be completed in the second half of 1965.

II. The Second Stage of the Huinco Hydroelectric Power Plant

The Huinco Hydroelectric Power Plant, located about 65 km northeast of Lima, uses water from the Santa Eulalia and Marcapomacocha Basins. Its second stage development will include the following principal elements :

- A) Construction of a dam in the Sheque zone to accumulate water during low consumption hours to be utilized during high peak hours;
- B) Installation in the powerhouse cavern of the third and fourth units, each consisting of a twin Pelton type turbine and a 60 MW generator; of two 90,000 kVA transformer banks, each consisting of three single-phase units; and of the corresponding auxiliary equipment;
- C) Corresponding expansion of the outdoor switchyard;
- D) Construction of a tail-water reservoir in the Huinco zone;
- E) Expansion of the Santa Rosa Substation in Lima by the installation of two additional 90,000 kVA transformer banks, each consisting of three single-phase units; expansion of the corresponding 220 kV and 60 kV installations as well as of the outdoor switchyard; and
- F) Expansion of the central dispatching center and communication system.

It is expected that this part of the Project will be completed by mid-1966.

III. *The Expansion of the Distribution System from 1963 to Mid-1966*

The Borrower's distribution system in the Greater Lima area will be expanded. The principal works include :

- A) Construction of one 220/60 kV main transforming station in Barsi, and of four 60/10 kV transforming and distribution stations in La Regla, Santa Marina, Miraflores and Raimondi-Galvez. A switching station will be built in Garagay and the existing Mirones Transforming Station will be enlarged. Four new 60/10 kV, 25 MVA transformers and one 60/10 kV, 17.2 MVA transformer with their corresponding equipment will be installed in the transforming stations.
- B) Construction of the 220 kV connection between Santa Rosa and Barsi, consisting of 9 km of 220 kV overhead line and 40 km of 220 kV monophasé underground cable (3 monophasé and 1 reserve cables) as well as approximately 20 km of 60 kV overhead lines and underground cables;
- C) Construction of two main substations (Maranga and Barranco) with 30 kV and 10 kV equipment with 5 km of three-phase 30 kV overhead line; and 10 MVA 30/10 kV transforming equipment;
- D) Expansion of the 10 kV distribution system, including the construction of about 120 substations and transforming cabins with the corresponding 10 kV/220 V equipment; installation of new transformers with a total capacity of about 60,000 kVA and of underground cables for a total length of about 150 km;
- E) Expansion of the underground and overhead telephone cable net to connect the new distribution centers; and
- F) Expansion of the 220 V distribution net (about 240 km of underground cable) and installation of about 45,000 meters.

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 February 15, 1961, are modified as follows :

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

(b) The following sentence is added at the end of Section 3.07 :

" 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. "

(c) By the deletion of subparagraph (c) of Section 5.02 and the substitution therefor of the following subparagraph :

" (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 First Loan

Agreement, the First Guarantee Agreement, the Loan Agreement, the Guarantee Agreement, the Indenture, the Supplemental Indenture (as defined in the First Loan Agreement), the Fifth Supplemental Indenture, the Debentures of the Series D (as defined in the First Loan Agreement) or the Debentures of the Series F. ”

(d) Section 6.01 is deleted.

(e) The words “ under Section 6.03 or ” are deleted from Sections 6.05 and 6.10.

(f) Section 6.07 is deleted.

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

(h) By the deletion of subparagraphs (c) and (d) of Section 6.11 and the substitution for subparagraph (d) of the following re-lettered subparagraph :

“ (c) The Bank shall reimburse the Borrower for the reasonable cost of any exchange made pursuant to paragraph (a). ”

(i) Subparagraph (a) of the Section 6.12 is deleted, and subparagraph (b) is re-lettered “ (a) ”.

(j) Section 6.13 is deleted.

(k) Section 6.18 is deleted.

(l) By the addition in Section 7.01, after the words “ Guarantee Agreement ” where those words occur, of the words “ the Indenture, the Fifth Supplemental Indenture ”.

(m) By the deletion of the second sentence of Section 7.02 and the substitution therefor 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. ”

(n) By the deletion of subparagraph (j) of Section 7.04 and the substitution therefor 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 to 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, the Fifth Supplemental Indenture or the Debentures of the Series F, 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.”

- (o) Subparagraph (a) (ii) of Section 9.02 is deleted.
- (p) Paragraph 9 of Section 10.01 is deleted.
- (q) By the deletion of Schedules 1 and 2.