

*Handwritten notes:*  
to meet  
Sat  
8-28-20

FILED NO. 962

THE DURHAM [INTL. LTD;] HOLDING TRUST  
AND  
SUBSIDIARY TRUST'S

BOOK J PAGE 627

TO AUG 28 AM 1:37

DECLARE  
by  
PUBLIC RECORD

FEES 106.00  
IDA COUNTY RECORDS  
IDA COUNTY, IDWA

ASSET BASE & FINANCIAL STRUCTURE  
BY MORTGAGE

"CERTIFICATE OF INDEBTEDNESS OF PERU, APRIL-MAY 1, 1875 ET SEQ"  
[Authorized by Legislative-Congressional Authorization, Lima 1875]

IN FULL ACCORDANCE WITH;

U.S. International Laws [Public Law], Treaties International Agreement's other than Treaties 1863 et seq'. Including Agreement done at Washington Entered into Full Force March 3, 1886 known and recorded U.S. Government Documents Office Washington District of Columbia in the Treaties and International Agreement's Sections [TIAS 12087] in accordance with U.S. International Public Law 89-497, 80 Stat. 271. 1 U.S.C. Sec. 113. By Act of Congress 1863 et seq' including Act of 1947, and 1966.

This Declaration of Asset Base & Financial Structure is herein Declared to be in full conformance with all laws, including The Constitution of the United States' Vith Article's Supremacy Clause.

U.S. Debt Avoidance Laws previously Ruled by The American Judiciary 1934-35; John N. Perry vs. The U.S. Debt; The American Judiciary Ruled: "WE DO NOT SO READ THE CONSTITUTION."

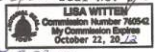
Previous recordings of Public Record contain Certificate of Indebtedness of Peru and Commodity Contract, Certified August 21, 1989 by the Certified and Internationally Recognized Seal of Peru, Deed and Chain of Title filed of Record August 1, 1994 Rerecorded July 27, 2000 Ida County Iowa, and in subsequent filings of Public Record as related to the Durham [Intl. Ltd;] Holding Trust and Subsidiary Trust's being the Deo Ju Vante Trust U.S. & S.A.

DECLARATION STIPULATED BY SUPPORTIVE AFFIXED "MORTGAGE" DOCUMENTS

Date: August 28, 2000

Authorized by: V.K. Durham, Owner, Trustor, Trustee, Signatory  
V.K. DURHAM, OWNER, TRUSTOR, TRUSTEE, SIGNATORY  
Seal No. 1 V.K. Durham, Owner, Trustor, Signatory Seal No. 2

*Handwritten signature:* Lisa Witten 8-28-10



ANNEX NO. 1  
LEGISLATIVE AUTHORIZATION

Lima, April 15, 1947

ORIGINAL  
DUPLICATE

His Excellency:

The Congress, in relation to the observations or comments that V.E. has made to the Legislative Resolution of the second of the present month that authorized you for the free and direct sale of 200,000 tons of manuevo in the market of U.S.A., has decided not to insist on the mentioned resolution, and authorizes to sell, freely and directly, 200,000 tons of manuevo to the market of U.S.A. This will be sold at a price not lower than 30 soles per ton. The Congress also authorizes V.E. to make all possible arrangements to pay the contract.

We want you to have knowledge of this transaction.

God Bless Your Excellency

Fco de P. Anunoz, President of the Senate, Ramon Rí beyro, Vice President of the House of Representatives, Pedro A. del Solar, Secretary of the Senate, Emilio A. del Solar, Secretary of the Senate.

## ANNEX NO. 2

Article 59 - Rights of the Congress

Clause No. 7 - To authorize the executive power to negotiate the loan, mortgaging the national finance and providing funds for the payment.

Clause No. 8 - To recognize the national debt and to provide the way of funding and paying it off.

## ANNEX NO. 3

Minister of Finance and Commerce:

Jose Marcelino, in the name and representation of the company, consignee of

Manuevo in the U.S.A., before his excellency explains.

The legislative resolution of the 16th of the current month of April, gives the executive power the right to seek the payment of the exclusive contract that the said company has with the government for the effort of Peruvian Manuevo to the U.S.A. and the sale in such country. The undersigned, with the intention of getting to an agreement in the matter, has had several meetings with his Excellency, the Minister of Finance and Commerce, and after having made all kinds of favorable concessions to the national treasury, we have reached the following agreement that conciliates both the interests of the company and the government. This will allow the government to adopt a free and direct system of Manuevo sales for the U.S.A. needs.

With the authorization of his Excellency, the Minister of Finance and Commerce and the consent of the Director of the company, the undersigned has the honor to expose this agreement to his Excellency for the final approval and further purposes.

Lima, April 24, 1875

#### CONFIDENTIAL REPORT

##### I. Legal References

- A. The Congress by Legislative Resolution dated April 15, 1875, authorizes the executive power to sell directly, 200,000 pounds of Maneuvo to the U.S.A. in the conditions here established. Also, it authorizes the executive power to arrange with the dealers of Maneuvo in U.S.A. the payment of the contract (Annex No. 1).
- B. In 1875, when the constitution of 1807 was still in force, in its Article 59, Clauses 7 and 8, refer to the power of the Congress to allow the executive power to negotiate loans and national debt (Annex No. 2).
- C. The contract between the Peruvian Government and the Maneuvo contractor (Annex No. 3).

11. Demand for the fulfillment of the obligation

A. Antecedents

- a. Analysis of the Legislative Resolution - Legislative authorizations having the rank of laws that are approved because of special and extraordinary reasons, this last one being the law No. 17044 of June 20, 1962.
- b. Analysis of the contract - The contract signed under a legislative authorization has by extension, the rank of law (contract of law) derived from the application of the law 13270, 9140.

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1802*

This nature enforces the conditions of the contract and its fulfillment which applies to each one of the certificates.

B. Criteria to fulfill the achievement of the obligation

- a. The contract, once being legal, has stated a series of characteristics that make the obligation exuberant, in relation to a private contract of this kind by declaring that it is understood and declared that the same guarantee that secured the payment of the original debt continue and will continue being mortgaged in the future (see Articles 5 and 6 of the contract). It also adds that in relation to the payment of certificates of the increasing interests on them, our exclusion will be allowed until everything has been paid with interest.

The problem of the payment is still effective because the bonus No. 3392 that serves as payment hasn't been canceled. This means that neither the amount of capital or the amount of interest haven't been collected by the date of the present issue.

Because of the reasons mentioned, we think that the obligation is not over and that any refusal of payment does not apply, because of the contract and fee rank of a law. Since no express reference was made to the extension, it is impossible to distinguish where the law does not distinguish. Therefore, the

paying should be fulfilled in the place where the obligation was due. This means New York, according to what has been established in the laws of such a state and according to the Article No. 5 of the contract.

b. Place of issue and deadline - According to the analysis of the contract, the issuings and placement took place in New York according to what was established. Before witnesses and signed by the Minister of Peru and the financial agents of Peru in New York, it is legal to demand the fulfillment of the obligation payment according to the laws of the place in which the contract took place (see Article 5 of the contract) and its service will take place in the City of New York.

On the other hand, the contract also established New York as the place where the deadline will take place. In our opinion, payment of the funds and the cumulative interest of the bonus is legal in the place which is due according to the laws where the contract was signed.

c. In the event the case needs to be reviewed, the following two requirements will be added to the previous requirements.

1. The existence of the financial agents, named in the contract, or whoever has been assigned responsible for such attributions.

2. The creditor, according to the contract, the Government of Peru, declares itself a debtor to the company in the U.S.A. or to any bearer of each of the certificates, in this case, the bearer of the certificate No. 3392.

III. Possible flaws of the debtor in relation to the fulfillment of the obligation

A. Recognizing the full debt - Since the debtor of the bonus is of Peruvian nationality and resides in Peru, he will have to reimburse to the government the net amount of what is received. This means the recognized total less the amount spent on the services of the agent in New York. This reimbursement is mandatory according to the right of law 18350 (of exchange control and draft). This move should be given to the Bank of the nation which will convert the money into gold sales according to the legal exchange of the day of reimbursement. It is also

possible that a commercial bank gets in charge of this reimbursement according to what has been previously established.

B. Recognizing the debt partially - In this case, the debtor argues to pay the amount that should be paid. This hypothesis should be considered very alleigible by the holder of the bonus because it can be one of the most likeable decisions of the debtor since the payment of the contract should be paid in american gold dollars. If such event happens, the discussion of the debt should be framed under the following conditions:

a) Seven thousand, five hundred dollars, sum to which the debt would amount in regular dollars and

b) 8 million dollars that would mean the conversion of the 7 thousand and five hundred gold dollars in regular dollars. In any case, the full amount received should be reimbursed.

C) Recognizing the debt and refinancing of it - This would mean that the state pay in dollars part of the debt it recognizes and the rest would be covered by means of a credit. In other words, part of the debt should be covered with another debt, probably with bonuses of the public treasury.

The part of the amount paid in cash should be reimbursed.

It is necessary to say that the bonuses of the public treasury constitute a very attractive financial investment because they are an annual interest of 10% exempt of tax and it can be paid within ten years.

D) Total recognition of the debt and new credit - This hypothesis means to pay the debt in full with a new debt that would be the delivery of bonuses of the treasury or any other kind of bonuses for all amounts that equal the recognized debt.

E) Not recognizing the debt - His extreme hypothesis could give origin to judicial action by the holder of the bonus. It can also be a controversy according to the established jurisdiction (for the debtor in case of judicial

possible that a commercial bank gets in charge of this reimbursement according to what has been previously established.

B. Recognizing the debt partially - In this case, the debtor argues to pay the amount that should be paid. This hypothesis should be considered very alleigible by the holder of the bonus because it can be one of the most likeable decisions of the debtor since the payment of the contract should be paid in american gold dollars. If such event happens, the discussion of the debt should be framed under the following conditions:

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E) Not recognizing the debt - His extreme hypothesis could give origin to judicial action by the holder of the bonus. It can also be a controversy according to the established jurisdiction (for the debtor in case of judicial

action can refer to the Article 19 of the contract).

His Excellency,

Representing the Maneuvo Company in the U.S.A., J. M. Hurtado

Article No. 1 - The Maneuvo Company in the U.S.A. ceases the exclusive privilege that it has, according to the contract of December 16, 1869, for the export and selling of Maneuvo in the U.S.A. and also resigns in part and according to what will be lately stated, the right of reimbursing the debt with the government with the total amount of the Maneuvo products which will be sold for the U.S. consumption. The government has therefore the report of exercising the free sole of Maneuvo that the legislative resolution of April 16 has given it.

Article No. 2 - The company will continue to sell in consignation the expected Maneuvo and the remaining one. According to the contract, the following will be the procedure.

The Maneuvo that exists in storage in U.S.A. and the one that has already been shipped and the one that's being shipped or has to be shipped in the cargos that have been chartered by the company, will be sold as soon as possible. The remaining Maneuvo that the company has to export will be exported and sold by the company at convenient times and in sufficient amounts that will cover the payment of the debt certificates on a semester basis and on time. This will also cover the payment of the government inspector in the U.S.A. and also cover any other obligations for product of the agreement. It is also understood that from now on any cargoship sent by the company will only be able to unload and export any cargo in the ports of New York and Baltimore.

Article No. 3 - The net product of existing Maneuvo in the storages of the U.S.A. on a ship being shipped or in the process of being shipped will be applied to the partial payment of the debt of the government and its interests, and to the service of the certificates already mentioned during the first three semesters.



Article No. 4 - Since the government has a debt of approximately 4,000,000 of soles, the balance that the government will own of the company, in a checking account, with 10% interest by the 30th of the current month, the government will compromise itself to issue and deliver the company, the debt certificates of 1,000 each, in gold money of the U.S.A. for a nominal value of 3,600,000 dollars which at the price of 90% will be credited in the account of the government on the next May 1. The exchange to which the value of the certificates will be calculated will be of a fixed and conventional type that has served for the debit and credit of the said account.

Article No. 5 - The certificates mentioned in the above article will be issued and established in the City of New York. They will produce an interest of 7% annually over the nominal value in gold. These will be paid every 6 months and will be paid in the following way.

10% of the principal, at the end of the first year, starting the issuing date.  
 15% of the principal, at the end of the second year, starting the issuing date.  
 20% of the principal at the end of the third year, starting at the issuing date.  
 25% of the principal at the end of the fourth year, starting at the issuing date.

30% of the principal, at the end of the fifth year, starting at the issuing date.

Since this debt to which these certificates should be applied comes from previous payments and according to the agreements adjusted since 1865 until 1859, with the mortgage of the Maneuvo that was sold for the use of the U.S.A., such a guarantee is still prone to the payment of the certificates that represent it until its total extension. Therefore, any product of the Maneuvo that is exported to the U.S.A. will be declared as the fund for the service of such certificates.

Article No. 6 - The agents of the company in New York will be the financial agents of Peru for the issuing and service of the certificates until its total

payment. These agents will also be in charge of the expenses of the issuing of the certificates and any other expense caused by the issuing and service. As a compensation they will have the right of a commission that will be credited on the government at a 2.5 interest rate over the amount of the issued certificate. It will also serve as a part of the payment to the financial agents by the government by the total amount of 1% over the interest paid every semester and 0.5% over the value of the certificate paid each year.

Article No. 7 - As soon as the present agreement is signed by both parties, the government will appoint the financial agents in New York and will authorize them to issue the certificates. These certificates will be issued in English according to the model decided by the government and will be signed in representation of the government by the minister of Peru in Washington who will be authorized to do so.

Article No. 8 - Each first of March of the current year, the financial agents will draw by lot the certificates that should be paid off the next May 1. This will be a public act and will be witnessed by the Council of Peru with help of a notary public. The number of certificates drawn by lot will be published by two credited newspapers of New York for two consecutive days.

Article No. 9 - In the case that the product of the Maneuvo that the company has to export and sell consignment would not cover the annual service of the certificates that should be issued for 3 million and 600 pesos, any other object will be taken into account for the payment purpose after the final free and direct sale of the Maneuvo giving the company the missing amount. Also, according to the Article No. 6, it is stated that if the system of the free and direct sale of Maneuvo used in the U.S.A. is abandoned, another system will be adopted. The government will state that in any contract for the sale of Maneuvo, the contractor will contract not only with the government but also for the holders of the certificates. This obligation states to provide on time the necessary funds for the payment of coupons and the liquidation of such certificates in the part that is not covered

with the product of the Maneuvo that the company will have to export and sell or that sells for such effect.

Article No. 10 - The price of the Maneuvo that the company sells in consignment will be stated by the government in agreement with the company so that the payment of the cargos coming from Guanapo, Marbi, or Ballertas could be promptly paid with the interest of the buyers through a free sale. These will be adopted as a base to fix the price.

1. Payment of the price in current coin of the U.S.A.
2. Payment of only the weight that results once the Maneuvo has been delivered to the manager.
3. Diversity in prices, according with the quality of the Maneuvo.

This Maneuvo will be sold in the storage before the next shipping coming from the Maneuvo factories in the south.

When the company starts selling the Maneuvo that comes from the south, in relation with the shipments sold in a free sale, it will regulate the price of such Maneuvo and the terms of its sales every 15 days according to the free standards of the public current prices established by brokers with the certification of the agents in agreement and intervention of the governmental inspector of Peru.

Article No. 11 - The product of the sales will be converted into gold money at its highest price. The purchase of gold should be done before the 18th day of the current month for the bills of the first fortnight and before the third day of the following month for the sales made during the last 15 days of the month. Each bill should have a warrant of the price of gold in New York by the date the transaction has been made.

Article No. 12 - The agents' companies are authorized to deal with the sulphur acid in the Maneuvo coming from the warehouses in the north. Because of the greasy and humid nature, it should not be used in agriculture in its natural state. The price of such Maneuvo will be the highest that can be charged. The agents will keep

a special accounting system for such operations. With this, the government will be credited with the natural Maneuvo that they will manipulate at the price that it would have if it were dry by the date in which they sell the Maneuvo they have handled. Besides, they will credit half of the profit that comes from such manipulation. The disbursement required by such operation will be made by the company charging this amount and the interests of the account in the special account opened for the handled Maneuvo.

Article No. 13 - Once the company receives the certificates dealt with in this agreement, the company won't be able to mortgage or go into debt with the Maneuvo that may export or has the right to export unless it is from an amount that exceeds the amount of balance that the company is credited for in the general account with the government and in the freight and expenses caused by the Maneuvo. If at any time the amount of the balance exceeds, they will be void and will have no value.

Article No. 14 - Based on the profit that the government can spend in the free and direct account of the company, 100,000 will be delivered on 10 deliveries of 10,000 each. These will be paid the 13th and 27th of the last five months of this year in bills of exchange at 90 days. The company will charge the government in a special account for the import of such acceptations. The bills of exchange that will be delivered to Lima should be updated in relation to the ones in London. It has been calculated that the exchange is fixed and nominal and it is by sole and als will serve as a mortgage paying therefore 1% of the same bill.

Article No. 15 - The company will reimburse itself from the importance of such deliveries. The interests and commission of exchange with half of the Maneuvo profit will be sold by free and direct sale and the other half will be put in the hands of the government by the company.

Whenever the buyers of Maneuvo pay in Peruvian coins, the company will convert half of the total value of the sale that corresponds to it as stated before. This will be paid by bills of exchange within 90 days. They will be bought by the

government but with the guarantee of the company.

The amount of sterling coins of the bills of exchange that the company would have bought at the normal fixed price of 44 pennies will be credited to the government in the special account that is mentioned in the above article for the updated value of the purchase of the bills of exchange as if the buyers of Maneuvo would pay everything or part of the price of the cargo on delivery or orders so that these bills of exchange can be delivered in New York instead of London within 60 days. The company will take the part that corresponds to it in the form that such delivery would be credited to the government in the already mentioned special account. The amount of the bills of exchange will be received in New York at the exchange of 44 pennies. This value will be updated the day that the company receives the bills of exchange in New York. The special account mentioned in this and the previous article will have an interest of 10% rebate.

Article No. 16 - While the company hasn't been reimbursed for the value of the acceptance of the draft for 100,000 pounds that the article talks about and of its interests and concession, the company will be in charge of the administration of the free sale. The company will also have to deal with the buyers and also will receive from them the total import of the Maneuvo bought. Everything will be done according to instructions from the government.

The intervention of the company will cease as soon as the 100,000 found of the advancement with the interests and commission is reimbursed. As payment to its services, in the administration of the free sale of Maneuvo, the company will receive as a commission the 2.5% over the total value of the Maneuvo sold as free sale with its intervention.

Article No. 17 - As a way of protecting the interest of the national treasury the company and its agents in the U.S.A. are obliged to prosecute, and adjust in the country or other territories all the Maneuvo shipped by U.S.A. without the intervention of the legal government or with the violations of the laws of this con-

tract and also to make the government in charge of the necessary expenses. For this reason, the government is entitled to do so without their damaging the people of Peru.

Article No. 18 - The stipulations that the company has made with the government and other resolutions will be enforced as long as they do not oppose the explicit dispositions of this agreement and also has the right to take part of the belongings of the company. The certificate will not at any time be used as part of payment or cancellation of the debt of the government unless the certificates had been already paid off.

Article No. 19 - Any matters that can be brought up about the intelligence, execution or consequences of this contract will be submitted for their solutions to the tribunals in Peru and at any time can the interested parties make use of their diplomatic influence.

Article No. 20 - The present agreement will be notarized. This expense will be covered with government money.

Explanatory Article - Whenever the text reads "Coylrerno" we will be referring to the Peruvian government. The word "Compania" will mean the Maneuvo Consigning Company of the U.S.A. The word "juarro" will mean Peruvian Maneuvo. The words "Estados Unidos" will mean the United States of America and the word "libran" in the Articles 14 and 16 will mean "British pound."

Lima, April 24, 1875

J. M. Hurtado

Lima, April 27, 1875

Once the project of contract has been seen and analyzed, and having Mareño Murisado representing the Maneuva Consignation company of the U.S.A. and being such a project adjusted to meet all needs and using the authoritative legislation of September 16 and unanimous agreement of the Council of Minister, hereby the following mentioned project is approved and therefore is accepted as a contract between the government and the said consigning company necessary to the administrative direction for the fulfillment of such agreement registered and published.

Rubrica De S. Niquira

I, Roberto Lozo, hereby certify the preceding transcription as being an accurate translation of said document from Spanish to English.

Roberto Lozo  
Roberto Lozo  
August 24, 1984  
Date

References: Roberto Lozo

- B.A. : English at The University of Chile Latin America
- M.A. : Spanish and English Linguistics At Ohio University: Athens, Ohio
- M.A. : International Affairs in Education at Ohio University: Athens, Ohio
- Ph.D. candidate in Linguistics at Ohio State University. Columbus, Ohio.
- Staff Linguistics Interpretations Section. Ohio State University: Columbus, Ohio.



## ERNESTO ARIAS SCHREIBER--Lawyers

## Memorandum

Reference: Bonus issued by the Government of Peru External Department

The Bonus No. 3392 issued on May 1, 1975, in the City of New York, U.S.A., by the nominal value of 1,000 gold dollars.

The issuing of the bonus fulfilled all the requirements and was authorized by legislative resolution of the Peruvian Congress on April 15, 1975.

The bonus hasn't been either collected or prescribed. The Law No. 8509 of 192 is not applicable.

It is important to mention all the different legal elements that frame the juridic situation of the bonus No. 3392, and also those clauses that determine the possibility of the collection. These elements are:

- 1) The legislative resolution of the Peruvian contract of April 19, 1975. This resolution authorized the subscription of the contract, the one that later on originated the obligation represented by the bonus.
- 2) The contract that was celebrated in Peru is a juridic contract that is subject to the Peruvian tribunal and Peruvian laws.
- 3) The obligation in itself, that constitutes the certificate of external debt, is represented by the bonus. This obligation originated abroad and it is not subject to the Peruvian laws.

## ERNESTO ARIAS SCHREBER--Lawyers

The three juridic elements that serve as legal frame for the bonus No. 3332 to evolve is developed in the following way.

- A) The independent states, that represent their respective nations, can make a contract at two levels since it is a law of the Constitutional Rights, and it is supported by the Universal Legislation and also in the Peruvian one.
- A1) The state as a subject of the Public Right acts as a government with the attributions that the constitution gives it.
- A2) The state as subject of Private Right, as any other private party, is committed to the same laws and dispositions that regulate the juridic relationships among private parties, both in its territory, as well as out of it. This is the way the government proceeds and acts as a contract in the private right field, both nationally and internationally.
- B) According to Article No. 7 about the preliminary title of the Peruvian Civil Code, obligations are ruled according to the laws of the country where they are contracted. This is a rule of the Private International Right that has been recognized by Peru, and also by most other countries, and of course by the laws of the State of New York and the North American tribunal, including the Supreme Court of the U.S.A. in which there is a background of cases in which obligations are subject to the laws where the contract took place.
- C) The contract was celebrated in Peru, and it was stated that such expense was under the control of the Peruvian Tribunals; while the bonus, which is an obligation derived from the contract, is a title of value that is ruled by the laws where it was issued--the United States of America.

The rule of International Private Right, which is applied in this case, and whose article of the Peruvian Civil Code has already been mentioned, clearly states

that the nature and effects of the obligation are ruled by the laws where the contract was celebrated. This means the United States of America.

Lima, June 9, 1977

Ernesto Arias Schreiber

A G R A N T O F S E C U R I T Y I N T E R E S T

To the Recorded BOND Bearer or Holder now held by DEED: OWNED-HELD IN TRUST by Vina Kathryn Durham Trustor-Signatory of The Durham [Intl. Ltd;] Holding Trust, P.O. Box 113; Ida Grove, Iowa 51445: Recorded of Public Record, by DEED of Record Instrument No. 189934, Washington County, Illinois; Instrument's No's. 0052, Bk.Z, Pg 237, Jan. 17, 2000, No. 851, Bk.Z Pg. 497, Aug. 1, 2000 Ida County Iowa; as Lawful OWNER-HOLDER; by Legislative Authorization, Treaties, International Agreements other than Treaties Sections [TIAS] [Public Law 89-497. 80 Stat. 271. 1 U.S.C. 113 [1966], 1 U.S.C. 111 [1947], 1 U.S.C. 114 [1862-63]. [The Law No. 8599 of 1937 is not applicable.]

AMOUNT DUE Interest on INTEREST ONLY in the amount per Contract payable in "Gold Coin, Gold, Gold Bullion and/or Coin of the Realm" Bullion Chosen as PERSONAL PROPERTY with a like and equal amount due on Interest on the Principal in the amount of  
[ff] 206,858,581,465,280,000,000.00 GOLD BULLION, May 1, 1875 to May 1, 1990 [Amount calculated by U.S.A. Fed. Reserve Banking Trust, Los Angeles, California August 1989]. To wit;

M O R T G A G E

Authorized by;

CERTIFICATE OF INDEBTEDNESS OF PERU

A N N E X N O . 1

L E G I S L A T I V E A U T H O R I Z A T I O N

LIMA, APRIL 15, 1875

His Excellency;

The Congress, in relation to the observations or comments that V.E. has made to the Legislative Resolution of the second of the present month that authorized you for the free and direct sale of 200,000 tons of manuevo in the market of the U.S.A., has decided not to insist on the mentioned resolution, and authorizes to sell, freely and directly, 200,000 tons of manuevo to the market of the U.S.A. This will be sold at a price not lower than 30 soles per ton. The Congress also authorizes V.E. to make all possible arrangements to pay the contract.

We want you to have knowledge of this transaction.

God Bless Your Excellency

Authorization; Pursuant to Congressional Legislative Authorization Lima Peru, Legislative Authorization of Annex No. 1. by; Feo de P. Anunoz, President of the Senate, Ramon Ri beyro, Vice President of the House of Representatives, Pedro A. del Solar, Secretary of the Senate, Emilio A. del Solar, Secretary of the Senate Lima, April 15, 1875.

A N N E X NO. 2

ARTICLE 59- Rights of the Congress

Clause No. 7- To authorize the executive power to negotiate the loan, Mortgaging the national finance and providing for the payment.

Clause No. 8- To recognize the national debt and to provide the way of funding and paying it off.

A N N E X NO. 3

Minister of Finance and Commerce:  
Jose Marcelino, in the name and representation of the Company, cosignee of Manuevo in the U.S.A., before his excellency explains,

The legislative resolution of the 16th of the current month of April, gives the executive power the right to seek the payment of the exclusive contract that the said company has with the government for the effort of Peruvian Manuevo to the U.S.A. and the sale in such country. The undersigned, with the intention of getting to an agreement in the matter, has had several meetings with his Excellency, the Minister of Finance and Commerce, and after having made all kinds of favorable concessions to the national treasury, we have reached the following agreement that conciliates both the interests of the company and the government. This will allow the government to adopt a free and direct system of Manuevo sales for the U.S.A. needs.

With the authorization of his Excellency, the Minister of Finance and Commerce and the consent of the Director of the company, the undersigned has the honor to expose this agreement to his Excellency for the final approval and further purposes.

Lima, April 24, 1875

C O N F I D E N T I A L   R E P O R T

I. Legal References

A. The Congress by Legislative Resolution dated April 15, 1875, authorizes the executive power to sell directly, 200.000 pounds of Maneuvo to the U.S.A. in the conditions here established. Also, it authorizes the executive power to arrange with the dealers of Maneuvo in U.S.A. the payment of the contract [Annex No. 1].

B. In 1875, when the constitution of 1807 was still in force, in its Article 59, Clauses 7 and 8, refer to the power of the Congress to allow the executive power to negotiate loans and national debt [Annex No. 2].

C. The contract between the Peruvian Government and the Maneuvo Contractor [Annex No. 3].

II. Demand for the fulfillment of the obligation

A. Antecedents

- a. Analysis of the Legislative Resolution - Legislative authorizations having the rank of laws that are approved because of special and extraordinary reasons, this last one being the LAW No. 17044 of June 20, 1862.

- b. Analysis of the contract - The contract signed under a legislative authorization has by extension, the rank of law [contract of law] derived from the application of the Law 13270,9140.

This nature enforces the conditions of the contract and its fulfillment which applies to each one of the certificates.

B. Criteria to fulfill the achievement of the obligation

a. The contract, once being legal, has stated a series of characteristics that make the obligation exuberant, in relation to a private contract of this kind by declaring that it is understood and declared that the same guarantee that secured the payment of the original debt continue and will continue being mortgaged in the future [see Article 5 and 6 of the contract]. It also adds that in relation to the payment of certificates of the increasing interests on them, our exclusion will be allowed until everything has been paid with interest.

The problem of the payment is still effective because the bonus No. 3392 that serves as payment hasn't been canceled. This means that neither the amount of capital or the amount of interest haven't been collected by the date of the present issue.

Because of the reasons mentioned, we think that the obligation is not over and that any refusal of payment does not apply, because of the contract and fee rank of a law. Since no express reference was made to the extension, it is impossible to distinguish where the law does not distinguish. Therefore, the paying should be fulfilled in the place where the obligation was due, this means New York, according to what has been established in the laws of such a state and according to the Article No. 5 of the contract.

b. Place of issue and deadline- According to the analysis of the contract, the issuings and placement took place in New York according to what was established. Before witnesses and signed by the Minister of Peru and the financial agents of Peru in New York, it is legal to demand the fulfillment of the obligation payment according to the laws of the place in which the contract took place [see Article 5 of the contract] and its service will take place in the City of New York.

On the other hand, the contract also established New York as the place where the deadline will take place. In our opinion, payment of the funds and the cumulative interest of the bonus is legal in the place which it is due according to the laws where the contract was signed.

c. In the event the case needs to be reviewed, the following two requirements will be added to the previous requirements.

1. The existence of the financial agents, named in the contract, or whoever has been assigned responsible for such attributions.

2. The creditor, according to the contract, the Government of Peru, declares itself a debtor to the company in the U.S.A. or to the bearer of the certificate No. 3392.

III. Possible flaws of the debtor in relation to the fulfillment of the obligation

A. Recognize the full debt- Since the debtor of the bonus is of Peruvian nationality and resides in Peru, he will have to reimburse to the government the net amount of what is received. This means the recognized total less the amount spent on the services of the agent in New York. The reimbursement is mandatory according to the Right of Law 18350 [of exchange and draft]. This move should be given to the Bank of the nation which will convert the money into gold soles according to the legal exchange of the day of reimbursement. It is also possible that a commercial bank gets in charge of this reimbursement according to what has been previously established.

B. Recognizing the debt partially- In this case, the debtor argues to pay the amount that should be paid. This hypothesis should be considered very alleageable by the holder of the bonus because it can be one of the most likeable decisions of the debtor since the payment of the contract should be paid in american gold dollars. If such event happens, the discussion of the debt should be framed under the following conditions:

a] Seven thousand, five hundred dollars, sum to which the debt would amount in regular dollars and

b] 8 million dollars that would mean the conversion of the 7 thousand and five hundred gold dollars in regular dollars. In any case, the full amount received should be reimbursed.



C. Recognizing the debt and refinancing of it- This would mean that the state pay in dollars part of the debt it recognizes and the rest would be covered by a means of a credit. In other words, part of the debt should be covered with another debt, probably with bonuses of the public treasury.

The part of the amount paid in cash should be reimbursed.

It is necessary to say that the bonuses of the public treasury constitute a very attractive financial investment because the are of annual interest of 10.% exempt of tax and it can be paid within ten years.

D. Total recognition of the debt and new credit- The hypothesis means to pay the debt in full with a new debt that would be the delivery of bonuses of the treasury or any other kind of bonuses for all amounts that equal the recognized debt.

E. Not recognizing the debt- His extreme hypothesis could give origin to judicial action by the holder of the bonus. It can also be a controversy according to the established jurisdiction [for the debtor in case of judicial action refer to the Article 19 of the contract].

Representing the Maeuvo Company in the U.S.A., J.M. Hurtado

ARTICLE NO. 1- The Maneuvo Company in the U.S.A. ceases the exclusive privilege that it has, according to the contract of December 16, 1869, for the export and selling of Maneuvo in the U.S.A. and also resigns in part and according to what will be lately stated, the right of reimbursing the debt with the government with the total amount of the Maneuvo products which will be sold for the U.S. consumption. The government therefore the report of exercising the free sale of Maneuvo that the legislative resolution of April 16 has given it.

ARTICLE NO. 2- The company will continue to sell in consignment the expected Maneuvo and the remaining one. According to the contract, the following will be the procedure.

The Maneuvo that exists in storage in U.S.A. and the one that has already been shipped and the one that's being shipped or has to be shipped in the cargos that have been chartered by the company, will be sold as soon as possible. The remaining Maneuvo that the company has to export will be exported and sold by the company at convenient times and in sufficient amounts that will cover the payment of the debt certificates on a semester basis and on time. This will also cover the payment of the government inspector in the U.S.A. and also cover any other obligations for product of the agreement. it is also understood that from now on any cargoship sent by the company will only be able to unload and export any cargo in the ports of New York and Baltimore.

ARTICLE NO. 3- The net product of existing Maneuvo in the storages of the U.S.A. on a ship being shipped or in the process of being shipped will be applied to the partial payment of the debt of the government and its interests, and to the service of the certificates already mentioned during the first three semesters.

ARTICLE NO. 4- Since the government has a debt of approximately 4.000.000 of soles, the balance that the government will own of the company, in a checking account, with 10% interest by the 30th of the current month, the government will compromise itself to issue and deliver the company, the debt certificates of 1,000 each, in gold money of the U.S.A. for a nominal value of 3,600,000 dollars which at the price of 90% will be credited in the account of the government on the next May 1. The exchange to which the value of the certificates will be calculated will be of a fixed and conventional type that has served for the debt and credit of the said account.

ARTICLE NO. 5- The certificates mentioned in the above article will be issued and established in the City of New York. They will produce an interest of 7% annually over the nominal value in gold. These will be paid every 6 months and will be paid in the following way,

10% of the principal, at the end of the first year, starting the issuing date;

15% of the principal, at the end of the second year, starting the issuing date;

20% of the principal, at the end of the third year, starting at the issuing date;

25% of the principal, at the end of the fourth year, starting at the issuing date,

30% of the principal, at the end of the fifth year, starting at the issuing date.

Since this debt to which these certificates should be applied comes from previous payments and according to the agreements adjusted since 1865 until 1869, with the mortgage of the Maneuvo that was sold for the use of the U.S.A., such a guarantee is still prone to the payment of the certificates that represent it until its total extension. therefore, any product of the Maneuvo that is exported to the U.S.A. will be declared as the fund for the service of such certificates.

ARTICLE NO. 6- The agents of the company in New York will be the financial agents of Peru for the issuing and service of the certificates until its total payment. These agents will also be in charge of the expenses of the issuing of the certificates and any other expense caused by the issuing and service. As a compensation they will have the right of a commission that will be credited on the government at a 2.5 interest rate over the amount of the issued certificate. It will also serve as a part of the payment to the financial agents by the government by the total amount of 1% over the interest paid every semester and 0.5% over the value of the certificate paid each year.

ARTICLE NO. 7- As soon as the present agreement is signed by both parties, the government will appoint the financial agents in New York and will authorize them to issue the certificates. These certificates will be issued in English according to the model described by the government and will be signed in representation of the government by the minister of Peru in Washington who will be authorized to do so.

ARTICLE NO. 8- Each first of March of the current year, the financial agents will draw by lot the certificates that should be paid off the next May 1. This will be a public act and will be witnessed by the Council of Peru with help of a notary public. The number of certificates drawn by lot will be published by two credited newspapers of New York for two consecutive days.

ARTICLE NO. 9- In the case that the product of the Maneuvo that the company has to export and sell consignment would not cover the annual service of the certificates that should be issued for 3 million and 600 pesos, any other object will be taken into account for the payment purpose after the final free and direct sale of the Maneuvo giving the company the missing amount. Also, according to the Article No. 6, it is stated that if the system of the free and direct sale of the Maneuvo used in the U.S.A. is abandoned, another system will be adopted. The government will state that in any contract for the sale of Maneuvo, the contractor will contract not only with the government but also with the holders of the certificates. This obligation states to provide on time the necessary funds for the payment of coupons and the liquidation of such certificates in the part that is not covered with the product of the Maneuvo that the company will have to export and sell or that sells for such effect.

ARTICLE NO. 10- The price of the Maneuvo that the company sells in consignment will be stated by the government in agreement with the company so that the payment of the cargos coming from Guanapo, Marbi, or Ballertas could be promptly paid with interest of the buyers through a free sale. These will be adopted at a base to fix the price.

1. Payment of the price in current coin of the U.S.A.
2. Payment only the weight that results once the Maneuvo has been delivered to the manager.
3. Diversity in prices, according with the quality of the Maneuvo.

This Maneuvo will be sold in the storage before the next shipping coming from the Maneuvo factories in the south.

When the company starts selling the Maneuvo that comes from the south, in relation with the shipments sold in a free sale, it will regulate the price of such Maneuvo and the terms of its sales every 15 days according to the free standards of the public current prices established by brokers with the certification of the agents in agreement and intervention of the governmental inspector of Peru.

ARTICLE NO. 11- The product of the sales will be converted into gold money at its highest prices. The purchase of gold should be done before the 18th day of the current month for the bills of the first fortnight and before the third day of the following month for the sales made during the last 15 days of the month. Each bill should have a warrant of the price of gold in New York by the date the transaction has been made.

ARTICLE NO. 12- The agents' companies are authorized to deal with the sulphur acid in the Maneuvo coming from the warehouses in the north. Because of the greasy and humid nature, it should not be used in agriculture in its natural state. The price of such Maneuvo will be at the highest that can be charged. The agents will keep a special accounting system for such operations. With this, the government will be credited with the natural Maneuvo that they will manipulate at the price that it would have if it were dry by the date in which they sell the Maneuvo they have handled. Besides, they will credit half of the profit that comes from such manipulation. The disbursement required by such operation will be made by the company charging this amount and the interests of the account in the special account opened for the handled Maneuvo.

ARTICLE NO. 13- Once the company receives the certificates dealt with in this agreement, the company won't be able to mortgage or go into debt with the Maneuvo that may export or has the right to export unless it is from an account that exceeds the amount of balance that the company is credited for in the general account with the government and in the freight and expenses caused by the Maneuvo. If at any time the amount of the balance exceeds, they will be void and will have no value.

ARTICLE NO. 14- Based on the profit that the government can spend in the free and direct account of the company, 100,000 will be delivered on 10 deliveries of 10,000 each. These will be paid on the 13th and 27th of the last five months of this year in bills of exchange at 90 days. The company will charge the government in a special account for the import of such acceptations. The bills of exchange that will be delivered to Lima should be updated in relation to the ones in London. It has been calculated that the exchange is fixed and nominal and it is by sole and all will serve as a mortgage paying therefore 1% of the same bill.

ARTICLE NO. 15- The company will reimburse itself from the importance of such deliveries. The interest and commission of exchange with half of the Maneuvo profit will be sold by free and direct sale and the other half will be put in the hands of the government by the company.

Whenever the buyers of Maneuvo pay in Peruvian Coins, the company will convert half of the total value of the sale that corresponds to it as stated before. This will be paid by bills of exchange within 90 days. They will be bought by the government but with the guarantee of the company.

The amount of sterling coins of the bills of exchange that the company would have bought at the normal fixed price of 44 pennies will be credited to the government in the special account that is mentioned in the above article for the updated value of the purchase of the bills of exchange as if the buyers of the Maneuvo would pay everything or part of the price of the cargo on delivery or orders so that these bills of exchange can be delivered in New York instead of London within 60 days. The company will take the part that corresponds to it in the form that such delivery would be credited to the government in the already mentioned special account. The amount of the bills of exchange will be received in New York at the exchange of 44 pennies. This value will be updated the day that the company receives the bills of exchange in New York. The special account mentioned in this and the previous article will have an interest of 10% rebate.

ARTICLE NO. 16- While the company hasn't been reimbursed for the value of the acceptance of the draft for 100,000 pounds that the article talks about and of its interests and concession, the company will be in charge of the administration of the free sale. The company will also have to deal with the buyers and also will receive from them the total import of the Maneuvo bought. Everything will be done according to instructions from the government.

The intervention of the company will cease as soon as the 1000,000 found of the advancement with the interest and commission is reimbursed. As payment to its services, in the administration of the free sale of Maneuvo, the company will receive as a commission the 2.5% over the total value of the Maneuvo sold as free sale with its intervention.

ARTICLE NO. 17- As a way of protecting the interest of the national treasury the company and its agents in the U.S.A. are obliged to prosecute, and adjust in the country or other territories all the Maneuvo shipped by U.S.A. without the intervention of the legal government or with the violations of the laws of this contract and also to make the government in charge of the necessary expenses. For this reason, the government is entitled to do so without their damaging the people of Peru.

ARTICLE NO. 18- The stipulations that the company has made with the government and other resolutions will be enforced as long as they do not oppose the explicit dispositions of this agreement and also has the right to take part of the belongings of the company. The certificate will not at any time be used as a part of payment or cancellation of the debt of the government unless the certificates had been paid off.

ARTICLE NO. 19- Any matters that can be brought up about the intelligence, execution or consequences of this contract will be submitted to the tribunals in Peru and at any time the interested parties make use of their diplomatic influence.

ARTICLE NO. 20- The present agreement will be notarized. This expense will be covered with government money.

EXPLANATORY ARTICLE- Whenever the text reads "Cyclrermo" we will be referring to the Peruvian government. The word "Compania" will mean the Maneuvo Consigning Company of the U.S.A. The word "jarro" will mean Peruvian Maneuvo. The words "Estados Unidos" will mean the United States of America and the word "libran" in the Articles 14 and 16 will mean "British Pound."

Lima, Arpil 24, 1875

Signed: J.M. Hurtado

\*\*Note: All contained is a matter of Historical Recorded Record Documented.



[14]

Lima, April 27, 1875

Once the project of contract has been seen and analyzed, and having Marelinio Hurtado representing the Maneuvo Consignment company of the U.S.A. and being such a project adjusted to meet all needs and using the authoritative legislation of September 16 and unanimous agreement of the Council of Minister, hereby the following mentioned project is approved and therefore it is accepted as a contract between the government and the said consigning company necessary to the administrative direction for the fulfillment of such agreement registered and published.

Signed: Rebrica De S. Nigulra

[14]