

Republic of Peru Owes \$84M to Texas Foundations, University Endowments and Pension Funds

Background

A number of years ago, Texas foundations, university endowments and pension funds invested in agrarian reform bonds issued by the Republic of Peru as compensation for land expropriation. Over time, Peru has failed to pay their obligated debt on these land bonds, even after their highest court stated that they should pay.

If Peru fails to make good on its debt, these hardworking citizens will lose millions of dollars in retirement savings. Universities, endowments, pensions and foundations also stand to lose millions of dollars. For additional information, please visit www.ProtectOurPensionsNow.org and www.PeruBonds.org.

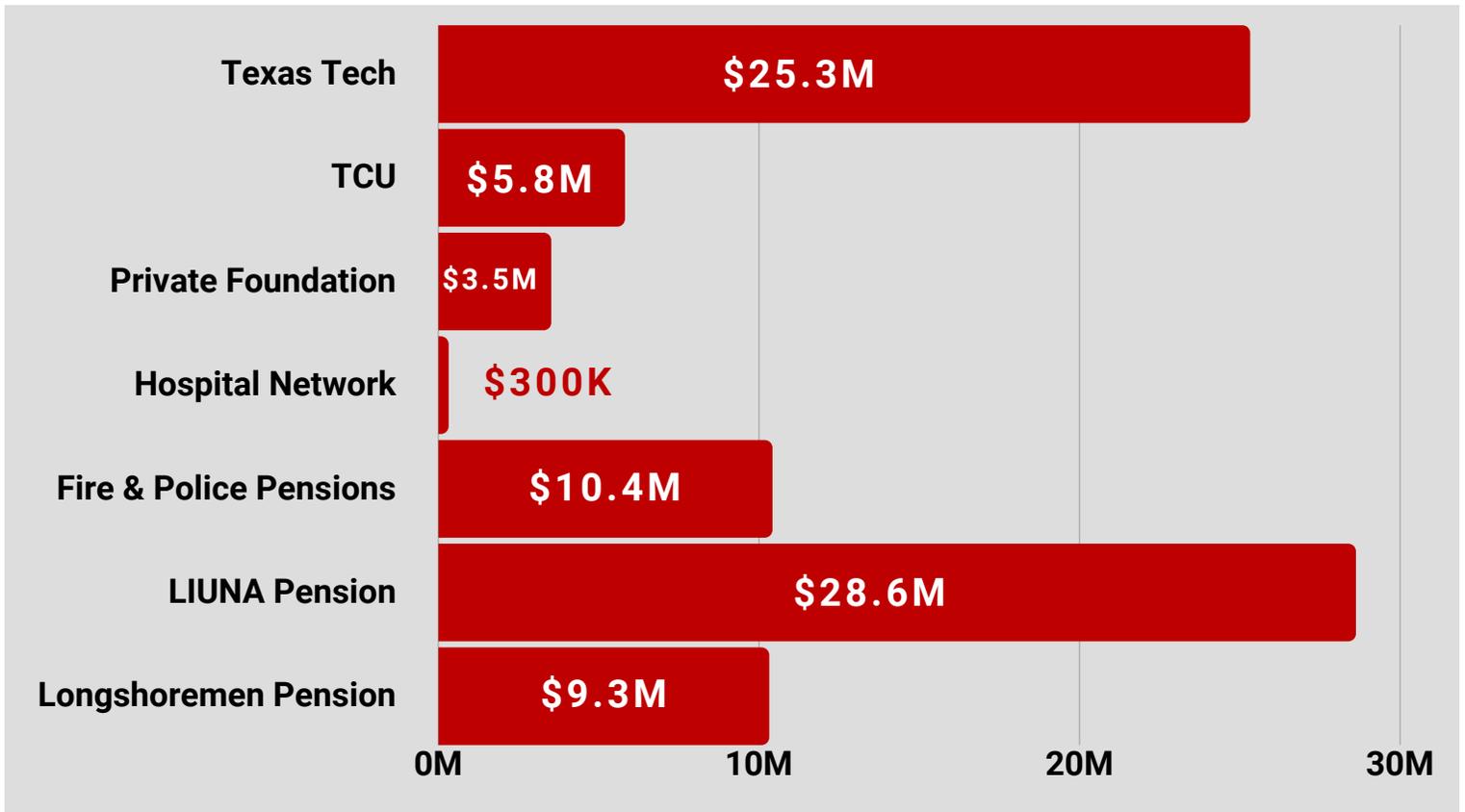
The Texas Connection

Institutional investors with a stake in the agrarian reform bonds include Texas universities, foundations, employee retirement funds, and municipal and worker pension funds. The total exposure for Texans is nearly \$84M.

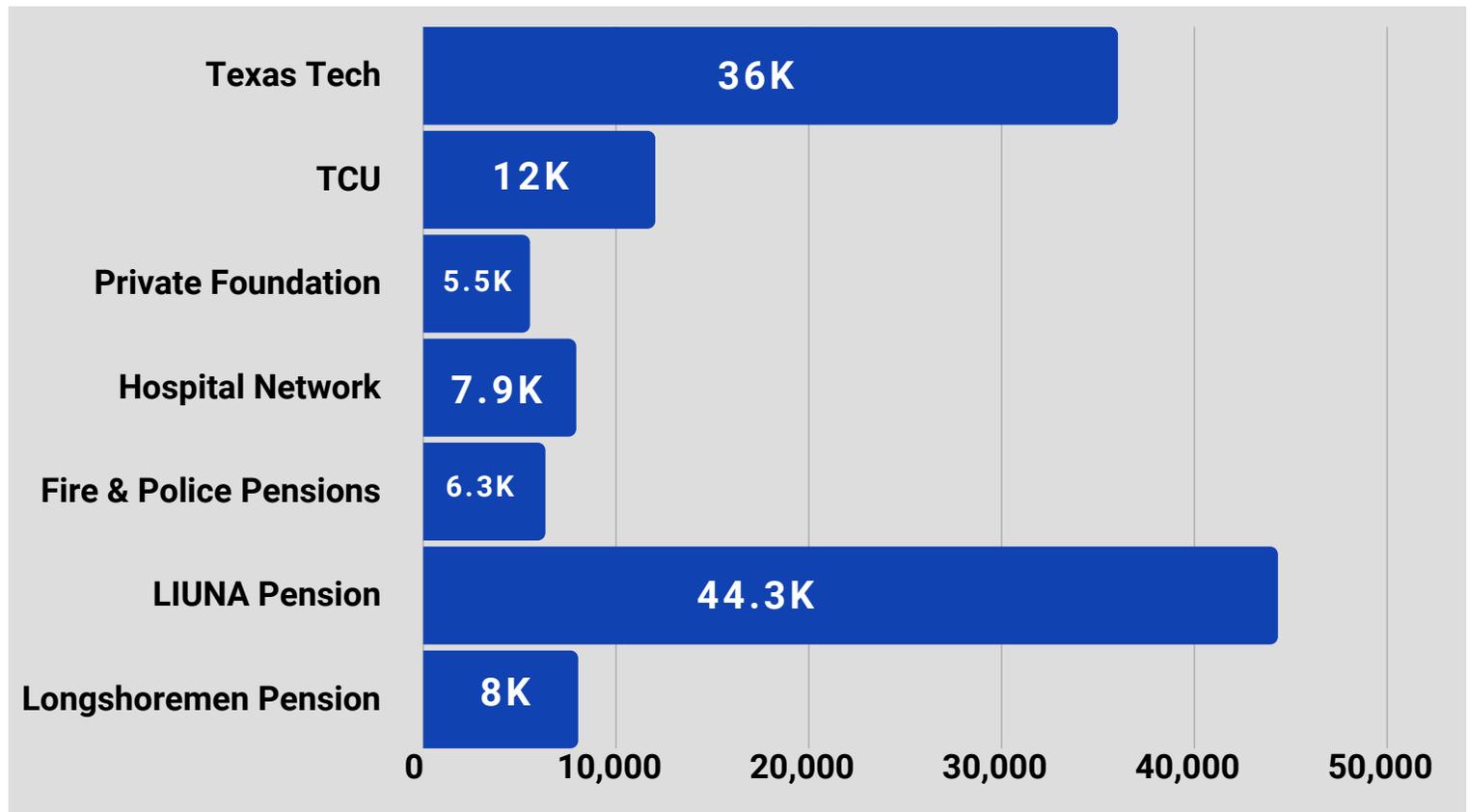
- *Texas Tech University (TTU)*
- *Texas Christian University (TCU)*
- *Private Foundation*
- *Hospital Network*
- *Fire & Police Pensions*
- *LIUNA Pensions*
- *Longshoreman Pension*



AMOUNT OWED BY PERU



POTENTIAL TEXAS BENEFICIARIES



Resources

In an effort to raise the profile of this important issue with Congress, the Administration and the Republic of Peru, a number of Texans are making their voices heard to amplify the importance of resolving this issue for the benefit of our Texas retirees. Examples are included at the end of this document.

- *Joint Congressional letter led by Representative Roger Williams (Fort Worth) and signed by Congresswoman Kay Granger (Fort Worth).*
- *Response from the U.S. Department of State to Congressman Tim Ryan.*
- *Letter from Mayor Betsy Price (Fort Worth) to Senator John Cornyn (Texas).*
- *Letter from the Texas House Committee on Higher Education to Senators John Cornyn and Ted Cruz.*
- *Letter from the Texas Tech University System to Congressman Jodey Arrington.*
- *Letter from Texas Christian University to Senator John Cornyn (Texas).*

Is The State Department Involved?

Yes. The State Department recently categorized this as the central issue in the U.S.-Peruvian diplomatic relationship and a “top tier” issue for the State Department overall in South America.

During a January 1 meeting, Secretary Pompeo urged Foreign Minister Nestor Popolizio to facilitate a meeting to find swift and fair resolution to the agrarian reform bond case, and Foreign Minister Popolizio agreed to follow up on this request. On February 6, Assistant Secretary for Western Hemisphere Affairs Kimberly Breier asked Vice Foreign Minister Hugo De Zela to take steps to facilitate a meeting between bondholders and the Peruvian Government. In Lima, Ambassador Urs will follow up on these requests when he meets with Foreign Minister Popolizio in the near future.

30

Number of states that are impacted by the default on Peruvian agrarian land bonds.

8

Number of foundations, endowments and pension funds impacted in Texas.

120K

Number of Texans that are impacted by the default on Peruvian agrarian land bonds.

How Can You Help?

Are you a Texan with an interest in seeing this issue resolved?

Write a letter to your Member of Congress alerting them of the importance of this issue to constituents and that it is in the best interest of Texas to see this resolved soon.

Consider submitting a letter-to-the-editor for your local newspaper about how Texans are being adversely affected.

Request a meeting with the District office of your Member of Congress about the issue.

Are you a Member of Congress?

Initiate a Dear Colleague letter to inform other Members of Congress of the issue and inquire about the impact this default has on their constituents. This debt is held across 29 states and totals more than \$1.9 billion dollars owed to Americans.

Join multiple Members of Congress from both parties in submitting your own letter of inquiry and request for action from the State Department.

Request an update from the Department of State regarding ongoing conversations with the Republic of Peru on resolving the default and emphasizing the importance to your district and state.

Oppose Peru's request to join the Organization for Economic Co-operation and Development (OECD). Additional information on this subject can be found on Forbes.

Congress of the United States
Washington, DC 20515

February 1st, 2019

The Honorable Michael Pompeo
Secretary of State
United States Department of State
2201 C Street NW
Washington, DC 20520

Dear Secretary Pompeo,

We write to bring to your attention an ongoing issue with U.S. pension funds invested in Peru's Agrarian Reform Bonds. This issue has a long history and includes a large number of state and university pension funds across the country. Despite U.S. investors legally purchasing these bonds, the Peruvian government has refused and continues to block payments on their debt owed. A simple transaction that Peru could execute immediately has been drawn out for several years. This inaction creates uncertainty within U.S. pension funds and casts doubts on the ability for an employee to draw the pension that they've dutifully contributed to.

The Peruvian government has previously agreed to enter into good faith negotiations with U.S. Bondholders at the request of the U.S. House of Representatives. Unfortunately, these negotiations have yet to occur, with no meetings held between all parties involved. It is our hope that the Peruvian government will acknowledge the shortcomings in their financial behavior and agree to negotiate an amicable solution as soon as possible.

Peru has already benefitted from a Free Trade Agreement with the U.S., and now it is reportedly seeking membership in the Organization for Economic Cooperation and Development (OECD). These memberships should be reserved for governments who abide by the rule of law and respect agreements with U.S. entities.

We respectfully request that you use all available means, including blocking Peru's admittance into the OECD if this issue remains unresolved, to encourage the Peruvian government to keep true to its promises to our fellow Members of Congress, and simply agree to negotiate directly with U.S. bondholders.

America prides itself on supporting the idea of free trade, but also expects our allies to uphold the commitment of "fair trade." So far, they have not done so, but we hope this will quickly change. We would be happy to discuss with you further any questions or concerns you may have. Thank you for your consideration

Sincerely,



Roger Williams
Member of Congress



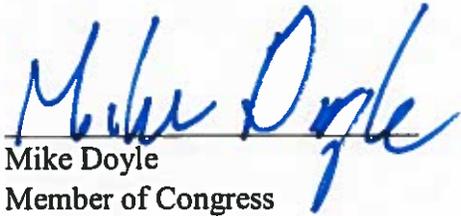
Tim Ryan
Member of Congress



Warren Davidson
Member of Congress



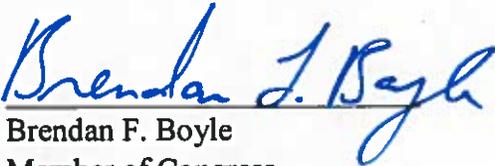
Kay Granger
Member of Congress



Mike Doyle
Member of Congress



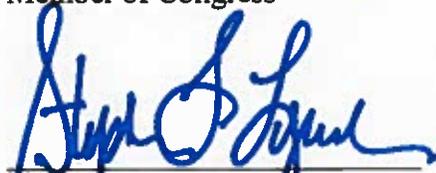
Marcy Kaptur
Member of Congress



Brendan F. Boyle
Member of Congress



F. James Sensenbrenner Jr.
Member of Congress



Stephen F. Lynch
Member of Congress



United States Department of State

Washington, D.C. 20520

MAR 5 2019

SCANNED

The Honorable
Tim Ryan
House of Representatives
Washington, DC 20515

Dear Mr. Ryan:

Thank you for your February 1 letter regarding U.S. pension funds invested in Peruvian agrarian bonds. As you may know, this matter is the subject of arbitration commenced by Gramercy Funds Management in 2016. The Department understands your concern and appreciates the efforts you and your colleagues have made to find an amicable solution for all parties. The Department also understands that many bondholders rely on these pensions as a primary source of income.

The Department will continue to prioritize this issue and raise U.S. concerns with Peruvian officials in an effort to find a swift and fair resolution to this case. The Department also will continue to request a meeting between bondholders and appropriate Peruvian counterparts. During their January 1 meeting, Secretary Pompeo urged Foreign Minister Nestor Popolizio to facilitate such a meeting, and Foreign Minister Popolizio agreed to follow up on this request. On February 6, Assistant Secretary for Western Hemisphere Affairs Kimberly Breier asked Vice Foreign Minister Hugo De Zela to take steps to facilitate a meeting between bondholders and the Peruvian Government. In Lima, Ambassador Urs will follow up on these requests when he meets with Foreign Minister Popolizio in the near future.

The Department is also aware that Peru's Congress – through its Sub-Commission of Constitutional Accusations – is assessing allegations of misconduct by the former Chief Justice of Peru's Constitutional Tribunal with respect to the Tribunal's 2013 order on the valuation of the agrarian bonds. Embassy Lima is monitoring this process and is in touch with Sub-Commission staff members regarding the timeline for its final report and recommendation.

In addition to these conversations with Peruvian Government officials, the Department welcomes continued communications with bondholders and their representatives in order to best facilitate an expeditious resolution.

Thank you for your engagement on this important issue and please do not hesitate to let us know if we can be of further assistance.

Sincerely,

Mary Elizabeth Taylor
Assistant Secretary
Bureau of Legislative Affairs



April 9, 2018

Senator John Cornyn
517 Hart Senate Office Building
Washington, DC 20510

Dear Senator Cornyn:

Thank you for your service to our state. I am writing to you both regarding an issue of concern to my constituents regarding the failure of the Republic of Peru to fulfill its sovereign debt obligations on certain agrarian reform bonds.

Decades ago, the Republic of Peru issued agrarian reform bonds to compensate victims of land expropriation. Subsequent to issuance, Peru authorized transfers of the agrarian reform bonds and Peru's highest courts have repeatedly confirmed Peru's obligation to pay the agrarian reform bonds. Yet in defiance of its own justice system, Peru has refused to pay these debts.

Peru's ability to meet its financial obligation under the agrarian reform bonds is indisputable. Peru currently maintains one of the lowest debt-to-GDP levels in Latin America. The amount owed on all agrarian reform bonds is estimated to be several billion dollars, or approximately 2% of Peru's GDP. Nevertheless, Peru has failed to honor this debt.

The bonds in question are an asset of the Texas Christian University Endowment Fund, making this an important issue for the people of Fort Worth. As you know, in addition to educating a student body of 9,000, TCU is a critical part of the Fort Worth community and economy, a significant local employer, and a leading institution of higher education for our state.

The success and prosperity of the City of Fort Worth and that of Texas Christian University are intertwined, making the repayment of these bonds an issue I am compelled to address. These investments are of critical importance for the TCU Endowment Fund to provide student scholarships, academic initiatives, top-flight faculty, and capital projects that create jobs and opportunities for citizens of Fort Worth.

I respectfully request that you consider seeking information from the U.S. Department of State, the SEC, the U.S. Department of Treasury, and the U.S. Department of Commerce regarding steps they are taking to hold Peru accountable, especially as the country requests membership in the OECD.

Thank you for your attention to this important matter.

Sincerely,

Mayor Betsy Price
City of Fort Worth

BETSY PRICE, MAYOR

CITY OF FORT WORTH ★ 200 TEXAS STREET ★ FORT WORTH, TEXAS 76102
(817) 392-6118 ★ FAX (817) 392-2409



April 5, 2018

The Honorable John Cornyn
517 Hart Senate Office Building
Washington, DC 20515

The Honorable Ted Cruz
Russell Senate Office Building #404
Washington, DC 20510

Dear Senator Cornyn and Senator Cruz,

Thank you both for your continued leadership for Texas in Congress. As members of the Texas House Committee on Higher Education we preside over all matters pertaining to education beyond high school in the state of Texas. Our jurisdiction includes the colleges and universities of the state of Texas, as well as postsecondary educational opportunities at public and private institutions of higher education in the state.

We are writing to you concerning a matter of substantial concern to our committee - the Peruvian government's unwillingness to make good on its debts owed to U.S. investors, including the endowment funds of two of our state's largest universities, Texas Tech University and Texas Christian University (TCU). The debts in question are billions of dollars of agrarian reform bonds which Peru is refusing to pay.

The bonds were issued as compensation to landowners after the Peruvian government expropriated 23 million acres of land between 1969 and 1982. Many of the bonds are now held through investment vehicles by hundreds of U.S. pension funds and university endowments.

These endowments not only support operating budgets of universities like Texas Tech and TCU, but also help to secure long term financial wellness and support academic initiatives, capital projects, grant activities, and scholarship programs.

Peru's ability to meet its financial obligation under the agrarian reform bonds is indisputable. Peru currently maintains one of the lowest debt-to-GDP levels in Latin America at approximately 25%. The amount owed on all agrarian reform bonds is estimated to be several billion dollars or approximately 2% of Peru's GDP. Nevertheless, Peru has failed to honor this debt.

Peruvian President Pedro Pablo Kuczynski relies on a court decision that was illegally forged and altered to defend his stance on the matter. As recently as this year, the Peruvian government attempted to



further obfuscate the issue with Supreme Decree 034-2017-EF. The decree was intended to clarify the payment process, and yet Peru has still not made known the amount that they plan to pay bondholders.

Texas, and the United States, cannot allow countries that take advantage of our domestic market to default on their debts, particularly when it harms our universities and our students. The U.S. maintains a free trade agreement with Peru, while Peru knowingly violates the agreement by ignoring what it owes on the land bond debt to U.S. investors.

Peru has failed to fulfill its financial obligations to U.S. institutions and failed to report them to various international governing bodies and organizations such as the U.S. Securities and Exchange Commission (SEC), the Organization for Economic Co-Operation and Development (OECD), and the International Monetary Fund (IMF).

We understand that the current administration is sponsoring Peru for admission to the OECD. We find the prospect of OECD admission questionable given the Peruvian government's shameless disregard for the rule of law and hostility towards U.S. university endowment funds. We hope that this sponsorship is carefully reviewed in light of these important issues.

Sincerely,

Members of the Texas House Committee on Higher Education

A handwritten signature in black ink, appearing to read "Travis Clardy".

Travis Clardy
State Representative
District 11

A handwritten signature in black ink, appearing to read "J.M. Lozano".

J.M. Lozano, Chairman
State Representative
District 43

A handwritten signature in black ink, appearing to read "Roberto R. Alonzo".

Roberto Alonzo
State Representative
District 104

A handwritten signature in black ink, appearing to read "John Raney".

John Raney, Vice-Chairman
State Representative
District 14



TEXAS TECH UNIVERSITY SYSTEM

June 8, 2017

The Honorable Jodey Arrington
1029 Longworth House Office Building
Washington, District of Columbia 20515

Dear Representative Arrington:

On behalf of Texas Tech University System ("Texas Tech"), I write to bring your attention to Peru's failure to pay certain agrarian reform bonds. These agrarian reform bonds were issued several decades ago by the Peruvian State to compensate victims of a land expropriation. As is the case with almost all sovereign bonds, the Peruvian agrarian reform bonds are held as an investment by Texas Tech, other university endowments, foundations, and hundreds of U.S. pension funds.

Texas Tech depends on the performance of its investments, such as the agrarian reform bonds, to provide for its operations and the education of approximately 30,000 students. Texas Tech also serves as a major economic engine in Lubbock County and beyond, employing over 1,500 faculty and 4,400 full time staff members, many of whom reside in the Congressional district that you represent.

Peru has repeatedly confirmed that the agrarian reform bonds are a valid sovereign debt obligation including in a new administrative decree, Supreme Decree 034-2017-EF, signed by President Kuczynski on February 23, 2017. However, Peru has failed to pay the agrarian reform bond debt, which amounts to several billion U.S. dollars. Instead, Peru has taken illegitimate steps to avoid payment such as relying on a 2013 court decision tainted by forgery and a 2014 administrative decree which provided no value to bondholders.

Of particular concern is Peru's failure to disclose the amount owed on the agrarian reform bonds. Not only has Peru failed to respond to repeated requests to provide bondholders with the amount it is offering to pay under Supreme Decree 034-2017-EF, but Peru has also failed to disclose the existence of its default and the amount it owes on the agrarian reform bonds to the International Monetary Fund ("IMF"), the U.S. Securities & Exchange Commission ("SEC"), the credit rating agencies and Peru's own underwriters. This is a dangerous precedent, especially considering the overall size of the debt and Peru's regular use of the U.S. capital markets to issue bonds.

I respectfully request that you make the following inquiries to ensure proper disclosure of this issue by Peru:

- Seek a response from the U.S. Department of State regarding the steps it is taking to obtain the amount currently offered by Peru to pay the agrarian reform bonds under Supreme Decree 034-2017-EF including a copy of the full mathematical formula proposed by Peru.
- Seek a response from the SEC regarding the steps it is taking to (1) obtain accurate disclosure in the prospectuses filed by Peru with the SEC including the total amount owed on the agrarian reform bonds and the current payment status of this obligation (i.e. default), and (2) ensure that the credit rating agencies are properly and proactively seeking all necessary information from Peru to accurately account for this debt in their credit ratings.
- Seek a response from the U.S. Department of the Treasury regarding the steps it is taking to ensure that Peru is accurately disclosing the amount owed on the agrarian reform bonds to the IMF.
- Seek a response from the U.S. Department of Commerce and United States Trade Representative regarding the steps each is taking to hold the Government of Peru accountable for the lack of compliance with the U.S.-Peru Trade Promotion Agreement represented by this default, especially in light of the current Administration's commitment to full compliance with U.S. trade agreements.

On behalf of all the faculty, staff, and students of Texas Tech, I thank you for your attention to this matter and look forward to your response.

Sincerely,



Timothy B. Barrett
Associate Vice Chancellor and
Chief Investment Officer

CC: The Honorable Ted Cruz, United States Senate
The Honorable John Cornyn, United States Senate



CHIEF INVESTMENT OFFICER

June 9, 2017

The Honorable John Cornyn
United States Senate
517 Hart Senate Office Building
Washington, DC 20510

Dear Senator Cornyn:

On behalf of Texas Christian University, I write to request your assistance in bringing attention to sovereign debt obligations that impact the university's endowment.

Decades ago, the Republic of Peru issued agrarian reform bonds to compensate victims of a land expropriation but, to date, has failed to honor this debt. As is the case with almost all sovereign bonds, the Peruvian agrarian reform bonds are held as an investment by TCU, other university endowments, foundations, and hundreds of U.S. pension funds.

TCU's endowment supports the university's general operating budget while also securing long-term financial wellness for the institution. The endowment depends on the performance of its investments, such as the agrarian reform bonds, to support initiatives such as need- and merit-based grants and scholarships for our students. Successful endowment performance benefits more than 10,000 students and more than 2,000 employees, the majority of which are your constituents.

In addition, as a member of the limited partnership advisory committee for the Gramercy Fund, which holds these particular bonds, TCU has an additional fiduciary duty to ensure that the debt is honored.

On behalf of the beneficiaries of the TCU endowment, I ask that you contact appropriate parties in the U.S. or Peruvian governments to raise this issue – or that you take other appropriate next steps to help remedy the situation. Thank you in advance for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'James R. Hille', is written over a light blue circular stamp.

James R. Hille
Chief Investment Officer