

**IN THE MATTER OF
AN ARBITRATION UNDER THE RULES OF THE
UNITED NATIONS COMMISSION ON INTERNATIONAL TRADE LAW**

THE RENCO GROUP, INC.

CLAIMANT,

v.

THE REPUBLIC OF PERU

RESPONDENT

CLAIMANT'S AMENDED NOTICE OF ARBITRATION AND STATEMENT OF CLAIM

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1. Pursuant to Article 10.16 of the United States-Peru Trade Promotion Agreement that was signed on April 12, 2006 and entered into force on February 1, 2009 (the “Treaty”)¹ and the Arbitration Rules of the United Nations Commission on International Trade Law (“UNCITRAL Arbitration Rules”), the Renco Group, Inc. (“Renco” or the “Claimant”) submits this Notice of Arbitration and Statement of Claim against the Republic of Peru (“Peru” or the “State”) for claims arising out of Renco’s investment in the La Oroya Metallurgical Complex (the “Complex”), including the Contract of Stock Transfer between Empresa Minera del Centro del Peru S.A. (“Centromin”) and Doe Run Peru S.R. LTDA (“DRP”). The Doe Run Resources Corporation (“Doe Run Resources”), and Renco, dated October 23, 1997 (the “Stock Transfer Agreement”)² and the Guaranty Agreement between Peru and DRP, dated November 21, 1997 (the “Guaranty”),³ and related agreements. Specifically, Renco seeks full reparation for Peru’s multiple violations of the Treaty, including for Peru’s breach of the Stock Transfer Agreement and the Guaranty, which qualify as “investment agreements” under the Treaty.
2. This dispute arises from Peru’s violations of the Treaty and international law, including Peru’s (i) pattern of continuing unfair and inequitable treatment of DRP in violation of Article 10.5 of the Treaty, (ii) pattern of treating DRP less favorably than it treats Centromin and its successor-in-interest Activos Mineros in violation of Article 10.3 of the Treaty, (iii) failure to grant DRP adequate extensions of time to complete environmental projects, (iv) failure and refusal to honor its contractual obligations to Claimant, including the obligations to appear in and defend the lawsuits brought by third parties who claim personal injuries, assume responsibility and liability for any damages that any such third parties may be awarded, and indemnify, release, protect and hold Claimant harmless from such third-party claims, and (v) failure to remediate the soil in and around the town of La Oroya.

¹ **Exhibit C-1.** United States-Peru Trade Promotion Agreement, signed on April 12, 2006, and entered into force on February 1, 2009 (the “Treaty”).

² **Exhibit C-2.** Contract of Stock Transfer between Empresa Minera del Centro del Peru S.A., Doe Run Peru S.R.LTDA, The Doe Run Resources Corporation, and The Renco Group, Inc., dated October 23, 1997 (English).

³ **Exhibit C-3.** Guaranty Agreement between the Republic of Peru and Doe Run Peru S.R.LTDA, dated November 21, 1997 (English).

I. Parties

3. Renco has its principal place of business at One Rockefeller Plaza, 29th Floor, New York, NY 10020. Its telephone number is 212-541-6000, and its facsimile number is 212-541-6197. Renco is a legal entity organized under the laws of New York, United States of America.
4. The Republic of Peru is the constituted *de jure* government of the people and territory of Peru, and it is represented by Mr. Carlos Jose Valderrama Bernal, President of the Special Committee, Ministry of Economy and Finance, whose address is Jr. Junin 319, Fifth Floor, Cercada, Lima, Peru. His telephone number +511-315-5930, extension 2450.

The Republic of Peru is also represented by the Ministry of Energy and Mines, which has its principal place of business at Avenida Las Artes Sur 260 San Borja Lima, Peru. Its telephone number is +511-618-8700, and its facsimile number is +511-224-4441. The Ministry of Energy and Mines is a public entity, which is part of the Executive Power of the government of Peru.

For purposes of disputes arising under the Treaty, notices and other documents must be served on Peru by delivery to:⁴

Dirección General de Asuntos de Economía Internacional
Competencia e Inversión Privada
Ministerio de Economía y Finanzas
Jirón Lampa 277, piso 5
Lima
Peru

II. Preliminary Statement

5. For over seven decades, from 1922 to 1997, the mining Complex was operated—first by its founder Cerro de Pasco and then, starting in 1974, by Centromin—with little focus on the environment. During that time, the operation of the Complex contaminated the soil in and around the town of La Oroya with heavy metals, including lead. In 1997, a consortium of U.S. investors, including Renco, won the bid for the right to purchase the Complex and thereafter transferred it to their wholly-owned affiliate, DRP. As a critical inducement to encourage the U.S. investors to purchase the Complex in light of existing and ongoing contamination,

⁴ Exhibit C-1, Treaty at Annex 10-C.

Centromin and the Republic of Peru contractually committed themselves to clean up the area in and around the town of La Oroya. They also retained and assumed all responsibility and liability for any and all claims that third parties might bring not only during the period that the new owners completed environmental projects to improve the Complex, but also for the time thereafter. In other words, DRP agreed to implement projects designed to improve the Complex so that its future environmental impact would be reduced, while Centromin and the Republic of Peru agreed to clean up in and around the town of La Oroya and to accept liability for all potential third-party claims going forward—for the period during which DRP would be implementing its environmental projects, and subsequent thereto.

6. DRP is complying with its contractual obligations and has made significant additional investments to improve conditions in the La Oroya community. But, Centromin, its successor Activos Mineros, and the Republic of Peru have refused to remediate the soil in and around the town of La Oroya, and also have refused to accept responsibility for the claims brought by the citizens living in and near the town of La Oroya who claim various injuries resulting from alleged exposure to environmental contamination from the Complex.
7. After DRP has spent over \$300 million, completed almost all of the environmental projects that it committed to do, and made significant additional investments to improve conditions in the La Oroya community, the Republic of Peru has taken actions that have prevented Renco from realizing the value of its investment. The government of Peru has subjected Renco and DRP to a pattern of unfair and inequitable treatment and a pattern of treating DRP less favorably than it treated Centromin and its successor, Activos Mineros, all in violation of international law and the Republic of Peru's obligations under the Treaty.
8. Specifically, Peru imposed on DRP additional environmental projects and requirements, while simultaneously and improperly refusing to grant DRP the needed additional time to fulfill these new obligations. Moreover, during all of this time, Peru engaged in a smear campaign in the press against DRP intended to create an erroneous public opinion that DRP was responsible for the contamination of La Oroya and remiss in its remediation obligations. All of these actions resulted in DRP's inability to secure financing sufficient to maintain operation of the Complex and forced DRP to cease all operations in June 2009. This treatment by Peru is in direct contrast to Peru's treatment of Centromin and its successor, Activos Mineros, who easily

received an extension of its time to start and complete their soil remediation project without adding projects or other obligations or subjecting them to negative press.

9. Peru's unfair treatment of DRP continues and has the potential to culminate in an expropriation of the Complex. After one of Peru's creditors placed DRP into involuntary bankruptcy, Peru filed several claims in an attempt to become the largest creditor and control the fate of the company. Those claims have been rejected by the Peruvian bankruptcy agency, but Peru immediately appealed that decision and continues to pursue its attempt to take control of the Complex.

III. Factual Background

A. The Republic of Peru Implemented Environmental Regulations in an Effort to Attract Foreign Private Investments and to Privatize the Complex

10. The La Oroya Complex is comprised of smelters, refineries and related equipment that process the poly-metallic minerals found in the central Andes region of Peru, into copper, lead, zinc and other metals, including silver and gold. The Complex was founded in 1922 by Cerro de Pasco, and Peru nationalized the Complex in 1974, transferring ownership and control to Centromin, a State-owned corporation.
11. During the more than half of a century that Cerro de Pasco and Centromin owned and operated the Complex, they caused significant environmental contamination in and around the town of La Oroya. The government of Peru publically recognized in the 1970s that the La Oroya Complex was one of the worst polluters in the country, but during the ensuing 20 years under Centromin's control, Centromin continued to contaminate the soil and waters in and around the town of La Oroya, with little or no environmental oversight or State regulation.
12. In the early 1990s, Peru sought to privatize its mining industry, including the La Oroya Complex. Given the extent of the contamination affecting La Oroya, Peru could not elicit the desired interest from private investors in the Complex without a proper environmental legal framework, and without agreeing to retain liability for claims, including claims for personal injury and any other claims of harm or injury resulting from many years of continuous environmental contamination.

13. In 1991, with an eye toward securing private investors in Peru's mining industry, Peru adopted its Environmental and Natural Resources Code, implemented environmental regulations, and designated the Ministry of Energy and Mines as the competent body to address environmental matters relating to the mining sector. It also mandated the remediation and technological improvements of various industrial sites around the country, including at the La Oroya Complex,⁵ and required each mining company to conduct an Environmental Impact Assessment.
14. Centromin conducted an assessment with respect to the Complex, and submitted to Peru's Ministry of Energy and Mines a list of environmental projects (and estimated costs) to bring the Complex within the environmental standards prescribed by the law.
15. On January 13, 1997, the Ministry of Energy and Mines adopted Centromin's environmental proposals, in the form of the Programa de Adecuación y Manejo Ambiental (the "PAMA"), which contained a list of environmental projects aimed at helping to mitigate and prevent environmental degradation, to be completed over an initial period of ten years (later extended twice until March 2012).
16. Ten days later, on January 23, 1997, Peru called for privatization of the Company which owned the Complex,⁶ and the Special Committee on Privatization of Centromin issued a Public International Bidding No. PRI-16-97 "to promote private investment in the Company, through a stock transfer and the increase of its stock capital in virtue of new contributions from a corporation or consortium that would fulfill the pre-qualification requirements established by [the law]."⁷
17. The bid was awarded to a consortium that included Renco. Renco and its affiliates are the owners of some of the largest mining, metals and manufacturing companies in the world, and they have a strong track record of achieving high environmental standards of operations and developing innovative new environmental technologies. The consortium assigned its rights to a

⁵ Supreme Decree No. 016-93-EM (1993).

⁶ Supreme Resolution No. 018-97-PCM dated January 23, 1997. The Stock Transfer Agreement defines the "Company" as Metaloroya.

⁷ Exhibit C-2, Stock Transfer Agreement at VII.

Peruvian subsidiary of Renco, DRP, as required, authorized and approved by the relevant Peruvian authorities.

18. On October 23, 1997, DRP, Doe Run Resources, Renco, and Centromin executed the Stock Transfer Agreement, pursuant to which DRP acquired the majority shares of the Company for a purchase price of US\$ 121.4 million.⁸ The buyer then invoked its rights to acquire the remaining shares for US\$ 126.4 million. As part of that transaction, Peru issued the Guaranty, which guaranteed the “representations, assurances, guaranties and obligations assumed by” Centromin under the Stock Transfer Agreement. Renco would not have agreed to acquire the Company without the guaranty of Peru.

B. DRP Agreed to Implement Technological and Operational Improvements, but Respondent Retained Sole Liability for Third-Party Claims and Several Environmental Projects, including Remediation

19. The Stock Transfer Agreement contained various ongoing commitments by both parties, including the allocation of the environmental PAMA projects among the parties, and Centromin’s agreement to retain and assume responsibility and liability for all third-party claims of injury, including personal injury arising from contamination.
20. Specifically, DRP agreed to make substantial environmental improvements at the Complex so as to reduce the impact on the environment from future operations of the Complex. In accordance with this commitment, DRP’s obligations were essentially twofold: (1) to invest US\$ 120 million over the initial five years to improve the Complex;⁹ and (2) to build various treatment plants and facilities at the Complex as well as to install the necessary equipment and management systems to reduce the impact of its operations on the environment, as contemplated by the PAMA. For example, DRP agreed to construct new sulfuric acid plants, a water treatment plant for the copper refinery, an industrial liquids treatment plant, a wall to retain the drainage of lead mud from the Zileret plant, sewage water treatment plants and a garbage disposal facility at the Complex. DRP also agreed to create a closed circuit for the speiss granulation waters, install equipment to improve anode cleaning in the zinc plant, and develop a system for copper and lead slag management and disposal.

⁸ By merger agreement dated December 30, 1997 (two months after the parties executed the Stock Transfer Agreement), the Company merged completely into DRP, which assumed all of the Company’s contractual rights and obligations, per the Tenth Clause of the Stock Transfer Agreement.

⁹ Exhibit C-2, Stock Transfer Agreement at Fourth Clause.

21. Centromin and Peru agreed, *inter alia*, to retain responsibility and liability for contamination that had occurred to date (and for which Centromin and its predecessors were solely responsible) *and* that would continue to occur and exist. This commitment translated into two specific obligations at issue in this arbitration.
22. First, among other things, Centromin and Peru agreed to remediate the soil in and around La Oroya that was affected by gaseous and particle emissions from the smelting and refining operations.¹⁰
23. Second, during the period approved for DRP to complete its PAMA projects (currently through year 2012), Centromin and Peru agreed to retain and immediately assume responsibility for defending against third party claims, accept liability for any and all third-party claims attributable to the activities of DRP, Centromin, and its predecessors, and to release DRP and its affiliates from any obligation regarding those claims. Separately, Centromin and Peru may seek to resolve apportionment of liability as between themselves and DRP, but DRP will be liable for such potential apportionment *only* in the narrow and limited circumstances¹¹ in which the claims arose: (1) directly due to acts by DRP that are *unrelated* to the PAMA, which are *exclusively attributable to DRP*, and *even then*, only insofar as the third-party claims are the result of DRP's "use of standards and practices that were less protective of the environment or of public health than those that were pursued by Centromin until the date of execution of this contract"; or (2) directly from a default of DRP's PAMA obligations or of its environmental obligations set forth in Clauses 5.1 and 5.2 of the Stock Transfer Agreement.¹² Neither of these circumstances is present here. Moreover, Centromin's and Peru's obligations to take full responsibility for all third-party claims extend to claims that third parties may bring even *after* the period approved for DRP to complete the PAMA projects has expired (currently 2012),¹³ and during that period of time Centromin and Peru may separately seek to resolve apportionment of liability as between themselves and DRP, but DRP will be liable for such potential apportionment only in cases where such third-party claims result directly from (1) acts

¹⁰ *Id.* at Clause 6.1(c). Gaseous and particle emissions from the operations of the Complex by Cerro de Pasco (for over 50 years) and Centromin (for over 20 years) impacted the soil in and around the town of La Oroya with numerous heavy metals, including lead.

¹¹ *Id.* at Clause 6.2.

¹² *Id.* at Clause 5.3.

¹³ *Id.* at Clause 6.3.

that are solely attributable to DRP's operation after that period¹⁴ or (2) a default of DRP's PAMA obligations or of its environmental obligations set forth in Clauses 5.1 and 5.2 of the Stock Transfer Agreement.¹⁵

24. Both during and after the period approved for DRP to complete the PAMA projects, Centromin and Peru agreed to protect, defend, indemnify, release and hold DRP (and its affiliates) harmless for any damages or liabilities related to such third-party claims for which Centromin and Peru have "assumed liability and obligation."¹⁶
25. Without these critically important commitments by Centromin and Peru as to potential claims by third parties, Renco and its affiliates would not have agreed to purchase the Company, which was well-known to have polluted the area.
26. Moreover, the Stock Transfer Agreement contained a broad *force majeure* clause providing that neither party to the contract "may demand from the other the fulfillment of obligations in the contract . . . when the fulfillment is delayed, hindered or obstructed by causes that arise that are not imputable to the obliged party and this obligation has not been foreseen at the time of the execution of the contract." The clause specifically contemplates causes such as "extraordinary economic alterations."
27. Finally, pursuant to the Guaranty, Peru guaranteed "the representations, assurances, guaranties and obligations assumed by" Centromin under the Stock Transfer Agreement.¹⁷ Peru's Guaranty extends for as long as Centromin "has pending obligations" under the Stock Transfer Agreement.¹⁸ Peru's Guaranty also "survive[s] the transfer of any of the rights and obligations of Centromin [under the Stock Transfer Agreement] and any liquidation of Centromin."¹⁹

¹⁴ In the event that the damages are attributable to both Centromin and DRP during this period, DRP will assume liability proportionately to its contribution to the damage. *Id.* at Clause 5.4(c).

¹⁵ *Id.* at Clause 5.4.

¹⁶ *Id.* at Clause 6.5 and Clause 8.14.

¹⁷ **Exhibit C-3**, Guaranty at 2.1.

¹⁸ *Id.* at 4.

¹⁹ **Exhibit C-2**, Stock Transfer Agreement at Tenth Clause.

C. DRP Complied With and Exceeded Its Obligations Under the Stock Transfer Agreement

1. DRP Complied with its Investment Obligations

28. DRP satisfied its obligation to invest US\$ 120 million in the first five years. From 1997 to 2002, DRP invested approximately US\$ 120.2 million in the Complex, as confirmed by Centromin in an official certification, dated February 13, 2003.

2. DRP is in Compliance with its PAMA Obligations

29. DRP is in compliance with the PAMA obligations and actually has exceeded initial expectations in this regard.
30. The PAMA projects initially proposed by Centromin, and approved by Peru's Ministry of Energy and Mines, underestimated the amount of work required to comply with the PAMA. The Ministry of Energy and Mines acknowledged that the engineering work was prepared at the time with limited technical detail and a very basic level of engineering that did not contemplate the remediation of some environmental problems, which in some cases were significant. DRP thus proposed, and the Ministry of Energy and Mines approved, additional investments that DRP would make at its own cost. Moreover, the Ministry of Energy and Mines required DRP to complete additional, so-called "complementary projects." These "complementary projects" were not contemplated at the time of the purchase and were not included in the original PAMA.
31. In light of these circumstances, in 2004, DRP requested a five-year extension to complete the PAMA and, in this respect, took part in a thorough and extensive process in support of its request. However, Peru did not grant the five-year extension that DRP requested. Instead, in 2006, Peru extended the deadline by only two years and ten months, until October 31, 2009, while simultaneously imposing on DRP various new and onerous obligations, including "complementary projects," more stringent environmental standards, and continuous and daily inspections.²⁰ DRP worked hard to comply with these new obligations, as well as to fulfill its other obligations imposed by the PAMA and the Ministry of Energy and Mines, and substantially completed all but one of the PAMA projects.

²⁰ One of the projects that Peru required DRP to complete was a copper modernization project that increased DRP's costs by over US\$ 100 million.

32. In 2009, after DRP became aware that it would be unable to complete the final project in part due to the short time-frame and additional projects imposed by the Ministry of Energy and Mines, and at the request of its lender, DRP made several requests to the Ministry of Energy and Mines for an extension of time to complete the remaining PAMA project. DRP had invested approximately \$300 million by this time, and only one project remained (the sulfuric acid plant), but the Ministry of Energy and Mines refused to grant an extension at the time. Because DRP was unable to secure an extension of its PAMA obligations, DRP's lending institutions refused to renew the revolving loan that DRP was using to finance its day-to-day operations, forcing DRP to partially close the Complex in March 2009 and cease all operations in June 2009.
33. Three months later, on September 26, 2009, the Peruvian Congress finally passed a law granting DRP an extension of 30 months to complete construction of the last remaining environmental project. This important extension soon became illusory and ineffective, because Peru's Ministry of Energy and Mines passed implementing regulations that only applied to DRP, targeted DRP and undermined the benefits of the new law. For example, the regulations required DRP, *inter alia*, to pay 100% of its gross proceeds into a trust that would only release funds after securing three months' worth of PAMA schedule obligations, thus making it virtually impossible for DRP to pay its workers or suppliers, or generally to operate the Complex. These prohibitive regulations were harassing and contributed to DRP's inability to obtain the necessary financing or to restart the facility. These harassing and improper regulations were properly repealed, but not until June 2010, after significant financial damage and other harm was already done.

3. In Addition to Meeting its Contractual Obligations, DRP Made Significant Additional Investments to Improve Conditions in the La Oroya Community

34. In addition to performing its contractual obligations, DRP voluntarily spent additional sums on social programs for the citizens of the La Oroya area, such as:
- Offering special programs for the women from the communities: training programs focused on budget planning, child rearing, nutrition, and social responsibility, training a team of health promoters to educate the communities about health risks and orient pregnant women on pre-natal care, and extensive small business training;

- Instituting the Human and Social Ecology Program, which monitors the health of at risk children and provides daily nutritional lunches;
- Sponsoring training programs in animal husbandry targeted to the farming communities around La Oroya. In the Forestation and Andean Gardening program, DRP and community participants planted more than 121,000 seedlings and 132,000 square meters of gardens by 2006; and,
- Improving infrastructure at 17 schools, three playgrounds, a medical post, a laundry area, and a public dining room. Infrastructure improvements consisted of works like installing computer labs, installing washrooms and running water, refurbishing existing structures, and constructing additions.

D. Activos Mineros and Peru Improperly Refused to Accept Responsibility and Liability for Third-Party Lawsuits Brought Against Claimant Renco, Its Affiliates and Executives

35. In early August 2007, DRP learned that fliers soliciting plaintiffs for future litigation were being distributed in La Oroya. The fliers, prepared by the law firm SimmonsCooper LLC of East Alton, Illinois, U.S.A., stated, among other things, that “with the lawyers’ help, you can ask the courts of law of the United States and make Doe Run pay for the medical treatment of your children and for their injuries.”
36. On October 4, 2007, a group of plaintiffs filed lawsuits in the United States alleging various personal injury damages as a result of alleged lead exposure and environmental contamination from the Complex. The plaintiffs voluntarily withdrew the lawsuits and then refiled the lawsuits in August and December 2008, which are comprised of 11 cases on behalf of 35 minor plaintiffs—all of whom are citizens and residents of La Oroya—in the Circuit Court of the State of Missouri, Twenty-Second Judicial Circuit, City of St. Louis, Missouri, U.S.A. (the “Lawsuits”). The allegations in each lawsuit are virtually identical, stating “[t]his is an action to seek recovery from Defendants for injuries, damages and losses suffered by each and every minor plaintiff named herein, who were minors at the time of their initial exposures and injuries as a result of exposure to the release of lead and other toxic substances . . . in the region of La Oroya, Peru.”
37. In addition to seeking damages for alleged personal injuries, the plaintiffs seek punitive damages, and name as defendants Renco and Doe Run Resources, as well as their affiliated companies DR Acquisition Corp. and Renco Holdings, Inc., and directors and officers Marvin K. Kaiser, Albert Bruce Neil, Jeffrey L. Zelms, Theodore P. Fox III, Daniel L. Vornberg, and

Ira L. Rennert (together, the “Renco Defendants”). The plaintiffs did not bring claims against Activos Mineros, the Republic of Peru, or DRP, choosing instead to sue DRP’s U.S.-based affiliates in the courts of the United States. The Lawsuits seek to hold DRP’s U.S.-based owners and corporate affiliates, as well as directors and officers of these U.S.-based affiliated companies, liable for the alleged actions of DRP. Pursuant to applicable law and governing corporate documents, DRP is obligated to indemnify the Renco Defendants for any judgment that may be entered against them in the Lawsuit, as well as for any costs incurred in relation to the Lawsuits. More importantly, Activos Mineros and Peru are obligated to join these Lawsuits, defend the actions, and indemnify, release, protect and hold Renco, DRP and their affiliates harmless from any and all liability.

38. On October 31, 2007, in the same month that the Lawsuits were first filed, the then-President of Peru’s Council of Ministers, Jorge del Castillo Galvez, wrote a letter to the United States Ambassador to Peru Michael McKinley, expressing the Republic of Peru’s “deepest concerns” about the Lawsuits that had just been filed.²¹ As the party that will be liable for any ultimate damages award under the Stock Transfer Agreement and the Guaranty, the Republic of Peru does not wish for the cases to proceed in the United States where, for example, punitive damages are possible. In his letter, Mr. del Castillo Galvez explained that, under principles of international law, the courts in the United States should “refuse to review the case” because the owner and operator of the Complex is DRP, a Peruvian company, the plaintiffs are Peruvian, the facts that are the basis of the Lawsuits have taken place in Peru, and any such claims should be brought in Peru.
39. The Lawsuits have proceeded slowly to date and pending motions, some of which move to dismiss the Lawsuits, have not yet been heard. On January 1, 2011, the Renco Defendants removed the case to federal court. Plaintiffs then moved to remand the case. On June 22, 2011, the United States District Court for the Eastern District of Missouri, Eastern Division, ruled that the case was properly removed to federal court. Defendants plan to request a stay of the case. On July 29, 2011 the court set a briefing schedule for Defendants’ proposed motion to stay the case, ruling that all briefing must be concluded by September 22, 2011. After the stay has been ruled upon, the court will hold an additional scheduling conference to discuss discovery and other substantive motions.

²¹ **Exhibit C-4**, Letter from Mr. Jorge del Castillo Galvez to Ambassador Michael McKinley, dated October 31, 2007.

40. On October 12, 2010, counsel for Renco and its affiliates wrote to Activos Mineros, the Ministry of Energy and Mines, and the Ministry of Economics and Finance of Peru to request that they honor their contractual obligations to take on the defense of the Lawsuits and release, protect and hold harmless Renco and its affiliates from those third-party claims. Renco and its affiliates reiterated their requests in letters dated November 12, 2010, December 14, 2010, February 18, 2011 and July 12, 2011. By letters dated November 5 and 26, 2010 and January 21, 2011, Activos Mineros responded, refusing to appear and defend the Lawsuits or to accept or assume any responsibility or liability. The Republic of Peru has not responded to date. As outlined above, Peru has suffered no prejudice in its defense of the claims, because no substantive proceedings have yet taken place. Further delay by Peru will result in irreparable financial and reputational harm to Renco.

IV. Peru's Conduct Breaches its Obligations under the Treaty

41. Chapter 10 of the Treaty applies to measures adopted or maintained by a Party relating to a covered investment.²² The Treaty defines the term “investment” broadly as “every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, including . . . (a) an enterprise; (b) shares, stock, and other forms of equity participation in an enterprise; (c) bonds, debentures, other debt instruments, and loans; (d) futures, options, and other derivatives; (e) turnkey, construction, management, production, concession, revenue-sharing, and other similar contracts; (f) intellectual property rights; (g) licenses, authorizations, permits, and similar rights conferred pursuant to domestic law; and (h) other tangible or intangible, movable or immovable property, and related property rights, such as leases, mortgages, liens, and pledges;”²³ Renco’s indirect ownership of DRP through its shareholding interest, DRP itself, and the Guaranty and Stock Transfer Agreement qualify as covered investments under this definition.
42. Chapter 10, Section B, of the Treaty grants a U.S. investor the right to submit to arbitration any investment dispute between an investor (either on its own behalf or on behalf of a Peruvian subsidiary that it owns or controls directly or indirectly) and Peru for breach of the Treaty obligations contained in Section A of Chapter 10 of the Treaty,²⁴ or of any “investment

²² Exhibit C-1, Treaty at Article 10.1.

²³ *Id.* at Article 10.28 at 10-24 and 10-25.

²⁴ *Id.* at Articles 10.16(1)(a)(i)(A).

agreement” between the U.S. investor and a Peruvian national authority.²⁵ An “investment agreement” is defined as any written agreement between a national authority of a Party and a covered investment of another Party, on which the investor relies in establishing or acquiring an investment other than the written agreement itself, that grants certain rights to the investor.²⁶ The Stock Transfer Agreement and the Guaranty, which were contemplated, prepared and executed as part of a single investment transaction, qualify as “investment agreements” under the Treaty.

43. Section A of Chapter 10 of the Treaty sets out various substantive protections that Peru is obligated to afford to U.S. investments. The Treaty provides, *inter alia*, that Peru must (i) accord U.S. investments fair and equitable treatment and full protection and security,²⁷ (ii) treat U.S. investors and investments no less favorably than it treats its own investors and investments,²⁸ and (iii) not expropriate or nationalize U.S. investments, either directly or indirectly, through measures equivalent to expropriation or nationalization, except for a public purpose, in a non-discriminatory manner, on payment of prompt, adequate, and effective compensation, and in accordance with due process of law.²⁹
44. The Treaty also requires Peru to treat U.S. investors and investments no less favorably than it treats investors and investments from countries other than the United States.³⁰ In bilateral investment treaties with other countries, Peru has agreed to observe any obligation into which it has entered with regard to investments of nationals from these other countries.³¹ This commitment by Peru, known as an “umbrella clause,” extends to the present case.

²⁵ *Id.* at Articles 10.16(1)(a)(i)(C).

²⁶ *Id.* at Article 10.28 at 10-25.

²⁷ *Id.* at Article 10.5(1).

²⁸ *Id.* at Article 10.3.

²⁹ *Id.* at Article 10.7(1).

³⁰ *Id.* at Article 10.4.

³¹ *See, e.g.,* Article 4(2) of the Agreement between the Government of the Kingdom of Thailand and the Government of the Republic of Peru for the Promotion and Protection of Investments (signed and entered into force on November 15, 1991); Article 3(4) of the Agreement on Encouragement and Reciprocal Protection of Investments between the Kingdom of The Netherlands and the Republic of Peru (signed on December 27, 1994, entered into force on February 1, 1996); Article 2(2) of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Peru for the Promotion and Protection of Investments (signed on October 4, 1993, entered into force on April 21, 1994).

45. For the reasons set forth below, Peru's misconduct violates international law and the Treaty. Its actions and omissions continue to harm and impair Renco's substantial investment in the La Oroya Complex, and risk depriving Renco of its investment altogether without fair compensation.

A. Peru's Pattern of Unfair Treatment of DRP Violates Article 10.5 of the Treaty

46. Peru has engaged in a pattern of conduct of unfair and inequitable treatment in violation of Article 10.5 of the Treaty by, *inter alia*, imposing on DRP additional environmental projects and requirements, which increased the amount of time and money that DRP was required to spend, while simultaneously and improperly refusing to timely grant DRP the needed additional time to fulfill these new obligations.

47. Indeed, in addition to the actual project costs vastly exceeding Peru's initial estimates in 1997, the actual environmental infrastructure that existed at La Oroya at the time of the transfer caused DRP to spend additional sums and to do additional projects that were not originally anticipated, which became mandated by the government through resolutions. When DRP reasonably sought an extension of time in light of the changes required by Peru, Peru granted only a limited extension and imposed additional and onerous obligations upon DRP.

48. In part due to this short time-frame and these additional projects, DRP was understandably unable to complete the final PAMA project and reasonably sought a second extension in 2009, which the Ministry of Energy and Mines unreasonably refused. When the Congress of the Republic of Peru finally granted the extension by passing Law 29410, the Ministry of Energy and Mines improperly deprived DRP of the full benefits of the law by issuing harassing and onerous implementing regulations targeted at DRP that DRP could not possibly meet.

49. Moreover, during all of this time, Peru engaged in a smear campaign in the press against Renco and DRP. For example, during a time in which Peru knew that DRP was attempting to negotiate agreements with creditors and obtain financing, Peruvian President Alan Garcia stated in the press that he intended to cancel DRP's license to operate, stating that, "A company that abuses the country or plays games like Doe Run should be stopped."³² Regarding negotiations between DRP and the government over reopening the Complex, Garcia was

³² See Reuters, July 28, 2010, "Peru Garcia says Doe Run license being canceled."

quoted as saying that the government “will not allow a firm to blackmail the country.”³³ Moreover, Peruvian Minister for Mining and Energy, Pedro Sanchez stated that, regardless of media statements made by the company, it “should be clear that they will not re-contaminate La Oroya as they have done before.”³⁴ Peru’s statements to the press were intended to create an erroneous public opinion that DRP was responsible for the contamination of La Oroya and remiss in its remediation obligations.

50. Peru’s unfair refusal to timely grant reasonable PAMA extensions and its disparaging public campaign against Renco and DRP have created a hostile investment environment and have prevented DRP from securing new financing necessary to resume operations of the Complex.
51. In addition, and as discussed more fully below, Peru and Activos Mineros refused to honor their commitment to appear in and defend and assume responsibility and liability for the Lawsuits. Renco and DRP relied on this contractual commitment when they agreed to purchase the Company. As Centromin and Peru were well aware, the sale transaction would not have occurred without this critically important commitment by Centromin and Peru. The refusal by Peru and Activos Mineros to honor this commitment is a breach of Renco’s and DRP’s legitimate expectations when they made their substantial investment in Peru and constitutes yet another example of the unfair and inequitable treatment that they have experienced at the hand of Peru.

B. Peru’s Pattern of Treating DRP Less Favorably than it Treats Centromin / Activos Mineros Violates Article 10.3 of the Treaty

52. Peru’s unfair treatment of DRP is in direct contrast to its treatment of Centromin/Activos Mineros, a company owned by Peru, in violation of Article 10.3 of the Treaty. As described above, DRP went through an extensive request process for each of the PAMA extensions that it received. This process included conducting detailed studies, submitting the reports of the studies to the Ministry of Energy and Mines, providing the public with notice and conducting public hearings. With respect to the first of the extensions that Peru begrudgingly granted, Peru imposed upon DRP obligations to complete more projects and to satisfy additional environmental standards. Peru also subjected DRP to continuous daily inspections by an

³³ See Living in Peru, July 28, 2010, “Peru cancels permit for US-owned smelter over pollution.”

³⁴ See Dow Jones Commodities News, August 5, 2010, “Peru Minister: Doe Run Peru Can’t Reopen Plant without Upgrade.”

inspector living in La Oroya. With respect to the second extension that Peru granted, Peru subjected DRP to financial conditions so onerous that DRP could not possibly complete its last remaining PAMA project.

53. Meanwhile, Centromin requested a PAMA modification in 2000 that included an extension of its time to complete its PAMA projects. Centromin did not even notify DRP. DRP had no opportunity to object or participate in the process. Peru did not require Centromin to conduct studies or submit reports or notify the public or conduct public hearings. Peru granted Centromin's request for a PAMA modification without imposing any additional obligations or more stringent environmental standards on Centromin.
54. Moreover, while Peru subjected DRP to rigorous inspections, Peru seemingly imposed little quality control over Centromin, or more recently, Activos Mineros. For example, one of Centromin's PAMA projects was the proper abandonment and closure of the arsenic trioxide deposit that Centromin used during its operations of the Complex. While Centromin claims to have completed this project and Peru seems to be satisfied that this project is complete, samples indicate that the deposit still leaks substantial amounts of arsenic into the river.
55. In addition, even though its PAMA was modified to extend its deadline to remediate the soil in and around La Oroya until 2010, Centromin and Activos Mineros failed to remediate the soil and, in fact, never made any substantial progress toward completing this project. Centromin has suffered no consequences whatsoever as a result of these failures, even though the deadline to complete its PAMA obligations has passed. The Ministry of Mines has not imposed fines on Activos Mineros or burdened it with additional projects or stricter financial restrictions. Peruvian officials have not engaged in a smear campaign against Activos Mineros in the press. Rather, Activos Mineros—its PAMA already expired—quietly sits in a state of nonperformance, while Peru vilifies DRP whose PAMA deadline has not yet passed.

C. Peru's Breaches of its Obligations to Renco under the Stock Transfer Agreement and Guaranty Constitute a Violation of the Treaty

56. Peru has failed to observe its obligations to Renco under the Stock Transfer Agreement and the Guaranty, which were executed as part of a single transaction and are investment agreements, by failing to, *inter alia*, (1) appear in and defend the Lawsuits; (2) assume responsibility and liability for any damages that the plaintiffs may recover in the Lawsuits; (3) indemnify, release,

protect and hold Renco and its affiliates harmless from those third-party claims; (4) remediate the soil in and around the town of La Oroya, and (5) honor the *force majeure* clause in the Stock Transfer Agreement by granting DRP reasonable and adequate extensions of time to fulfill the PAMA.

57. This constitutes a breach of both Article 10.16(1)(a)(i)(C) of the Treaty and of the umbrella clause, made applicable to this case by virtue of Article 10.4 of the Treaty.

D. Peru's Unfair Treatment of DRP Continues and Has the Potential to Culminate in an Expropriation of Renco's Investment, in Violation of Article 10.7 of the Treaty

58. Peru's unfair treatment of DRP continues and has the potential to culminate in an expropriation of the Complex, in violation of Article 10.7 of the Treaty.
59. Because DRP was unable to obtain financing, DRP was unable to pay certain of its suppliers. In February 2010, one supplier placed DRP into involuntary bankruptcy. DRP had been working with its creditors to reach a repayment deal, but on October 1, 2010, the Peruvian bankruptcy agency published a list of outstanding creditors. DRP was surprised to learn that the government of Peru filed several claims in an attempt to become the largest creditor, and thus control the fate of the company.
60. Peru's largest (and patently bogus) claim against DRP is for payment of the cost of completion of the remaining PAMA project. But the time for completion of the PAMA has not yet passed, and in any event DRP never agreed to pay Peru the remaining cost in case of non-completion of a PAMA project.
61. On March 1, 2011, INDECOPI decided that this claim by Peru was unfounded and rejected it. INDECOPI similarly rejected other claims by Peru. Nevertheless, Peru appealed the decision on March 7, 2011 and continues to pursue its unfounded claims.

V. Agreement to Arbitrate

62. In the event "that a disputing party considers that an investment dispute cannot be settled by consultation and negotiation," Article 10.16(1) of the Treaty provides that:

- (a) the claimant, on its own behalf, may submit to arbitration under this Section a claim

- (i) that the respondent has breached
 - (A) an obligation under Section A,
 - (B) an investment authorization, or
 - (C) an investment agreement;
 - and
 - (ii) that the claimant has incurred loss or damage by reason of, or arising out of that breach; and
- (b) the claimant, on behalf of an enterprise of the respondent that is a juridical person that the claimant owns or controls directly or indirectly, may submit to arbitration under this Section a claim
 - (i) that the respondent has breached
 - (A) an obligation under Section A,
 - (B) an investment authorization, or
 - (C) an investment agreement;
 - and
 - (ii) that the claimant has incurred loss or damage by reason of, or arising out of that breach,

provided that a claimant may submit pursuant to subparagraph (a)(i)(C) or (b)(i)(C) a claim for breach of an investment agreement only if the subject matter of the claim and the claimed damages directly relate to the covered investment that was established or acquired, or sought to be established or acquired, in reliance on the relevant investment agreement.

63. The investor concerned may submit such a claim to arbitration under the UNCITRAL Arbitration Rules.³⁵
64. The Treaty sets out a few additional requirements and suggestions before an arbitration can be brought, all of which have been met here.
65. In Article 10.17 of the Treaty, Peru “consents to the submission of a claim to arbitration under this Section in accordance with this Agreement.” Under the Treaty, a party may pursue arbitration if (a) it has provided written notice of its intention to submit the claim to arbitration (“notice of intent”) at least 90 days before submitting any claim to arbitration,³⁶ and (2) six months have elapsed since the events giving rise to the claim.³⁷ Moreover, to submit a claim for breach of an investment agreement, the claimant should not have submitted “the same alleged breach” to an administrative tribunal or court of the host State or to any other binding

³⁵ Exhibit C-1, Treaty at Articles 10.16(3)(c) and 10.16(4).

³⁶ *Id.* at Article 10.16(2).

³⁷ *Id.* at Article 10.16(3).

dispute settlement procedure.³⁸ In addition, the Treaty suggests that the parties should initially seek a resolution through consultation and negotiation.³⁹

66. Each of these requirements and suggestions has been met here. First, Renco dispatched its Notice of Intent on December 29, 2010, which Peru received on January 3, 2011, notifying Peru of Renco's intention to submit the claims described herein to arbitration in accordance with Section B of the Treaty.⁴⁰ The 90-day period has thus expired. Second, as set forth above, more than six months have lapsed since the events giving rise to Renco's claims. Third, Renco has not submitted its claim for breaches of the Stock Transfer Agreement and the Guaranty either to the courts or administrative tribunals of Peru or to any other applicable dispute settlement procedure. Finally, Renco attempted to resolve the present dispute with Peru and Activos Mineros. Claimant's representatives met with various government officials on numerous occasions for this purpose. Claimant also delivered letters requesting that Peru and Activos Mineros honor certain of their obligations, and notifying them that Claimant would resort to any and all available legal remedies if the matter could not be resolved. All efforts at a negotiated solution have failed.
67. Finally, as required by Article 10.18(2) of the Treaty, Renco waives its right to initiate or continue before any administrative tribunal or court under the law of any Party, or other dispute settlement procedures, any proceeding with respect to any measure alleged to constitute a breach referred to in Article 10.16, except for proceedings for interim injunctive relief, not involving payment of monetary damages, before a judicial or administrative tribunal of Peru. To the extent that the Tribunal may decline to hear any claims asserted herein on jurisdictional or admissibility grounds, Claimant reserves the right to bring such claims in another forum for resolution on the merits.

³⁸ *Id.* at Article 10.18(4)(a).

³⁹ *Id.* at Article 10.15.

⁴⁰ Claimant's Notice of Intent to Commence Arbitration, dated December 29, 2010.

VI. Number of Arbitrators; Claimant's Party-Appointed Arbitrator; Proposed Language and Place of Arbitration

68. Article 10.19(1) of the Treaty provides that the tribunal shall be comprised of three arbitrators, one arbitrator appointed by each of the disputing parties and the third, who shall be the presiding arbitrator, appointed by agreement of the disputing parties.

69. Claimant, Renco, hereby appoints L. Yves Fortier as its party-appointed arbitrator. Mr. Fortier may be contacted at:

Ogilvy Renault
Suite 2500, 1 Place Ville Marie
Montreal, Quebec H3B 1R1
CANADA
Phone: (514) 847-4740
Facsimile: (514) 286-5474
Email: yfortier@ogilvyrenault.com

70. Renco proposes that the arbitral proceedings be conducted in English, and that the place of arbitration be fixed in The Hague, Netherlands.

VII. Request for Relief

71. Peru's continuing violation of its obligations under the Guaranty to step-in, defend, and release Renco from third party claims in the US harms Renco on a daily basis and requires urgent action. To date Peru has suffered no prejudice in its defense of the claims, because no substantive proceedings have taken place, as outlined above. However, on July 29th, the court ruled that briefing on a motion to stay must be concluded by September 22, 2011 and that if necessary, further scheduling on discovery and other motions would be decided after the stay motion is ruled on. Further delay by Peru in fulfilling this obligation may therefore result in irreparable financial and reputational harm to Renco as the cases proceed.

72. In light of the circumstances described above, Claimant Renco requests an interim award against Peru granting the following relief:

- a. A declaration that Peru breached an obligation under Article 10.16(1)(a)(i)(C) of the United States-Peru Trade Promotion Agreement by breaching its obligations under the Stock Transfer Agreement and the Guaranty;
- b. A declaration that Peru is required to (1) appear in and defend the Lawsuits and any similar lawsuits, (2) indemnify, release, protect and hold Renco, DRP and

their affiliates harmless from those third-party claims, (3) remediate the soil in and around the town of La Oroya and (4) grant DRP an extension of time to fulfill the PAMA;

- c. An award to Renco of all costs associated with the interim proceedings, including attorneys' fees.

73. Claimant Renco requests a final award against Peru granting the following relief:

- a. An award for all damages caused to Renco as a result of Peru's breaches of the Treaty;
- b. An award for all damages caused to Renco as a result of Peru's failure to assume responsibility and liability for any damages that may be recovered and any judgments that may be issued in the Lawsuits and any similar lawsuits, indemnify, release, protect, and hold Renco, DRP and their affiliates harmless from these third-party claims, and including all costs and attorneys' fees (including expert costs) incurred by Renco, and the Renco Defendants defending the Lawsuits;
- c. An award of moral damages to compensate Renco for the non-pecuniary harm that Renco and DRP have suffered due to Peru's violations of the Treaty;
- d. An award to Renco of all costs associated with this proceeding, including attorneys' fees;
- e. An award of both pre- and post-award interest until the date of payment; and
- f. Any other relief that the Tribunal deems just and proper.

74. Claimant reserves the right to amend or supplement the present Amended Notice of Arbitration and Statement of Claim, to make additional claims, and to request such additional or different relief as may be appropriate.

Dated: August 9, 2011

Respectfully submitted,



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