

BY FAX AND COURIER

Hon. Dean Barrow
Prime Minister and Minister of Finance
Government of Belize
New Administration Building
Belmopan
Cayo District
Belize

Hon. Wilfred Peter Elrington
Attorney General
East Block Building
2nd Floor
Belmopan City
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Dear Prime Minister and Attorney General,

Government Telecommunications Accommodation Agreement between the Government of Belize and Belize Telemedia Limited dated 19 September 2005

We act for Belize Telemedia Limited (**Telemedia**). We refer to our letter dated 30 March 2009 (copy enclosed).

We write in respect of the Government Telecommunications Accommodation Agreement between the Government of Belize and Telemedia dated 19 September 2005 (the **Original Accommodation Agreement**) (as subsequently amended by the First, Second and Third Amendment Deeds) (together the **Accommodation Agreement**). Pursuant to section 15 of the Original Accommodation Agreement, the parties expressly agreed that any disputes arising out of or in connection with the Accommodation Agreement would be referred to and finally resolved by arbitration in London under the LCIA Rules. On 9 May 2008, LCIA Arbitration number 81079 was commenced by Telemedia against the Government in relation to numerous breaches of the Accommodation Agreement. On 18 March 2009, a Tribunal constituted by the LCIA to hear the claims in Arbitration number 81079 issued its Final Award (the **Final Award**).

The Final Award declared that "*The Accommodation Agreement is binding on the Government*". By virtue of Rule 26.9 of the LCIA Rules, this relief was "*final and binding*" on the Government. However, the Government has not complied with the Final Award.

Moreover, and despite the Final Award, the Government has continued to act in breach of the Accommodation Agreement. By way of example only:

1. Continuing the stance adopted previously of public disavowal of the Accommodation Agreement, on Friday 24 July 2009, the Prime Minister made the following comments to the House of Representatives in Belize:

"This business of suggesting that we are anti-investors is a way to try and get away from the fact that this government is above all nationalistic and will not countenance the kinds of arrangements with so called investors that are clearly and egregiously and flagrantly against the interests of the Belizean people in order for us to demonstrate for the member for Fort George that we are pro-investment we must for example countenance the Accommodation Agreement. You talk about confrontation, well I will tell you there will be confrontation with any investor with whom you have signed the kind of agreement that is of the sort that we see represented in the infamous accommodation agreement."

2. Acting in accordance with the Accommodation Agreement and with the Final Award, Telemedia has continued to apply the set-off to which the Final Award determined it was entitled in each monthly Business Tax return. However, the Government (through the Commissioner of the Minister of Finance, the **Commissioner**) has issued monthly Assessment Notices against Telemedia, Business Enterprise Systems Limited and BTL Digicell Limited including penalties and interest for the full sum of Business Tax owed, without any set-off.
3. Since the Final Award, the monthly Assessment Notices for Business Tax have been calculated by the Commissioner and levied on Telemedia and its consolidated subsidiaries using different revenue figures and tax rates from those set out in the Accommodation Agreement and upheld in the Final Award.
4. Since the Final Award, the Ministry of Finance has continued to refuse to grant Telemedia's request for exemption from Import Duty, which exemption is granted by the Accommodation Agreement and was upheld by the Final Award.

In the light of the above, it is clear that the Government does not intend to comply with the terms of the Accommodation Agreement. The Government's breaches of the Accommodation Agreement have been repeated since the Final Award (which itself has not been satisfied) and are continuing. In short, since the change of Government on 8 February 2008 the Government has failed to comply with the Accommodation Agreement. The failure of the Government to honour the arrangements in the Accommodation Agreement emasculates its terms. Telemedia has been deprived of substantially the whole of the benefit of the bargain which the parties intended Telemedia should obtain from the Government's performance of its obligations. The Government's breaches since the Final Award go to the root of the Accommodation Agreement and are repudiatory in nature. The Governments' actions display a clear intention on behalf of the Government not to be bound by the terms of the Accommodation Agreement and Telemedia now chooses to accept the Government's repudiatory breach and treat the Accommodation Agreement as being at an end. Telemedia will seek appropriate and immediate redress against the Government.

Finally, it has come to Telemedia's attention that the Government may intend compulsorily to take possession of Telemedia's assets or to acquire certain of the shareholdings in the company. We hereby put you on notice that in our view such action would be unlawful and unconstitutional and will be vigorously resisted. Given the enormous contribution Telemedia has made to telecommunications and other services, such action could not be in the public interest on any view. In view of the contents of this letter, the Government cannot rely on its previously stated view that the Accommodation Agreement is not in the public interest as justification for depriving Telemedia and/or its shareholders of their property.

We expressly reserve all of Telemedia's rights.

Yours faithfully

Allen & Overy LLP

Allen & Overy LLP

Enc.

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John Briceño
Leader of the Opposition