



BELIZE ELECTRICITY LIMITED

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BEL Seeks Financing for its Series 1 Debentures and General Operations

On December 31, 2012, Belize Electricity Limited's (BEL) Series 1 Debentures will mature. Immediately following the change of ownership of BEL in June 2011, the Company prepared its 2012 – 2016 Business Plan. Below is an excerpt from the Business Plan.

"Pursuing suitable financing options will be important in order to meet our short-term financial commitments relating to the maturing debentures in 2012, as well as to meet our medium to long-term operational objectives. The Company will be reviewing loan covenants and requesting revisions to reflect a more reasonable Return on Investment, so as not to burden consumers. Once achieved, BEL will then be positioned to obtain financing for its long-term investments. Considering high liquidity in the market, financing should not be difficult to obtain once the loan covenant issues and the Company's profitability are adequately addressed..."

As a first option, we will be approaching the Social Security Board to purchase preference shares in the Company... The order of preference [of the funding options under consideration] is in line with risk associated with achieving the lowest rate possible."

Following confirmation from the Caribbean Development Bank (CDB) that BEL's borrowing capacity is not restricted by any of its loan covenants with the CDB, the Company has therefore proceeded with its financing plans and has made an offer to Social Security Board (SSB) to purchase preference shares and debentures in the Company. The debenture offering will also be made public later in October. The Company is seeking to lower its cost of capital, while offering an attractive investment opportunity. BEL's interest rate cost for the Series 1 Debentures is 12 per cent. The Series 5 Debentures are being offered at an interest rate of 7 per cent, which remains highly competitive considering market conditions.

As stated in the Company's Business Plan, these financing initiatives are also in support of the Company's operations. A current challenge facing the Company is high cost of power, which started in July 2012, and has put a strain on the Company's cash flow since September 2012. Uncharacteristically low rainfall levels this time of the year have resulted in considerably lower hydroelectric production. This, coupled with production problems at Belize Cogeneration Energy Limited (Belcogen) and Hydro Maya Limited, has forced BEL to purchase more power from Mexico, at an average cost of **42.9 cents per kilowatt hour (kWh)** compared to the Public Utilities Commission's (PUC) regulated cost of **26.2 cents per kWh**. These are normal operating risks associated with running an electric utility in a fixed price regime, where electricity price adjustments are expected to be made only at Annual Tariff Review Proceedings (ARP). Therefore it is prudent for BEL to secure access to funding, whether from shareholders and/or lending institutions, in order to be able to absorb spikes in electricity cost until the next ARP. In addition to the preference share and debenture offering options, BEL has also been able to secure short-term overdraft facilities with the commercial banks at lower interest rates than before.

With respect to utilizing the Company's assets, (such as its Corporate Headquarters) as security, this is a standard part of doing business. BEL's Corporate Headquarters and Magazine Road properties have been used as security for various loans since 2003.

The Series 5 Debenture Offer will be opened later in October 2012 and will close in December 2012. This offering has already been gaining much interest from financial institutions and investors. In fact, the Company has consequently decided to increase the offering from BZ\$17 million to \$25 million in order to accommodate more investors. For more information, interested persons may contact the Company at 227-0954 or email debentures@bel.com.bz.

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