

March 18, 2009

The Philippine Stock Exchange
Listing and Disclosure Group
4th Floor Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Ladies and Gentlemen:

We reply to your letter dated March 13, 2009 requesting for additional information regarding Pilipino Telephone Corporation's ("**Piltel**") agreement to acquire, from the Lopez Group, 223 million shares of Manila Electric Company ("**Meralco**") (PSE:MER) representing approximately 20% of the outstanding common stock of Meralco (the "**Subject Shares**").

1. The salient terms of the agreements regarding the acquisition by Piltel of the Subject Shares are set forth below.

Exchangeable Note Agreement dated March 12, 2009 by and between First Philippine Utilities Corporation ("**FPUC**") and Piltel

- (a) FPUC will issue, and Piltel will purchase, an exchangeable promissory note in the amount of Php2.0 billion (the "**Exchangeable Note**") exchangeable into 22,222,222 shares of voting common stock of Meralco owned by FPUC (the "**Underlying Shares**");
- (b) The Exchangeable Note will have a repayment term of one year from the date of issue thereof;
- (c) The Exchangeable Note, at the option and election of Piltel, may be exchanged by Piltel into the Underlying Shares which for the purpose of the exchange will have a value equal to Php90.00 per share (the "**Exchange Option**"); and

- (d) The Exchange Option will be exercisable simultaneous with the sale and purchase of the Subject Shares contemplated in the Investment and Cooperation Agreement mentioned below. The Underlying Shares shall constitute an integral part of the Subject Shares.


Investment and Cooperation Agreement dated March 12, 2009 by and among Lopez, Inc. ("LI"), First Philippine Holdings Corporation ("FPHC"), FPUC (collectively, the "Lopez Group") and Philippine Long Distance Telephone Company ("PLDT")

This Agreement sets forth the terms and conditions of the sale and purchase of 223 million shares of voting common stock of Meralco representing approximately 20% of the total issued and outstanding voting common stock of Meralco (the "**Subject Shares**") and the terms of cooperation between the Lopez Group and PLDT/its designated Affiliate (Piltel), with respect to the governance of Meralco.

- (a) Purchase price for the Subject Shares is Php90.00 per share or a total amount of Php20.070 billion, payable on closing date;
- (b) The obligation to purchase the Subject Shares and pay the purchase price shall be subject to the satisfaction of certain closing conditions including the approval of the sale and purchase by the respective Boards of Directors of the parties and, as applicable, by the stockholders;
- (c) The closing date of the sale and purchase of the Subject Shares will be on such date agreed between the Lopez Group and PLDT/its designated Affiliate but in no case later than August 31, 2009 unless extended by mutual agreement of the parties;
- (d) Subject to the completion of the purchase of the Subject Shares, in case the Lopez Group or PLDT/its designated Affiliate intends to sell its shares of voting common stock in Meralco, the other party shall have the first and preferential right to purchase all or some of such shares in accordance with an agreed procedure or, instead, the other party has a tag-along option to require the selling party to include the other party's shares in the proposed sale of the selling party's shares;
- (e) Subject to the completion of the purchase of the Subject Shares, the Lopez Group and PLDT/its designated Affiliate will each be entitled to nominate a specified number of directors and to a pro-rata representation in Board Committees and other committees of Meralco;

- (f) PLDT/its designated Affiliate will have a right to choose the persons who will be nominated to certain senior management positions in Meralco; however, ultimately, it is the Board of Directors of Meralco who will decide the election of such persons to the relevant positions; and
 - (g) The Lopez Group and PLDT/its designated Affiliate undertake to exercise their respective voting rights in Meralco to give full effect to the foregoing cooperative arrangements.
2. There is currently no material relationship between Piltel's directors/officers and Meralco.
 3. The capital structure of Meralco will not change as a result of the acquisition of the Subject Shares by Piltel.
 4. Upon acquisition of the Subject Shares, Piltel will become the owner of approximately 20% of the outstanding voting common stock of Meralco.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary