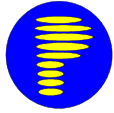




# **Pitel Presentation on Beacon Electric**

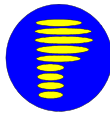
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2 March 2010



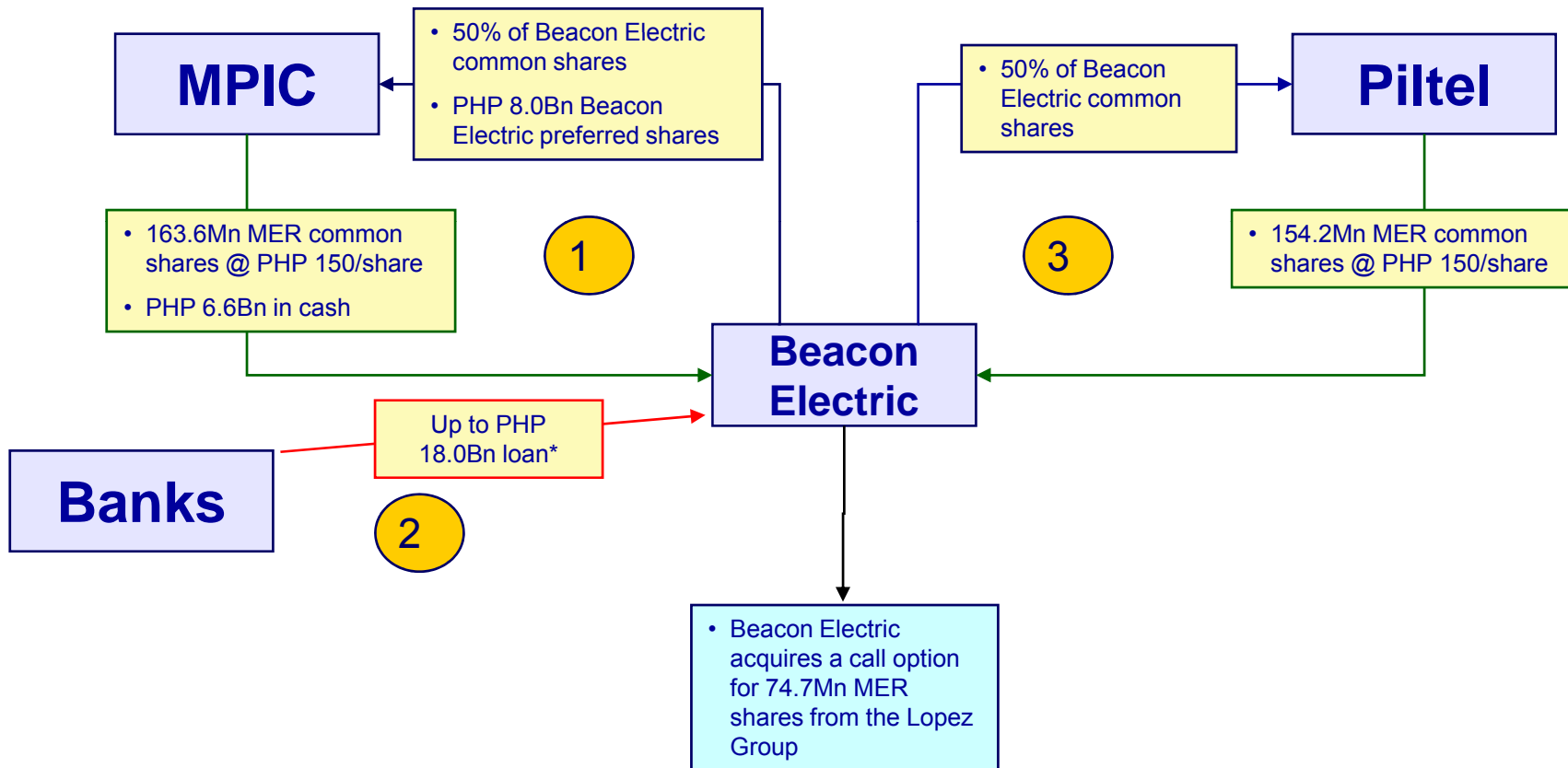
## Introduction

- Pilipino Telephone Corporation (“Pitel”) and Metro Pacific Investments Corporation (“MPIC”) have executed an Omnibus Agreement with Rightlight Holdings, Inc. (“RHI”), to be renamed to Beacon Electric Asset Holdings, Inc (“Beacon Electric”) to restructure their current shareholdings in Meralco.
  - Beacon Electric is a special purpose vehicle with the sole purpose of holding shares in Meralco.
  - The consolidation of the Pitel and MPIC holdings in Meralco will also allow Beacon Electric to access non-recourse debt financing for any additional purchases of Meralco shares, using its Meralco shares as security.
- Through this structure, the current informal arrangement between the companies owning shares in Meralco will be effectively replaced by formal and documented rights of the Beacon Electric shareholders based on provisions in Beacon Electric's articles and corporate governance agreements between Pitel and MPIC regarding Beacon Electric.
- This, in turn, will make Pitel’s and MPIC’s ability to protect its investment in Meralco more robust and secure. Strong corporate governance measures will be put in place to ensure protection of all shareholders.

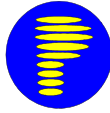


**Outline of the transaction**

Beacon Electric's schematic:

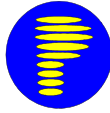


\* Beacon Electric debt secured by Meralco shares and is non-recourse to Piltel and MPIC



### Assigning of the MPIC Call Option

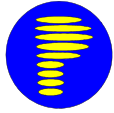
- Under the Omnibus Agreement, MPIC has assigned its right to acquire the call option (the “Call Option”) over 74.7Mn shares of Meralco common stock currently held by First Philippine Holdings Corporation (“FPHC”), representing 6.6% of the outstanding common shares of Meralco (the “Option Shares”), to Beacon Electric.
  - As a result of this assignment, Beacon Electric and FPHC have executed an Option Agreement dated March 1, 2010 pursuant to which FPHC granted the Call Option over the Option Shares to Beacon Electric.
  - The Call Option is exercisable at the option of Beacon Electric during the period from March 15, 2010 to May 15, 2010.
  - The exercise price for the Option Shares shall be PHP 300 per Option Share or an aggregate exercise price of PHP 22.41Bn.
- Subject to rights over certain property dividends that may be declared or payable in respect of the 74.7Mn shares of Meralco common stock, which will be retained by FPHC if the Call Option is exercised, the rights, title and interest that will be transferred to Beacon Electric by FPHC in respect of the Option Shares if Beacon Electric exercises the Call Option shall include:
  - all shares issued by Meralco by way of stock dividends on the Option Shares from March 1, 2010;
  - all property or cash dividends declared or paid on the Transferred Shares from March 1, 2010;
  - all other rights hereafter accruing on the Transferred Shares from March 1, 2010; and
  - the proceeds of any sale or disposition of any of the foregoing.



**Amending the shareholders agreement with the Lopez Group**

- Should Beacon Electric exercise the Call Option, the agreement with the Lopez Group will be amended to include Beacon Electric.
- If the Call Option is exercised, the amended agreement with the Lopez Group will allow the Lopez Group to nominate one (1) Meralco director for their remaining 6.6% Meralco common shares while Beacon Electric and Pitel will be allowed to nominate four (4) Meralco directors. Together, the Lopez Group and Beacon Electric/Pitel will be able to nominate five (5) out of nine (9) non-independent directors of Meralco.
- If Beacon Electric exercises the Call Option, it would own 34.8% of the outstanding common shares of Meralco, and will be part of a group that will have control over 47.5% of Meralco.

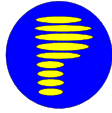
	% of Meralco
392.5Mn Meralco shares	34.8%
68.8Mn Meralco shares of Pitel	6.1%
Voting agreement with Lopez Group for 74.7Mn shares	6.6%
<b>Total</b>	<b>47.5%</b>



## Financing

### Bank Syndicated Loan

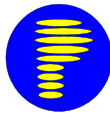
- In order to permit Beacon Electric to fund the exercise of the call option should it elect to exercise its rights to acquire the Option Shares, Beacon Electric has entered into a term sheet with a syndicate of banks, which is subject to contract and certain final internal approvals, under which the syndicate of banks will agree to advance up to PHP 18Bn on the following terms:
  - tenor of 10 years;
  - without recourse to the shareholders of Beacon Electric;
  - facility will be secured by a certain number of Meralco shares owned or to be acquired by Beacon Electric;
  - fixed rate tranche of PHP 11.8 billion and a floating rate tranche of up to PHP 6.2 billion.



### Governance structure of Beacon Electric

Beacon Electric will have the following Corporate Governance structures in place through the Omnibus Agreement between MPIC, Pitel and Beacon Electric:

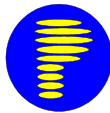
- Five (5) member Board, two (2) from Pitel and two (2) from MPIC and Mr. Pangilinan as Chairman.
- On Board of Directors meetings:
  - Majority of the number of directors shall constitute a Quorum
  - If at any meeting a nominee of Pitel or MPIC is not present, the meeting shall be adjourned
- Matters presented to the Board of Directors will need at least one affirmative vote from at least one director of both Pitel and MPIC.
- Fundamental matters will need to be approved by 2/3 of total shareholders.
- Pitel and MPIC shall alternately nominate the President at each Organizational Meeting.
- Pitel and MPIC have the right to nominate two (2) directors each to the Meralco Board.
- Pitel and MPIC to jointly nominate and vote for people to be appointed to Meralco board committees.



### Transaction Rationale

- Pitrel and MPIC's consolidation of Meralco shares into Beacon Electric will make it the single largest shareholder of Meralco.
- Should Beacon Electric exercise the Call Option, it will have control over 392.5 Mn shares or 34.8% of the outstanding common shares of Meralco. As a result, Beacon Electric, together with Pitrel (6.1%) and the Lopez Group (6.6%), will have control over 47.5% of Meralco.
- The structure allows Beacon Electric to access non-recourse debt financing for any additional purchases of Meralco shares, using its Meralco shares as security.
- Through this structure, the previous informal arrangement between the companies owning shares in Meralco will be effectively replaced by formal and documented rights of the Beacon Electric shareholders.
- The structure increases protection of the Meralco investment which results in the Operational and Business synergies with Pitrel, PLDT and MPIC & its subsidiaries.





**Timeline**

Date	Steps
<b>1 March 2010</b>	<ul style="list-style-type: none"> <li>▪ First Pacific Board approval</li> <li>▪ MPIC Board approval</li> <li>▪ Pitel Board approval</li> <li>▪ Beacon Electric Board approval</li> <li>▪ Execution of the Omnibus Agreement among MPIC, Pitel &amp; Beacon Electric</li> <li>▪ Execution of the Call Option Agreement between Beacon Electric and the Lopez Group</li> <li>▪ Beacon Electric signing of the term sheet for the bank loan with the lenders</li> <li>▪ Disclosure of the transaction</li> </ul>
<b>30 March 2010</b>	<ul style="list-style-type: none"> <li>▪ First Pacific shareholder approval of the transaction</li> <li>▪ Sale by MPIC to Beacon Electric of 163.6Mn Meralco common shares at PHP 150 per share or a total selling price of PHP 24.5Bn</li> <li>▪ MPIC pays for subscription to PHP23.13Bn in Beacon Electric common shares and PHP8.0Bn in Beacon Electric preferred shares to be paid partly in cash of PHP6.6Bn and partly by way of offsetting against the consideration for the Meralco shares of PHP24.5Bn</li> <li>▪ Sale of Pitel’s 154.2Mn Meralco shares to Beacon Electric for PHP 150.00 per share for a total selling price of PHP 23.13Bn</li> <li>▪ Beacon Electric draws PHP 16.0Bn from banks</li> </ul>
<b>7 May 2010</b>	<ul style="list-style-type: none"> <li>▪ Pitel Shareholders meeting to approve the transaction</li> </ul>
<b>After 7 May 2010</b>	<ul style="list-style-type: none"> <li>▪ Crossing of Pitel’s 154.2Mn Meralco shares sold to Beacon Electric</li> <li>▪ Pitel pays for subscription to PHP23.13Bn in Beacon Electric common shares to be paid by way of offsetting against the consideration for its 154.2Mn Meralco share</li> </ul>