



March 1, 2010

THE PHILIPPINE STOCK EXCHANGE  
Listing and Disclosure Group  
4<sup>th</sup> Floor Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center  
Pasig City

Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

Dear Sirs/Mesdames:

In compliance with Section 17.1(b) and Section 17.3 of the Securities Regulation Code, we submit herewith a copy of SEC Form 17-C with respect to certain discloseable events/information.

This shall serve as our disclosure for the purpose of complying with the Revised Disclosure Rules of the Philippine Stock Exchange.

Thank you.

Very truly yours,

  
MA. LOURDES C. RAUSA-CHAN  
Corporate Secretary

## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.1

1. March 1, 2010  
Date of Report
2. SEC Identification Number 35815
3. BIR Tax Identification No. 000-489-462
4. PILIPINO TELEPHONE CORPORATION  
Exact name of Issuer as specified in its charter
5. PHILIPPINES  
Province, country or other jurisdiction  
of Incorporation
6. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code
6. 25<sup>th</sup> Floor Smart Tower  
6799 Ayala Avenue  
Makati City  
Address of principal office
- 1200  
Postal Code
7. (632) 511-6121/511-6241  
Issuer's telephone number, including area code
8. Not Applicable  
Former name or former address, if changed since last report
9. Securities registered pursuant to Sections 4 and 8 of the Revised Securities Act/Sections 8 and 12 of the Securities Regulation Code

Title of Each Class	Number of Outstanding Shares of Common Stock Licensed and Amount of Outstanding Debt
Common Stock	11,683,156,455 shares <sup>1</sup>

<sup>1</sup> Represents the total outstanding common shares (net of 88,591,976 treasury shares).

10. **Item 2- Acquisition or Disposition of Assets and Item 9 - Other Events**

We disclose the matters which were approved at the meeting of the Board of Directors of Pilipino Telephone Corporation (the "Company" or "Piltel") held on March 1, 2010:

**A. Declaration of Cash Dividend**

The Board declared from the unrestricted retained earnings of the Company as of December 31, 2009, cash dividends in the amount of Php0.85 per outstanding share of the Company's common stock, payable on March 30, 2010 to holders on record as of March 15, 2010.

**B. Appointment of Independent Auditors**

The Board appointed Sycip Gorres Velayo & Co. as independent auditors to audit the financial statements of the Company for the fiscal year 2010, as recommended by the Audit Committee in accordance with the Company's By-Laws.

**C. Approval of Material Corporate Actions**

The Board approved the corporate actions described below:

1. The sale and transfer to Rightlight Holdings, Inc. which will be renamed Beacon Electric Asset Holdings, Inc. ("Beacon Electric") of 154.2 million common shares of Manila Electric Company ("Meralco") owned of record and beneficially by Piltel ("Piltel's Meralco Shares") including (a) all rights, title and interests in and to all (i) shares issued by Meralco by way of stock dividends on Piltel's Meralco Shares after March 1, 2010, (ii) cash dividends declared and paid on Piltel's Meralco Shares after March 1, 2010, and (iii) property dividends declared and distributed on Piltel's Meralco Shares after March 1, 2010, excluding certain property dividends which will be assigned to First Philippine Holdings Corporation ("FPHC") as discussed below; (b) all other rights accruing on Piltel's Meralco Shares after March 1, 2010; and (c) the proceeds of all the foregoing, for a total price of Php23.130 billion or Php150.00 per Piltel's Meralco Share (the "Transfer of Piltel's Meralco Shares"), subject to the various approvals including Piltel's stockholders' approval, and provided that Metro Pacific Investments Corporation ("MPIC") shall have completed the sale and transfer of its 163.6 million Meralco common shares to Beacon Electric.

Beacon Electric is a newly organized domestic corporation with an outstanding capital stock consisting of 25,000 common shares, all of which are beneficially owned by Metro Pacific Investments Corporation ("MPIC").

FPHC will have the benefit of being assigned certain property dividends on the 223 million Meralco common shares owned by Piltel if and when Beacon Electric exercises the Call Option over 74.7 million Meralco common shares, pursuant to the Option Agreement dated March 1, 2010 executed by and between FPHC and Beacon Electric. The estimated value attributable to FPHC's potential property dividends assignment is approximately Php2.94 per Meralco common share owned by Piltel.

2. The investment of Php23.130 billion by way of subscription to 1,156,500,000 common shares of Beacon Electric, each with a par value of Php1.00, at a subscription price of Php20.00 per share or a total subscription price of Php23.130 billion, which will be settled by offsetting against the price of Piltel's 154.2 million Meralco common shares in the same amount (the "Investment in Beacon Electric"), subject to various approvals including Piltel's stockholders' approval, and provided that MPIC shall have completed its subscription for the same number of common shares of Beacon Electric, at the same subscription price as Piltel's.
3. Simultaneous with completion of the Investment in Beacon Electric, the purchase by Piltel from MPIC of 12,500 common shares of Beacon Electric beneficially owned by MPIC.

Piltel, MPIC and Beacon Electric entered into an Omnibus Agreement on March 1, 2010 covering, among other matters, the above mentioned transactions, which upon their completion, are intended to result in Piltel's ownership of 50% of Beacon Electric. The Omnibus Agreement also provides for certain governance arrangements in respect of Beacon Electric and Meralco. Please see the attached Press Release entitled "MPIC AND PILTEL CONSOLIDATE MERALCO HOLDINGS".

Piltel will seek stockholders' approval of the Transfer of Piltel's Meralco Shares and Investment in Beacon Electric described above at the Annual Meeting of Stockholders ("Annual Meeting") on May 7, 2010. Details of said transactions will be set forth in the Information Statement for the Annual Meeting.

#### **D. Matters Pertaining to the Annual Meeting**

The Board approved the resetting of the Annual Meeting scheduled on April 30, 2010 to May 7, 2010 and fixed March 15, 2010 as the Record Date for the purpose of determining the stockholders entitled to notice of, and to vote at, the said meeting.

In lieu of holding a special meeting of stockholders for purposes of presenting the corporate actions described above for stockholders' consideration and approval, the same will be included in the Agenda for the Annual Meeting, in addition to the proposed amendments to the Articles of Incorporation which was part of our disclosure last January 25, 2010. This will avoid duplication of the process of review and clearance of the meeting materials by the Commission, printing and distribution of such meeting materials to the Company's stockholders which will entail significant time, effort and expenses, as well as spare the stockholders who usually attend the Annual Meeting from unnecessary cost and inconvenience of attending another special meeting.

The deadline for the submission to and receipt by the Company of unsolicited proxies with respect to the Annual Meeting is on April 30, 2010.

Printed notice of the Annual Meeting, Information Statement and Annual Report will be furnished to the Commission, the Philippine Stock Exchange and the stockholders within the period prescribed under applicable rules.

#### SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PILIPINO TELEPHONE CORPORATION

  
MA. LOURDES C. RAUSA-CHAN  
Corporate Secretary

March 1, 2010

Distribution Copies: 3 copies - Securities & Exchange Commission  
1 copy - Philippine Stock Exchange  
1 copy - Corporate Secretary



## Press release

### **MPIC AND PILTEL CONSOLIDATE MERALCO HOLDINGS**

**Manila, Philippines, 1<sup>st</sup> March 2010** - Metro Pacific Investments Corporation ("MPIC") (PSE : MPI) and Pilipino Telephone Corporation ("Pilitel") (PSE: PLTL) today announced that they have executed an Omnibus Agreement with Rightlight Holdings, Inc. ("RHI"), a newly organized special purpose company with the sole purpose of holding their shares in Manila Electric Company ("Meralco"), and which will be renamed Beacon Electric Asset Holdings, Inc ("Beacon Electric"), pursuant to which MPIC and Pilitel have agreed to restructure their current shareholdings in Meralco.

Under the Omnibus Agreement, MPIC and Pilitel will consolidate 163.6 million and 154.2 million of their Meralco common shares, respectively, into Beacon Electric, thus giving Beacon Electric a 28.2% interest in Meralco and making it the single, largest shareholder of Meralco.

The consolidation of the MPIC and Pilitel holdings in Meralco will also allow Beacon Electric to access debt financing for any additional purchases of Meralco shares, using its Meralco shares as security.

#### **Beacon Electric**

Beacon Electric is a corporation organized and existing under the laws of the Republic of the Philippines, which, upon the approval of the Securities and Exchange Commission of Beacon Electric's increase in authorized capital stock, will have an authorized capital stock of Php5 billion, divided into 3 billion common shares at Php1.00 per share (each a "Common Share") and 2 billion preferred shares at Php1.00 per share (each a "Preferred Share").

MPIC presently beneficially owns 25,000 common shares of Beacon Electric, with a total par value of Php 25,000.00.

Each of MPIC and Pilitel has agreed to subscribe to 1,156,500,000 common shares of Beacon Electric for a subscription price of Php20.00 per share or total subscription price of Php23,130,000,000 out of the proposed increase in authorized capital stock of Beacon Electric and has agreed that the resulting equity of MPIC and Pilitel after such subscription shall be fifty percent (50%) each of the outstanding common shares of Beacon Electric.

MPIC has also agreed to subscribe to 801,044,415 preferred shares of Beacon Electric, at a subscription price of Php10.00 per share or a total subscription price of Php 8,010,444,150.

The preferred shares of Beacon Electric are non-voting, redeemable by Beacon Electric and have no pre-emptive rights to any share or convertible debt securities or warrants issued by Beacon Electric. The preference shareholder is entitled to liquidation preference and yearly cumulative dividends at the rate of seven percent (7%) of the issue value subject to (a) availability of unrestricted retained earnings, and (b) no violation of dividend restrictions imposed by Beacon Electric's bank creditors.

The completion of the subscription of MPIC to 1,156,500,000 common shares and 801,044,415 preferred shares of Beacon Electric is subject to (a) MPIC Board of Directors approval, which was obtained today, (b) the approval of the shareholders of First Pacific Company Limited ("FPC"), which is expected to be obtained on March 30, 2010, and (c) full payment of the subscription price, which is expected to be made on March 30, 2010.

The completion of the subscription of Piltel to 1,156,500,000 common shares of Beacon Electric is subject to (a) Piltel Board of Directors approval, which was obtained today, (b) the approval of the shareholders of Piltel, which is expected to be obtained on May 7, 2010, (b) the approval of the shareholders of FPC, which is expected to be obtained on March 30, 2010, and (c) full payment of the subscription price, which is expected to be made in May 2010 immediately after the Piltel shareholders' approval.

#### **Transfer of Meralco Shares to Beacon Electric**

Under the Omnibus Agreement, Beacon Electric will acquire the following Meralco shares (the "Transferred Shares") for a consideration of Php150.00 per share:

- From MPIC - 163,602,961 common shares of Meralco ("MPIC Meralco Shares") or an equivalent value of Php24,540,444,150, representing approximately 14.5% of Meralco's total common shares; and
- From Piltel - 154,200,000 common shares of Meralco ("Piltel Meralco Shares") or an equivalent value of Php23,130,000,000, representing approximately 13.7% of Meralco's total common shares.

The completion of the sale of the MPIC Meralco Shares to Beacon Electric is subject to (a) MPIC Board of Directors approval, which was obtained today, (b) the approval of the Board of Directors of FPC, which was obtained today, (c) approval of the shareholders of FPC, which is expected to be obtained on March 30, 2010, and (c) release of the pledge over the MPIC Meralco Shares is expected to be obtained by March 30, 2010.

On the other hand, the completion of the sale of the Piltel Meralco Shares to Beacon Electric is subject to (a) Piltel Board of Directors approval, which was obtained today, (b) the approval of the Board of Directors of FPC, which was obtained today (c) the approval of the shareholders of Piltel, which is expected to be obtained on May 7, 2010, and (d) the approval of the shareholders of FPC, which is expected to be obtained on March 30, 2010.

Subject to rights over certain property dividends that may be declared or payable in respect of the 317,802,961 Transferred Shares, which will be assigned to FPHC if the Call Option is exercised, the rights, title and interest that will be transferred to Beacon Electric by MPIC and Piltel in respect of the foregoing 317,802,961 Transferred Shares

shall include: (a) all shares issued by Meralco by way of stock dividends on the Transferred Shares from March 1, 2010; (b) all property or cash dividends declared or paid on the Transferred Shares from March 1, 2010 ; (c) all other rights hereafter accruing on the Transferred Shares from March 1, 2010; and d) the proceeds of all of the foregoing.

Piltel may, at some future time and under such terms and conditions as may be agreed by Piltel and Beacon Electric, transfer to Beacon Electric its remaining 68,800,000 Meralco common shares.

### **Call Option**

Under the Omnibus Agreement, MPIC has assigned its right to acquire the call option (the "Call Option") over 74,700,000 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 Php300 per Option Share or an aggregate exercise price of Php22,410,000,000.

An exercise of the Call Option will increase Beacon Electric's Meralco shareholdings from 28.2% to 34.8% which will result in a combined Meralco shareholding of Beacon Electric and Piltel of 40.9 %.

Subject to rights over certain property dividends that may be declared or payable in respect of the 74,700,000 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: (a) all shares issued by Meralco by way of stock dividends on the Option Shares from March 1, 2010; (b) all property or cash dividends declared or paid on the Transferred Shares from March 1, 2010; (c) all other rights hereafter accruing on the Transferred Shares from March 1, 2010; and (d) the proceeds of any sale or disposition of any of the foregoing.

### **Property Dividends**

With respect to the 317,802,961 Transferred Shares and the remaining 68,800,000 Meralco common shares held by Piltel, FPHC will have the benefit of being assigned certain property dividends that may be declared on such shares subject to Beacon exercising the Call Option.

With respect to the 74,700,000 common shares of Meralco that may be acquired by Beacon Electric in the event that the Call Option is exercised, FPHC will have the benefit of retaining certain property dividends that may be declared on such shares.

For Beacon Electric, the estimated value attributable to FPHC's potential property dividend retention is approximately PhP 2.94 per Subject Share. For MPIC and Piltel, the estimated value attributable to FPHC's potential property dividend assignment is approximately PhP 2.94 per MPIC Meralco Share and Piltel Meralco Share.

#### **Amended Shareholders Agreement**

Should Beacon Electric exercise the Call Option, the Amended, Consolidated and Restated Cooperation Agreement dated November 20, 2009 (the "Amended Shareholders Agreement") among Lopez, Inc., FPHC, First Philippine Utilities Corporation, Piltel, MPIC and Philippine Long Distance Telephone Company will be amended to include Beacon Electric as a party and provide for a pooling of votes among the parties to the Amended Shareholders Agreement in respect of matters presented for approval of the shareholders of Meralco.

If the Call Option is exercised, the Amended Shareholders Agreement will allow the Lopez Group to nominate one (1) Meralco director for their remaining 6.6% Meralco common shares while Beacon Electric and Piltel will be allowed to nominate four (4) Meralco directors. Together, the Lopez Group and Beacon Electric/Piltel will be able to nominate five (5) out of the nine (9) non-independent directors of Meralco.

#### **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 18,000,000,000 for a term of 10 years and without recourse to the shareholders of Beacon Electric. The facility, which will be secured by a certain number of Meralco shares owned or to be acquired by Beacon Electric, will be divided into a fixed rate tranche of Php1.8 billion and a floating rate tranche of up to Php6.2 billion.

#### **MPIC Convertible Bond**

In addition, to permit MPIC to partially fund the payment of the subscription price for the Common and Preferred Shares of Beacon Electric, a Philippine associate of FPC has agreed, subject to contract, to subscribe to a Php 6,600,000,000 Convertible Bond of MPIC on the following terms: (a) tenor of 3 years; (b) senior, unsecured status (c) interest rate of 4.5% per annum; (d) yield to maturity at 5.5% per annum; (e) conversion rights beginning the 13th month; (f) conversion price of Php3.25; and, (g) other customary terms including forced redemption mechanism and dividend protection.

#### **Governance Arrangements**

Both MPIC and Piltel shall be entitled to each nominate two (2) of the five (5) directors of the Beacon Electric Board. MPIC and Piltel Chairman Manuel V. Pangilinan will be the fifth director.

A quorum for the transaction of corporate business shall require the presence of both a Piltel and an MPIC nominee and certain transactions relating to Meralco or other

material corporate changes shall require the affirmative votes of a nominee director from each of Piltel and MPIC.

“Both MPIC and Piltel consider their Meralco stakes as a strategic investment and their consolidation in Beacon Electric allows them to strengthen their ownership and maximize returns over the long-term”, stated **Manuel V. Pangilinan, MPIC and Piltel Chairman.**

**For further information, please contact:**

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