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THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **MR. JOSE VALERIANO B. ZUÑO III**
OIC- Head, Disclosure Department

Dear Mr. Zuño:

We refer to your request for clarification/confirmation of the news article entitled “PSALM serves formal notice of ‘default’ on Mt. Apo plant deal” posted in Manila Bulletin (Internet Edition) on December 12, 2017. The article reported in part that:

“State-run Power Sector Assets and Liabilities Management Corporation (PSALM) has reportedly served a “formal notice of default and confiscation of performance bond” on Monday (December 11) to FDC Misamis Power Corporation of the Filinvest group relating to its independent power producer administrator (IPPA) contract on the 108-megawatt Mt Apo geothermal power plant in Mindanao.

The Gotianun-led firm reportedly has surpassed the ‘unsettled’ obligations relating to the Mt. Apo asset that could have been covered by its performance bond.

....

With the default declaration, it has been noted by sources from PSALM that the government’s next move shall be to cancel its performance bond and eventual termination of their IPPA agreement.

As further gathered, FDC Misamis Power has already been encountering problems in honoring its obligations with PSALM for some time.

And while the parties have been negotiating on how to sort out the company’s hurdle as IPPA administrator of the geothermal plant’s contract, the process had been snagged due to the legal suit filed by FDC Misamis Power last December 8.

In the order of a Makati regional trial court penned by Presiding Judge Mary Anne E. Corpus-Manalac, the petition of FDC Misamis Power for 20-day temporary order of protection (TOP) has been scheduled for hearing also on Tuesday (December 12).

The PSALM Board on Monday had its emergency meeting reportedly to act on this particular dilemma – and the decision arrived at was to pursue termination of this IPPA deal with the Filinvest-owned energy unit.

....”

We wish to clarify that FDC Misamis previously filed a Petition for issuance of interim measures of protection before the Regional Trial Court of Makati City docketed as R-MKT-17-04104-SP. FDC Misamis likewise issued a notice of rescission (and, in the alternative, termination) of the contract with PSALM, subject to confirmation in a subsequent arbitration proceeding. Meanwhile, FDC Misamis is undergoing mandatory negotiations with PSALM on the resolution of the dispute between the parties. We confirm that PSALM served on FDC Misamis a notice of “Administrator Default and Forfeiture of Performance Bond” on Monday (December 11) in relation to the contract between FDC Misamis and PSALM regarding the Mt. Apo geothermal power plant in Mindanao.

We trust you will find the foregoing in order.

Very truly yours,



ELMA CHRISTINE R. LEOGARDO
Corporate Secretary and
Compliance Officer



SHARON P. PAGALING-REFUERZO
Assistant Corporate Secretary and
Corporate Information Officer