



May 15, 2009

The Philippine Stock Exchange
Disclosure Department
4th Floor PSE Centre
Exchange Road, Ortigas Center
Pasig City

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

Dear Sirs/Mesdames:

On September 16, 2008, we disclosed that our 67% owned subsidiary Mabuhay Satellite Corporation ("Mabuhay") entered into, among others, a Wholesale Transponder Lease Agreement ("WTLA") with ProtoStar Ltd. ("ProtoStar"), a Bermuda company engaged in the satellite business, and ProtoStar III Ltd. ("ProtoStar III"), a wholly-owned subsidiary of ProtoStar. Under the terms of the WTLA and subject to certain conditions, Mabuhay was to lease to ProtoStar III the transponders onboard Mabuhay's Agila 2 satellite and assign its customer contracts and ground assets to ProtoStar III's Subic branch. As consideration for the wholesale lease, Mabuhay was to receive US\$22.5 million worth of ProtoStar's Series C Preferred Shares. Simultaneously, Philippine Long Distance Telephone Company ("PLDT") (PSE: TEL) (NYSE: PHI) signed an agreement for an option to subscribe to US\$27.5 million worth of ProtoStar Series C Preferred Shares and an Agreement for Space Segment Services.

We now disclose that on May 12, 2009, PLDT formally notified ProtoStar that it is not exercising its option to subscribe to US\$27.5 million worth of ProtoStar Series C Preferred Shares. However, the Agreement for Space Segment Services between ProtoStar and PLDT for use of C-band transponders on the ProtoStar I satellite from 2011 to 2017 remains effective.

On the same date, Mabuhay, in a letter to ProtoStar and ProtoStar III, formalized the consequential termination on April 30, 2009 of the WTLA due to non-fulfillment of certain closing conditions. Mabuhay, ProtoStar and ProtoStar III are nonetheless in continued discussions to determine and arrive at the appropriate operating agreements to govern the collaboration between Mabuhay and ProtoStar in various areas such as marketing and sales, and the provision of back-up TT&C and NOC services for ProtoStar's satellites, among others.

Respectfully yours,

A handwritten signature in black ink, appearing to read "MA. LOURDES C. RAUSA-CHAN".

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary & General Counsel