



**SAN MIGUEL CORPORATION**

September 8, 2015

**The Philippine Stock Exchange, Inc.**  
Disclosure Department  
3<sup>rd</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue

Attention: **Ms. Janet A. Encarnacion**  
**Head - Disclosure Department**

Re: **Dispute between South Premier Power  
Corporation and Power Sector Assets  
Management Corporation**

Gentlemen:

We advise that the Regional Trial Court of Mandaluyong City, Branch 209, issued a *status quo ante* order in favor of South Premiere Power Corp. ("SPPC") enjoining the Power Sector Assets and Liabilities Management Corporation ("PSALM") from terminating the Independent Power Producer Administration Agreement (the "Ilijan IPPA Agreement") between SPPC and PSALM covering the appointment of SPPC as the independent power producer administrator of the Ilijan power plant.

SPPC is a wholly-owned subsidiary of SMC Global Power Holdings Corp. ("SMC Global Power") which is a 100% subsidiary of the Company. SPPC and PSALM have an ongoing dispute arising from the interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement, as disclosed in the audited financial statements of SMC Global Power. In a letter dated August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement. On September 4, 2015, PSALM advised SPPC that it is terminating the Ilijan IPPA Agreement because of the latter's alleged failure to settle the alleged outstanding generation payments, and called on the Performance Bond in the form of a Stand-By Letter of Credit ("SBLC") of SPPC with ANZ Bank in the amount of USD 60 Million.

On September 7, 2015, SPPC, through counsel, filed a complaint to nullify the termination notice of PSALM and the drawing on the SBLC for lack of factual and legal basis. On September 8, 2015, the court issued a 72-hour temporary restraining order, the dispositive portion of which states:

"WHEREFORE, a 72-hour Temporary restraining Order is hereby issued to wit:

- (1) prohibiting PSALM from exercising its rights as Administrator of the IPP Contract of National Power Corporation for the Ilijan Power Station and from disposing in any manner of the payment received from ANZ under the Performance Bond except as directed by the Court; and
- (2) prohibiting PSALM from treating SPPC as being in Administrator Default and from performing any act to pursue collection of supposed unpaid generation payments, VAT on generation payments for Meralco nominations under the Meralco-NPC PSCs to service Sunpower and Ecozone requirements, and any interest imposed by PSALM on such amounts, including acts made pursuant to or in furtherance of the forfeiture of the Performance Bond, termination of the Ilijan IPPA, issuance of the Cessation Notice, and those mentioned in 20.5.1 and 20.6.1 of the Ilijan IPPA, and such other acts that would change or alter the status quo ante between the parties, or before PSALM drew on or forfeited the Performance Bond, issued in its Notice of Termination, and issued the cessation Notice, on 4 September 2015".

Very truly yours,



**MARY ROSE S. TAN**  
Assistant Corporate Secretary