**8th October 1999**

# PLDT AND PILTEL SIGN MOU WITH PILTEL'S CREDITOR BANKS AS BASIS FOR DEBT-RESTRUCTURING PROCESS

The Pilipino Telephone Corporation (Piltel) announced today that it has signed a Memorandum of Understanding (MOU) with its creditor banks setting out the principal terms that will provide the framework for the formalization of its debt restructuring.

The MOU - which was signed by Manuel V. Pangilinan, President and CEO of PLDT, Piltel President and CEO, Napoleon L. Nazareno, together various domestic and international banks - contains the following indicative terms:

- 50 per cent of the bank debt will be replaced by peso-denominated Piltel convertible preferred stock exchangeable for PLDT convertible preferred stock. The PLDT convertible preferred stock may be converted at the option of the holder at any time from the issue date up to the seventh anniversary of the issue date into PLDT common shares. The conversion price shall be the higher of P1,700 per share or 50 per cent above the average market price of PLDT common shares over a period of 20 consecutive trading days before the restructuring date, subject to a maximum of P1,850 per share.
- 25 per cent of the bank debt will be replaced by a 10-year term loan with a bullet payment at maturity. Interest of peso-denominated debt shall be 91-day T-bill rate plus 1 per cent per annum while US$-denominated debt shall be at 3-month LIBOR plus 1 per cent per annum.
- 25 per cent of the bank debt will be replaced by an amortizing 15-year term loan. Interest shall be set at the same rates at those of the 10-year loan.

Piltel, PLDT and the creditor banks intend to utilize the MOU as a basis for the restructuring of approximately US$332 million of Piltel's debt and expect to conclude the agreement by 31st January 2000.

Under the MOU, it is envisaged that PLDT may have to provide a letter of support in connection with the debt restructuring of Piltel wherein PLDT will agree (a) to obtain any consents and waivers required of PLDT, to integrate the operations of the current businesses of Smart Communications, Inc., Piltel and PLDT, (b) to obtain any consents and approvals necessary to provide further funding to Piltel as Piltel may require in the event that cash flow from operations of Piltel falls short of amounts required by Piltel to discharge in full its obligations to creditor banks outstanding on implementation in full of Piltel's debt restructuring, and (c) not to dispose of any shares carrying voting rights in Piltel if such disposal would result in PLDT's aggregate voting interest falling to less than a certain agreed percentage until such time as Piltel has discharged in full its obligations to creditor banks outstanding on implementation of the Piltel debt restructuring.

Following the signing, Mr Nazareno said: "After eight months of discussions, I am pleased to say Piltel, PLDT and the creditor banks have reached agreement on this key step in the debt restructuring process. This will help sustain the Company in its recovery efforts and strengthen its cash flow. Furthermore, with this framework in hand, we can begin negotiations with our bondholders. Of course, talks with our other major creditor, Marubeni, are still ongoing."