

January 6, 2009



**ATTY. PETE MALABANAN**

Head, Disclosure Department  
PHILIPPINE STOCK EXCHANGE  
4/F PSE Center, Exchange Road,  
Ortigas Center, Pasig City

Re: Acceptance of Term Sheet Offer Sheet by KGLI-NM Holdings, Inc. to acquire up to 49% equity stake in ATS

Dear Atty. Malabanan,

Please find below our reply to your letter dated January 6, 2009 requesting us to provide additional information relating to the acceptance by Aboitiz Equity Ventures, Inc. (AEV) of the Term Sheet by KGLI-NM Holdings, Inc. (KGLI) to acquire up to 49% equity stake in Aboitiz Transport System (ATSC) Corporation (ATS):

*a) Copy/ies of all agreements duly executed that are relevant to the transaction.*

Please be advised that the Term Sheet is just a framework or preliminary agreement for the sale to KGLI of the ATS shares of AEV and its principal shareholder, Aboitiz & Company, Inc. (ACO). The actual terms of the sale will still be the subject of a definitive share purchase agreement to be entered on a later date should the parties proceed with the transaction. In view of the preliminary nature of the agreement, we respectfully request the Philippine Stock Exchange (PSE) to excuse AEV from producing the Term Sheet. Please note however that we have already disclosed last December 19, 2009 the general terms and conditions of the Term Sheet. We are also reiterating the general terms and conditions of the Term Sheet below under item (d).

*b) Benefits expected to be accrued to AEV as a result of the sale of equity in ATS.*

The sale of its equity in ATS will allow AEV to focus its resources on its other growing core businesses such as power.

*c) Terms and conditions of the transaction.*

As previously disclosed by AEV last December 19, 2009, the Term Sheet signed by AEV and ACO with KGLI provides for the acquisition by KGLI of 49.0% equity stake in ATS instead of the total buy-out contemplated under the Memorandum of Agreement signed by the parties on September 23, 2008. The 49% equity stake shall include the 6.8% equity stake of the public in ATS. Under the present agreement, which is expected to close on or before April 30, 2009, the purchase price will be based on a total equity value of ATS in the amount of ₱4.5 billion or equivalent to ₱1.84 per share. The agreement also gives KGLI an option to acquire the remaining 51% equity stake of AEV and ACO anytime from May 1, 2009 to September 30, 2009 at the same price of ₱1.84 per share *plus* a premium of nine and a half percent (9.5%) annualized price per share calculated from 30 April 2009 to 30 September 2009, or to date of acquisition. KGLI-NM shall make a tender offer for the ATS shares held by the public in accordance with the rules under the Securities Regulation Code (SRC).

The valuation of the ATS shares for purposes of determining the purchase price of the ATS share and the investment participation by KGLI in ATS after the transaction does not include the interest of ATS in the Aboitiz Jebsen Group of Companies, the value of which will be equitably distributed to the shareholders of record of ATS prior to the closing of the first tranche of the acquisition.

In consideration for agreeing to the offer of KGLI under the Term Sheet, AEV and ACO collectively received option money from KGLI in the total amount of ₱100 million. AEV's share in the option money is ₱82.88 million. The option money will be credited as part of the purchase price of the ATS equity of AEV and ACO provided that KGLI acquires from AEV and ACO at least US\$30 million worth of ATS shares (computed at the Philippine Peso equivalent using the prevailing exchange rate at closing date) or in the event KGLI decides to purchase all of the ATS shares of AEV and ACO in one tranche. The option money shall be forfeited in favor of AEV and ACO if KGLI fails to purchase from AEV and ACO ATS shares worth at least US\$30 million or if the transaction fails to materialize prior to closing date without any fault on the part of AEV and ACO.

*d) Number of shares to be sold.*

Collectively, AEV and ACO will sell a total of 42.2% of the total outstanding shares of ATS broken down as follows:

<b>Sellers</b>	<b>No. of Shares</b>
ACO	176,735,160
AEV	855,547,267
<b>Total</b>	<b>1,032,282,427</b>

The 6.8% balance (166,324,409 shares) of the 49.0% ATS equity stake that KGLI intends to acquire will be from the public shareholders. Under the Term Sheet, KGLI will make a tender offer for the ATS shares owned by the public in accordance with the provisions of the SRC and its implementing rules. Thus, the eventual number of shares that will be sold will depend on the result of the tender offer.

*e) Aggregate acquisition price*

At ₱1.84 per share, AEV expects to earn ₱1,574,206,978.58 from the sale.

*f) Application of proceeds*

No definite application of proceeds has been identified yet.

*g) Interest which directors of the parties have in the transaction*

Some directors of AEV have personal shareholdings in ATS. Thus, they can choose to sell their ATS shares to KGLI during the tender offer.

*h) Steps to be taken, if any, to safeguard the interest of any independent shareholders*

Under the Term Sheet, the parties have committed that a tender offer will be undertaken by KGLI in accordance with the Securities Regulation Code, thus giving independent shareholders

opportunity to sell their ATS shares under the same terms and conditions available to the principal shareholders.

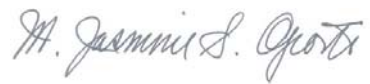
*i) Any other relevant information.*

None.

We hope we have sufficiently clarified this matter.

Thank you.

Very truly yours,

A handwritten signature in cursive script, reading "M. Jasmine S. Oporto".

**M. JASMINE S. OPORTO**  
Corporate Secretary