



14 October 2013

THE PHILIPPINE STOCK EXCHANGE, INC.
DISCLOSURE DEPARTMENT
3/F Philippine Stock Exchange Plaza
Ayala Avenue, Makati City

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

Re : SEC Penalty

Gentlemen:

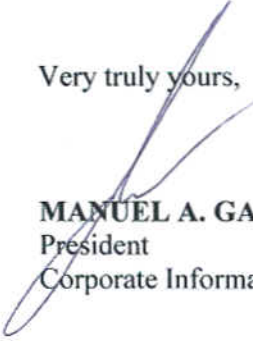
Please be advised that, on 6 June 2013, the Corporation decided to forego pursuing further avenues of appealing the findings of the Office of the General Accountant (OGA) of the Securities and Exchange Commission (SEC) regarding certain supposed deficiencies in the notes of the Corporation's Audited Financial Statements (AFS) for Year 2009, and paid the penalty imposed amounting to Sixty-Eight Thousand Pesos (₱68,000.00), consisting of the basic penalty of Fifty Thousand Pesos (₱50,000.00) and daily penalties of Eighteen Thousand Pesos (₱18,000.00) as provided in SEC's Corporation Finance Department letter dated 15 May 2013.

The deficiencies cited by the OGA on the Corporation's AFS for 2009 consisted of the following:

1. The OGA was not satisfied with the Corporation's presentation and explanation of the payment terms for subscriptions receivable in the notes to its AFS, and considered such not fully compliant with the requirements of PAS 1;
2. The OGA was not satisfied with the information initially provided on accrued expenses and other current liabilities on Note 17 to the AFS, and considered the balance of requested information to be "belatedly provided";
3. The OGA was not satisfied with the Corporation's discussion of its receipt of dividends in the form of shares in Tagaytay Midlands Golf Club, Inc. (TMGCI) as, according to the OGA:
 - a. It did not discuss explicitly enough the legal right to offset the dividend receivable with the purchase price of TMGCI shares; and,
 - b. Since golf shares are not traded in an active stock market, quoted prices cannot be used as a basis for fair value, even though the Corporation explained that the quotes are from a bona fide secondary market and/or regularly occurring arms-length transactions.

Thank you for your kind attention.

Very truly yours,


MANUEL A. GANA
President
Corporate Information Officer