SUBJECT : THE JOURNAL OF THE 15 JUNE 2005 (9:55 AM-12:45) PUBLIC HEARING OF THE COMMITTEE AND TRADE AND COMMERCE ON P.S. RES. NO. 273. " INQUIRY INTO CONSUMER COMPLAINTS AGAINST UNDESIRABLE TRADE PRACTICES OF PRIVATE CORPORATIONS" AT THE RECTO ROOM, SENATE OF THE PHILIPPINES.

I. PRELIMINARY

SENATORS PRESENT : ROXAS, OSMEÑA III, FLAVIER, AND MADRIGAL

RESOURCE PERSONS :

FE BARIN	Chairperson, Securities & Exchange Commission (SEC)
JOSELIA POBLADOR JESUS MARTINEZ	Commissioners, SEC
ROBERTO MANABAT	General Accountant, SEC
WILLIAM RUSSEL SOBREPENA RAUL GOCO QUINTIN DOROMAL	Directors, College Assurance Plan (CAP)
MARIO ONGKIKO	Counsel for Victims of Pyramiding Scam
MIGUEL VASQUEZ	President, Philippine Federation of Pre-Need Companies
LILIA BAUTISTA	Former Commissioner, SEC
MARICEL LOPEZ	Counsel for CAP Plan Holders
PHILIP PICCIO	President, Parents Enabling Parents Coalition (PEPC)
VIC ORTUSTE	Member (PEPC)
TIRSO PERALTA	President, Coordinating Alliance for Reform Empowerment (CARE)
MERYL JOY PASCUAL	Assistant Director, SEC
ENRIQUE GARCIA FELIX DESIDERIO JANETTE TECSON	Pacific Plans Inc. Officers

DISCUSSION:

Senator Roxas stated that the inability of College Assurance Plan and Pacific Plans to reimburse the tuition fees advanced by its plan holders have led not only to heart breaking disappointments but likewise to unwarranted financial difficulties. Coordinating Alliance for Reform and Empowerment President Tirso Peralta said that CARE is for rehabilitation and not demolition of the Pre need industry. Incidentally, CARE has 1,500 members. Senator Roxas requested for a listing of the CARE members, including information on their educational policies.

Counsel for CAP Planholders Atty. Maricel Lopez accused CAP executives of diverting 25 billion pesos of its trust funds to its affiliated corporations (Camp John Hay Development Corporation, Metro Railway Transit and Fil-Estate Company) Atty. Lopez presented a table depicting CAP's deficiencies in its trust fund vis a vis the time period.

1997	P 300 million
2000	P 2.5 Billion
2005	P 21 Billion

Senator Flavier informed the Body that he was once a member of the CAP Board several years ago but he has since resigned his seat. Senator Roxas instructed the Secretariat to invite the representatives of the Philippine Institute for Certified Public Accountants and the Actuarial Society of the Philippines for the next public hearing.

CAP Director William Russel Sobrepena felt that the revocation of their dealer's license had a tremendous negative impact on their cash flow. Director Sobrepeña contended that their planholders requirements are being serviced. He admitted that there are administrative concerns with respect to the money releases.

Contrary to the public pronouncement of Senator Osmeña, Director Sobrepeña insisted that CAP has 8 billion pesos in its trust funds. He lamented the fact that misleading information is being peddled to the public. Director Sobrepeña maintained that CAP has always operated within a legal framework. Securities and Exchange Commission Assistant Director Meryl Joy Pascual testified that the trust fund equity of CAP as of March 2005 is only P4.7 billion.

Director Sobrepeña said that an actuarian was hired to validate CAP's financial projections and determine the projected cost for the next year. Senator Osmeña III argued that even a mere accountant could have easily projected the company's next year expenses.

Director Sobrepeña expressed his objection to the the implementation of the Actuarial Reserve Liability since CAP's LIABILITIES WERE OVERSTATED while their ASSETS WERE UNDERSTATED. Director Sobrepeña declared that the assumptions are theoretically correct but are inapplicable in real life.

Director Sobrepeña felt that the issue of ARL is a highly debatable issue. He pointed that a study of the 14,000 strong Actuarial Society of America CONTESTED THE ARL FORMULA BEING IMPOSED BY SEC.

Director Sobrepeña insisted that their ARL is only 4 billion pesos. Senator Osmeña III expressed disbelief at the remarks of Director Sobrepeña. Director Sobrepeña cited instances when the CAP assets were appraised at ZERO VALUE.

Senator Osmeña III asked what is CAP's total Actuarial Reserve Liability. Director Sobrepeña replied that their figures are based on the application of different

international accounting standards. Senator Osmeña III brushed aside Director Sobrepeña's response and pressed the latter for a figure. Senator Osmeña III expressed exasperation that Director Sobrepeña did not know a simple figure such as the total value of contracts enforced at present. Director Sobrepeña claimed that it's NOT as simple as that since there are numerous inaccurate information being disseminated to the public. Senator Osmeñs III ordered Director Sobrepeña to submit to the Committee their accumulated number/ amount of contracts to date.

Senator Roxas commented that he considers himself a custodian of the public interest. He expressed curiosity in the projections used by Pacific Plans management for the latter to conclude that it needed rehabilitation. Senator Roxas directed PPI President Enrique Garcia to provide the committee with the present value of their obligations taking into consideration the increase in tuition fees over the last five years applied over the next five years.

Senator Flavier asked if PPI's educational plan can still be serviced. The PPI President assured Senator Flavier that the May/ June 05 reimbursement claims are still being processed.

Senator Osmeña III asked if CAP management rates in 95% of the first two years installment payment of the planholders in the form of commissions, overhead expenses and profits. Director Sobrepeña insisted that he cannot give the specific amount except the figure is at least 50% of the premiums. Director Sobrepeña expressed hope that something positive will emerge from the Committee undertaking which would strengthen the industry.

Senator Roxas observed that Director Sobrepeña was obfuscating the issues. Director Sobrepeña thanked Senator Roxas for the reminder. Director Sobrepeña stated that CAP is fully aware of its responsibilities. Senator Roxas directed Mr. Sobrepena to submit to the Committee a.) aggregate amount of educational plans CAP sold in 2003 b.) total premium collected in 2003 c.) accumulated deposits made to the trust fund in 2003.

Senator Osmeña proposed to subpoena Atty. Enrique Sobrepeña/ James Marsh Thompson to answer questions at the next meeting. Senator Osmeña III maintained that the CAP officials present are deliberately trying to mislead the committee.

Senator Roxas requested the PPI president to submit the number of plans that would be maturing between now and 2010. Senator Roxas inquired how much of a liquidity gap Pacific Plans has between now and 2010.

Senator Osmeña III asked if PPI violated any Securities and Exchange Commission regulation by the act of depositing its trust funds to its subsidiary Rizal Commercial Banking Corporation (RCBC). SEC Chairperson Fe Barin opined that the PPI move DID NOT VIOLATE any existing SEC rule.

Atty. Lopez commented that while there is no SEC rule, Section 31 of the Corporation Code mandates directors/ stockholders to observe prudence. Atty. Ongkiko concurred with the remarks of Atty. Lopez that an official is prohibited from diverting corporate assets to a venture which would give that official profit or gain.

Senator Osmeña III requested Atty. Ongkiko, Atty. Lopez and Atty. Barin to submit a position paper on the matter of whether or not a pre need company may

deposit its trust funds to its subsidiary. Senator Osmeña III hinted at an overprice since RCBC transacted the purchase of NAPOCOR bonds at 52.0 while *Bloomberg's* quote is only 47.5.

Senator Roxas ordered the Secretariat to subpoena Ms. Rose Baladjay. Senator Roxas likewise instructed the Secretariat to issue an invitation to the Insurance Commission Executives. Moreover Senator Roxas requested Atty. Ongkiko, Atty. Bautista and the SEC officials for a position paper on whether the Bulk Sales Law provisions are applicable in this pre need controversy.

Senator Osmeña III asked if the 250 million peso loan extended by Ambassador Yuchengco to PPI is secured. PPI President Garcia assured Senator Osmeña III that the loan is UNSECURED. Parents Enabling, Parent Coalition President Philip Piccio pointed out that based on PPI's financial statements, it could be concluded that the loan was ENCUMBERED.

PEPC President suggested that the Committee subpoena Mrs. Helen Yuchengco Dee, President of Lifetime Plans. Senator Roxas took note of the proposal.

Atty. Lopez told the Committee that since 1999 she had been assisting SEC in numerous instances. Atty. Lopez expressed disappointment that she was not invited in the Friday meeting on the terminal report of the Third Oversight Committee of the SEC. The SEC Chairperson pointed out that their meetings at the SEC are usually conducted every Tuesday and Thursdays. Atty. Barin emphasized that ever since, outsiders and even stakeholders are NOT allowed to witness their proceedings.

Senator Roxas and Flavier inquired how the 250 million donation of Ambassador Yuchengco to the PPI was recorded in their books. PPI President replied that the same

was treated as convertible debt. Mr. Garcia divulged to the Committee that 70% of the planholders would be availing of their plans in the next 3 years.

PPI President admitted that their company needs an orderly, progressive and quick liquidation of its assets and bonds to serve maturing plans MORE THAN WHAT WAS ANTICIPATED. Mr. Garcia lamented the fact that their actuarial estimates FAILED/UNDERESTIMATED the rapid tuition fee increases. Atty. Piccio pointed out that based on their documents Mr. Garcia is lying through his teeth! Atty. Piccio underscored the fact that Pacific Plans estimates of tuition fee increases ARE EVEN HIGHER THAN THE ACTUAL tuition fees imposed by the different schools therefore Pacific Plans motion for rehabilitation is NOT ONLY DEVOID OF TRUTH but also TOTALLY BASELESS.

Respectfully Submitted

Arturo I. Mojica, Jr.