

PARENTS ENABLING PARENTS (PEP) COALITION POSITION PAPER

The PEP COALITION is an organization of very concerned and outraged parents who bought open-ended education plans from Pacific Plans, Inc. ("PPI"). The objectives of the group are:

- To work towards ensuring that Pacific Plans Inc. stand up to its obligations and honor the contractual agreement between Pacific Plans Inc. and the plan holders. If Pacific Plans Inc. refuses to honor said contract, institute criminal actions against all liable corporate officials and file appropriate charges against the corporation in the SEC.
- To ensure that SEC officials judiciously perform their regulatory functions in overseeing the operations of the pre-need industry.
- To lobby for better laws in the pre-need industry by seeking the help of legislative officials to investigate Pacific Plans Inc. in aid of legislation.

We purchased these open-ended plans in good faith and with the fervent hope that our children would be able to attend the better schools and go out into the world better prepared to face its many challenges. Now, we are shocked to learn that a regional trial court judge had approved a temporary restraining order that, in effect, allows PPI to suspend payments to its Plan Holder I creditors.

Our review of what happened shows a plan involving corporate machinations and devious manipulations hatched by PPI top people, all with the nefarious intent of escaping from fully honouring its open-ended educational plan contracts.

It is clear that PPI's game plan is to use various corporate tricks and devices to get rid of its open-ended plans where it sees itself losing money (but, and retain only the more profitable fixed-amount plans.) More specifically, in the guise of "corporate re-engineering", it created subsidiary corporations that assumed the more profitable fixed-amount plans, while leaving the money-losing open-ended plans with PPI. Then, it proceeded to show that PPI is in financial distress and prepared a "rehabilitation plan" that will get their open-ended Plan Holders to accept settlements considerably less than what had been committed to them contractually, i.e., the current tuition fees.

THE PPI PLAN IN MOTION

On August 12, 2004 PPI incorporated a new company Lifetime Plans Inc. with the SEC following an earlier approval in principle that it can transfer all its fixed-value plans to Lifetime. Pacific's representation: Lifetime is a wholly-owned company of PPI and therefore there is no change in the character of the issuer (the debtor/obligor).

Like a thief in the night, the Board of Directors on August 20, 2004 approved the sale of all of its interest in Lifetime to GPL Holdings (the actual Deed of Sale is dated September 28, 2004). The fact that this was done so quickly following the incorporation of Lifetime shows that that it was already a premeditated plan even before Lifetime was incorporated. The ever vigilant SEC is caught totally unaware of this move because in its September 23, 2004 En Banc Meeting it even cited that Lifetime is a wholly owned subsidiary of Pacific.

Finally, to add insult to the SEC and the Plan Holders, on January 25, 2005, GPL sold its interest in Lifetime to Exemplar Holdings. Exemplar is a P100.0 Thousand company.

RATIONALE FOR THE REHABILITATION

Now that the Yuchengcos have switched all the profitable products to one Lifetime, and retained the money-losing open-ended educational plans with PPI, it proceeds to further create the drama of a supposed distressful financial condition on the part of PPI. Thus, in 2004 Pacific reported a net loss of

P278.28 Million. For this purpose, the PPI Board front-loaded the expenses in 2004 to overcharge the mutilated company

- Deferred commission of P180. 14 Million was booked as expense in 2004 instead of amortizing it till 2005. This has a double whammy impact with Pacific: first, the expense was lumped in 2004; second the income associated with this expense will be recognized by Lifetime and not by Pacific.
- P100.0 Million insurance premium was immediately charged to expense even if the SEC allows amortizing this expense till 2007. This expense has probably nothing to do with Pacific. It stopped selling the traditional plans in 1992.
- P18.46 Million Management Fee paid to Lifetime Plans Inc for 4 months of service in 2004 And they claim the spinning off will be cost efficient to Pacific.

Having reported a net loss, the Yuchengcos now claim PPI does not have sufficient funds to pay the Plan Holders.

They probably are not reading their own financial statements. In 2003 the Audited Financial Statement showed a Trust Fund of P11.272 Billion against the Actuarial Reserve Liability (ARL) of P10.299 Billion or a positive variance of almost P1.0 Billion. In 2004, this positive variance is P600.0 Million. Simply put, Pacific has the fund to pay for its obligations to its open-ended Plan Holders.

OTHER QUESTIONABLE AND PROBABLY CRIMINAL ACTUATIONS

- The sale of Pacific interest in Lifetime to GPL Holdings was for a measly sum of P205.137 Million. Per our conservative estimate, the value should have been at least P2.5Billion The P2.5 Billion is only the present value of its Unrealized Gross Profit of P3.051 Billion reported in 2003. In our valuation no value was given to the 20,000 experienced sales force, the data base for the 400,000 plan holders, to name a few.
- RCBC Trust in 2002 started investing Pacific's trust fund in the NAPOCOR Bond. NAPOCOR probably is the worst stinking government corporation in existence. As the Trustee, it should have decided like a good father deciding for his family.
 - In 2003 the NAPOCOR Bond accounted for 85% of the Trust Fund. In 2004, it accounted for 99%. A good, prudent father wouldn't invest its entire savings in one type of investment.
 - The NAPOCOR bond is a zero coupon bond that will mature in 2010. RCBC Trust is fully aware that the fund has to pay the yearly tuition fee of the scholars. Why lock up the trust fund - which exists precisely to pay the annually maturing educational plans - into an instrument that will be released only 6 to 7years later? Where will it get the funds to pay for the annually maturing obligations? What is the rationale for this investment?
 - Moreover, RCBC Trust bought a bond that is not openly traded in the International Market. NAPOCOR Bond can be sold but you will be at the mercy of the buyer. This is exactly what the Yuchengcos are now saying, "You wait for the bond to mature".
 - RCBC Trust made an imprudent decision when it invested practically all of the trust fund in a dollar denominated currency. All its liability is denominated in peso.
 - RCBC Trust borrowed over P4.0 Billion just to buy more NAPOCOR Bonds.
 - RCBC Trust knows fully well that there are other alternative investment outlets in the market, the ROP Bond is one.

THE PRACTICE WHERE THE HIGH AND MIGHTY GETS AWAY IN DOING INJUSTICE HAS TO STOP!!!

Please FAX, E-mail to friends, associates and other plan holders so that they may be better informed about the real situation.