

# LEGAL PROCEEDINGS

First Pacific has recently received shareholder inquiries on the status of certain legal proceedings that either do or may involve the Company. In order to keep shareholders fully apprised of such proceedings, these are summarized below and will be updated in all subsequent annual and interim reports.

PLDT has already included similar disclosures, concerning Manuel V. Pangilinan, President and Chief Executive Officer of PLDT, in each of its 2001 and 2002 Notice of Annual Stockholders' Meeting, as well as in various documents filed with both the Philippine and United States securities regulators.

## PHILIPPINE OMBUDSMAN'S INVESTIGATION OF MANUEL V. PANGILINAN, EXECUTIVE CHAIRMAN

In January 2001, during the Philippine government's impeachment hearings against former Philippine President Joseph Estrada, a Philippine newspaper article revealed information concerning monies deposited in a bank account allegedly owned by former President Estrada, under the fictitious name, "Jose Velarde" (the Velarde Account).

On 2 February 2001, a group of private Philippine lawyers filed a criminal complaint with the Philippines Office of the Ombudsman (the Ombudsman) against former President Estrada and certain other individuals, including Mr. Pangilinan. The complaint alleged that the defendants were involved in acts involving direct bribery, indirect bribery, corruption of public officials, illegal giving or offering of gifts to public officials, and/or "economic plunder", all of which are crimes under various Philippine laws.

In Mr. Pangilinan's case, the complaint also alleged that a Pesos 20 million check issued by Mr. Pangilinan was deposited in the Velarde Account.

The Ombudsman, by Order dated 6 April 2001, directed the defendants to file counter-affidavits in response to the complaint. Mr. Pangilinan's counter-affidavit, dated 2 May 2001, denied all of the allegations made against him. Specifically, Mr. Pangilinan stated that his Pesos 20 million check payment was a lawful election campaign contribution paid out of his personal funds, which he earned lawfully as a professional and which were not ill-gotten.

On 13 September 2001, the Ombudsman issued a Resolution dismissing charges against some but not all of the persons named in the original private lawyers' complaint. Specifically, in Mr. Pangilinan's case, the Ombudsman stated that, while there was no independent corroboration of the political campaign contribution made to an Estrada associate, there also was insufficient evidence to warrant a *prima facie* finding of wrongdoing against Mr. Pangilinan.

As a result, the Ombudsman referred Mr. Pangilinan's case to the Ombudsman's Fact-Finding Intelligence Bureau for further fact-finding investigation. The Ombudsman's investigation into the matters raised by the private lawyers' complaint and the Ombudsman's prosecution of former President Estrada continues.

## PLDT VS. FIRST PACIFIC COMPANY LIMITED *ET. AL.*

On 5 June 2002, First Pacific announced its signing of a legally binding Memorandum of Agreement (MOA) with the Gokongwei Group for the establishment of joint venture arrangements in relation to First Pacific's existing interests in PLDT and BLC.

First Pacific disclosed the material terms and conditions of the MOA in its 5 June 2002 announcement, which announcement was made in accordance with the Hong Kong Stock Exchange Listing Rules on "Notifiable Transactions".

On 3 July 2002, PLDT initiated a U.S. lawsuit against First Pacific and certain related companies, to compel disclosure of the MOA itself to PLDT, whose securities are listed and traded in the U.S. To address this nuisance lawsuit and avoid unnecessary legal expense, First Pacific voluntarily disclosed the MOA on 19 July 2002 to all relevant entities. Although First Pacific's action confirmed that it had disclosed the MOA's material terms and conditions on 5 June 2002, PLDT still has not clarified its reasons for continuing the lawsuit.

First Pacific will make further announcements as and when appropriate. All previous announcements relating to the transaction are available at [www.firstpacco.com](http://www.firstpacco.com).