

02 October 2017

Philippine Stock Exchange, Inc.
3F Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

Attention: **Mr. Jose Valeriano B. Zuño III**
Head, Disclosure Department

Dear Mr. Zuño,

We respond to your letter seeking our clarification and/or confirmation on the news article entitled “Ayala Land loses prime Las Piñas lot in SC ruling” published in Inquirer.net on October 2, 2017. The article reported in part that:

“Property giant Ayala Land Inc. (ALI) has lost ownership of a prime 6.8-hectare lot in Las Piñas City, which it had converted into a golf course and materials depot.

In a 30-page ruling, the Supreme Court (SC) nullified ALI's right to possess the property as it declared petitioners Yu Hwa Ping and Mary Gaw, and the heirs of Andres Diaz and Josefa Mia, as the rightful owners of the disputed land.

The landmark decision, penned by then SC Justice Jose Mendoza, recognized that irregularities could accompany the registration of land and must be nullified to protect the public and the Torrens system.

The high court's Second Division voided ALI's land titles for the property, which was located inside Ayala Southvale Subdivision, after concluding that the land surveys made to register it nearly 90 years ago were invalid.

‘The court cannot close its eyes to the blatant defects on the surveys upon which the original titles of ALI were derived simply because its titles were registered,’ the tribunal said in its July 26 decision, which was made public only recently.

Torrens system

‘When a land registration decree is marred by severe irregularity that discredits the integrity of the Torrens system, the court will not think twice in striking down such illegal title in order to protect the public against unscrupulous and illicit land ownership,’ it stressed.

In voiding ALI's right to possess the land, the court reiterated that registration was ‘not a mode of acquiring ownership’ of a property and that securing a certificate of title ‘merely confirms or records title already existing and vested.’

‘The indefeasibility of a Torrens title should not be used as a means to perpetrate fraud against the rightful owner of real property. Good faith must concur with registration because, otherwise, registration would be an exercise in futility,’ it ruled.

....

The controversial piece of real estate is inside Ayala Southvale in Las Pinas City, which ALI converted into the Southlinks golf course and a materials depot.

....”

We wish to advise that Ayala Land, Inc. (ALI) is aware of the ruling of the Supreme Court on the said subject. The consolidated cases subject of the Supreme Court decision cover parcels of land located in Las Pinas City with a total area of approximately 46 hectares.

While the Supreme Court upheld the claimants' title on the basis of alleged irregularities in ALI's predecessors' survey plan, ALI filed its Motion for Reconsideration last September 28, 2017, primarily on the following grounds:

- (1) ALI's titles can be traced back to Original Certificates of Titles (OCT) that were issued decades prior to the OCTs from which the claimants' title came from. In particular, ALI's titles are traced back to OCTs issued in 1950 and 1958 whereas the claimants' titles are traced back to an OCT issued in 1970.
- (2) Claimants' predecessors opposed ALI's application and participated, but lost, in the original land registration proceedings which led to the issuance of decrees for registration in favor of ALI's predecessors. Thus, claimants are barred by prescription, laches and *res judicata*.
- (3) ALI purchased the properties after an examination of its derivative titles which on their face do not indicate any defect or flaw, thereby making ALI an innocent purchaser for value.

As previously disclosed by ALI in its SEC Form 17-A, prior to purchasing the aforesaid property, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI believes its titles are superior to the claims of these adverse claimants.

Considering that the total area of the subject land comprises less than 1% of ALI's total land bank of 9,852 hectares, we do not see this matter to have any material effect on the business, operations and financial conditions of ALI.

Thank you.

Very truly yours,



AUGUSTO D. BENGZON
Vice President
CFO, Treasurer, Chief Compliance Officer and Chief Information Officer

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Securities and Exchange Commission
SEC Building, Mandaluyong City

Attention: **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Market Regulation Department

Philippine Dealing and Exchange Corporation
37F Tower 1, The Enterprise Center
6766 Ayala Ave cor. Paseo de Roxas, Makati City

Attention: **Ms. Vina Vanessa S. Salonga**
Head, Issuer Compliance and Disclosures Department