

MALACAÑANG

Manila

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 242

APPROVING THE TRANSFER TO THE NATIONAL GOVERNMENT OF CERTAIN SHARES OF THE COMMON STOCK AND LIABILITIES OF PHILIPPINE AIRLINES, INC. (PAL)

WHEREAS, PAL, the Philippine Flag carrier, is one of the largest corporations covered by the privatization program currently being undertaken by the Government of the Republic of the Philippines, hereinafter referred to as the "Republic," pursuant to Proclamation No. 50, dated December 8, 1986, as amended:

WHEREAS, PAL has the following outstanding foreign currency obligations, hereinafter referred to as "Foreign Currency Obligations":

(a) indebtedness under the Paris Club restructuring program with the Republic as assuming obligor in bilateral agreements;

(b) indebtedness owed to the Central Bank of the Philippines, hereinafter referred to as "CBP," relating to short-term trade-related debts, as well as indebtedness assumed under the Paris Club by CBP as assuming obligor in bilateral agreements; and

(c) indebtedness owed to commercial banks with the Republic as guarantor in PAL's Restructuring Agreement.

WHEREAS, in view of PAL's negative net worth as of March 30, 1991, it is necessary that a financial restructuring be undertaken by eliminating the aforementioned PAL's Foreign Currency Obligations;

WHEREAS, a portion of the Paris Club debts with maturities up to June 30, 1991 has been assumed by the Republic and CBP under the relevant bilateral agreements pursuant to Presidential Decree No. 1961, dated June 11, 1985, as amended by Presidential Decree No. 1977, dated

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June 21, 1985; another portion of the Paris Club debts falling due between July 1, 1991 and August 31, 1992 shall likewise be assumed by the Republic under the terms of the recently concluded Paris Club multilateral negotiations; there remain only two installments falling due after August 31, 1992; and the Paris Club debts were guaranteed by the Republic under the original agreements;

WHEREAS, the short-term trade-related liabilities were originally incurred by PAL and were assumed by the CBP under the Revolving Short-Term Trade Facility Agreement, with the Republic as guarantor, pursuant to Presidential Decree No. 1961;

WHEREAS, the commercial bank debts were also restructured pursuant to Presidential Decree No. 1961 with the Republic as guarantor;

WHEREAS, the Republic and CBP have made certain advances, hereinafter referred to as "Advances," for and in behalf of PAL in order to cover certain payments required under the aforesaid Foreign Currency Obligations which PAL was unable to service;

WHEREAS, pursuant to Section 23 of Proclamation No. 50, as amended, the President of the Republic of the Philippines, acting through the Committee on Privatization, shall in an appropriate instrument identify and describe the assets of government institutions to be transferred to the National Government;

WHEREAS, under Section 22 of Proclamation No. 50 as amended, the terms of the transfer of assets may include appropriate arrangements for the consideration thereof, including but not limited to the assumption by the National Government of certain liabilities of said institution, whether real or contingent;

WHEREAS, pursuant to said provision, the National Government, through the President of the Republic of the Philippines, is authorized to assume the obligations of government institutions, including those owed to the National Government, under such terms and to the extent determined by the President, on the recommendation of the Secretary of Finance, that may be warranted by the transfer of assets from such government institutions pursuant to this Proclamation.

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by law, do hereby approve the following:

(a) The transfer to the National Government of eight hundred million (800,000,000) shares of the common stock of Philippine Airlines, Inc., hereinafter referred to as "PAL Shares," to be issued from its unissued capital stock; and

(b) The assumption by the National Government of the Foreign Currency Obligations of PAL consisting of the various indebtedness referred to in the second recital hereof and the Advances of the National Government referred to in the seventh recital hereof, more particularly described in the list consisting of one page which is attached hereto and made an integral part hereof as Annex A.

It is understood that the listings in Annex A hereof may be revised by the Committee on Privatization, if some errors in the listings are discovered.

The Secretary of Finance is hereby directed and authorized to enter into, conclude, sign and deliver, for and in behalf of the National Government, such agreements, documents, instruments and deeds as may be necessary to implement the issue and transfer of the PAL Shares and the assumption by the National Government of the Foreign Currency Obligations contemplated herein. The Bureau of Treasury is hereby directed and authorized to take up in the books of accounts of the National Government all transactions contemplated herein.

This Administrative Order shall take effect immediately.

DONE in the City of Manila, Philippines, this 21st day of October, in the year of Our Lord, nineteen hundred and ninety-one.

Corazon B. Aquino

By the President:

Franklin M. Drilon
FRANKLIN M. DRILON
Executive Secretary

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