

[ADMINISTRATIVE ORDER NO. 242, October 21, 1991]

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 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