

LETTER OF INSTRUCTIONS NO. 1155, July 21, 1981

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TO:

Development Bank of the Philippines
National Development Company
Maritime Industry Authority

DIRECTING A REHABILITATION PLAN FOR GALLEON SHIPPING CORPORATION

WHEREAS, Galleon Shipping Corporation is presently in a distressed state in view of the unfavorable developments in the liner shipping business;

WHEREAS, the exposure of the Philippine government financial institutions is substantial;

WHEREAS, it is a policy of government to provide a reliable liner service between the Philippines and its major trading partners;

WHEREAS, it is a policy to have a Philippine national flag liner service to compete with other heavily subsidized national shipping companies of other countries;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby direct the following:

- NDC shall acquire 100% of the shareholdings of Galleon Shipping Corporation from its present owners for the amount of P46.7 million which is the amount originally contributed by the present shareholders, payable after five years with no interest cost.
- NDC to immediately infuse P30 million into Galleon Shipping Corporation in lieu of its previously approved subscription to Philippine National Lines. In addition, NDC is to provide additional equity to Galleon as may be required.
- DBP to advance for a period of three years from date hereof both the principal and the interest on Galleon's obligations falling due and to convert such advances into 12% preferred shares in Galleon Shipping Corporation
- DBP and NDC to negotiate a restructuring of loans extended by foreign creditors of Galleon.
- MARINA to provide assistance to Galleon by mandating a rational liner shipping schedule considering existing freight volumes and to immediately negotiate a bilateral agreement with the United States in accordance with UNCTAD resolutions.

These instructions are to take effect immediately.

Done in the City of Manila, this 21st day of July, in the year of Our Lord, Nineteen Hundred and Eighty One.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

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