

LETTER OF INSTRUCTION NO. 178, March 28, 1974

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TO: The Secretary of Agriculture and Natural Resources
The President, Philippine National Bank

WHEREAS, the purchase of the former ESFAC fertilizer plant by the Sugar Producers' Cooperative Marketing Association, Inc. (SPCMA) was effected only through a Government guarantee issued by the Philippine National Bank in the form of a standby letter of credit for U.S. \$29.278 million, with no outright investment whatsoever from SPCMA;

WHEREAS, to date, SPCMA still has not paid a single centavo either as down payment or to meet amortizations on the purchase of ESFAC shares;

WHEREAS, all amortizations payable by the SPCMA have thus far been met, not by SPCMA itself but by Planters Products Cooperative Marketing and Supply, Inc. (PPI), through advances for SPCMA from company funds;

WHEREAS, PPI has thus far advanced for SPCMA's account the total amount of P118.2 million plus; interest and other charges, large sums which could otherwise have been ploughed back into PPI's operations for the expansion of its facilities;

WHEREAS, unless PPI continues to pay such amortizations or SPCMA itself shoulders such amortizations, the PNB will have to pay the balance of the amortizations amounting to P110.5 million as of February 28, 1974, thus leading to the possibility of the foreclosure of the assets of the PPI fertilizer plant;

WHEREAS, the expansion of domestic fertilizer production will have to be dramatically accelerated to meet the rapidly rising local demand for fertilizer, such expansion entailing heavy government involvement in the future, including possible government guarantees of millions of dollars;

WHEREAS, PPI supplies the bulk (about 80%) of all fertilizer consumed in the country and has the most complete facilities for nationwide distribution and marketing;

WHEREAS, the main consideration in the Government's financing and support of the aforesaid purchase of the ESFAC fertilizer plant was the eventual dispersal of company ownership among all fertilize end-users on a reasonably proportionate basis, and not solely to the sugar industry, and whereas such ownership-dispersal has not as yet been realized;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, in order to diversify the ownership of PPI among all fertilizer-consuming farmers, and to enable the Government to fully support the necessary expansion of fertilizer production, do hereby order and direct the Secretary of Agriculture and Natural Resources in his concurrent capacity as Chairman of the Fertilizer Industry Authority, to immediately take all the steps necessary for the dispersal of ownership of the PPI among all fertilizer users. Such ownership-dispersal shall be based on the following guidelines:

- PPI shall convert itself from a cooperative into an ordinary stock corporation.
 - Although the SPCMA has thus far not paid any money of its own whatsoever for the purchase of: the ESFAC fertilizer plant, it shall be given the option to subscribe anew to whatever portion of the capital stock of PPI that it is willing and able to pay up: Provided, that the SPCMA exercises this option within thirty (30) days from date hereof and pays up such new subscription in full within 6 months thereafter. It is understood that SPCMA waives its right to all shares of stock that it has not subscribed to.
 - Consistent with the established national policy of encouraging employee ownership participation, ten percent (10%) of PPI's total equity shall be allocated to PPI officers and employees from such shares of PPI stock as are not subscribed to and paid up by SPCMA in accordance with Section 2 above.
 - The balance of whatever SPCMA is unable to subscribe and pay up, less the 10% allocated to PPI officers and employees, will be dispersed in such a manner as to allocate the equity of the PPI among end-users of fertilizer on the following reasonably proportionate basis: rice and corn farmers—60%, sugar farmers—30%, others—10%.
 - To accomplish the dispersal of equity as provided in the immediately preceding paragraph, a non-stock and non-profit Foundation shall be established which will: (a) assume the portion of PPI stock not subscribed and paid-up by the SPCMA, less the 10% allocated to PPI officers and employees; (b) take over and hold title to such PPI shares of stock; (c) redistribute said shares in accordance with the guidelines set herein; (d) in the interim, vote and exercise the rights pertaining to such undistributed shares; and, (e) exercise such other powers and functions as may be necessary to carry out the foregoing. The Board of Trustees of the Foundation, who shall also be its incorporators, shall be composed of the following:
 - (1) Arturo R. Tanco, Jr.....
Chairman
 - (2) Panfilo O. Domingo
Member
 - (3) Roberto S. Benedicto
Member
 - (4) Leonides Gonzales (representing, PPI officers & employees).....
Member
 - (5) Senen Gabaldon (representing rice & corn farmers)
Member
 - (6) Armando Gustilo (representing SPCMA).....
Member
 - (7) Alfredo Montelibano (representing other farmers thru Chamber of Agriculture)
Member
- The Foundation shall be authorized to assume all the obligations and indebtedness pertaining to such shares as it may hold in its possession for its own account or for the account of future farmer-owners of PPI shares of stock.
- To enable fertilizer end-users to pay for the shares of PPI stock they will acquire under the aforementioned'

ownership distribution scheme, the price of fertilizer may be increased by an amount sufficient to enable fertilizer users to pay for such shares over a period of time.

- The Philippine National Bank is hereby directed to:

(a)

Effect the transfer from SPCMA to the Foundation of all PPI shares of stock not otherwise subscribed and paid-up by SPCMA in accordance with Section 2 above and by PPI employees and officers in accordance with Section 3 above.

(b)

Release the Foundation PPI shares of stock now held as collateral, such releases to be made as payments; are made for these shares.

(c)

Transfer accordingly all obligations and indebtedness pertaining and corresponding to the shares transferred, in such a manner as to protect the government's interests.

- All other Government agencies and instrumentalities; involved in this arrangement, such as the Agricultural Credit Administration and the Securities and Exchange Commission, are hereby enjoined to extend all assistance and cooperation necessary for the implementation of this Letter of Instructions.

The Secretary of Agriculture and Natural Resources, in his concurrent capacity as Chairman of the Fertilizer Industry Authority, and the President of the Philippine National Bank are directed to submit to me in 45 days a full report on the steps taken to implement this Letter of Instructions.

Done in the City of Manila, this 28th day of March, in the year of our Lord, nineteen hundred and seventy-four.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

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