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*Proposed Aircraft Counsel to the Debtor and
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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

PHILIPPINE AIRLINES, INC.¹

Debtor.

Chapter 11

Case No. 21-11569 (SCC)

NOTICE OF FILING OF AMENDED PLAN TERM SHEET

PLEASE TAKE NOTICE that on September 6, 2021, Philippine Airlines, Inc. (the “**Debtor**”), the above-captioned debtor and debtor in possession, filed *Debtor’s Motion for Entry of an Order Authorizing the Debtor to Assume, and Perform Under, Restructuring Support Agreements* [Docket No. 19] (the “**RSA Motion**”).

PLEASE TAKE FURTHER NOTICE that on September 6, 2021, the Debtor filed *Notice of Filing of Restructuring Support Agreements* [Docket No. 23], which had attached redacted versions of certain Restructuring Support Agreements referenced in the RSA Motion (each, an “**RSA**”).

¹ The Debtor in this chapter 11 case, along with its registration number in the Philippines, is Philippine Airlines, Inc., Philippine Securities and Exchange Commission Registration No. PW 37. The Debtor’s corporate headquarters is located at PNB Financial Center, President Diosdado Macapagal Avenue, CCP Complex, Pasay City 1300, Metro Manila, Philippines.



PLEASE TAKE FURTHER NOTICE that on September 17, 2021, the Debtor filed a notice containing certain additional redacted RSAs [Docket No. 79].

PLEASE TAKE FURTHER NOTICE that a Plan Term Sheet outlining the terms of a proposed plan of reorganization is attached to each RSA (the “**Plan Term Sheet**”).

PLEASE TAKE FURTHER NOTICE that, a copy of an amended Plan Term Sheet, which reflects certain non-material updates, is attached hereto as Exhibit A. A blackline of the amended Plan Term Sheet is attached hereto as Exhibit B.

PLEASE TAKE FURTHER NOTICE that pursuant to the RSA Motion, on **September 30, 2021, at 10:00 a.m. (Prevailing Eastern Time)**, the Debtor will seek an order substantially in the form of the proposed order attached to the RSA Motion, authorizing the Debtor to assume each of the RSAs, including the RSAs attached hereto, and perform all obligations thereunder.

[Remainder of Page Intentionally Left Blank]

PLEASE TAKE FURTHER NOTICE that all documents filed in this chapter 11 case are available (a) free of charge by visiting www.kccllc.net/PAL and (b) on the Court's website at <http://www.nysb.uscourts.gov/>, subject to the procedures and fees set forth therein.

Dated: September 21, 2021
New York, New York

DEBEVOISE & PLIMPTON LLP

By: /s/ Jasmine Ball
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*Proposed Aircraft Counsel to the Debtor
and Debtor in Possession*

RESTRUCTURING TERM SHEET

September 3, 2021

This term sheet (the “Term Sheet”) sets forth the principal terms of a comprehensive restructuring (the “Restructuring”) of the existing debt and other obligations of Philippine Airlines, Inc. and certain of its affiliates and subsidiaries (collectively, the “Company”). The Restructuring will be consummated through the commencement of a voluntary case (the “Chapter 11 Case”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) to implement a prearranged chapter 11 plan, in accordance with the terms of the restructuring support agreements to be executed by the Company and certain creditors supporting the Restructuring (each, an “RSA” and, together, the “RSAs”). Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to such terms in the RSAs.

THIS TERM SHEET DOES NOT CONSTITUTE AN OFFER OF SECURITIES OR A SOLICITATION OF THE ACCEPTANCE OR REJECTION OF A CHAPTER 11 PLAN FOR PURPOSES OF SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL ONLY BE MADE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES, BANKRUPTCY AND/OR OTHER APPLICABLE LAWS.

THE TRANSACTIONS DESCRIBED HEREIN WILL BE SUBJECT TO THE NEGOTIATION AND COMPLETION OF DEFINITIVE DOCUMENTS INCORPORATING THE TERMS SET FORTH HEREIN AND OTHERWISE IN FORM AND SUBSTANCE ACCEPTABLE TO THE DIP LENDERS, AND THE CLOSING OF ANY TRANSACTION SHALL BE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN SUCH AGREED DEFINITIVE DOCUMENTS.

Material Terms of Credit Facilities Implemented as Part of Restructuring	
Term	Description
DIP Term Loan Facility	
Tranche A	
Size	<ul style="list-style-type: none"> \$250 million multi-draw commitment, \$20 million of which will be available in a single draw upon entry of an order approving the DIP Term Loan Facility on an interim basis in form and substance acceptable to the DIP Lenders (the “Interim DIP Order”) and the remainder of which will be available upon entry of an order approving the DIP Term Loan Facility on a final basis (the “Final DIP Order”)
Security	<ul style="list-style-type: none"> First priority security interest in eight (8) mid-life A320-200 aircraft and related engines (as more particularly described in Part 1 of Annex A hereto) First priority security interest in six (6) mid-to-end of life DHC 8-300/400 aircraft and related engines (as more particularly described in Part 2 of Annex A hereto) (the foregoing aircraft, the “<u>Pledged Aircraft</u>”) First priority security interest in five (5) engines – GE90-115BL (1), RR Trent 772B-60 (1), IAE V2533-A5 (1), CFM56-5B4 (2) (in each case, as more particularly described in Part 3 of Annex A hereto) (the “<u>Pledged Engines</u>”) First priority security interest in Mabuhay Miles loyalty program contracts and related

	assets (the above together referred to as the “ <u>Tranche A Security Package</u> ”)
Rate	<ul style="list-style-type: none"> 950 bps (payable in cash or PIK in the Company’s sole discretion)
Amortization	<ul style="list-style-type: none"> Interest only for first 27 months Quarterly amortization (no balloon) starting in month 28
Term/Maturity	<ul style="list-style-type: none"> The earliest of (w) 63 months post-petition, (x) dismissal of the Chapter 11 Case or conversion of the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code, (y) acceleration of the DIP loans or (z) effective date of a chapter 11 plan in the Chapter 11 Case.
Conversion	<ul style="list-style-type: none"> Upon the effective date (“Effective Date”) of a plan of reorganization consistent with the RSAs (an “Acceptable Plan”), the Tranche A Security Package shall be released and the DIP Term Loan Facility Tranche A shall convert into an unsecured loan facility for the remainder of the original 63 month post-petition term (such conversion to be elected by the Company at the Company’s sole discretion)
Fee	<ul style="list-style-type: none"> 1.00% OID
Use of Proceeds	<ul style="list-style-type: none"> Refinancing of prepetition bridge loans, payment of fees, costs and expenses of the DIP Lenders, working capital, administration costs of the Chapter 11 Case, and for general corporate purposes of the Company.
Milestones	<ul style="list-style-type: none"> Compliance with milestones reasonably acceptable to the DIP Lenders, including, but not limited to: <ul style="list-style-type: none"> File motions within 20 days after the Petition Date seeking approval of (i) one or more orders of the Bankruptcy Court approving the RSAs (the “<u>RSA Assumption Order(s)</u>”) and (ii) the Final DIP Order No later than 60 days after the Petition Date the Company shall file (i) an Acceptable Plan, (ii) a Disclosure Statement with respect to the Acceptable Plan, and (iii) a motion for hearings on the Disclosure Statement and the Acceptable Plan Entry of RSA Assumption Orders no later than 60 days after the Petition Date. Entry of Final DIP Order no later than 60 days after the Petition Date. Solicitation on Acceptable Plan completed no later than 120 days after the Petition Date Confirmation of Acceptable Plan no later than 150 days after the Petition Date Effective date of Acceptable Plan no later than 180 days after the Petition Date
Covenants	<ul style="list-style-type: none"> To include financial reporting and other covenants and conditions precedent usual and customary for facilities of this type.

DIP Term Loan Facility	
Tranche B	
Size	<ul style="list-style-type: none"> \$255 million multi-draw commitment, available upon entry of Final DIP Order
Security	<ul style="list-style-type: none"> Junior/subordinated lien on residual value of Tranche A Security Package
Rate	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A (until converted)
Amortization	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A (if not converted)
Term/Maturity	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A (if not converted)
Conversion	<ul style="list-style-type: none"> Upon the Effective Date, conversion into 79.50% of the equity of the reorganized Company (such conversion to be elected at the Company’s sole discretion)
Fee	<ul style="list-style-type: none"> 1.00% OID

Use of Proceeds	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A
Milestones	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A
Covenants	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A

Optional Exit Facility	
Optional Facility	<ul style="list-style-type: none"> The Company may, in its sole discretion, determine to enter into an optional exit facility to provide incremental additional funding for general operational purposes on terms substantially similar or better than those set forth below.
Size	<ul style="list-style-type: none"> \$125 million commitment
Security	<ul style="list-style-type: none"> First priority security interest in Tranche A Security Package
Rate	<ul style="list-style-type: none"> 1,050 bps (payable in cash)
Amortization	<ul style="list-style-type: none"> No amortization during first 12 months Quarterly amortization starting after month 12 to 50% balloon
Term/Maturity	<ul style="list-style-type: none"> 3 years

Treatment of Claims and Interests Under the Restructuring	
Claim	Proposed Treatment
Administrative Claims	Administrative Claims shall be unimpaired
Priority Claims	Priority Claims shall be unimpaired
Secured Bridge Loan(s)	<ul style="list-style-type: none"> February 10, 2021, \$60 million secured bridge facility to be refinanced in full by the DIP Term Loan Facility May 27, 2021, \$25 million secured bridge facility to be refinanced in full by the DIP Term Loan Facility August 19, 2021, \$15 million secured bridge facility to be refinanced in full by the DIP Term Loan Facility
Other Secured Debt	Secured Debt, including Aircraft Secured Debt, to be restructured per agreement (including all Secured Debt held by parties to RSAs).
General Unsecured Claims (Excluding Ordinary Course Trade Claims)	<ul style="list-style-type: none"> General unsecured claims (including, for the avoidance of doubt, all unsecured claims held by parties to RSAs) shall receive their pro-rata portion of 20.5 % of the equity of the reorganized Company. Unsecured claims held by DIP Lenders to be waived upon consummation of the Acceptable Plan.
Ordinary Course Trade Claims; Litigation Claims; Employee Claims	<ul style="list-style-type: none"> Ordinary Course Trade Claims held by a trade creditor, vendor, supplier, service provider, independent contractor or professional that will be providing goods and services to the Reorganized Debtor post-Effective Date shall be paid in the ordinary course of business pursuant to the orders entered by the Bankruptcy Court and otherwise shall be unimpaired. Prepetition Litigation Claims shall be disputed in the ordinary course of business and resolved in accordance with any settlements and orders issued by underlying courts (subject to Bankruptcy Court approval as required during the pendency of the case and in

	<p>the ordinary course of business upon emergence) and otherwise shall be unimpaired.</p> <ul style="list-style-type: none"> Employee Claims shall be paid in the ordinary course of business pursuant to the orders entered by the Bankruptcy Court and otherwise shall be unimpaired.
Intercompany Accounts	All intercompany accounts between Philippine Airlines, Inc. and its affiliates and subsidiaries shall be paid in the ordinary course of business pursuant to the orders entered by the Bankruptcy Court and otherwise shall be unimpaired.
Existing Equity	All existing equity interests of Philippine Airlines, Inc. (including common stock, preferred stock and any options, warrants, profit interest units, or rights to acquire any equity interests) shall be cancelled ¹ and holders of such interests shall receive no recovery on account of such interests.
Equity Interests in Subsidiaries	All existing equity interests held by Philippine Airlines, Inc. in any subsidiaries shall be reinstated and remain in place

Other Terms	
Filing Entity	Philippine Airlines, Inc. shall file a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York and shall also file a recognition proceeding under the Philippines Financial Rehabilitation and Insolvency Act ("FRIA").
Aircraft Fleet Restructuring	As part of the overall Restructuring, the Company shall reduce its aircraft fleet from 91 aircraft as of year-end 2019 to a long term operating fleet of 70 aircraft as of the Effective Date. All leases not otherwise assumed shall be rejected.
Post-Emergence New Equity Conversion	Within 12 months post-emergence, the Company shall launch an exchange process of converting shares in the Reorganized Debtor into shares in PAL Holdings, Inc., which is the publicly-listed parent of the Debtor in the Philippines. The applicable conversion percentage ratio of equity of the Reorganized Debtor based on an independent third party valuation by a valuation expert approved by the Philippines Stock Exchange (PSE). ² For the avoidance of doubt, the launch of an exchange process and any such post-emergence conversion shall be subject to applicable approvals, including by the PSA, the Securities and Exchange Commission (SEC) of the Philippines, the Bureau of Internal Revenue's certificate authorizing registration (CAR), submission of a special auditors report on the two companies acceptable the SEC and PSE and applicable board/shareholder approval.
New Board	The reorganized Company's initial board of directors (the "New Board") shall consist of directors to be designated by the DIP Term Loan Facility Tranche B Lender(s) in a manner to be determined (if converted at the Debtor's election).

¹ Such cancellation for the purposes of US bankruptcy laws shall be implemented in a manner consistent with Philippine corporate and securities laws.

² Valuation firms currently approved by the PSE include, by way of example, First Metro Investment Corporation, BDO Capital & Investment Corporation, CLSA Exchange Capital, Inc., Multinational Investment Bancorporation, FTI Consulting Philippines, Inc., Isla Lipana & Co. (affiliated with PWC), Punongbayan & Araullo (affiliated with Grant Thornton), R.G. Manabat & Co. (affiliated with KPMG), Navarro Amper & Co. (affiliated with Deloitte), ING Bank N.V., Manila Branch, BPI Capital Corporation, Unicapital Inc. and RCBC Capital Corporation.

Shareholders Agreement/Amended Governance Documents	Holders of the new equity of the reorganized Company shall be (or be deemed) parties to the New Shareholders' Agreement, the material terms of which shall be satisfactory in form and substance to the DIP Term Loan Facility Tranche B Lender(s). To the extent necessary, the reorganized Company's current corporate organizational documents shall be amended, and such amended governance documents shall be in form and substance satisfactory to the DIP Term Loan Facility Tranche B Lender(s).
Releases and Exculpation	The Plan and order confirming the Plan shall provide customary releases (including third party releases) and exculpation provisions, in each case, to the fullest extent permitted by law, for the benefit of the Company, the reorganized Company, the DIP Lenders, and such entities' respective current and former affiliates, and such entities' and their current and former affiliates' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and each of their current and former officers, managers, directors, equity holders, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.
Compliance with Laws	For the avoidance of doubt, the Plan and any implementation of the Plan shall, in addition to any required approvals by the Bankruptcy Court, be in compliance and be implemented in accordance with applicable legal and regulatory requirements.

ANNEX A

PLEDGED AIRCRAFT AND PLEDGED ENGINES

PART 1 – A320-200 Aircraft

The Aircraft 1

Aircraft 1

Manufacturer: Airbus
Model: A320-220
Serial Number: 3087

Engines 1

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Numbers: 697-192 and 697-197

The Aircraft 2

Aircraft 2

Manufacturer: Airbus
Model: A320-220
Serial Number: 3187

Engines 2

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Numbers: 697-344 and 697-348

The Aircraft 3

Aircraft 3

Manufacturer: Airbus
Model: A320-220
Serial Number: 3273

Engines 3

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Numbers: 697-560 and 697-457

The Aircraft 4

Aircraft 4

Manufacturer: Airbus
Model: A320-220
Serial Number: 3455

Engines 4

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Numbers: 697-652 and 697-682

The Aircraft 5

Aircraft 5

Manufacturer: Airbus
Model: A320-220
Serial Number: 3553

Engines 5

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Number: 697-818 and 697-838

The Aircraft 6

Aircraft 6

Manufacturer: Airbus
Model: A320-220
Serial Number: 3579

Engines 6

Manufacturer: CFM International

Model: CFM 56-5B4/3
Serial Number: 697-863 and 697-864

The Aircraft 7

Aircraft 7

Manufacturer: Airbus
Model: A320-220
Serial Number: 3652

Engines 7

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Number: 697-959 and 697-960

The Aircraft 8

Aircraft 8

Manufacturer: Airbus
Model: A320-220
Serial Number: 3731

Engines 8

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Number: 699-152 and 699-153

Part 2: DHC 8-300/400 Aircraft

Aircraft 1

Aircraft 1

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 653

Engines 1

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0048 and PCE-AR0049

Aircraft 2

Aircraft 2

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 657

Engines 2

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0050 and PCE-AR0051

Aircraft 3

Aircraft 3

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 658

Engines 3

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0052 and PCE-AR0053

Aircraft 4

Aircraft 4

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 583

Engines 4

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0031 and PCE-AR0040

Aircraft 5

Aircraft 5

Manufacturer: De Havilland of Canada

Model: DHC 8-400

Serial Number: 4069

Engines 5

Manufacturer: Pratt & Whitney

Model: PW150A

Serial Number: PCE-FA0157 and PCE-FA0068

Aircraft 6

Aircraft 6

Manufacturer: De Havilland of Canada

Model: DHC 8-400

Serial Number: 4023

Engines 6

Manufacturer: Pratt & Whitney

Model: PW150A

Serial Number: PCE-FA0012 and PCE-FA0968

Part 3 –Spare Engines

Spare Engine 1

Manufacturer: GE Aviation
Model: GE 90-115BL
Serial Number: 901007

Spare Engine 2

Manufacturer: Rolls Royce
Model: RR Trent
Serial Number: 42554

Spare Engine 3

Manufacturer: International Aero Engines
Model: IAE V2533-A5
Serial Number: V17502

Spare Engine 4

Manufacturer: CFM International
Model: CFM56-5B4 P
Serial Number: 779-314

Spare Engine 5

Manufacturer: CFM International
Model: CFM56-5B4 P
Serial Number: 779-341

~~June 10, 2021 Confidential~~
~~FRE 408 Settlement Communications~~

RESTRUCTURING TERM SHEET

September 3, 2021

This ~~non-binding indicative~~ term sheet (the “Term Sheet”) sets forth the principal terms of a comprehensive restructuring (the “Restructuring”) of the existing debt and other obligations of Philippine Airlines, Inc. and certain of its affiliates and subsidiaries (collectively, the “Company”). The Restructuring will be consummated through the commencement of a voluntary case (the “Chapter 11 Case”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) to implement a prearranged chapter 11 plan, in accordance with the terms of the restructuring support agreements to be executed by the Company and certain creditors supporting the Restructuring (each, an “RSA” and, together, the “RSAs”). Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to such terms in the RSAs.

THIS TERM SHEET DOES NOT CONSTITUTE AN OFFER OF SECURITIES OR A SOLICITATION OF THE ACCEPTANCE OR REJECTION OF A CHAPTER 11 PLAN FOR PURPOSES OF SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL ONLY BE MADE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES, BANKRUPTCY AND/OR OTHER APPLICABLE LAWS.

THE TRANSACTIONS DESCRIBED HEREIN WILL BE SUBJECT TO THE NEGOTIATION AND COMPLETION OF DEFINITIVE DOCUMENTS INCORPORATING THE TERMS SET FORTH HEREIN AND OTHERWISE IN FORM AND SUBSTANCE ACCEPTABLE TO THE DIP LENDERS, AND THE CLOSING OF ANY TRANSACTION SHALL BE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN SUCH AGREED DEFINITIVE DOCUMENTS.⁺

Material Terms of Credit Facilities Implemented as Part of Restructuring	
Term	Description
DIP Term Loan Facility	
Tranche A	
Size	<ul style="list-style-type: none">\$250 million multi-draw commitment, <u>\$20 million of which will be available in a single draw upon entry of an order approving the DIP Term Loan Facility on an interim basis in form and substance acceptable to the DIP Lenders (the “Interim DIP Order”) and the remainder of which will be</u> available upon entry of an order approving the DIP Term Loan Facility on a final basis (the “Final DIP Order”)
Security	<ul style="list-style-type: none">First priority security interest in eight (8) mid-life A320-200 aircraft and related engines (as more particularly described in Part 1 of Annex A hereto)First priority security interest in sevensix <u>(76)</u> mid-to-end of life DHC 8-300/400 aircraft and related engines (as more particularly described in Part 2 of Annex A hereto) (the foregoing aircraft, the “Pledged Aircraft”)

⁺ ~~For the avoidance of doubt, this Restructuring Term Sheet remains subject to further review and comment by the DIP Lenders and their agreement to reasonable definitive documentation.~~

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	<ul style="list-style-type: none"> First priority security interest in five (5) engines – GE90-115BL (1), RR Trent 772B-60 (1), IAE V2533-A5 (1), CFM56-5B4 (2) (in each case, as more particularly described in Part 3 of Annex A hereto) (the “<u>Pledged Engines</u>”) First priority security interest in Mabuhay Miles loyalty program contracts and related assets (the above together referred to as the “<u>Tranche A Security Package</u>”)
Rate	<ul style="list-style-type: none"> 950 bps (payable in cash or PIK in the Company’s sole discretion)
Amortization	<ul style="list-style-type: none"> Interest only for first 27 months Quarterly amortization (no balloon) starting in month 28
Term/Maturity	<ul style="list-style-type: none"> The earliest of (w) 63 months post-petition, (x) dismissal of the Chapter 11 Case or conversion of the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code, (y) acceleration of the DIP loans or (z) effective date of a chapter 11 plan in the Chapter 11 Case.
Conversion	<ul style="list-style-type: none"> Upon the effective date (“<u>Effective Date</u>”) of a plan of reorganization consistent with the RSAs (an “<u>Acceptable Plan</u>”), the Tranche A Security Package shall be released and the DIP Term Loan Facility Tranche A shall convert into an unsecured loan facility for the remainder of the original 63 month post-petition term (such conversion to be elected by the Company at the Company’s sole discretion)
Fee	<ul style="list-style-type: none"> +1.00% OID
Use of Proceeds	<ul style="list-style-type: none"> Refinancing of prepetition bridge loans, payment of fees, costs and expenses of the DIP Lenders, working capital, administration costs of the Chapter 11 Case, and for general corporate purposes of the Company.
Milestones	<ul style="list-style-type: none"> Compliance with milestones reasonably acceptable to the DIP Lenders, including, but not limited to: <ul style="list-style-type: none"> File motions within 20 days after the Petition Date seeking approval of (i) one or more orders of the Bankruptcy Court approving the RSAs (the “<u>RSA Assumption Order(s)</u>”) and (ii) the Final DIP Order No later than 60 days after the Petition Date the Company shall file (i) an Acceptable Plan, (ii) a Disclosure Statement with respect to the Acceptable Plan, and (iii) a motion for hearings on the Disclosure Statement and the Acceptable Plan Entry of RSA Assumption Orders no later than 60 days after the Petition Date. Entry of Final DIP Order no later than 60 days after the Petition Date. Solicitation on Acceptable Plan completed no later than 120 days after the Petition Date Confirmation of Acceptable Plan no later than 150 days after the Petition Date Effective date of Acceptable Plan no later than 180 days after the Petition Date
Covenants	<ul style="list-style-type: none"> To include financial reporting and other covenants and conditions precedent usual and customary for facilities of this type.

DIP Term Loan Facility	
Tranche B	
Size	<ul style="list-style-type: none"> \$255 million multi-draw commitment, available upon entry of final <u>Final</u> DIP order <u>Order</u>
Security	<ul style="list-style-type: none"> Junior/subordinated lien on residual value of Tranche A Security Package
Rate	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A (until converted)
Amortization	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A (if not converted)

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Term/Maturity	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A (if not converted)
Conversion	<ul style="list-style-type: none"> Upon the Effective Date, conversion into 79.50% of the equity of the reorganized Company at a 7.50% discount to Plan Equity Value (such conversion to be elected at the Company's sole discretion)
Fee	<ul style="list-style-type: none"> 1.00% OID; exit fee of 8.50%
Use of Proceeds	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A
Milestones	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A
Covenants	<ul style="list-style-type: none"> Same as DIP Term Loan Facility Tranche A

Optional Exit Facility	
Optional Facility	<ul style="list-style-type: none"> The Company may, in its sole discretion, determine to enter into an optional exit facility to provide incremental additional funding for general operational purposes on terms substantially similar or better than those set forth below.
Size	<ul style="list-style-type: none"> \$125 million commitment
Security	<ul style="list-style-type: none"> First priority security interest in Tranche A Security Package
Rate	<ul style="list-style-type: none"> 1,050 bps (payable in cash)
Amortization	<ul style="list-style-type: none"> No amortization during first 12 months Quarterly amortization starting after month 12 to 50% balloon
Term/Maturity	<ul style="list-style-type: none"> 3 years

Treatment of Claims and Interests Under the Restructuring	
Claim	Proposed Treatment
Administrative Claims	Administrative Claims shall be unimpaired
Priority Claims	Priority Claims shall be unimpaired
Secured Bridge Loan(s)	<ul style="list-style-type: none"> February 10, 2021, \$60 million secured bridge facility to be refinanced in full by the DIP Term Loan Facility May 27, 2021, \$25 million secured bridge facility to be refinanced in full by the DIP Term Loan Facility <u>August 19, 2021, \$15 million secured bridge facility to be refinanced in full by the DIP Term Loan Facility</u>
Other Secured Debt	Secured Debt, including Aircraft Secured Debt, to be restructured per agreement (including all Secured Debt held by parties to RSAs).
General Unsecured Claims (Excluding Ordinary Course Trade Claims)	<ul style="list-style-type: none"> <u>General unsecured claims (including, for the avoidance of doubt, all unsecured claims held by parties to RSAs) shall receive their pro-rata portion of 20.5%² of the</u>

²- ~~Such equity (including, for the avoidance of doubt, any equity received by the DIP Lender(s)) shall be diluted on a pro-rata basis by any MIP Equity.~~

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	<p>equity of the reorganized Company.</p> <ul style="list-style-type: none"> • <u>Unsecured claims held by DIP Lenders to be waived upon consummation of the Acceptable Plan.</u>
Ordinary Course Trade Claims; Litigation Claims; Employee Claims	<ul style="list-style-type: none"> • Ordinary Course Trade Claims held by a trade creditor, vendor, supplier, service provider, independent contractor or professional that will be providing goods and services to the Reorganized Debtor post-Effective Date shall be paid in the ordinary course of business pursuant to the orders entered by the Bankruptcy Court and otherwise shall be unimpaired. • Prepetition Litigation Claims shall be disputed in the ordinary course of business and resolved in accordance with any settlements and orders issued by underlying courts (subject to Bankruptcy Court approval as required during the pendency of the case and in the ordinary course of business upon emergence) and otherwise shall be unimpaired. • Employee Claims shall be paid in the ordinary course of business pursuant to the orders entered by the Bankruptcy Court and otherwise shall be unimpaired.
Intercompany Accounts	All intercompany accounts between Philippine Airlines, Inc. and its affiliates and subsidiaries shall be paid in the ordinary course of business pursuant to the orders entered by the Bankruptcy Court and otherwise shall be unimpaired.
Existing Equity	All existing equity interests of Philippine Airlines, Inc. (including common stock, preferred stock and any options, warrants, profit interest units, or rights to acquire any equity interests) shall be cancelled ³¹ and holders of such interests shall receive no recovery <u>on account of such interests.</u>
Equity Interests in Subsidiaries	All existing equity interests held by Philippine Airlines, Inc. in any subsidiaries shall be reinstated and remain in place

Other Terms	
Filing Entity	Philippine Airlines, Inc. shall file a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York and shall also file a recognition proceeding under the Philippines Financial Rehabilitation and Insolvency Act ("FRIA").
Aircraft Fleet Restructuring	As part of the overall Restructuring, the Company shall reduce its aircraft fleet from 91 aircraft as of year-end 2019 to a long term operating fleet of 70 aircraft as of the Effective Date. All leases not otherwise assumed shall be rejected.
Post-Emergence New Equity Conversion	Within 12 months post-emergence, the Company shall launch an exchange process of converting shares in the Reorganized Debtor into shares in PAL Holdings, Inc., which is the publicly-listed parent of the Debtor in the Philippines. The applicable conversion percentage ratio of equity of the Reorganized Debtor based on an independent third party valuation by a valuation expert approved by the Philippines Stock Exchange (PSE). ⁴² For the avoidance of doubt, the launch of an exchange process and any such post-emergence conversion shall be subject to applicable approvals, including by the PSA, the Securities and Exchange Commission (SEC) of the Philippines, the Bureau of Internal Revenue's

³¹ Such cancellation for the purposes of US bankruptcy laws shall be implemented in a manner consistent with Philippine corporate and securities laws.

⁴² Valuation firms currently approved by the PSE include, by way of example, First Metro Investment Corporation, BDO Capital & Investment Corporation, CLSA Exchange Capital, Inc., Multinational Investment Bancorporation, FTI Consulting Philippines, Inc., Isla Lipana & Co. (affiliated with PWC), Punongbayan & Araullo (affiliated with Grant Thornton), R.G. Manabat & Co. (affiliated with KPMG), Navarro Amper & Co. (affiliated with Deloitte), ING Bank N.V., Manila Branch, BPI Capital Corporation, Unicapital Inc. and RCBC Capital Corporation.

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	certificate authorizing registration (CAR), submission of a special auditors report on the two companies acceptable the SEC and PSE and applicable board/shareholder approval.
Management Incentive Plan	Among other things, the Plan shall provide for the establishment of a management equity incentive plan under which new equity representing up to 10% of the new common stock of the Company authorized on the Effective Date on a fully diluted basis (the “MIP Equity”) may be reserved for grants (or restricted stock units, options or other instruments) made from time to time to the directors, officers, and other management of the reorganized Company, subject to the terms and conditions established from time to time in the discretion of the New Board (as defined below).
New Board	The reorganized Company’s initial board of directors (the “ <u>New Board</u> ”) shall consist of directors to be designated by the DIP Term Loan Facility Tranche B Lender(s) in a manner to be determined <u>(if converted at the Debtor’s election)</u> .
Shareholders Agreement/Amended Governance Documents	Holders of the new equity of the reorganized Company shall be (or be deemed) parties to the New Shareholders’ Agreement, the material terms of which shall be satisfactory in form and substance to the DIP Term Loan Facility Tranche B Lender(s). To the extent necessary, the reorganized Company’s current corporate organizational documents shall be amended, and such amended governance documents shall be in form and substance satisfactory to the DIP Term Loan Facility Tranche B Lender(s).
Releases and Exculpation	The Plan and order confirming the Plan shall provide customary releases (including third party releases) and exculpation provisions, in each case, to the fullest extent permitted by law, for the benefit of the Company, the reorganized Company, the DIP Lenders, and such entities’ respective current and former affiliates, and such entities’ and their current and former affiliates’ current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and each of their current and former officers, managers, directors, equity holders, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.
Compliance with Laws	For the avoidance of doubt, the Plan and any implementation of the Plan shall, in addition to any required approvals by the Bankruptcy Court, be in compliance and be implemented in accordance with applicable legal and regulatory requirements.

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ANNEX A

PLEDGED AIRCRAFT AND PLEDGED ENGINES

PART 1 – A320-200 Aircraft

The Aircraft 1

Aircraft 1

Manufacturer: Airbus
Model: A320-220
Serial Number: 3087

Engines 1

Manufacturer: CFM International
Model: ~~CFM~~CFM 56-5B4/3
Serial Numbers: 697-192 and 697-197

The Aircraft 2

Aircraft 2

Manufacturer: Airbus
Model: A320-220
Serial Number: 3187

Engines 2

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Numbers: 697-344 and 697-348

The Aircraft 3

Aircraft 3

Manufacturer: Airbus
Model: A320-220
Serial Number: 3273

Engines 3

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Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Numbers: 697-560 and 697-457

The Aircraft 4

Aircraft 4

Manufacturer: Airbus
Model: A320-220
Serial Number: 3455

Engines 4

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Numbers: 697-652 and 697-682

The Aircraft 5

Aircraft 5

Manufacturer: Airbus
Model: A320-220
Serial Number: 3553

Engines 5

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Number: 697-818 and 697-838

The Aircraft 6

Aircraft 6

Manufacturer: Airbus
Model: A320-220
Serial Number: 3579

Engines 6

Manufacturer: CFM International

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Model: CFM 56-5B4/3
Serial Number: 697-863 and 697-864

The Aircraft 7

Aircraft 7

Manufacturer: Airbus
Model: A320-220
Serial Number: 3652

Engines 7

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Number: 697-959 and 697-960

The Aircraft 8

Aircraft 8

Manufacturer: Airbus
Model: A320-220
Serial Number: 3731

Engines 8

Manufacturer: CFM International
Model: CFM 56-5B4/3
Serial Number: 699-152 and 699-153

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Part 2: DHC 8-300/400 Aircraft

Aircraft 1

Aircraft 1

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 653

Engines 1

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0048 and PCE-AR0049

Aircraft 2

Aircraft 2

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 657

Engines 2

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0050 and PCE-AR0051

Aircraft 3

Aircraft 3

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 658

Engines 3

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0052 and PCE-AR0053

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Aircraft 4

Aircraft 4

Manufacturer: De Havilland of Canada

Model: DHC 8-300

Serial Number: 583

Engines 4

Manufacturer: Pratt & Whitney

Model: PW123B

Serial Number: PCE-AR0031 and PCE-AR0040

Aircraft 5

Aircraft 5

Manufacturer: De Havilland of Canada

Model: DHC 8-400

Serial Number: 4069

Engines 5

Manufacturer: Pratt & Whitney

Model: PW150A

Serial Number: PCE-FA0157 and PCE-FA0068

Aircraft 6

Aircraft 6

Manufacturer: De Havilland of Canada

Model: DHC 8-400

Serial Number: 4023

Engines 6

Manufacturer: Pratt & Whitney

Model: PW150A

Serial Number: PCE-FA0012 and PCE-FA00260968

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~~Aircraft 7⁵~~

~~Aircraft 7~~

~~Manufacturer: De Havilland of Canada~~

~~Model: [REDACTED]~~

~~Serial Number: [REDACTED]~~

~~Engines 7~~

~~Manufacturer: Pratt & Whitney~~

~~Model: [REDACTED]~~

~~Serial Number: [REDACTED]~~

⁵ ~~Borrower to confirm details of potential collateral.~~

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Part 3 –Spare Engines

Spare Engine 1

Manufacturer: GE Aviation
Model: GE 90-115BL
Serial Number: 901007

Spare Engine 2

Manufacturer: Rolls Royce
Model: RR Trent
Serial Number: 42554

Spare Engine 3

Manufacturer: International Aero Engines
Model: IAE V2533-A5
Serial Number: V17502

Spare Engine 4

Manufacturer: CFM International
Model: CFM56-5B4 P
Serial Number: 779-314

Spare Engine 5

Manufacturer: CFM International
Model: CFM56-5B4 P
Serial Number: 779-341