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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Chapter 11
	:	
GARRETT MOTION INC., <i>et al.</i> , <sup>1</sup>	:	Case No. ____ ( )
	:	
Debtors.	:	Joint Administration Pending
	:	
	:	
_____	x	

**DEBTORS’ MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS  
(I) AUTHORIZING, BUT NOT DIRECTING, THE DEBTORS TO (A) PAY  
PREPETITION WAGES, SALARIES, EMPLOYEE BENEFITS, PREPETITION  
PAYROLL TAXES AND OTHER COMPENSATION AND (B) MAINTAIN EMPLOYEE  
COMPENSATION AND BENEFITS PROGRAMS AND PAY RELATED  
ADMINISTRATIVE OBLIGATIONS, (II) AUTHORIZING APPLICABLE BANKS AND  
OTHER FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED  
CHECKS AND TRANSFERS AND (III) GRANTING RELATED RELIEF**

Garrett Motion Inc. and certain of its affiliated debtors and debtors-in-possession (collectively, the “Debtors”) hereby submit this motion (this “Motion”) for entry of an interim order, substantially in the form attached hereto as Exhibit A (the “Interim Order”), and a final

<sup>1</sup> The last four digits of Garrett Motion Inc.’s tax identification number are 3189. Due to the large number of debtor entities in these Chapter 11 Cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ proposed claims and noticing agent at <http://www.kccllc.net/garrettmotion>. The Debtors’ corporate headquarters is located at La Pièce 16, Rolle, Switzerland.



order, substantially in the form attached hereto as Exhibit B (the “Final Order” and together with the Interim Order, the “Orders”), pursuant to sections 105(a), 362, 363, 507, 1107 and 1108 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and rule 6003 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), (a) authorizing, but not directing, the Debtors, in their sole discretion, to (i) pay their outstanding Prepetition Employee Obligations (as defined below) and (ii) maintain their existing Employee Compensation and Benefits (as defined below); (b) authorizing applicable banks and other financial institutions to honor and process related checks and transfers; and (c) granting certain related relief, including scheduling a hearing to consider approval of the Motion on a final basis (the “Final Hearing”). The facts and circumstances supporting this Motion are set forth in the concurrently filed *Declaration of Sean Deason in Support of the Debtors’ Chapter 11 Petitions and First Day Pleadings* (the “Deason First Day Declaration”) and the *Declaration of Scott Tandberg in Support of the Debtors’ Chapter 11 Petitions and First Day Pleadings* (the “Tandberg First Day Declaration” and together with the Deason First Day Declaration, the “First Day Declarations”). In further support of the Motion, the Debtors respectfully state as follows:

### **Background**

1. Garrett Motion Inc. is a Delaware corporation established in 2018, with its headquarters located in Rolle, Switzerland. The Debtors design, manufacture and sell highly engineered turbocharger, electric-boosting and connected vehicle technologies.

2. On the date hereof (the “Petition Date”), each of the Debtors filed with the Court a voluntary petition for relief under the Bankruptcy Code. Each Debtor continues to operate its business and manage its properties as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Concurrent with the filing of this Motion, the

Debtors filed a motion with the Court pursuant to Bankruptcy Rule 1015 seeking joint administration of the Debtors' cases (the "Chapter 11 Cases"). No creditors' committee, trustee or examiner has been appointed in these Chapter 11 Cases.

3. Additional factual background relating to the Debtors' businesses and the commencement of these Chapter 11 Cases is set forth in detail in the First Day Declarations.

### **Facts Specific to the Relief Requested**

#### **I. The Debtors' Workforce**

4. As of the Petition Date, the Debtors have approximately 3,510 employees<sup>2</sup> in both full- and part-time positions, including salaried employees, administrative support staff and other personnel. Of these employees, 3,280 are located outside of the United States (the "Non-U.S. Employees"), including all of the employees that are represented by collective bargaining agreements, and 230 are located in the United States, 163 of which are located in California (the "U.S. Employees" and, together with the Non-U.S. Employees, the "Employees").<sup>3</sup> The following table sets forth the number of Employees located in each jurisdiction where the Debtors operate.

<b>Jurisdiction</b>	<b>Number of Employees</b>
<b>United States</b>	230
<b>Australia</b>	9
<b>Ireland</b>	240
<b>Italy</b>	37
<b>Japan</b>	125

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<sup>2</sup> The Debtors and their non-debtor affiliates employ approximately 6,750 employees worldwide as of the Petition Date; however, this Motion does not address such employees located in Brazil, China, Czech Republic, France, Germany, Hungary, Korea, India, Morocco, Russia, South Africa, Thailand and Turkey, all of whom are employed by non-debtor entities.

<sup>3</sup> Approximately 2,200 Non-U.S. Employees are represented by collective bargaining agreements, works councils or unions, including the following: the Australian Manufacturing Workers Union and the Australian Electrical Trades Union, the Romania Sindicatul Allied Signal (union), the Ireland Company Union Agreements, the UK Employee Consultation Team Agreement, the Slovakia Employee Forum, and the TS European Works Council (covering Non-U.S. Employees in Ireland, Italy, Romania, Slovakia, Switzerland and the United Kingdom). None of the U.S. Employees are represented by collective bargaining agreements or unions.

<b>Jurisdiction</b>	<b>Number of Employees</b>
<b>Luxembourg</b>	-
<b>Mexico</b>	799
<b>Romania</b>	1,055
<b>Slovakia</b>	784
<b>Switzerland</b>	110
<b>United Kingdom</b>	121

5. The Employees perform a wide variety of functions critical to the Debtors' daily operations, the administration of these Chapter 11 Cases and the Debtors' successful restructuring. Many of the Employees are highly trained personnel who are not easily replaced, and their continued, uninterrupted services are critical to the Debtors' ongoing operations and successful restructuring. The continued payment of compensation and benefits to the Employees in the ordinary course not only supports the stable operation of the Debtors' businesses during these chapter 11 proceedings, but also enhances creditors' recoveries by preserving the going-concern value of the Debtors' estates.

6. Faced with the disruption caused by the COVID-19 crisis, the Debtors have implemented partial furloughs, pay reductions and other cost-saving measures in order to avoid significant permanent layoffs and to position the Debtors and their Employees for long-term success. For example, approximately 85% of the U.S. Employees are furloughed without pay for approximately eight, one-half days per month through October 2, 2020, reducing the Debtors' average gross biweekly payroll to U.S. Employees by approximately 20%. Outside of the United States, the Debtors have applied for state-funded leave where it is available, and if not available, have endeavored to provide a form of leave funded by the Debtors or permitted Employees to use any accrued vacation to cover unpaid furlough periods. In Switzerland, all Employees are subject to a 10% pay cut for the month of September. The Debtors evaluate the furlough measures implemented in all jurisdictions where they operate on an ongoing basis and

expect to terminate any periods of unpaid leave or temporary pay reductions as soon as the Debtors determine it is possible to resume ordinary course operations.

## **II. Employee Compensation Obligations**

7. In the ordinary course of business, the Debtors incur a number of obligations in compensating the Employees for their services, including wages, salaries, deductions and payroll taxes, severance, expense reimbursement obligations, referral payments, incentive programs and non-insider retention awards (collectively, and along with any related obligations and administrative expenses outlined or referenced in this Section II, the “Employee Compensation Obligations”).<sup>4</sup> By this Motion, the Debtors request authority, but not direction, to pay certain prepetition amounts related to the Employee Compensation Obligations and to continue to pay the Employee Compensation Obligations on a postpetition basis in the ordinary course of business and pursuant to past practices, as discussed in greater detail below.<sup>5</sup>

### **A. Unpaid Compensation**

8. In the ordinary course of business, the Debtors make payroll payments by direct deposit bank transfer to Employee accounts. The Debtors engage the services of third-party processing vendors for payroll administration, including assistance with remitting tax payments and fulfilling reporting requirements, for which the Debtors pay aggregate monthly fees of approximately \$180,000. The table below provides the Debtors’ aggregate average gross monthly payroll amount and payment frequency in each jurisdiction where the Debtors operate.<sup>6</sup>

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<sup>4</sup> In addition to the Employee Compensation Obligations, the Debtors offer Employees a number of insurance, retirement and savings plans, and other employee benefits described in greater detail in Section III below.

<sup>5</sup> In the ordinary course, the Debtors conduct annual merit compensation increases, which have been delayed for certain non-insider Employees because of cost-saving measures implemented by the Debtors in response to COVID-19. Out of an abundance of caution, the Debtors request the authority, but not the direction, to implement such merit increases in the ordinary course and pursuant to past practices.

<sup>6</sup> In addition, Non-U.S. Employees in certain jurisdictions receive seasonal bonus and/or holiday pay as provided for by local law or labor contract and/or is customary in the applicable jurisdiction. For example, Employees in

<b>Jurisdiction</b>	<b>Average Gross Monthly Payroll (USD)</b>	<b>Wages Payment Frequency</b>
<b>United States</b>	\$2,800,000	Biweekly
<b>Australia</b>	\$63,000	Biweekly
<b>Ireland</b>	\$1,500,000	Monthly and Weekly
<b>Italy</b>	\$340,000	Monthly
<b>Japan</b>	\$740,000	Monthly
<b>Mexico</b>	\$1,400,000	Weekly
<b>Romania</b>	\$3,200,000	Monthly
<b>Slovakia</b>	\$1,500,000	Monthly
<b>Switzerland</b>	\$2,300,000	Monthly
<b>United Kingdom</b>	\$700,000	Monthly
<b>Total</b>	<b>\$14,543,000 per month</b>	-

9. The Debtors estimate that, as of the Petition Date, they owe approximately \$7,500,000 in accrued and unpaid prepetition wages and salaries to Employees, inclusive of employee payroll taxes and deductions related to benefit plans, all of which was earned within 180 days before the Petition Date (collectively, the “Prepetition Unpaid Compensation”), and request authority, but not direction, to pay such Prepetition Unpaid Compensation and to continue to pay wages, salaries and related compensation (including holiday and/or seasonal pay and any fees due to third parties in respect of payroll processing) in the ordinary course of business consistent with past practice during the postpetition periods.

10. The Debtors do not believe that they owe any Employee prepetition amounts in excess of the \$13,650 cap under section 507(a)(4) of the Bankruptcy Code.

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Switzerland and Italy have their annual base salary divided into 13 installments and are paid their 13<sup>th</sup> monthly salary in December (with certain non-management Employees in Italy also receiving a 14<sup>th</sup> month payment in July). Employees in other jurisdictions are eligible to receive seasonal pay during the summer and/or a Christmas bonus. The aggregate annual amount typically paid to Non-U.S. Employees in respect of seasonal and/or holiday pay, excluding 13<sup>th</sup> monthly salaries, is approximately \$1,500,000 and is paid through ordinary payroll processes.

B. Withholding and Deduction Obligations

11. The Debtors are required by law to withhold from Employees' and Non-Employee Directors' wages, salaries and other compensation certain amounts related to federal, state and local income taxes and Social Security, Medicare and imputed taxes, as well as similar non-U.S. taxes, for remittance to the appropriate taxing authorities (the "Withholdings"). Further, the Debtors must match from their own funds certain U.S. taxes (such as Social Security and Medicare taxes) and pay, based on a percentage of gross payroll, additional amounts for federal and state taxes, such as unemployment and disability insurance, as well as any similar obligations under the laws of the various non-U.S. jurisdictions where the Debtors operate (the "Employer Payroll Taxes" and, together with the Withholdings, the "Payroll Taxes"). Excluding the impact of any temporary furloughs or pay reductions, the Debtors' ordinary Payroll Taxes are approximately \$410,000 on a biweekly basis for the U.S. Employees and are approximately \$5,100,000 on a monthly basis in the aggregate for Non-U.S. Employees.

12. In addition to the Withholdings, the Debtors routinely deduct certain amounts from Employees' paychecks for child support and other garnishments and pre- and post-tax deductions payable pursuant to certain of the Employee Benefits Programs discussed below (including 401(k) plan contributions) (collectively, the "Deductions"). On average, the Debtors deduct approximately \$570,000 per biweekly payroll from U.S. Employees' paychecks, and approximately \$2,000,000 per monthly payroll from Non-U.S. Employees' paychecks.

13. The Debtors estimate that there is approximately \$1,100,000 of accrued Employer Payroll Taxes outstanding as of the Petition Date. In addition, due to the commencement of these Chapter 11 Cases, certain prepetition Payroll Taxes and Deductions may not have been remitted or forwarded to the appropriate recipient before the Petition Date. The Debtors therefore request authority, but not direction, (a) to process, or to direct third parties

to process, any unpaid or unremitted Payroll Taxes and Deductions as of the Petition Date and (b) to continue to honor and process, or to direct third parties to continue to process, Payroll Taxes and Deductions on a postpetition basis, in the ordinary course of business, in accordance with their prepetition practices.

C. Temporary Employees

14. In the ordinary course, the Debtors rely on the support of temporary workers and independent contractors (“Temporary Employees”) retained through staffing agencies to perform a wide range of services critical to the Debtors’ operations, including information technology and seasonal services, with a particular concentration of Temporary Employees located in Romania and Mexico. The staffing agencies recruit, interview, screen and assign qualified Temporary Employees upon request by the Debtors. As part of their agreements with the Debtors, the staffing agencies maintain personnel and payroll records, pay, withhold and transmit payroll taxes, make unemployment contributions, and handle unemployment and workers’ compensation claims for the Temporary Employees. During the last 12 months, the Debtors paid approximately \$26,300,000 to staffing agencies for their services, inclusive of the compensation due to the Temporary Employees retained through each vendor. Recently, the use of Temporary employees has been reduced in light of the ongoing COVID-19 global pandemic, and the Debtors estimate that their U.S. entities currently employ approximately 4 Temporary Employees and their non-U.S. entities currently employ approximately 661 Temporary Employees. As of the Petition Date, the Debtors estimate that they owe approximately \$6,800,000 to staffing agencies. By this Motion, the Debtors request authority, but not direction, to pay unpaid prepetition Temporary Employee staffing expenses and to continue to pay staffing expenses in the ordinary course of business on a postpetition basis.

D. Reimbursable Business Expenses

15. At any given time, the Debtors may have outstanding obligations to certain Employees for reimbursement of reasonable and customary out-of-pocket business expenses incurred on behalf of the Debtors in connection with their employment (the “Reimbursable Expenses”).<sup>7</sup> The Reimbursable Expenses include travel expenses such as airfare, rental cars, lodging, meals and entertainment and other ordinary business expenses. In 2019, the Debtors paid approximately \$87,000 to U.S. Employees and \$295,000 to Non-U.S. Employees in respect of Reimbursable Expenses. As of the Petition Date, the Debtors believe that they owe approximately \$35,000 in Reimbursable Expenses. By this Motion, the Debtors request authority, but not direction, to pay unpaid prepetition Reimbursable Expenses and to continue to pay Reimbursable Expenses in the ordinary course of business on a postpetition basis.

E. Recognition Payments

16. In order to reduce turnover, the Debtors award special payments to employees who assist the Debtors in successfully recruiting new hires (“Employee Referral Program”) and excel in contributing to the Debtors through various ways (“Bravo Program,” and together with the Employee Referral Program, the “Recognition Payments”), as well as engage a

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<sup>7</sup> In connection with the Reimbursable Expenses, the Debtors also maintain a purchasing card program with Citibank, N.A. (the “Card Program”). Under the Card Program, the Debtors provide company-sponsored credit cards to eligible employees for authorized travel and other business-related purchases and expenses. The Debtors pay accrued balances under the Card Program directly and deduct any personal expenses incurred on the cards from Employees’ paychecks. Additional information regarding the processing of payments under the Card Program is contained in the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing, but not Directing, the Debtors to (A) Continue to Use Their Cash Management System, Including Existing Bank Accounts, (B) Honor Certain Prepetition Obligations Related Thereto and (C) Maintain Existing Business Forms, (II) Authorizing Intercompany Transactions, (III) Waiving the Requirements of Section 345(B) and (IV) Granting Related Relief* (the “Cash Management Motion”). All relief with respect to the Card Program is being sought pursuant to the Cash Management Motion and the information contained herein is presented solely for illustrative purposes.

third-party vendor to provide gifts to Employees who complete certain milestone years of service with the Debtors (“Anniversary Gifts”). Recipients of Bravo Program payments are nominated by other Employees, with the ultimate decision of the recipients and amounts of awards to be approved by a manager or Human Resources. The Recognition Payments enable the Debtors to attract new talent for open positions, reward stellar Employees for their hard work and incentivize Employees to continue their employment with the Debtors. In 2019, the Debtors paid approximately \$10,000 to U.S. Employees and \$40,000 to Non-U.S. Employees under the Employee Referral Program and approximately \$47,000 to U.S. Employees and \$450,000 to Non-U.S. Employees under the Bravo Program. As of the Petition Date, the Debtors estimate they owe less than \$5,000 to Employees on account of the Recognition Payments. The Debtors request the authority, but not direction, to pay such prepetition Recognition Payments and to continue the Recognition Payments programs in the ordinary course on a postpetition basis. In addition, the Debtors owe \$70,000 to the third-party vendor responsible for the Anniversary Gifts program as of the Petition Date and request authority to pay such prepetition amounts as well as to continue the Anniversary Gifts program postpetition in the ordinary course of business.

F. Continuity Awards for Non-Insider Employees

17. In connection with a comprehensive review and revision of the Debtors’ 2020 incentive compensation programs, on June 15, 2020, the Debtors approved the grant of individual continuity awards to key Employees that provide recipients with cash payments subject to continued employment through the specified retention date. As of the Petition Date, continuity award payments remain outstanding to certain non-insider Employees whose awards are scheduled to be paid 50% in January 2021 and the remaining 50% in July 2021, all of which have an aggregate value of approximately \$2,200,000 (the “Non-Insider Continuity Awards”)

and were provided in lieu of any 2020 annual incentive opportunities and LTIP awards.<sup>8</sup> The Debtors request authority in the Final Order, but not direction, to pay the Non-Insider Continuity Awards in accordance with their existing terms. The Debtors do not, by this Motion, request the authority to grant any additional continuity awards, but reserve the right to seek such authority by separate motion.

G. Sales Incentive Plans

18. The Debtors maintain four short-term global sales incentive plans and various factory- or location-based incentive plans, all of which are designed to reward top-performing Employees, none of whom are “insiders” of the Debtors as defined in section 101(31) of the Bankruptcy Code.<sup>9</sup> The Aftermarket Sales Incentive Plan (“SIP”) applies to Employees in the Debtors’ aftermarket business that are either sales managers, account managers or account directors and provides payments upon the achievement of certain annual revenue targets. The Connected Vehicle Incentive Plan (“CVIP”) applies to Employees in the Debtors’ connected vehicle business who perform well in securing production programs, increasing revenues under production programs and decreasing costs. The Customer Management Incentive Plan (“CMIP”) applies to Employees in customer-interfacing positions, such as sales managers and account directors, who excel in improving the Debtors’ position in terms of market share, pricing, margins and collection of receivables. The Management Incentive Plan for the Debtors’ middle management (“MMIP”) applies to non-insider management Employees generally holding positions ranging from lead professional to senior director within business

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<sup>8</sup> Three recipients of Non-Insider Continuity Awards are participants in the MMIP (as defined below) and forfeited only their participation in 2020 annual LTIP awards (and not their participation in the 2020 MMIP).

<sup>9</sup> The Debtors’ insiders (as such term is defined in section 101(31) of the Bankruptcy Code) consist of the Debtors’ non-employee directors and all Employees designated as officers for purposes of section 16 of the Securities Exchange Act of 1934 in 2020 and during these Chapter 11 Cases.

units or functions. In addition, the Debtors' FMP Sales Incentive Plan, the APAC Employee Incentive Plan and the APAC ISC Incentive Plan (collectively with the SIP, CVIP, CMIP, MMIP and the factory- or location-specific plans, the "Sales Incentive Plans") provide rewards to Employees in certain Asia & Pacific jurisdictions upon the achievement of specified strategic objectives. The Debtors estimate that approximately \$2,000 in prepetition awards pursuant to factory-specific bonus programs in Mexico will become due to Employees during the first 21 days of these Chapter 11 cases. Accordingly, the Debtors request the authority, but not direction, to pay such prepetition amounts and to continue the Sales Incentive Plans postpetition in the ordinary course of business, solely upon entry of the Final Order.

H. Long-Term Incentive Plan Awards

19. The Debtors have historically provided a portion of certain Employees' total annual compensation in the form of long-term incentive awards. The Garrett Motion Inc. Stock Incentive Plan is a long-term incentive plan (the "LTIP") that provides awards to Employees in the form of cash- and/or stock-based awards that typically vest over a multi-year period based on continued employment and, in certain cases, achieving pre-established performance targets.<sup>10</sup> In the event of a change in control of Garret Motion Inc., the LTIP provides that outstanding awards that are not assumed, substituted or continued by the acquiror will accelerate and vest as of immediately prior to the change in control. By this Motion, the Debtors request the authority, but not direction, to honor and settle any outstanding LTIP awards in stock in accordance with the terms of the LTIP and applicable award agreement, as well as

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<sup>10</sup> In connection with the spinoff from Honeywell in 2018, the Debtors implemented a Performance Plan to replace Honeywell awards forfeited for certain Employees, including the issuance of performance units denominated in cash with a performance period of either January 1, 2019 through December 31, 2020 or January 1, 2019 through December 31, 2021 that can be settled in cash or stock in the Debtors' discretion. The Debtors are not requesting the authority to settle any performance units in cash.

pay or process any required withholding or other taxes, solely upon entry of the Final Order.

The Debtors are not requesting authority to pay or settle any LTIP awards in cash or award any new LTIP awards by this Motion, but reserve the right to seek authority to do so by separate Motion.

I. Non-Insider Retention Awards

20. In the ordinary course, the Debtors grant certain non-insider Employees cash- or equity-based retention awards (“Non-Insider Retention Awards”). Payment of the Non-Insider Retention Awards is generally subject to continued employment through a one-to-three year retention period,<sup>11</sup> and are typically in the amount of 10% to 20% of the recipient’s annual base salary. The value of outstanding Non-Insider Retention Awards that are expected to become payable during 2020 and in the first quarter of 2021 is approximately \$670,000,<sup>12</sup> solely in the form of cash. The Debtors request the authority in the Final Order, but not the direction, to pay outstanding Non-Insider Retention Awards that become due during the Chapter 11 Cases in accordance with their existing terms, and to continue to grant Non-Insider Retention Awards to non-insider Employees in the ordinary course of business consistent with the Debtors’ past practice.

J. Severance Obligations

21. The Debtors provide eligible U.S. Employees and officers of Garrett Motion Inc. with certain benefits in the event of a qualifying termination of their employment, with the level of benefits depending on the Employee’s position and, in certain cases, length of service. Severance outside of a “change in control” generally ranges from one week of

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<sup>11</sup> Occasionally, Non-Insider Retention Awards will provide for payment installments during the designated retention period.

continued base salary per year of service (with a minimum of four and maximum of 26 weeks) to 24 months of continued base salary and may also include a prorated annual incentive award and continued receipt of employee benefits for the same period. In the event of a qualifying termination following a “change in control,” certain Employees are entitled to receive between 18 and 36 months of continued base salary along with a prorated annual incentive award and continued receipt of employee benefits for the same period (collectively with the benefits described in the preceding sentence, the “U.S. Severance Plans”).

22. Non-U.S. Employees are eligible for varying levels of severance payments and benefits (together with the U.S. Severance Plans, the “Severance Obligations”) based on existing individual contracts,<sup>13</sup> the policy or practice in place for the applicable jurisdiction or local applicable law, including severance pay of: (a) two to 24 months of base salary based on seniority in Italy; (b) seven weeks of base salary per year of service in Ireland; (c) one month of base salary per year of service in Romania and the United Kingdom; (d) three months of notice pay, an additional 20 days of salary per year of service, as well as a seniority premium based on minimum wage and years of service in Mexico; and (e) severance pay pursuant to the local legal framework in Japan and Slovakia. In Switzerland, Employees are eligible to receive severance payments of two weeks’ to one month’s base salary per year of service, up to a maximum of six months, with severance to certain non-management Employees negotiated on an individual basis based on the circumstances, plus up to three months of discretionary garden leave and outplacement services. Occasionally, the Debtors negotiate enforceable individual severance terms that are more favorable to Employees than the Debtors’ general policies.

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<sup>13</sup> In the event that the Debtors enter into an individual severance or settlement agreement with a particular Employee, such agreement may give rise to enforceable obligations in the applicable jurisdiction.

23. The Debtors believe that the Severance Obligations are especially critical to maintaining Employee morale during these Chapter 11 Cases. In particular, the Severance Obligations play a necessary role in incentivizing employees to continue employment with the Debtors until their services are no longer needed. The Severance Obligations provide former Employees with a crucial safety net as they search for additional employment opportunities after their services with the Debtors are complete. In addition, local labor laws and legal requirements in the various jurisdictions in which the Debtors operate outside of the United States often require the payment of severance. Moreover, former Employees based in the United States and Switzerland are required to execute a release of claims against the Debtors, and in Switzerland, a non-compete covenant, in order to obtain severance benefits, protecting the Debtors from exposure to claims from such former Employees.

24. The Debtors do not believe that they owe severance pay to any former Employee in respect of prepetition terminations of employment. By this Motion, the Debtors request the authority, but not the direction, solely as part of the Final Order, to pay any prepetition amounts (out of an abundance of caution) or provide any continuation of health benefits owed to non-insider Employees on account of prepetition terminations and to continue to honor Severance Obligations incurred postpetition in the ordinary course of business; *provided* that the Debtors shall not pay any severance to an insider that would exceed the limitations set forth in section 503(c) of the Bankruptcy Code.<sup>14</sup>

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<sup>14</sup> The Debtors have entered into a settlement agreement with one current non-insider Non-U.S. Employee who may become entitled to a lump sum severance payment of CHF 78,022 in March 2021 upon the completion of a non-compete period or, if sooner, upon the attainment of non-competitive employment approved by the Debtors. Out of an abundance of caution, the Debtors request the authority, but not the direction, to honor and pay any severance amounts that become due to such non-insider Employee postpetition pursuant to the established terms.

### III. Employee Benefits Programs and Related Obligations

25. In addition to the Employee Compensation Obligations discussed above, the Debtors offer Employees a number of insurance and other benefits programs, including medical, dental and vision plans, life insurance, disability coverage, workers' compensation, an employee assistance program, retirement and savings plans, and other employee benefits described in greater detail in this section III (collectively, the "Employee Benefits Programs"). By this Motion, the Debtors request authority, but not direction, to pay any prepetition amounts related to the Employee Benefits Programs, including, without limitation, any related obligations and administrative expenses, including as described below, and to continue the Employee Benefits Programs on a postpetition basis in the ordinary course of business, in accordance with their prepetition practices and as set forth herein.

#### A. U.S. Employees Health and Welfare Benefits<sup>15</sup>

26. Medical Plans. The Debtors offer three medical plans to eligible U.S. Employees, including a preferred-provider organization plan and two HSA-qualified high-deductible plans. The Debtors and the Employee share the cost of medical plan coverage, and the amount borne by the Employee varies depending on which plan and coverage category the Employee selects. The Debtors pay approximately \$2,300,000 to plan providers in respect of the medical plans per year, and as of the Petition Date, the Debtors estimate that they owe approximately \$290,000 in respect of premium payments for the medical plans.<sup>16</sup>

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<sup>15</sup> In connection with administering certain of the Employee Benefits Programs for U.S. Employees, the Debtors engage a third-party vendor to prepare a "wrap" benefits plan that describes the main features of the health and welfare benefits offered by the Debtors at a de minimis annual cost.

<sup>16</sup> As required by law, the Debtors also offer medical plan coverage to certain former U.S. Employees who have elected COBRA coverage. Electing former Employees pay the full cost of COBRA premiums.

27. Dental Plans. The Debtors provide dental benefits to eligible U.S. Employees funded in part by premium deductions from U.S. Employees' paychecks and in part by payments made by the Debtors. The Debtors estimate that they pay approximately \$178,000 per year on account of Employee premium payments due under the dental plan, and estimate that they owe approximately \$11,000 in premiums as of the Petition Date.

28. Vision Plan. The Debtors provide vision benefits to eligible U.S. Employees through two plans, a base plan and a premier plan, funded in part by premium deductions from U.S. Employees' paychecks and in part by payments made by the Debtors. Each year, the Debtors and Employees pay approximately \$31,000 in total premiums related to the vision plans. As of the Petition Date, the Debtors estimate that they owe approximately \$3,000 in vision benefit premiums.

29. Employee Assistance Program. The Debtors provide, at no cost to Employees, certain guidance and counseling benefits through an employee assistance program, including confidential support for marital distress, substance abuse, workplace conflict, elder care, childcare, and legal and financial concerns. The Debtors pay approximately \$1,000 per month related to the employee assistance program, and estimate that they owe approximately \$2,000 as of the Petition Date.

B. U.S. Disability Programs, Workers' Compensation and Other Insurance Programs

30. Short-Term Disability Plans. The Debtors provide eligible U.S. Employees with fully insured short-term disability benefits (the "STD Plan") equivalent to the full portion of the Employee's salary not covered by the state's disability benefits. The Debtors pay approximately \$1,000 per month in connection with the STD Plan. As of the Petition Date, the Debtors estimate that they owe approximately \$2,000 on account of the STD Plan.

31. Long-Term Disability Plans. The Debtors provide eligible U.S. Employees with voluntary long-term disability benefits (the “LTD Plan”). The LTD Plan is funded in full by premium deductions from Employees’ paychecks and provides a monthly benefit of 60% of the Employee’s earnings, up to \$12,000 per month. The Debtors remit approximately \$40,000 in Employee premium payments on account of the LTD Plan per year. As of the Petition Date, the Debtors estimate that they owe approximately \$4,000 in respect of Employee premiums related to the LTD Plan.

32. Special Medical Leave of Absence. The Debtors provide U.S. Employees who have a qualifying disability but no right to a continued medical leave of absence under the LTD Plan with the ability to take a special medical leave of absence (“SMLOA”) in qualifying circumstances. The Debtors provide 100% wage coverage to U.S. Employees outside of California and New Jersey and the difference between state wages and the Employee’s wages for California and New Jersey Employees. The SMLOA commences six months after the onset of a U.S. Employee’s medical leave of absence and cannot extend for more than 18 months. The Debtors pay approximately \$2,000 per year to the SMLOA’s administrator. As of the Petition Date, the Debtors estimate that they owe approximately \$1,000 in premiums related to the SMLOA.

33. Critical Illness, Hospital and Accident Indemnity. The Debtors also offer critical illness, hospital indemnity and accident indemnity insurance to their U.S. Employees funded in full by premium deductions from Employees’ paychecks. The Debtors remit approximately \$21,000, \$14,000 and \$13,000 per year on account of Employee premiums for the critical illness, hospital indemnity and accident indemnity insurances, respectively. As of the Petition Date, the Debtors estimate that they owe approximately \$2,000 in premiums on account

of the critical illness insurance, \$2,000 in premiums on account of the hospital indemnity insurance and \$2,000 in premiums on account of the accident indemnity insurance.

34. Workers' Compensation. The Debtors provide U.S. Employees with workers' compensation insurance coverage and commercial auto coverage for claims arising from or related to their employment by the Debtors (the "Workers' Compensation Obligations").<sup>17</sup> As of the Petition Date, Debtors do not have any open workers' compensation claims.

35. Life and Accidental Death and Dismemberment (AD&D) Insurance. The Debtors provide company-paid basic life insurance and basic AD&D insurance (together, the "Basic Life/AD&D Insurance") as well as voluntary additional life and AD&D insurance ("Voluntary Life and AD&D Insurance," and, together with the Basic Life/AD&D Insurance, the "Life/AD&D Insurance") to eligible U.S. Employees. Each of the basic life insurance and basic AD&D insurance provides Employees with coverage of 1.5 times their annual salary up to a maximum of \$500,000, and Employees can purchase up to \$1,000,000 of additional Voluntary Life/AD&D Insurance coverage for themselves as well as additional dependent coverage. As of the Petition Date, the Debtors estimate that they owe approximately \$7,000 in respect of the Basic Life/AD&D Insurance and approximately \$5,000 in amounts deducted from the Employees' paychecks in respect of the Voluntary Life/AD&D Insurance.

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<sup>17</sup> Concurrent with the filing of this Motion, the Debtors have filed the *Motion for Entry of Interim and Final Orders (I) Authorizing, but not Directing, the Debtors to (A) Continue their Insurance Policies and Pay all Obligations in Respect Thereof, and (B) Renew, Supplement, Modify or Purchase New Insurance Policies or Obtain New Insurance Coverage, (II) Authorizing Applicable Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers and (III) Granting Related Relief*, in which the Debtors request that the Court authorize the payment of prepetition and postpetition insurance obligations, including Workers' Compensation Obligations related to the Workers' Compensation Program, in the ordinary course of business as they become due.

C. Non-U.S. Employees Health and Welfare Benefits and Insurance

36. For Non-U.S. Employees, the Debtors generally contribute, on behalf of their respective Employees, to the statutory health and social insurance systems in the Non-U.S. jurisdictions where they operate, as applicable, as well as provide certain other health and welfare benefits as is customary in the applicable jurisdiction in the ordinary course or as provided for in a collective bargaining or other labor agreement, including as set forth in the table below (collectively, the “Non-U.S. Health and Welfare Benefits”):

<b>Jurisdiction</b>	<b>Health and Welfare Benefits<sup>18</sup></b>
<b>Global</b>	Personal Accident and Travel Insurance
<b>Australia</b>	Optional Retail Discounts Program (offering employee discounts on expenses such as retail shopping or insurance at a cost to the Debtors of approximately \$80 per Employee per year)
<b>Ireland</b>	General Practice Scheme Share Ownership Scheme Healthcare Insurance (Employee pays premium and the Debtors pay administrative costs) Life Insurance Sick Pay Scheme Income Protection Subsidized Canteen (subsidized purchase of consumer goods and food items at the Debtors’ factories and/or plants)
<b>Italy</b>	Life Insurance Accident Insurance Death & Disability Insurance Disability due to Illness Long-Term Care Reimbursement for Medical Expenses Employee Meal Voucher Program
<b>Japan</b>	Life Insurance/Accident Insurance* Flexitime, Medical Leave, Family Leave and certain Paid Leave (for sickness, public service, and congratulation or condolence), as well as certain unpaid leaves Overtime and Holiday Work Premium Workers’ Compensation* Commuter Vehicle Program Subsidized Canteen in the Kodama site

<sup>18</sup> Benefits marked with an asterisk are provided partially or wholly pursuant to applicable local law.

<b>Jurisdiction</b>	<b>Health and Welfare Benefits<sup>18</sup></b>
<b>Mexico</b>	Life and AD&D Insurance Insurance of major medical expenses Dental Insurance (Employee-paid) Vision Insurance (Employee-paid) Personal Accidents (Employee-paid) Serious Diseases (Employee-paid) Spouse Life Insurance (Employee-paid) Employee Meal Voucher Program Profit-Sharing Plan
<b>Romania</b>	Life Insurance Health Insurance Employee Meal Voucher Program* Flexible Benefits Christmas Gift Voucher
<b>Slovakia</b>	Employee Meal Voucher Program* Complementary Language Trainings Employee Gift Vouchers
<b>Switzerland</b>	Loss of Earnings Insurance (illness-related)* Accident Insurance* Additional Week of Vacation/Annual Leave Meal Contribution/Mobility Mobility Allowance
<b>United Kingdom</b>	Income Protection Life Assistance Healthcare Cash Plan Share Plan Services Paid Leave (including adoption*, maternity*, paternity*, shared parental*, sickness*, civil service, bereavement, compassionate, safety representative duties, trade union duties and voluntary service leaves) Unpaid Leave (including parental, dependent, training* and public duties leaves) Use of vacation days in case of extreme weather, religious observance and extended leaves

37. As of the Petition Date, the Debtors owe approximately \$900,000 in respect of the Non-U.S. Health and Welfare Benefits. By this Motion, the Debtors request the authority, but not the direction, to pay any prepetition accrued but unpaid amounts with respect to the Non-U.S. Health and Welfare Benefits and to continue to provide the Non-U.S. Health and Welfare Benefits in the ordinary course of business on a postpetition basis.

D. Vacation and Leave Policies

38. The Debtors provide Employees with varying vacation and paid and unpaid leave time depending on the jurisdiction where the Employee is located. In the United States, non-exempt Employees are eligible for 10 to 30 days of paid vacation per year, accrued weekly for Employees in California and monthly for Employees in other U.S. states, depending on the Employee’s years of service. Upon a termination of employment, accrued and unused vacation days are paid out to non-exempt U.S. Employees in a lump sum. Except for Employees in California, any unused vacation time accrued by non-exempt, salaried Employees is forfeited and not carried over for use during subsequent years. Exempt U.S. Employees are eligible for unlimited paid vacation time during the year and, accordingly, neither earn nor accrue vacation time and are not paid unused vacation upon a termination of employment. Outside of the United States, the Debtors provide the following paid vacation benefits, some of which are provided for pursuant to local law:

<b>Non-U.S. Jurisdiction</b>	<b>Days of Paid Vacation Per Year</b>	<b>Payment of Accrued Vacation Upon Termination of Employment</b>
<b>Australia</b>	20 days, with carryover of unused vacation days	Yes
<b>Ireland</b>	21 days, with limited carryover	Yes
<b>Italy</b>	Four to five weeks, depending on the length of service, or 35 days for executive employees, with unlimited carryover	Yes
<b>Japan</b>	12 to 22 days, depending on years of service and work attendance, with unlimited carryover for one year	Yes <sup>19</sup>
<b>Mexico</b>	Eight to 14 days, depending on years of service and job level, with carryover for 18 months	Yes
<b>Romania</b>	26 days, to be carried over until March of the following year	Yes
<b>Slovakia</b>	20 to 25 days, with carryover only in exceptional circumstances	Yes

<sup>19</sup> In practice, typically Employees located in Japan use their paid leave time and payment of accrued and unused vacation time is therefore uncommon among Japanese Employees.

Non-U.S. Jurisdiction	Days of Paid Vacation Per Year	Payment of Accrued Vacation Upon Termination of Employment
Switzerland	25, 27 or 30 days, depending on years of service, with unlimited carryover subject to limitations	Yes <sup>20</sup>
United Kingdom	20 days, with no carryover	Yes

39. The Debtors also provide U.S. Employees with paid leave including under the Family and Medical Leave Act (“FMLA”) (and engage a third-party administrator to manage the FMLA program at an approximate monthly cost to the Debtors of \$1,000), bereavement leave, military leave, civic duty leave, sick time and parental leave. The Debtors also provide paid leave to Non-U.S. Employees, some of which is required by local law, as discussed above in Section III.C. As of the Petition Date, the Debtors believe that two U.S. Employees are on leave and that 108 Non-U.S. Employees are on leave, including medical leave, family leave and disability leave.

40. As of the Petition Date, the Debtors estimate that they owe approximately \$15,000 in accrued and unused paid vacation time to U.S. Employees, all of which relates to Employees in California, and approximately \$5,200,000 in accrued and unused paid vacation time to Non-U.S. Employees. This amount is not, however, a current cash obligation, because Employees are only entitled to payment of accrued vacation time through termination in the event their employment is terminated. Moreover, non-exempt U.S. Employees are permitted to use their annual allotment of vacation days to cover their assigned furlough days, which would otherwise be unpaid, significantly reducing the amount of unpaid vacation time that U.S. Employees have accrued during 2020 as compared to ordinary levels. In addition, in certain

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<sup>20</sup> In practice, typically Employees located in Switzerland are required to use accrued vacation days during garden leave pursuant to individual employment agreements.

non-U.S. jurisdictions, as well as in California, payment of accrued and unused vacation time upon a termination of employment is required by local applicable law.

41. Accordingly, the Debtors are requesting the authority, but not the direction, by this Motion to continue to provide vacation and paid leave to Employees in the ordinary course of business on a postpetition basis and consistent with past practice (the “Vacation and Leave Obligations”). Out of an abundance of caution, the Debtors request authority, but not direction, to pay the Employees any accrued and unpaid vacation obligations upon a termination of employment in accordance with the Debtors’ policies, subject to the priority cap set forth in section 507(a)(4) of the Bankruptcy Code unless otherwise required by applicable law.

E. Other Benefit Programs

42. The Debtors also provide the following Employee Compensation and Benefits to eligible Employees (collectively, the “Other Benefit Programs”):

- a. Flexible Spending Account. The Debtors provide eligible U.S. Employees with flexible spending account benefits (“FSA”) to cover eligible healthcare and dependent care expenses. As of the Petition Date, the Debtors held approximately \$5,000 in respect of deductions from Employees’ paychecks to be contributed to FSA accounts and believe they owe approximately \$400 in respect of monthly fees.
- b. Health Savings Account. The Debtors permit eligible U.S. Employees to contribute to a health savings account (“HSA”) for pre-tax healthcare expenses in connection with the high-deductible medical plans. The Debtors make a \$500 annual contribution to each participating Employee’s account. As of the Petition Date, the Debtors held approximately \$22,000 in respect of deductions from Employees’ paychecks to be contributed to HSA accounts, and owe approximately \$4,000 in respect of employer contributions to HSA accounts. Also, as of the Petition Date, the Debtors owe \$1,000 to the custodian of the HSA accounts for its service in such capacity during 2019.
- c. Auto & Home Insurance. The Debtors provide personal property and casualty insurance paid for in full by electing U.S. Employees.

- d. Personal Legal Services. The Debtors provide legal services to their U.S. Employees. The Debtors deduct \$21 per month from each participating Employee's paycheck for such services and remit such amount to the provider on a monthly basis. In 2020, the Debtors expect to remit approximately \$8,000 with respect to the program, and estimate that approximately \$700 is owed as of the Petition Date.
- e. Adoption Expenses. The Debtors reimburse eligible U.S. Employees for adoption-related expenses in an amount not to exceed \$5,000 per child or \$10,000 if the child has special needs. The Debtors do not believe that any amounts in respect of the adoption expenses reimbursement program are outstanding as of the Petition Date.
- f. Educational Assistance. The Debtors support Employees who wish to continue their education by paying for certain qualifying expenses directly or reimbursing the applicable Employee. In 2020, the Debtors expect to pay approximately \$220,000 with respect to this program, and estimate approximately \$130,000 is owed as of the Petition Date.
- g. Automobile Benefit. Certain Employees, including sales Employees, functional Employees and a limited number of management Employees, are provided with company-leased vehicles, including for carrying heavy tools, showcasing or sales purposes. These individuals must reimburse the Debtors for any personal use of the vehicle. The Debtors incur average monthly payments of approximately \$15,000 for vehicles used by U.S. Employees and approximately \$25,000 for vehicles used by Non-U.S. Employees. As of the Petition Date, the Debtors estimate that they owe approximately \$72,000 for the company-leased vehicles.
- h. Cell Phone Benefit. The Debtors provide approximately 1,355 of their Employees with use of a company-paid cell phone. During the last 12 months, the Debtors paid service providers (including inside and outside of the United States) approximately \$606,000 with respect to company-paid cell phones and estimate that they owe approximately \$183,000 as of the Petition Date.
- i. Business Travel Insurance. The Debtors provide business travel accident insurance to their Employees at an annual approximate cost of \$86,000 to the Debtors. The Debtors do not believe that they owe any amounts as of the Petition Date.
- j. Immigration Processing and Relocation Costs. The Debtors pay costs associated with the immigration and relocation of Employees, including procuring legal services related to employee immigration issues, visas and green card processes. During the last 12 months, the

Debtors paid approximately \$2,400,000 with respect to such costs, and estimate that approximately \$125,000 is owed by the Debtors as of the Petition Date (inclusive of fees owed to third-party vendors who support immigration and relocation processes).

- k. Commuter Benefits. In the United States, the Debtors provide commuter benefits to Employees who use public transportation to commute to and from work. In the United Kingdom, the Debtors provide Employees with access to a cycle to work scheme that assists with the cost of a new bicycle or accessories. Each program is paid in full through deductions from Employees' paychecks.
- l. Pet Insurance. The Debtors provide U.S. Employees with voluntary pet insurance through a third-party vendor, paid for in full by Employees.

43. Accordingly, the Debtors request the authority, but not the direction, to pay any prepetition amounts related to the Other Benefit Programs and to continue to provide the Other Benefit Programs in the ordinary course of business on a postpetition basis.

F. Employee Savings and Retirement Plans

*U.S. Savings and Retirement Plans.*

44. 401(k) Plan. U.S. Employees may participate in the Debtors' 401(k) defined contribution plan (the "401(k) Plan"). The Debtors match \$0.875 for every dollar an eligible Employee contributes as a pre-tax, post-tax or Roth 401(k) contribution, up to a maximum of 8% of the employee's pay on a discretionary basis. Employer matching contributions cliff vest after three years of service. The Debtors paid approximately \$2,000,000 in 401(k) matching payments in respect of 2019. As of the Petition Date, the Debtors do not believe that they hold any amounts of unremitted employee 401(k) contributions. The Debtors engage third-party vendors to provide management, investment advisory and audit services related to the 401(k) Plan, for which the Debtors owe approximately \$91,000 as of the Petition Date. By this Motion, the Debtors request the authority, but not the direction, to pay any prepetition and postpetition 401(k) Plan obligations, including matching and employer

contributions, employee 401(k) contributions, and any other amounts that become due with respect to the 401(k) Plan, including management and service fees, in the ordinary course of business and consistent with past practice.

45. U.S. Pension Plan. The Debtors also sponsor the Garrett Motion Inc. Pension Plan (“U.S. Pension Plan”), a tax-qualified defined benefit pension plan for Employees and former Employees who previously earned benefits under the Honeywell Retirement Earnings Plan. As of the Petition Date, there were 1,321 participants in the U.S. Pension Plan, 133 of whom were active Employees. Third-party vendors provide trustee and benefit payment services, and administrative, actuarial, consulting and compliance services to the U.S. Pension Plan, for which the Debtors pay approximately \$540,000 per year in the aggregate, some of which is paid from plan assets, and \$310,000 of which is outstanding as of the Petition Date. Therefore, by this Motion, the Debtors seek authority, but not direction, to pay any prepetition and postpetition U.S. Pension Plan obligations, including pension disbursements to current and former Employees, employer and employee pension plan contributions and any amounts due to third-party service providers related to the U.S. Pension Plan, in the ordinary course of business and consistent with past practice.<sup>21</sup>

46. Supplemental Savings Plan. Certain Employees who were participants in the Honeywell Deferred Incentive Compensation Plan and the Honeywell Excess Benefit Plan as of September 28, 2018 are eligible to participate in the Garrett Motion Supplemental Savings Plan (“SSP”), a non-qualified deferred compensation plan administered by Fidelity. Under the SSP, Employees may defer additional compensation in excess of IRS limits imposed on 401(k)

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<sup>21</sup> The Debtors believe that approximately four Employees have deferred vested accounts with other legacy retirement plans the Debtors inherited upon their spinoff from Honeywell in 2018, and request the authority to pay amounts (if any) related to these plans in the ordinary course of business consistent with the Debtors’ past practice.

Plan savings, and may contribute up to 50% of their base annual salary and up to 100% of incentive awards. The Debtors do not make contributions to Employees' SSP accounts. Employees may elect to receive distributions either in a lump sum or in annual installments commencing upon the Employee's separation from service, death or a specific date elected by the Employee when initially enrolling in the SSP and making deferral elections. By this Motion, the Debtors request the authority, but not the direction, to continue to administer the SSP in the ordinary course of business; *provided, however*, that only postpetition deferrals and credits will be earned as administrative expenses, and until further order of the Court no amounts under the SSP will be paid to any participants. The Debtors also request the authority, but not the direction, to continue to provide payments to third-party providers for services related to the SSP in the ordinary course, including amounts that are accrued and unpaid as of the Petition Date or that may become due postpetition.

***Non-U.S. Savings and Retirement Plans.***

47. As set forth in the table below, approximately 855 of the Debtors' Non-U.S. Employees participate in savings and retirement plans, including defined benefit pension plans, defined contribution pension plans and supplementary savings or retirement schemes (collectively, the "Non-U.S. Savings and Retirement Plans"). In certain Non-U.S. jurisdictions, including Switzerland, the Debtors are required to contribute an amount equal to a percentage of each Employee's salary to the applicable pension plan pursuant to local law. The Debtors' approximate annual cost related to the Non-U.S. Savings and Retirement Plans is \$11,900,000, and the Debtors estimate that they owe approximately \$2,100,000 in respect of such plans as of the Petition Date. The Debtors seek authority, but not direction, to continue to pay and honor all of their obligations related to the Non-U.S. Savings and Retirement Plans as they become due in

the ordinary course of their businesses, including amounts in respect of prepetition periods that may be owed and including any associated administrative, trustee or third-party vendor fees.

<b>Jurisdiction</b>	<b>Non-U.S. Savings and Retirement Plan</b>	<b>Type of Plan</b>	<b>Participants (as of the Petition Date)</b>
<b>Ireland</b>	Garrett Motion Ireland Defined Benefit Pension Plan	Defined Benefit Pension	879 (232 current Employees) <sup>22</sup>
	Supplementary AVC Plan <sup>23</sup>	Defined Contribution Pension	493
<b>Slovakia</b>	Voluntary Supplementary Pension Savings Scheme (DDDS)	Defined Contribution Pension	243
<b>Switzerland</b>	Pension Scheme for BVG-Basic Benefits (Columna Collective Foundation – Client Investor Winterthur)	Defined Benefit Pension	115 (110 current Employees)
<b>United Kingdom</b>	Garret Retirement Savings Plan	Defined Contribution Pension	124 (all current Employees)
<b>Japan</b>	Defined Benefit and Defined Contribution Plans	Defined Benefit and Defined Contribution	131 (124 current Employees)

#### **IV. Director Compensation**

48. Garrett Motion Inc.’s board of directors (the “Board”) comprises eight members, seven of whom are not employed by the Debtors or their subsidiaries (the “GMI Non-Employee Directors”). Historically, each GMI Non-Employee Director received quarterly cash retainer payments and an annual restricted stock unit award for services rendered, with additional annual cash payments for service as independent chair of the Board, as chair of a Board committee or as a member of a Board committee. Effective April 1, 2020, the Board decreased the GMI Non-Employee Directors’ regular annual cash retainer amount by 20% and further modified the program in June 2020 to provide that all GMI Non-Employee Director compensation will be paid in cash on a quarterly basis (with the annual equity grant for 2020

<sup>22</sup> Number of participants as of December 31, 2019.

<sup>23</sup> The Debtors are in the process of terminating the Supplementary AVC Plan and transferring its assets into individual accounts of the Employees, with the funds belonging to deferred members to be transferred to an alternative investment product that will not be managed by the Debtors. Contributions to the Supplementary AVC Plan ceased at the end of 2019 and the transfer of funds is expected to occur between September and October 2020.

paid in equal portions in cash in each of the third and fourth quarters) and reflect the previously approved 20% decrease in the regular annual cash retainer.

49. Two Debtors located in the United States, Garrett ASASCO Inc. and Garrett Motion Holdings Inc., each engage an independent non-employee director (such directors, together with the GMI Non-Employee Directors, the “Non-Employee Directors”), each of whom is paid a monthly fee and is entitled to additional “per diem” compensation for each day that such director devotes more than four hours of his or her time, outside of board meetings, for meetings or activities outside the scope of normal board duties. Also, as part of the Debtors’ engagement of Arendt Services S.A. (“Arendt”), Arendt service providers may serve as Non-Employee Directors for the Debtors’ Luxembourg subsidiaries with the cost of such services depending on how many non-employee directors are engaged at any given time.

50. The Debtors also either reimburse Non-Employee Directors for, or pay directly, Non-Employee Directors’ expenses related to travel for attendance at board meetings and other expenses related to the performance of their duties (together with the compensation paid to Non-Employee Directors and described in the preceding paragraphs, the “Director Compensation”).

51. As of the Petition Date, the Debtors do not believe that they owe any amounts in respect of prepetition Director Compensation. The Debtors request the authority, but not the direction, to pay any accrued and unpaid prepetition amounts in respect of Director Compensation and to continue to pay Director Compensation in the ordinary course of business and consistent with past practice.

### **Jurisdiction**

52. The Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in the Court pursuant to 28 U.S.C. §§ 1408 and 1409. This

matter is a core proceeding pursuant to 28 U.S.C. § 157(b). The statutory predicates for the relief requested herein are sections 105(a), 362, 363, 507, 1107 and 1108 of the Bankruptcy Code and Bankruptcy Rule 6003.

### **Relief Requested**

53. By this Motion, the Debtors request entry of the Interim and Final Orders, substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively.

54. The Debtors seek the relief requested because any delay in paying any of the amounts (and associated costs) that may be owing under or related to the Employee Compensation Obligations and the obligations related to the Employee Benefits Programs incurred prior to the Petition Date (collectively, the “Prepetition Employee Obligations”) or in continuing to pay their Employee Compensation Obligations and provide their Employee Benefits Programs (together, the “Employee Compensation and Benefits”) as described herein in the ordinary course postpetition could jeopardize the Debtors’ relationships with the Employees and substantially disrupt the Debtors’ business operations at a critical time in the Debtors’ restructuring efforts to the detriment of all of the Debtors’ stakeholders. The Employees perform a wide variety of critical services for the Debtors, including manufacturing, engineering, research and development, sales, management, legal, finance, human resources, administrative and other roles, and their skills and knowledge of the Debtors’ infrastructure are essential. Moreover, the vast majority of the Employees rely exclusively on their compensation and benefits from the Debtors to pay their daily living expenses and support their families. Absent an order granting the requested relief, many of the Employees may, by necessity, seek other employment alternatives. Replacing the Employees would require significant time and expense, causing severe disruption and harm to the Debtors’ operations, and would be particularly challenging given these Chapter 11 Cases. Accordingly, in order to ensure the uninterrupted operation of the

Debtors' businesses, enable compliance with local laws outside of the United States, prevent undue harm to the Employees and maximize the value of the Debtors' estates, it is critical that the Debtors be authorized to pay the Prepetition Employee Obligations and to continue to honor and pay the Employee Compensation and Benefits.<sup>24</sup>

55. Nothing in the proposed Interim Order or Final Order authorizes the Debtors to make any payment or incur any obligation or liability that would violate section 503(c) of the Bankruptcy Code.

### **Basis for Relief**

56. There are several bases under the Bankruptcy Code and other applicable law that support the relief requested in this Motion. Certain of the Prepetition Employee Obligations are entitled to priority treatment pursuant to sections 507(a)(4), 507(a)(5) or 507(a)(8) of the Bankruptcy Code. Moreover, the Debtors are required by applicable state, federal and foreign law to make certain payments with respect to the Employee Compensation Obligations and maintain certain of the Employee Benefits Programs. Further, the Debtors may honor and pay the Employee Compensation and Benefits postpetition in the ordinary course of business in accordance with section 363(c) of the Bankruptcy Code. Finally, even if paying the Prepetition Employee Obligations and maintaining the Employee Compensation and Benefits postpetition were outside the ordinary course of business, doing so would be a sound exercise of the Debtors' business judgment under section 363(b) of the Bankruptcy Code and may be authorized under section 105(a) of the Bankruptcy Code.

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<sup>24</sup> By this Motion, the Debtors do not seek to modify the terms of any Prepetition Employee Obligations or Employee Compensation and Benefits. The Debtors do not waive the right to modify or terminate any Prepetition Employee Obligations or Employee Compensation and Benefits to the extent that such right exists under the terms of the Prepetition Employee Obligations or Employee Compensation and Benefits or as may be permitted or required by applicable law or further order of the Bankruptcy Court.

**I. Certain of the Prepetition Employee Obligations Are Entitled to Priority Treatment Under the Bankruptcy Code.**

57. Pursuant to section 507(a)(4) of the Bankruptcy Code, each employee may be granted a priority claim for “wages, salaries, or commissions, including vacation, severance, and sick leave pay,” up to an aggregate amount of \$13,650, earned within 180 days before the Petition Date. 11 U.S.C. § 507(a)(4). Likewise, under section 507(a)(5) of the Bankruptcy Code, claims on account of employee benefit obligations may also be granted priority status generally up to an aggregate amount of \$13,650 per employee, less the priority compensation paid pursuant to section 507(a)(4) or to other employee benefit plans under section 507(a)(5). 11 U.S.C. § 507(a)(5).

58. The Debtors believe that certain of the employee-related obligations they seek to pay with respect to the Prepetition Employee Obligations are entitled to priority status under section 507 of the Bankruptcy Code. Therefore, the Debtors would be required to pay these claims in full in order to confirm a plan of reorganization. *See* 11 U.S.C. § 1129(a)(9)(B) (requiring payment of certain allowed unsecured claims for wages, salaries and commissions, including vacation, severance and sick leave pay, and certain allowed unsecured claims for contributions to an employee benefit plan). Thus, the Debtors believe that granting the relief requested herein with respect to the Prepetition Employee Obligations would only affect the timing of the payment of such amounts to the employees. Indeed, the Debtors submit that the payment of the Prepetition Employee Obligations as described herein enhances the value of the Debtors’ estates for the benefit of all parties-in-interest.

59. Moreover, section 507(a)(8) of the Bankruptcy Code grants priority status to, among other things, unsecured claims of governmental units for (a) taxes required to be collected or withheld and for which the debtor is liable, in whatever capacity, and (b) under

certain circumstances, employment taxes on wages, salaries or commissions. Thus, the Payroll Taxes would constitute priority claims under section 507(a)(8) of the Bankruptcy Code and must be satisfied before the payment of any general unsecured claims against the Debtors' estates. Accordingly, the payment of such Payroll Taxes pursuant to this Motion merely expedites the treatment afforded to such claims and is consistent with the priority scheme of the Bankruptcy Code.

## **II. Certain Postpetition Employee Severance Obligations Are Entitled to Priority Treatment Under the Bankruptcy Code.**

60. Certain of the Debtors' employees who are entitled to severance will not be terminated until after the Petition Date. Pursuant to section 503(b)(1)(A) of the Bankruptcy Code, certain obligations arising after the commencement of the case, including "wages, salaries, and commissions," are considered allowed administrative expenses. 11 U.S.C. § 503(b)(1)(A). Courts in the Second Circuit "have found that employment-related benefits such as severance pay are forms of 'wages' which can be entitled to administrative expense priority if incurred during the administration of a bankruptcy case." *Supplee v. Bethlehem Steel Corp.*, No. 04-cv-2413GBD, 2006 WL 510335, at \*2 (S.D.N.Y. Mar. 2, 2006). Additionally, courts in the Second Circuit generally use a two-part test to determine "whether a specific claim qualifies as an administrative expense under section 503(b)(1)(A): there must be a postpetition transaction, making it a transaction between a debtor-in-possession and the creditor; and second, the estate must receive a benefit from the transaction." *See In re Grubb & Ellis Co.*, 478 B.R. 622, 624 (Bankr. S.D.N.Y. 2012). The Debtors submit that, because their employees' severance payments may be considered earned at the time of the postpetition terminations, the severance payments may therefore be entitled to administrative expense priority under section 503(b) of the Bankruptcy Code. *See id.*, at 626 n.1 ("If the severance payments are earned at the time of the

employee's dismissal (which they generally are), then they are entitled to administrative expense priority."); *see also In re Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey*, 160 B.R. 882, 890 (Bankr. S.D.N.Y. 1993) (noting Second Circuit law that severance pay arising from a postpetition termination of employment is entitled to an administrative priority); *In re Golden Distribs., Ltd.*, 152 B.R. 35, 36 (S.D.N.Y. 1992) ("The severance pay for terminated employees . . . is a cost of carrying on business, and constitutes an administrative expense when the severance occurs post-petition.").

### **III. Payment of Certain Prepetition Employee Obligations and Maintenance of Certain Employee Compensation and Benefits Are Required by Law.**

61. In addition to the priority status accorded to certain of the Prepetition Employee Obligations under the Bankruptcy Code, the payment of certain Employee Compensation and Benefits is required by law and therefore necessary for the orderly and successful restructuring of the Debtors.

62. Specifically, the Payroll Taxes and Deductions represent employee earnings that governments (in the case of taxes), employees (in the case of voluntarily withheld amounts), and judicial authorities (in the case of garnishments) have designated for deduction from employees' paychecks. Federal, state and foreign laws require the Debtors and their officers to remit certain tax amounts that have been withheld from their employees' paychecks. *See* 26 U.S.C. §§ 6672 and 7501(a); *see also U.S. v. Rem*, 38 F.3d 634 (2d Cir. 1994) (recognizing that individual officers of a company may be held personally liable for failure to pay income taxes); *U.S. v. Landau*, 155 F.3d 93, 106 (2d Cir. 1998) (noting that "federal income and social security taxes . . . are held 'in trust' for the government"). Moreover, the Debtors do not believe that the amounts designated to be paid on account of the Payroll Taxes and Deductions are property of the Debtors' estates under section 541 of the Bankruptcy Code. *See*

11 U.S.C. § 541(b)(7) (providing that amounts withheld by employer from employee wages for payment as contributions to certain employee benefit, deferred compensation or health insurance plans are not property of the estate); 11 U.S.C. § 541(d) (providing that property in which debtor holds only legal title and not equitable interest does not become property of the debtor's estate to the extent of any equitable interest not held by the debtor); *Begier v. IRS*, 496 U.S. 53, 66 (1990) (holding that withheld taxes are property held by the debtor in trust for another and, as such, not property of the debtor's estate). Because the Payroll Taxes and Deductions are not property of the Debtors' estates, these amounts are not subject to the normal bankruptcy prohibitions against payment. *See DeChiaro v. N.Y. State Tax Comm'n*, 760 F.2d 432, 435 (2d Cir. 1985). The Debtors therefore request that the Court confirm that the Debtors may transmit, or cause to be transmitted, the Payroll Taxes and Deductions to the proper parties in the ordinary course of business.

63. Similarly, the Debtors are required to maintain the Workers' Compensation Obligations pursuant to applicable law in certain U.S. states. Moreover, unless provided otherwise in a collective bargaining agreement, California labor law requires an employer that maintains a paid vacation policy to provide payment for all unused vacation accrued at the time of an employee's termination of employment at the applicable employee's rate of pay at the time of termination. CAL. LAB. CODE § 227.3 (West 1976). Moreover, "[b]ecause paid vacation benefits are considered wages [under California law], such pay must be included in the employee's final paycheck."<sup>25</sup> Therefore, if the Debtors are not granted authority to continue to administer their vacation policy, the Debtors risk violating California law and face

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<sup>25</sup> Cal. Dep't of Indus. Relations, *Vacation*, [https://www.dir.ca.gov/dlse/FAQ\\_Vacation.htm](https://www.dir.ca.gov/dlse/FAQ_Vacation.htm) (last visited August 29 2020); *see also* CAL. LAB. CODE § 201(a) (earned and unpaid wages are due and payable to an employee immediately at the time of discharge).

potential wage claims brought on behalf of former Employees by the California Division of Labor Standards Enforcement, further distracting the Debtors from their obligations in connection with these Chapter 11 Cases.

64. Lastly, local labor laws and legal requirements in certain jurisdictions in which the Debtors operate outside of the United States require the payment of various employee obligations, including pension obligations and severance. Additionally, the Debtors believe there is a risk that any disruption in the payment of compensation or benefits to the Non-U.S. Employees who are represented by unions, works councils or collective bargaining agreements could cause such employees or employee representatives to bring adverse legal proceedings against the Debtors in Ireland, Mexico, Romania, Slovakia and/or the United Kingdom. Accordingly, nonpayment of certain Employee Compensation and Benefits to Non-U.S. Employees could violate local labor laws or subject the Debtors to administrative and/or regulatory penalties.

#### **IV. The Debtors May Honor and Pay the Employee Compensation and Benefits in the Ordinary Course of Business.**

65. The ability to compensate employees in the ordinary course of business is necessary to the Debtors' restructuring efforts and consistent with section 363(c) of the Bankruptcy Code, which authorizes the continued operation of a business in the ordinary course by chapter 11 debtors. *See* 11 U.S.C. § 363(c)(1) (providing that, so long as "the business of the debtor is authorized to be operated under [section 1108 of the Bankruptcy Code] and unless the court orders otherwise, the trustee may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing"); 11 U.S.C. § 1108 (providing that a debtor-in-possession, as trustee, may operate the debtor's

business unless a court orders otherwise); *see also* 11 U.S.C. § 1107. Accordingly, sufficient cause exists to allow the Debtors to maintain and pay the Employee Compensation and Benefits on a postpetition basis in the ordinary course of business.

**V. Payment of the Prepetition Employee Obligations and Maintenance of the Employee Compensation and Benefits Is Appropriate Under Sections 105(a), 363(b), 1107(a) and 1108 of the Bankruptcy Code.**

66. The relief requested is appropriate under sections 105(a), 363(b), 1107(a) and 1108 of the Bankruptcy Code. The Debtors are operating their businesses as debtors-in-possession under sections 1107(a) and 1108 of the Bankruptcy Code, and they are therefore fiduciaries “holding the bankruptcy estate[s] and operating the business for the benefit of . . . [their] creditors and (if the value justifies) equity owners.” *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Implicit in the duties of a chapter 11 debtor-in-possession is the duty “to protect and preserve the estate, including an operating business’s going-concern value.” *Id.* Consistent with a debtor’s fiduciary duties to preserve the estate, courts have authorized payment of prepetition obligations pursuant to sections 105(a) and 363(b) of the Bankruptcy Code. *See, e.g., Czyzewski v. Jevic Holding Corp.*, 137 S. Ct. 973, 985 (2017) (recognizing that courts have authorized the payment of prepetition obligations, including prepetition wages, in order to enable a successful reorganization); *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (stating that section 363(b) provides a court with “broad flexibility” to authorize a debtor to satisfy prepetition claims where supported by a proper business justification); *In re Just for Feet, Inc.*, 242 B.R. 821, 824 (D. Del. 1999) (“Section 105(a) of the Code provides a statutory basis for the payment of pre-petition claims.”). Indeed, courts have recognized that there are instances when a debtor’s fiduciary duty can “only be fulfilled by the preplan satisfaction of a prepetition claim.” *In re CoServ, L.L.C.*, 273 B.R. at 497.

67. Section 363(b) of the Bankruptcy Code empowers the Court to allow the debtor, in the exercise of its sound business judgment and after notice and a hearing, to “use, sell, or lease, other than in the ordinary course of business, property of the estate.” See 11 U.S.C. § 363(b)(1); see also *Official Comm. of Unsecured Creditors of LTV Aerospace & Defense Co. v. LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 143, 145 (2d Cir. 1992) (holding that a court may approve an application under section 363(b) upon a showing of a good business reason for the disposition). For a court to approve the use, sale or lease of estate property under section 363(b) of the Bankruptcy Code, the debtor must “articulate some business justification, other than mere appeasement of major creditors . . . .” *In re Ionosphere Clubs, Inc.*, 98 B.R. at 175. Moreover, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *In re Johns-Manville Corp.*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986) (citation omitted). Under this section, a court may authorize a debtor to pay certain prepetition claims. See *In re Ionosphere Clubs, Inc.*, 98 B.R. at 175 (holding that the debtor’s payment of prepetition claims was necessary to protect its business and to ensure successful reorganization).

68. Additionally, section 105(a) of the Bankruptcy Code authorizes the Court to issue “any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a). A bankruptcy court’s use of its equitable powers to “authorize the payment of pre-petition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept.” *In re Ionosphere Clubs, Inc.*, 98 B.R. at 175. Under section 105(a), the Court “can permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor.” *In re NVR L.P.*, 147 B.R.

126, 127 (Bankr. E.D. Va. 1992); *see also In re Just for Feet, Inc.*, 242 B.R. at 826 (“To invoke the necessity of payment doctrine, a debtor must show that payment of the pre-petition claims is ‘critical to the debtor’s reorganization.’”) (citing *In re Fin. News Network, Inc.*, 134 B.R. 732, 736 (Bankr. S.D.N.Y. 1991)).

69. Courts in this district have recognized the “necessity of payment” doctrine. *See, e.g., In re Ionosphere Clubs, Inc.*, 98 B.R. at 176 (recognizing “the existence of the judicial power to authorize a debtor in a restructuring case to pay pre-petition claims where such payment is essential to the continued operation of the debtor” and stating that the necessity of payment doctrine “permits immediate payment of claims of creditors where those creditors will not supply services or material essential to the conduct of the business until their pre-reorganization claims shall have been paid”); *In re Fin. News Network, Inc.*, 134 B.R. at 736 (stating that the doctrine of necessity “stands for the principle that a bankruptcy court may allow pre-plan payments of prepetition obligations where such payments are critical to the debtor’s reorganization”).

70. The necessity of payment doctrine is designed to foster a debtor’s rehabilitation, which courts have recognized is “the paramount policy and goal of Chapter 11.” *In re Ionosphere Clubs, Inc.*, 98 B.R. at 176; *In re Chateaugay Corp.*, 80 B.R. 279, 287 (S.D.N.Y. 1987) (authorizing, but not directing, payment of prepetition workers’ compensation claims on grounds that the fundamental purpose of reorganization and equity powers of bankruptcy courts “is to create a flexible mechanism that will permit the greatest likelihood of survival of the debtor and payment of creditors in full or at least proportionately”); *In re Just for Feet*, 242 B.R. at 826 (finding that payment of prepetition claims to certain trade vendors was “essential to the survival of the debtor during the chapter 11 reorganization”); *In re Quality*

*Interiors, Inc.*, 127 B.R. 391, 396 (Bankr. N.D. Ohio 1991) (“A general practice has developed . . . where bankruptcy courts permit the payment of certain pre-petition claims, pursuant to 11 U.S.C. § 105, where the debtor will be unable to reorganize without such payment.”); *In re Eagle-Picher Indus., Inc.*, 124 B.R. 1021, 1023 (Bankr. S.D. Ohio 1991) (approving payment of prepetition unsecured claims of tool makers as “necessary to avert a serious threat to the Chapter 11 process”).

71. The relief requested in this Motion represents a sound exercise of the Debtors’ business judgment and is necessary for the preservation of the resources and going-concern values of their estates. Simply put, the services provided by the Employees on a daily basis are responsible for the ongoing business operations of the Debtors. The Employees and their families would be subject to significant financial hardship if the Debtors could not honor the Prepetition Employee Obligations and maintain the Employee Compensation and Benefits programs without interruption during the pendency of these Chapter 11 Cases. Moreover, at this early stage of these Chapter 11 Cases, the Debtors simply cannot risk the substantial damage to their business that would inevitably result from any decline in the morale of their Employees attributable to the Debtors’ failure to pay wages and salaries and continue employee benefits. Absent assurances that such employees will continue to be compensated in the ordinary course, the Debtors’ employees may seek opportunities elsewhere, including at competitors of the Debtors. Losing valuable employees at this stage of the Debtors’ restructuring efforts would have a direct and negative impact on the Debtors’ abilities to sustain operations and maintain revenues, and, as a result, would depress creditor recoveries.

72. Particularly as normal business operations resume in accordance with state, local and foreign regulations promulgated as a result of the COVID-19 pandemic, it is

essential to the Debtors' successful restructuring that the Employees remain engaged with the Debtors and perform their duties, and to accomplish this, it is vital that they be paid without interruption. Accordingly, for these reasons, and the supporting authority found in sections 105(a) and 363(b) of the Bankruptcy Code, the Debtors submit that the relief requested is essential, appropriate, and in the best interests of their estates and should be granted.

73. Courts in this district have routinely granted relief similar to the relief requested herein, including during the COVID-19 pandemic. *See, e.g., Grupo AeroMéxico, S.A.B. de C.V.*, No. 20-11563 (SCC) (Bankr. S.D.N.Y. July 29, 2020) (authorizing debtors to pay prepetition employee obligations as well as employee benefits obligations in the ordinary course); *In re Lakeland Tours, LLC*, No. 20-11647 (JLG) (Bankr. S.D.N.Y. Aug. 12, 2020); *In re Jason Indus., Inc.*, No. 20-22766 (RDD) (Bankr. S.D.N.Y. June 29, 2020) (same); *LATAM Airlines Grp, S.A.*, No. 20-11254 (JLG) (Bankr. S.D.N.Y. June 26, 2020) (same); *In re Avianca Holdings, S.A.*, No. 20-11133 (MG) (Bankr. S.D.N.Y. June 17, 2020) (same). The Debtors submit that similar relief is warranted in these Chapter 11 Cases.

**VI. Cause Exists to Authorize Applicable Banks and/or Financial Institutions to Honor Checks and Electronic Fund Transfers.**

74. The Debtors further request that the Court authorize and direct all applicable banks and other financial institutions (the "Banks") to receive, process, honor and pay any and all checks drawn or electronic funds transfers requested to pay the Prepetition Employee Obligations or the Employee Compensation and Benefits drawn on the Debtors' payroll and other applicable disbursement accounts, whether such checks were presented prior to or after the Petition Date; *provided, however*, that such checks or electronic funds transfers are identified by the Debtors as relating directly to the authorized payment of the Prepetition Employee Obligations or the Employee Compensation and Benefits. The Debtors also seek authority to

issue new postpetition checks, or effect new electronic funds transfers, on account of such claims to replace any prepetition checks or electronic funds transfer requests that may be dishonored or rejected as a result of the commencement of these Chapter 11 Cases with respect to prepetition amounts owed in connection with any Employee Compensation and Benefits.

**VII. The Court Should Authorize the Debtors to Continue to Pay and Comply with Workers' Compensation Obligations and Modify the Automatic Stay Solely to the Extent Necessary for Employees to Proceed with Claims Under the Workers' Compensation Insurance.**

75. As noted above, the Debtors are requesting that they be permitted to continue to pay (and/or reimburse insurers and/or third-party administrators for) and comply with all Workers' Compensation Obligations.

76. To the extent any current or former Employees of the Debtors hold claims under these workers' compensation insurance policies, the Debtors request authorization under section 362(d) of the Bankruptcy Code, which permits a modification of the automatic stay for "cause," to permit such employees to proceed with such claims. The Debtors believe that cause exists to enter an order modifying the automatic stay because the stay of claims under these policies would have significant adverse financial and medical consequences for their Employees. Accordingly, the Debtors request that the automatic stay be modified solely to the extent necessary to allow current and former Employees of the Debtors to proceed with claims under their current and former workers' compensation insurance policies in the appropriate judicial or administrative forum. The Debtors also request a waiver of the corresponding notice requirements of Bankruptcy Rule 4001(d).

**Bankruptcy Rule 6003 Is Satisfied**

77. In order for a debtor to obtain relief to make preplan payments within 21 days of the Petition Date, it must establish that making such payments satisfies the requirements

mandated by Bankruptcy Rule 6003—namely, the relief requested is necessary to avoid “immediate and irreparable harm.” If a debtor’s prospect of reorganizing is threatened, or swift diminution in value of the debtor’s estate is likely absent the granting of the requested relief, immediate and irreparable harm likely exists. *See In re Genco Shipping & Trading Ltd.*, 509 B.R. 455, 469 (Bankr. S.D.N.Y. 2014) (finding that relief requested by the debtors was necessary to avoid irreparable harm to the debtors and their estates because such relief was essential for the continued operation of the debtors’ businesses).

78. Immediate and irreparable harm would result if the relief requested herein is not granted. As described above, the Debtors face a risk of attrition of key employees if they are unable to honor the Prepetition Employee Obligations and maintain their existing Employee Compensation and Benefits programs. Failure to receive the requested relief during the first 21 days of these Chapter 11 Cases would severely disrupt the Debtors’ day-to-day operations, burden the Debtors’ estates and stymie the efforts of the Debtors to efficiently reorganize. For the reasons discussed herein, the relief requested is essential to the preservation of the value of the Debtors’ businesses, properties and assets and their ability to successfully prosecute these Chapter 11 Cases. Accordingly, the Debtors respectfully submit that they have satisfied Bankruptcy Rule 6003 as it relates to the relief requested herein.

**Waiver of Bankruptcy Rules 6004(a) and 6004(h)**

79. Given the nature of the relief requested herein, the Debtors respectfully request a waiver of (a) the notice requirements under Bankruptcy Rule 6004(a) and (b) the 14-day stay under Bankruptcy Rule 6004(h). Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until expiration of 14 days after entry of the order, unless the court orders otherwise.” For the reasons described above, the payment of the Prepetition Employee Obligations and the maintenance of the

Employee Compensation and Benefits are essential to prevent potentially irreparable damage to the Debtors' operations, value and ability to reorganize.

**Reservation of Rights**

80. Nothing in this Motion: (a) is intended or shall be deemed to constitute an assumption of any agreement pursuant to section 365 of the Bankruptcy Code or an admission as to the validity of any claim against the Debtors or their estates; (b) shall impair, prejudice, waive, or otherwise affect the rights of the Debtors, their estates, or any other party to contest the validity, priority or amount of any claim against the Debtors or their estates; (c) shall impair, prejudice, waive or otherwise affect the rights of the Debtors or their estates with respect to any and all claims or causes of action against any third party; or (d) shall be construed as a promise to pay a claim or continue any applicable program postpetition, which decision shall be in the discretion of the Debtors. Any payment made pursuant to an order of the Court granting the relief requested herein is not intended to be nor should it be construed as an admission as to the validity of any claim or a waiver of the Debtors' or any other party's rights to subsequently dispute such claim.

**Notice**

81. No creditors' committee, trustee or examiner has been appointed in these Chapter 11 Cases. Notice of this Motion has been provided to: (a) the Office of the United States Trustee for the Southern District of New York; (b) counsel to Citibank, N.A., as administrative agent under the DIP credit facility, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Ray C. Schrock, P.C. (ray.schrock@weil.com) and Candace M. Arthur, Esq. (candace.arthur@weil.com); (c) counsel to JPMorgan Chase Bank, N.A., as administrative agent under the Debtors' prepetition credit facility, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, NY 10038, Attn: Kristopher M. Hansen (khansen@stroock.com), Jonathan D.

Canfield (jcanfield@stroock.com), Joanne Lau (jlau@stroock.com) and Alexander A. Fraser (afraser@stroock.com); (d) counsel to the Stalking Horse Bidder, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, NY 10017, Attn: Brian M. Resnick (brian.resnick@davispolk.com) and Joshua Y. Sturm (joshua.sturm@davispolk.com); (e) counsel to the ad hoc group of lenders under the Debtors' prepetition credit facility, Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, NY 10166, Attn: Scott J. Greenberg (sgreenberg@gibsondunn.com), Steven A. Domanowski (sdomanowski@gibsondunn.com) and Matthew G. Bouslog (mbouslog@gibsondunn.com); (f) counsel to the ad hoc group of bondholders, Ropes & Gray LLP, 1211 Avenue of the Americas, New York, NY 10036, Attn: Matthew M. Roose (matthew.roose@ropesgray.com) and Mark I. Bane (mark.bane@ropesgray.com); (g) the parties identified on the Debtors' consolidated list of 30 largest unsecured creditors; and (h) to the extent not listed herein, those parties requesting notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be provided.

**No Prior Request**

82. No prior motion for the relief requested herein has been made to this or any other Court.

**Conclusion**

WHEREFORE, for the reasons set forth herein, the Debtors respectfully request that the Court (a) enter the Interim Order, substantially in the form attached hereto as Exhibit A, (b) enter the Final Order, substantially in the form attached hereto as Exhibit B, and (c) grant such other and further relief as is just and proper.

Dated: September 20, 2020  
New York, New York

/s/ Andrew G. Dietderich  
Andrew G. Dietderich  
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*Proposed Counsel to the Debtors*

**EXHIBIT A**

**Proposed Interim Order**



pursuant to 28 U.S.C. §§ 1408 and 1409; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having found that proper and adequate notice of the Motion and the relief requested therein has been provided in accordance with the Bankruptcy Rules and the Local Rules of the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”), and that, except as otherwise ordered herein, no other or further notice is necessary; and any objections (if any) to the Motion having been withdrawn, resolved or overruled on the merits; and a hearing having been held to consider the relief requested in the Motion and upon the record of the hearing and all of the proceedings had before this Court; and this Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties-in-interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.
2. The Debtors are authorized, but not directed, to (a) pay the Prepetition Employee Obligations (either directly or to third parties for payment or remittance, as applicable), *provided* that, pending entry of the Final Order, the Debtors shall not pay any Prepetition Employee Obligations that exceed the priority amounts set forth in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code unless otherwise required by applicable law, (b) honor and continue their programs, policies and practices with respect to the Employee Compensation and Benefits in the ordinary course of business and in the same manner and on the same basis as the Debtors honored and continued such programs, policies and practices before the Petition Date, *provided* that, pending entry of the Final Order, the Debtors shall not make any payments

in respect of the Sales Incentive Plans, the LTIP, the Non-Insider Continuity Awards, the Non-Insider Retention Awards or the Severance Obligations, and *provided further* that only postpetition deferrals and credits will be earned as administrative expenses under the SSP, and nothing in this Interim Order shall be deemed to authorize the payment of amounts owed to participants on account of the SSP, (c) forward or contribute all prepetition Payroll Taxes and Deductions relating to the Employee Compensation and Benefits and Director Compensation to the extent that such amounts have not yet been forwarded or contributed, and continue forwarding and contributing postpetition Payroll Taxes and Deductions relating to the Employee Compensation and Benefits and Director Compensation to the appropriate third parties in the ordinary course of business, (d) pay any unpaid prepetition Director Compensation and continue to pay the Director Compensation in the ordinary course of business and (e) pay any prepetition amounts owed to third parties in respect of administrative or processing costs incidental to the payment or provision of the Employee Compensation and Benefits in the ordinary course of business, including in respect of the Sales Incentive Plans, the LTIP, the Non-Insider Continuity Awards, the Non-Insider Retention Awards and the Severance Obligations.

3. For the avoidance of doubt, nothing in this Interim Order shall be deemed to authorize the payment of any amounts to Employees pursuant to the Sales Incentive Plans, the LTIP, the Non-Insider Continuity Awards, the Non-Insider Retention Awards, the Severance Obligations or the SSP. However, the Debtors' rights to seek approval of such relief at a later time, including pursuant to the Final Order, remain preserved.

4. For the avoidance of doubt, no payment to any Employee may be made pursuant to this Interim Order to the extent that it is a transfer in derogation of section 503(c) of the Bankruptcy Code.

5. Pursuant to Section 362(d) of the Bankruptcy Code, Employees are authorized to proceed with their claims under the Workers' Compensation Obligations in the appropriate judicial or administrative fora and the Debtors are authorized, but not directed, to continue the Workers' Compensation Obligations and pay all prepetition amounts (if any) relating thereto in the ordinary course. This modification of the automatic stay pertains solely to claims under the Workers' Compensation Obligations.

6. The Debtors are authorized, but not directed, to modify, change and discontinue any of the Employee Compensation and Benefits and to implement new Employee Compensation and Benefits in the ordinary course of business and pursuant to their past practices during these Chapter 11 Cases in their sole discretion without the need for further Court approval.

7. The Debtors are authorized to issue postpetition checks, or to effect postpetition electronic fund transfers, in replacement of any checks or electronic fund transfers in respect of payments authorized by this Interim Order that are dishonored or rejected after the Petition Date.

8. The Debtors are authorized and empowered to execute and deliver such documents, and to take and perform all actions necessary to implement and effectuate the relief granted in this Interim Order.

9. In accordance with this Interim Order (or other order of this Court), each of the financial institutions at which the Debtors maintain their accounts relating to the payment of the obligations described in the Motion are authorized, but not directed, to (a) receive, process, honor and pay all checks presented for payment and to honor all fund transfer requests made by the Debtors related thereto, to the extent that sufficient funds are on deposit in those

accounts and (b) accept and rely on all representations made by the Debtors with respect to which checks, drafts, wires or automated clearing house transfers should be honored or dishonored in accordance with this or any other order of this Court, whether such checks, drafts, wires, or transfers are dated prior to, on or subsequent to the Petition Date, without any duty to inquire otherwise and without any liability for following the Debtors' instructions.

10. Nothing in the Motion or this Interim Order, nor as a result of any payment made pursuant to this Interim Order, shall be deemed or construed as an admission as to the validity or priority of any claim against the Debtors, an agreement or obligation to pay any claims, a waiver of any claim or causes of action which may exist against any creditor or interest holder, an admission as to the validity of any lien satisfied pursuant to this Motion, an approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code or a waiver of the right of the Debtors or any other party, or shall impair or limit the ability of the Debtors or any other party, to contest or seek relief under any section of the Bankruptcy Code in respect of the validity and amount of any payment made pursuant to this Interim Order.

11. Notwithstanding anything to the contrary contained in the Motion or this Interim Order, any payment to be made and any relief or authorization granted hereunder shall be limited by, and shall be subject to, the requirements imposed on the Debtors in any orders entered by this Court authorizing the Debtors to obtain debtor-in-possession financing and authorizing the use of cash collateral (any such order, a "DIP Order"). To the extent of any conflict (but solely to the extent of such conflict) between the terms of this Interim Order and the terms of any DIP Order, the terms of the DIP Order will govern.

12. The requirements set forth in Local Rule 9013-1(b) are satisfied.

13. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied.

14. The requirements set forth in Bankruptcy Rule 6004(a) are satisfied.

15. This Interim Order is immediately effective and enforceable, notwithstanding the possible applicability of Bankruptcy Rule 6004(h) or otherwise.

16. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motion or the implementation of this Interim Order.

17. The final hearing with respect to the relief requested in the Motion shall be held on \_\_\_\_\_, 2020 at \_\_\_\_\_ (prevailing Eastern Time) (the “Final Hearing”). Any objections or responses to entry of the proposed Final Order shall be filed on or before 4:00 p.m. (prevailing Eastern Time) on \_\_\_\_\_, 2020 and served on the following parties: (a) the Debtors, Garrett Motion Inc., 47548 Halyard Drive, Plymouth, MI, 48170, Attn: General Counsel ; (b) proposed counsel to the Debtors, Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004, Attn: Noam R. Weiss; (c) counsel to Citibank, N.A., as administrative agent under the DIP credit facility, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Ray C. Schrock, P.C. (ray.schrock@weil.com) and Candace M. Arthur, Esq. (candace.arthur@weil.com); (d) counsel to JPMorgan Chase Bank, N.A., as administrative agent under the Debtors’ prepetition credit facility, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, NY 10038, Attn: Kristopher M. Hansen (khansen@stroock.com), Jonathan D. Canfield (jcanfield@stroock.com), Joanne Lau (jlau@stroock.com) and Alexander A. Fraser (afraser@stroock.com); (e) counsel to the Stalking Horse Bidder, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, NY 10017, Attn: Brian M. Resnick (brian.resnick@davispolk.com) and Joshua Y. Sturm (joshua.sturm@davispolk.com); (f) counsel to the ad hoc group of lenders under the Debtors’

prepetition credit facility, Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, NY 10166, Attn: Scott J. Greenberg (sgreenberg@gibsondunn.com), Steven A. Domanowski (sdomanowski@gibsondunn.com) and Matthew G. Bouslog (mbouslog@gibsondunn.com); (g) counsel to the ad hoc group of bondholders, Ropes & Gray LLP, 1211 Avenue of the Americas, New York, NY 10036, Attn: Matthew M. Roose (matthew.roose@ropesgray.com) and Mark I. Bane (mark.bane@ropesgray.com); (h) counsel to any statutory committee appointed in these Chapter 11 Cases; (i) the Office of the United States Trustee for the Southern District of New York; and (j) to the extent not listed herein, those parties requesting notice pursuant to Bankruptcy Rule 2002.

Dated: \_\_\_\_\_  
New York, New York

\_\_\_\_\_  
United States Bankruptcy Judge

**EXHIBIT B**

**Proposed Final Order**



*and Other Compensation and (B) Maintain Employee Compensation and Benefits Programs and Pay Related Administrative Obligations, (II) Authorizing Applicable Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers and (III) Granting Related Relief*[D.I. [•]]; and this Court having jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and venue of these Chapter 11 Cases and the Motion in this district being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having found that proper and adequate notice of the Motion and the relief requested therein has been provided in accordance with the Bankruptcy Rules and the Local Rules of the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”), and that, except as otherwise ordered herein, no other or further notice is necessary; and any objections (if any) to the Motion having been withdrawn, resolved or overruled on the merits; and a hearing having been held to consider the relief requested in the Motion and upon the record of the hearing and all of the proceedings had before this Court; and this Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties-in-interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on a final basis as set forth herein.
2. The Debtors are authorized, but not directed, to (a) pay the Prepetition Employee Obligations (either directly or to third parties for payment or remittance, as applicable), including amounts that exceed, in the aggregate, the priority amounts set forth in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code; (b) honor and continue their programs,

policies and practices with respect to the Employee Compensation and Benefits in the ordinary course of business consistent with the Debtors' past practices before the Petition Date, *provided* that no payment to any Employee shall be made pursuant to this Final Order to the extent that it is a transfer in derogation of section 503(c) of the Bankruptcy Code, and *provided further* that only postpetition deferrals and credits will be earned as administrative expenses under the SSP, and nothing in this Final Order shall be deemed to authorize the payment of amounts owed to participants on account of the SSP, (c) forward or contribute all Payroll Taxes and Deductions relating to the Employee Compensation and Benefits and Director Compensation to the appropriate third parties in the ordinary course of business and (d) continue to pay the Director Compensation in the ordinary course of business.

3. For the avoidance of doubt, nothing in this Final Order shall be deemed to authorize the Debtors to grant new LTIP awards, settle existing LTIP awards in cash, grant new Non-Insider Continuity Awards or make payments of amounts owed to participants on account of the SSP, but the Debtors reserve their right to seek such authority, or authority with respect to other incentive or retention compensation, by separate motion.

4. The Debtors are authorized to pay all costs and expenses incidental to the payment of the Employee Compensation and Benefits, including all administrative, service and processing costs and payments to outside professionals.

5. Pursuant to Section 362(d) of the Bankruptcy Code, Employees are authorized to proceed with their claims under the Workers' Compensation Obligations in the appropriate judicial or administrative fora and the Debtors are authorized, but not directed, to continue the Workers' Compensation Obligations and pay all prepetition amounts (if any)

relating thereto in the ordinary course. This modification of the automatic stay pertains solely to claims under the Workers' Compensation Obligations.

6. The Debtors are authorized, but not directed, to modify, change and discontinue any of the Employee Compensation and Benefits and to implement new Employee Compensation and Benefits in the ordinary course of business and pursuant to their past practices during these Chapter 11 Cases in their sole discretion without the need for further Court approval.

7. The Debtors are authorized to issue postpetition checks, or to effect postpetition electronic fund transfers, in replacement of any checks or electronic fund transfers in respect of payments authorized by this Final Order that are dishonored or rejected after the Petition Date.

8. The Debtors are authorized and empowered to execute and deliver such documents, and to take and perform all actions necessary to implement and effectuate the relief granted in this Final Order.

9. In accordance with this Final Order (or other order of this Court), each of the financial institutions at which the Debtors maintain their accounts relating to the payment of the obligations described in the Motion are authorized, but not directed, to (a) receive, process, honor and pay all checks presented for payment and to honor all fund transfer requests made by the Debtors related thereto, to the extent that sufficient funds are on deposit in those accounts and (b) accept and rely on all representations made by the Debtors with respect to which checks, drafts, wires or automated clearing house transfers should be honored or dishonored in accordance with this or any other order of this Court, whether such checks, drafts, wires, or

transfers are dated prior to, on or subsequent to the Petition Date, without any duty to inquire otherwise and without any liability for following the Debtors' instructions.

10. Nothing in the Motion or this Final Order, nor as a result of any payment made pursuant to this Final Order, shall be deemed or construed as an admission as to the validity or priority of any claim against the Debtors, an agreement or obligation to pay any claims, a waiver of any claim or causes of action which may exist against any creditor or interest holder, an admission as to the validity of any lien satisfied pursuant to this Motion, an approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code or a waiver of the right of the Debtors or any other party, or shall impair or limit the ability of the Debtors or any other party, to contest or seek relief under any section of the Bankruptcy Code in respect of the validity and amount of any payment made pursuant to this Final Order.

11. Notwithstanding anything to the contrary contained in the Motion or this Final Order, any payment to be made and any relief or authorization granted hereunder shall be limited by, and shall be subject to, the requirements imposed on the Debtors in any orders entered by this Court authorizing the Debtors to obtain debtor-in-possession financing and authorizing the use of cash collateral (any such order, a "DIP Order"). To the extent of any conflict (but solely to the extent of such conflict) between the terms of this Final Order and the terms of any DIP Order, the terms of the DIP Order will govern.

12. The requirements set forth in Local Rule 9013-1(b) are satisfied.

13. The requirements set forth in Bankruptcy Rule 6004(a) are satisfied.

14. This Final Order is immediately effective and enforceable, notwithstanding the possible applicability of Bankruptcy Rule 6004(h) or otherwise.

15. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motion or the implementation of this Final Order.

Dated: \_\_\_\_\_  
New York, New York

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United States Bankruptcy Judge