

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

In re:

PHILIPPINE AIRLINES, INC.,¹

Debtor.

Chapter 11

Case No. 21-11569 (SCC)

**FINAL ORDER (I) AUTHORIZING THE DEBTOR TO (A) PAY CERTAIN
EMPLOYEE WAGES AND OTHER COMPENSATION AND RELATED
OBLIGATIONS AND (B) MAINTAIN AND CONTINUE EMPLOYEE BENEFITS AND
PROGRAMS IN THE ORDINARY COURSE, AND (II) AUTHORIZING AND
DIRECTING APPLICABLE BANKS TO HONOR ALL CHECKS AND TRANSFERS
RELATED TO SUCH OBLIGATIONS**

Upon the Motion² of the above-captioned debtor and debtor in possession (the “**Debtor**”) for entry of a final order (this “**Order**”) (a) authorizing, but not directing, the Debtor to (i) pay accrued prepetition wages, salaries and other compensation to its employees, (ii) maintain and continue certain employee benefits and other associated obligations in the ordinary course, as described below, and (b) authorizing and directing the applicable Banks to honor all checks and transfers related to such obligations; and upon the First Day Declaration having been filed with the Court contemporaneously with the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference from the United States District Court for the Southern District of New York* dated January 31, 2012; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being

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

² Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Motion.



proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the relief requested in the Motion having been as provided in the Motion; 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, and that, except as otherwise ordered herein, no other or further notice is necessary; and the Court having held a hearing to consider the relief requested in the Motion on a final basis (the “**Final Hearing**”); and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interest of the Debtor, its estate, creditors, and all parties in interest; and any objections to the relief requested in the Motion having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on a final basis to the extent set forth herein.
2. The Debtor is authorized, but not directed, in its sole discretion, to pay the Wages and Benefits and/or honor its wage and benefit obligations in accordance with its stated policies and in the ordinary course of its business, including amounts owing as of the Petition Date on account of (a) Employee Wages, (b) Unpaid Compensation, (c) Employee Deductions, (d) Payroll Taxes, (e) Reimbursable Expenses, and (f) the Employee Benefits. For the avoidance of doubt, the payment of Wages and Benefits authorized hereunder includes amounts reimbursable pursuant to the Debtor’s ordinary course petty cash policies and procedures, and the Managers may continue to disburse petty cash in accordance therewith (including on account of amounts owing as of the Petition Date).

3. The Debtor is authorized, but not directed, in its sole discretion, to continue to honor the Wages and Benefits, make necessary contributions, pay any unpaid premium, claim, or amount owed in connection therewith as of the Petition Date, in accordance with the Debtor's ordinary course of business and stated policies, as set forth in the Motion.

4. To the extent the Debtor seeks to pay any Employee more than \$13,650 on account of a prepetition claims that is subject to the priority cap of section 507(a)(4) of the Bankruptcy Code, the Debtor shall provide the U.S. Trustee and the DIP Lenders with at least five business days' prior notice of the proposed payment amount and Employee related information (or as much notice as is reasonably practicable under the circumstances); *provided*, that the Debtor shall not, without further order of the Court, (a) make any payment of prepetition employee obligations that are in excess of the priority cap of section 507(a)(4) of the Bankruptcy Code to any insider (as that term is defined in section 101 of the Bankruptcy Code) (a "**Statutory Insider**"), or (b) make any severance payment to any Statutory Insider.

5. The Debtor is authorized, but not directed, in its sole discretion, to modify, change, or discontinue any of the Wages and Benefits and to implement new programs, policies, and benefits in the ordinary course of business during this Chapter 11 Case in the Debtor's discretion and without the need for further approval by this Court, subject to applicable law.

6. The Debtor is authorized, but not directed, in its sole discretion, to make payments to applicable third parties for the Employee Deductions, Employee Benefits, and the Payroll Taxes, in accordance with the Debtor's ordinary course of business and stated policies, as set forth in the Motion.

7. The Debtor shall continue to maintain records with respect to all transfers of cash so that all transactions may be readily ascertained, traced, and recorded properly.

8. All applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests, or automated clearinghouse transfers evidencing amounts paid by the Debtor under this Order whether presented prior to, on, or after the Petition Date to the extent the Debtor has good funds standing to its credit with banks or other financial institutions. Such banks and financial institutions are authorized to rely on the representations of the Debtor as to which checks are issued or authorized to be paid pursuant to this Order without any duty of further inquiry and without liability for following the Debtor's instructions.

9. The Debtor is authorized, but not directed, in its sole discretion, to reissue any check or electronic payment that originally was given in payment of any prepetition amount authorized to be paid under this Order that is not cleared by the applicable bank or financial institution.

10. Notwithstanding anything to the contrary in this Order, payments made pursuant to this Order shall only be made as they become due, and no payments shall be accelerated.

11. Any U.S. Dollar limitation in this Order shall be adjusted as necessary, to account for foreign exchange conversion costs if the payment must be made in a foreign currency.

12. Nothing in this Order should be construed as approving any transfer pursuant to 11 USC § 503(c) ("**Section 503(c)**"), and a separate motion shall be filed for any request that falls within Section 503(c), as to which the rights and defenses of the Debtor and all parties are expressly reserved. Subject to further order of the Court, no payment to any employee shall be

made to the extent that it is a transfer subject to Section 503(c). This Order does not implicitly or explicitly approve any bonus plan (besides the 13th month pay under Philippine law), incentive plan, or any other plan covered by Section 503(c).

13. Nothing in this Order or any action taken by the Debtor in furtherance of the implementation hereof shall be deemed to constitute an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code, and all of the Debtor's rights with respect to such matters are expressly reserved.

14. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall (a) create, nor is it intended to create, any rights in favor of, or enhance the status of any claim held by any person or entity or (b) be deemed to convert the priority of any claim from a prepetition claim into an administrative expense claim.

15. Nothing in this Order or the Motion shall be construed as prejudicing the rights of the Debtor to dispute or contest the amount of or basis for any claims against the Debtor in connection with or relating to the Debtor's Wages and Benefits.

16. Nothing in this Order nor the Debtor's payment of claims pursuant to this Order shall be construed as (a) an agreement or admission by the Debtor as to the validity or priority of any claim on any grounds, (b) a waiver or impairment of any of the Debtor's rights to dispute any claims on any grounds, (c) a promise by the Debtor to pay any claim, or (d) an implication or admission by the Debtor that such claim is payable pursuant to this Order.

17. The contents of the Motion and the notice procedures set forth therein are good and sufficient notice and satisfy the Bankruptcy Rules and the Local Bankruptcy Rules for the Southern District of New York (the "**Local Rules**"), and no other or further notice of the Motion or the entry of this Order shall be required.

18. Any Bankruptcy Rule (including Bankruptcy Rule 6004(h)) or Local Rule that might otherwise delay the effectiveness of this Order is hereby waived, and the terms and conditions of this Order shall be effective immediately and enforceable upon its entry.

19. The Debtor is authorized to take all such actions as are necessary or appropriate to implement the terms of this Order.

20. This Court shall retain exclusive jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Dated: September 30, 2021
New York, New York

/S/ Shelley C. Chapman
THE HONORABLE SHELLEY C. CHAPMAN
UNITED STATES BANKRUPTCY JUDGE