

Republic of the Philippines
REGIONAL TRIAL COURT
NATIONAL CAPITAL JUDICIAL REGION
Branch CXI (111), Pasay City
Special Commercial Court
#8831-9151/0961-0098485/rtc1psy111@judiciary.gov.ph

IN RE: PETITION FOR
RECOGNITION OF FOREIGN
PROCEEDING

SP PROC. CASE NO. 21-01799-SP

For: *Petition for Recognition of the
Foreign Proceeding under the
Financial Rehabilitation Act*

JOHN F. REID,

Petitioner,

PHILIPPINE AIRLINES, INC.,

Debtor.

X-----X

ORDER

Seeking recognition of the Chapter 11 case for voluntary relief commenced by debtor PAL¹ before the U.S. Bankruptcy Court for the Southern District of New York, petitioner John F. Reid filed on 24 September 2021 a petition² for **recognition of foreign proceeding.**

Pursuant to Section 6, Rule 5 of Administrative Matter (A.M) No. 12-12-11-SC, the *Financial Rehabilitation Rules of Procedure* (FR Rules), this court acknowledged the fact of and issued notice³ on the filing of the petition by Foreign Representative John F. Reid, and ordered the publication of the notice in a newspaper of general circulation. The court also set the summary hearing on petitioner's application for provisional relief and the hearing on the main petition.

¹ A domestic corporation, Exhibit "A", with principal office at 8/F PNB Financial Center, Pres. Diosdado Macapagal Ave., CCP Complex, Pasay City

² Records, Petition, pp. 2- 312.

³ *Id.*, Order, dated 24 September 2021.



As prayed for,⁴ considering that his witnesses are non-resident foreign nationals and due to time constraints as well as existing travel restrictions brought about by the COVID-19 pandemic, petitioner was allowed⁵ to present his witnesses through videoconference.

During the **summary hearing**⁶ on 04 October 2021, petitioner and counsels, Atty. Francisco Ed. Lim, Atty. Charlemagne P. Chavez, and Atty. Merceidez Ragaza appeared through Microsoft Teams **videoconferencing**. PAL's Chief Finance Officer Nilo Thaddeus Rodriguez, Vice President for Legal Affairs Ma. Clara C. De Castro, General Bankruptcy and Restructuring Counsel in the U.S. Bankruptcy Court Atty. Elie Worenklein, Aircraft Counsel Keith Sandilands, and expert witness Atty. Kyle Ortiz also joined.

Thereupon, petitioner presented **proof of publication**⁷ of the 24 September 2021 **Notice of filing**, as published in the Philippine Daily Inquirer on 29 September 2021. No opposition electronically or manually filed to the court within five (5) days from publication.

In support of his application for provisional relief, petitioner showed the **09 September 2021 Order**⁸ issued by Honorable Shelley C. Chapman, the United States Bankruptcy Judge of the U.S. Bankruptcy Court for the Southern District of New York, **confirming PAL's commencement** of the Chapter 11 Case⁹ and **authorizing the petitioner**, Mr. John F. Reid, to act as **PAL's "foreign representative"** including the filing of this petition for recognition of the Chapter 11 case. He also showed the other **09 September 2021 Order**¹⁰ of the U.S. Bankruptcy Court **confirming** PAL's authority to continue to operate its business in the ordinary course and the **implementation** of the **automatic stay**.

⁴ Petitioner's *Urgent Motion to Attend the 04 October and 08 October 2021 Hearings through Videoconferencing*, filed on 29 September 2021, and *Ex Abundanti Ad Cautelam Urgent Motion to Allow Expert Witness and Counsel Abroad to Attend the 04 October and 08 October 2021 Hearings Outside of a Philippine Embassy or Consulate*, filed on 01 October 2021.

⁵ Orders, dated 30 September 2021 and 01 October 2021.

⁶ Order, 04 October 2021.

⁷ Exhibit "F", Affidavit of Publication; Exhibits "F-1" & "F-2", 29 September 2021 issue of the Philippine Daily Inquirer.

⁸ Exhibit "C", Order issued by the Southern District of New York U.S. Bankruptcy Court, with the United States New York Apostille.

⁹ Exhibit "B", Voluntary Petition for Relief under Chapter 11 of the U.S. Bankruptcy Code filed before the Southern District of New York Bankruptcy Court, dated 03 September 2021, with the United States New York Apostille.

¹⁰ Exhibit "E", Order, dated 09 September, confirming (I) Authority to Operate its Business in the Ordinary Course and (II) Implementation of the Automatic Stay, with the United States New York Apostille.

Having sufficiently established the urgent need to protect the assets of debtor PAL as well as the interests of the creditors in the Philippines during the pendency of this petition for recognition and there being a *prima facie* showing that the petition is meritorious,¹¹ petitioner's **application** for **provisional relief** was **granted**¹² on 05 October 2021.

Subsequently, during the **hearing**¹³ of the **petition** on 08 October 2021, petitioner, through Atty. Francisco Ed. Lim, reiterated on the following:

1. On 3 September 2021, PAL **commenced** a Voluntary Petition¹⁴ for relief under Chapter 11 of the U.S. Bankruptcy Code before the United States Bankruptcy Court for the Southern District of New York, docketed as Case No. 21-11569(SCC) (*Chapter 11 Case*);
2. The Voluntary Petition is a "**foreign proceeding**" as defined in Section 5(g), Rule I of the Financial Rehabilitation Rules of Procedures of 2013 (*FR Rules*);
3. The Chapter 11 Case is a **foreign non-main proceeding** as defined and understood under Section 5(i), Rule I of the FR Rules;
4. On 9 September 2021, the **U.S. Bankruptcy Court** issued an **Order**,¹⁵ among others:
 - a. declaring the Voluntary Petition constitutes "foreign proceedings", as the term is used in Article II(a) of the Model Law on Cross-Border Insolvency adopted by the United Nations Commission on International Trade Law;
 - b. the Chapter 11 Case has been commenced by the filing of PAL's voluntary petition for relief on 3 September 2021;

¹¹ Section 11, Rule 5, FR. Rules

¹² Order, 05 October 2021.

¹³ Order, 08 October 2021.

¹⁴ Exhibit "B", dated 03 September 2021.

¹⁵ Exhibit "C", dated 09 September 2021.



- c. authorizing petitioner John F. Reid as the "foreign representative", pursuant to section 1505 of the U.S. Bankruptcy Code, on behalf of PAL's estate;
 - d. as "foreign representative", petitioner is authorized and has the power to act in any way permitted by applicable foreign law, including seeking recognition of the Chapter 11 Case in the Philippines and provisional relief to protect the assets of PAL or the interests of the creditors; and
 - e. respectfully requesting the Philippine Regional Trial Court as well as any other court, tribunal, regulatory body, or administrative body having jurisdiction in the Philippines to:
 - i. grant representative status to Mr. Reid in any foreign proceeding;
 - ii. to issue such orders and to provide such assistance to Mr. Reid as the foreign representative of PAL, and an officer of the Court, as may be necessary or desirable to give effect to this Order and all applicable provisions of the Bankruptcy Code;
 - iii. assist PAL, Mr. Reid (in his capacity as the foreign representative), and their respective agents in carrying out terms of this Order, (ii) any other order of this Court, and (iii) the provisions of the Bankruptcy Code, including, for the avoidance of doubt, the automatic stay pursuant to Section 362 of the Bankruptcy Code that was imposed upon the commencement of the Chapter 11 Case;
5. The 9 September 2021 Order constitutes the order commencing the foreign proceeding and appointing the foreign representative as provided in Section 5, Rule 5 of the FR Rules;
6. As stated in the 9 September 2021 Order, petitioner is a "Foreign Representative" as defined in Section 5(j), Rule 1 of the FR Rules;



7. The Chapter 11 Case is not contrary to the public policy of the Philippines on rehabilitation proceedings;
8. The Chapter 11 case is similar to a pre-negotiated rehabilitation under Chapter III of the FRIA and Rule 3 of the FR Rules;
9. The Chapter 11 Case is entitled to recognition in the Philippines under the FRIA and FR Rules.

Petitioner emphasized his compliance with all the requirements under Section 8, Rule 5 of the FR Rules for recognition of foreign proceedings, and none of the grounds to refuse recognition under Section 4 of same Rule. PAL's General Bankruptcy and Restructuring Counsel in the U.S Bankruptcy Court, **Atty. Elie Worenklein**, affirmed and confirmed the commencement of the voluntary petition before the U.S. Bankruptcy Court and the issuance of the 09 September 2021 Orders¹⁶ as well as the subsequent Orders,¹⁷ dated 30 September 2021. He also attests to the compliance with the factors in granting relief under Section 14 of same Rule.

He presented **Atty. Kyle Ortiz**,¹⁸ as an expert¹⁹ witness, who identified²⁰ and presented the relevant provisions governing bankruptcy and rehabilitation proceedings in the United States of America, as well as protection of creditors, specifically on Chapter 11 reorganization proceeding under Chapter 3²¹, Chapter 5²², Chapter 11²³, and Chapter 15²⁴ of the United States Bankruptcy Code, as amended, found in Title II of the United States Code.²⁵

¹⁶ Exhibit "C", Order (I) *Authorizing John F. Reid to Act as Foreign Representative* and (II) *Granting Related Relief*, dated 09 September 2021; Exhibit "E", Order confirming (I) *Authority to Operate its Business in the Ordinary Course* and (II) *Implementation of the Automatic Stay*, dated 09 September 2021.

¹⁷ Exhibits "I", "J", "K", "L", "M", "N", "O", "P", and "Q".

¹⁸ A partner with Togut, Segal & Segal LLP, a leading bankruptcy and restructuring boutique in the United States, and a member of the American Bankruptcy Institute where he Co-Chair the American Bankruptcy Institute's International Committee.

¹⁹ Exhibit "D", Judicial Affidavit, pp. 2-6; Exhibit "D-1", Kyle J. Ortiz's Curriculum Vitae.

²⁰ Exhibit "D", Atty. Kyle J. Ortiz's Judicial Affidavit.

²¹ Exhibit "D-2".

²² Exhibit "D-3".

²³ Exhibit "D-4".

²⁴ Exhibit "D-5".

²⁵ "The United States Code is a codification of Federal Laws promulgated by the U.S. Congress. The United States Bankruptcy Code is a federal law." Exhibit "D", Atty. Ortiz's Judicial Affidavit, par. 2 of Answer No. 16.

Atty. Ortiz explained that nature of Chapter 11, which, among others things, sets forth the requirements to confirm a chapter 11 plan of reorganization allowing a debtor to emerge from a chapter 11 protection as reorganized entity, with stronger balance sheet and positioned to continue to operate and contribute to society by providing jobs, goods, and services. Chapter 5 governs the rights of creditors, the debtor, and the debtor's estate during a chapter 11, including provisions relating to filing, allowance, and relative priority of claims held by creditors.²⁶

He clarified that the main goal of chapter 11 is to rehabilitate financially distressed companies and emerge well positioned to survive and thrive as a viable entity in the future. Under the Bankruptcy Code, all creditors are entitled to notice of the commencement of the debtor's chapter 11 proceeding and certain key filings during the case, including any "bar date" order establishing deadlines to file proofs of claim, and the filing of a chapter 11 plan. It is a regular practice in the U.S. to publish notices in national newspaper and in the local papers where the company is located.²⁷

Petitioner presented proof²⁸ of publication of the "Notice of Chapter 11 Filing to Creditors"²⁹ published in the Philippine Daily Inquirer on 29 September 2021.³⁰

Atty. Ortiz also posits that the U.S. Bankruptcy Code requires that a Chapter 11 plan treat similarly situated creditors equally. It is generally blind as to the location of the creditors. As such, creditors in other jurisdictions have the same rights as creditors within the United States. There is no distinction, as all creditors are afforded the same rights and the same due process.³¹

He further testified that Chapter 15 of the Bankruptcy Code provides a mechanism pursuant to which the United States Bankruptcy Courts may recognize foreign rehabilitation proceedings pending in a foreign jurisdiction. As such, the United States

²⁶ Exhibit "D", Judicial Affidavit, p. 7.

²⁷ Id., p. 8.

²⁸ Exhibit "H", Affidavit of Publication executed by Buenaventura R. Arcano, Jr., dated 29 September 2021. ,

²⁹ Exhibit "H-1".

³⁰ Exhibit "D", Judicial Affidavit.

³¹ Id.



Bankruptcy Code and the U.S. Laws extend recognition to Philippine rehabilitation proceeding.

He emphasized that Chapter 15 was enacted as part of the Bankruptcy Abuse Prevention and Consumer Protection Act in 2005 basically to adopt the UNCITRAL Model Law on Cross-Border Insolvency.³²

Atty. Lim also pointed out that Section 139, Chapter VIII of FRIA adopts as part thereof the Model Law on Cross-Border Insolvency of the United Nations Center for International Trade and Development (UNCITRAL).³³

Atty. Ma. Clara C. De Castro, PAL's Vice-President for Legal Affairs, attests³⁴ to the urgent need to stay the enforcement and execution of claims against PAL in the Philippines so as protect PAL's assets to ensure enforcement of the 09 September 2021 Orders in the Chapter 11 case.

Petitioner confirms that, as alleged in the petition, other than the Chapter 11 case in the U.S., "no other foreign proceedings involving PAL is known to him".³⁵ Pursuant to Section 10, Rule 5 of the FR Rules, he undertakes to promptly inform this court of any foreign proceeding concerning PAL that becomes known to him, and how may the changes and developments affect or have affected this petition.³⁶

Petitioner filed his **formal offer of exhibits** on 13 October 2021, which was admitted.³⁷ Hence, the petition was submitted for decision.

ISSUE

Whether the petition meets all the procedural and substantial requirements for recognition of the foreign proceeding.

³² Exhibit "D".


³³ TSN, 04 October 2021 Summary Hearing.

³⁴ Exhibit "G, Judicial Affidavit.

³⁵ Petition for Recognition, par. 3.11, p. 5.

³⁶ Petition for Recognition, par. 3.12, p. 5.

³⁷ Order, 21 October 2021.



RULING

After a judicious examination and evaluation of the evidence adduced, this court finds the petition adequately meets all the procedural and substantial requirements for recognition of the Chapter 11 proceeding and no ground exists to refuse recognition.

As shown, the petitioner has **sufficiently complied** with the **procedural requirements** under Section 5, Rule 5 of the FR Rules.

1. He presented the **Voluntary Petition**³⁸ for relief PAL filed pursuant to Chapter 11 of the U.S. Bankruptcy Code before the United States Bankruptcy Court for the Southern District of New York, docketed as Case No. 21-11569(SCC) (*Chapter 11 Case*) on 03 September 2021.
2. He also presented the apostillized copy of the **09 September 2021 Order**³⁹ of the **U.S. Bankruptcy Court**:
 - a. declaring the Voluntary Petition **constitutes** a "**foreign proceeding**", as the term is used in Article II(a) of the Model Law on Cross-Border Insolvency adopted by the United Nations Commission on International Trade Law;
 - b. that a **Chapter 11 Case** has been **commenced** by PAL's filing of the voluntary petition for relief on 03 September 2021;
 - c. **appointing** and authorizing **petitioner John F. Reid** as PAL's "**foreign representative**", pursuant to section 1505 of the U.S. Bankruptcy Code, on behalf of PAL's estate;
 - d. as "foreign representative", petitioner is **authorized** and **has the power to act** in any way permitted by applicable foreign law, **including seeking recognition of the Chapter 11 Case in the Philippines** and **provisional relief to protect the assets of PAL** or the **interests of the creditors**; and

³⁸ Exhibit "B", dated 03 September 2021, with Apostille.

³⁹ Exhibit "C", dated 09 September 2021.

3. The petition also alleges that, other than the Chapter 11 case commenced in the U.S., "no other foreign proceedings involving PAL is known to the petitioner".⁴⁰ Further, pursuant to Section 10, Rule 5 of the FR Rules, petitioner undertakes to promptly inform this court of any foreign proceeding concerning PAL that becomes known to him, and how may the changes and developments affect or have affected this petition.⁴¹

The petition also **satisfies** the **substantial requirements** for recognition provided in Section 8, Rule 5, of the same Rules.

1. As shown, the voluntary petition before the U.S. Bankruptcy Court is a "**foreign proceeding**", as defined in Section 5(g), Rule I of the FR Rules. As elucidated⁴² by Atty. Ortiz, the voluntary petition for relief is a judicial proceeding in the U.S. pursuant to Chapter 11 of the U.S. Bankruptcy Code, as amended, and that the assets and affairs of PAL are subject to control or supervision by the U.S. Bankruptcy Court for the purpose of reorganization.
2. The Chapter 11 Case is a "**foreign non-main proceeding**" as defined and understood under Section 5(i), Rule I of the FR Rules.
3. **Petitioner John F. Reid** applying for recognition is a "**foreign representative**," as defined in Section 5(j), Rule I of the FR Rules.
4. As discussed, the petition meets all the procedural requirements of Section 5, Rule 5 of the FR Rules.

In addition, petitioner has sufficiently established **compliance** with the **rules on public policy** and **reciprocity** under Section 4, of Rule 5. Thus, none of the grounds to refuse recognition exists.

Atty. Ortiz avowed that a debtor seeking protection under chapter 11 of the Bankruptcy Code pursues the reorganization of its business in an organized forum that provides for participation by all creditors, wherever they may be situated, and affords them the

⁴⁰ Petition for Recognition, paragraph 3.11, p. 5.

⁴¹ Petition for Recognition, paragraph 3.12, p. 5.

⁴² Exhibit "D" & TSN, Atty. Kyle Ortiz, 04 October 2021.



opportunity to confirm a chapter 11 plan and emerge from a chapter 11 protection as reorganized entity, with stronger balance sheet and positioned to continue to operate and contribute to society by providing jobs, goods, and services. He also posits that the U.S. Bankruptcy Code requires that a Chapter 11 plan treat similarly situated creditors equally. It is generally blind as to the location of the creditors. As such, creditors in other jurisdictions have the same rights as creditors within the United States. There is no distinction, as all creditors are afforded the same rights and the same due process.⁴³

He further explained that the U.S. Bankruptcy Code grants rights to creditors outside of the United States including those in the Philippines, whether or not represented by counsel. Any creditor, wherever located, desiring to assert a claim against a Chapter 11 debtor may file a proof of claim. Foreign creditors have the same rights concerning the commencement of and participation in a Chapter 11 case.⁴⁴


Atty. Worenklein, PAL's General Bankruptcy and Restructuring Counsel in the U.S. Bankruptcy Court, echoes the same explanation and clarification on the similarity of the provisions under the U.S. Bankruptcy Code and in the FRIA concerning the safeguards to ensure a timely, fair, transparent, effective and efficient rehabilitation of debtors, including the applicable provisions under the U.S. Bankruptcy Code for a Chapter 11 reorganization.

With Atty. Ortiz and Atty. Worenklein's testimonies on the objectives, purposes and mechanisms of a Chapter 11 case under the U.S. Bankruptcy Code, this court finds that the Philippine **public policy** under the FRIA on collective and realistic resolution and adjustment of competing claims and property rights, as well as the safeguards for a timely, transparent, effective and efficient rehabilitation of debtors, is thus achieved.

Anent the **reciprocity** requirement under Section 4, Rule 5 of the FR Rules, Atty. Ortiz also averred that Chapter 15 of the Bankruptcy Code provides a mechanism pursuant to which the United States Bankruptcy Courts may recognize foreign rehabilitation proceedings pending in a foreign jurisdiction. He explained that a foreign representative would have to file a Chapter 15 petition, under

⁴³ Exhibit "D", Atty. Kyle J. Ortiz's Judicial Affidavit.

⁴⁴ TSN, Atty. Kyle J. Ortiz, 04 October 2021 and 08 October 2021.



section 1504 of the Bankruptcy Code, and seek recognition of a foreign proceeding as either foreign main or foreign non-main proceeding by filing an application for recognition under Section 1515 of the Bankruptcy Code. After notice of hearing, the court may enter an Order granting recognition under Section 1517 of the Bankruptcy Code.⁴⁵

He thus clarified that the United States Bankruptcy Code and the U.S. Laws extend recognition to Philippine rehabilitation proceeding. He confirmed Atty. Lim's manifestation that previously the U.S. District Court of California granted PAL's petition for injunction based on the then pending proceeding before the Philippine Securities and Exchange Commission (SEC) against the attempt to arrest or repossess one of its aircraft in the U.S. He also emphasized that there is no reciprocity requirement in Chapter 15, which only requires that there is foreign proceeding, there is a foreign representative applying for recognition and the petition meets the requirements under Section 1515 of the Bankruptcy Code.⁴⁶

He further stressed that Chapter 15 was enacted as part of the Bankruptcy Abuse Prevention and Consumer Protection Act in 2005 basically to adopt the UNCITRAL Model Law on Cross-Border Insolvency.⁴⁷ Atty. Lim also pointed out that Section 139, Chapter VIII, of the FRIA also adopts as part thereof the Model Law on Cross-Border Insolvency of the United Nations Center for International Trade and Development (UNCITRAL).

As directed by this court during the summary hearing on 04 October 2021, petitioner submitted on 05 October 2021 the **Certification** issued by PAL's Chief Financial Officer Nilo Thaddeus Rodriguez stating that seventy-three (73%) of the total long-term liabilities of PAL are owed to international creditors, majority of which PAL has entered into a Restructuring Support Agreements (RSAs), and that "out of the [40+] counterparties to these RSAs, representing the top creditors of PAL, only six (6) of these creditors are Philippine-based creditors." He also submitted the Certification issued by PAL's Vice-President for Legal Affairs Department Atty. Ma. Clara C. De Castro on the list of PAL's pending cases as of the filing of the voluntary petition on 03 September 2021.

⁴⁵ Exhibit "D-5", Chapter 15 of the U.S. Bankruptcy Code, as amended.

⁴⁶ Exhibit "D", pp. 9-10.

⁴⁷ Id.



As amply shown, the factors under Section 14 of Rule 5 to consider in granting relief sought, such as the protection of Philippine-based creditors, the convenience in pursuing their claim in the Chapter 11 case, the just treatment of all creditors through resort to a unified reorganization proceedings, the extent that the Chapter 11 proceeding recognizes the rights of creditors and other interested parties in a manner substantially in accordance with the manner prescribed in Rule 5 of the FR Rules, and the extent that a foreign proceeding has recognized and shown deference to a proceeding under the previous legislation have been substantially established.

WHEREFORE, the petition for recognition is **GRANTED**. Accordingly, judgment is hereby rendered:

1. **recognizing the Chapter 11 proceeding** in the United States Bankruptcy Court for the Southern District of New York, docketed as Case No. 21-11569 (SCC), as a foreign non-main proceeding;
2. **giving force and effect to the Chapter 11 proceeding and any and all court orders** issued or that may be issued by the S.D.N.Y. Bankruptcy Court in connection with such foreign proceeding, including, but not limited to, the two (2) Orders⁴⁸ dated 09 September 2021 and the subsequent nine (9) Orders⁴⁹ dated 30 September 2021;
3. giving or entitling Foreign Representative John F. Reid to participate, through counsel, in any proceeding involving the debtor PAL, Inc. filed under the Financial Rehabilitation Rules of Procedure of 2013 (FR Rules),⁵⁰
4. this recognition of the Chapter 11 proceeding does not affect the right of Philippine creditors to commence or continue a rehabilitation or liquidation proceeding under the FR Rules or the right to file or continue claims in such proceedings,⁵¹

⁴⁸ Exhibits "C" & "E".

⁴⁹ Exhibits "I" to "Q".

⁵⁰ Section 12 (B), Rule 5, FR Rules.

⁵¹ Section 12 (C), Rule 5, FR Rules.



5. from the filing of this petition for recognition on 24 September 2021, the petitioner, through counsel is directed to inform this court promptly of:
- (A) any substantial change in the status of the foreign proceeding or the status of the foreign representative's appointment; and
 - (B) any other foreign proceeding regarding the same debtor that becomes known to the foreign representative,

and how the changes or developments affect or have affected the petition.⁵²

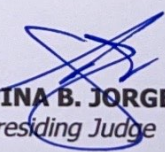
The petitioner, through counsel, is also directed to **publish** this Order in two (2) separate newspapers of general circulation in the Philippines on a business day not later than five (5) days from issuance hereof.⁵³

Pursuant to Section 15, Rule 5 of the FR Rules of 2013, so as to protect the interests of creditors and other interested persons, this court hereby imposes the following conditions:

1. the petitioner, through PAL's Legal Affairs Department, **must respond** to any query, claim, or manifestation from any creditor, claimant, or other interested persons concerning the commencement and pendency of the Chapter 11 proceeding; and
2. **notify** such creditor, claimant, or other interested persons of the pendency and status thereof as well as the relevant Order/s issued by the U.S. Bankruptcy Court.

SO ORDERED.

Pasay City, 22 October 2021.


WILHELMINA B. JORGE-WAGAN
Presiding Judge

⁵² Section 10, Rule, FR Rules.

⁵³ Section 12(D), Rule 5, FR Rules.