

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

In re:

GRUPO AEROMÉXICO, S.A.B. de C.V., *et al.*,

Debtors.¹

Chapter 11

Case No. 20-11563 (SCC)

(Jointly Administered)

**DECLARATION OF MATTHEW LANDESS IN SUPPORT OF
(A) DEBTORS' MOTION FOR ENTRY OF AN ORDER (I) AUTHORIZING
DEBTOR AEROVÍAS DE MÉXICO, S.A. DE C.V. TO ASSUME (ON AN
AMENDED BASIS) THAT CERTAIN LEASE AGREEMENT AND
(II) APPROVING THE CLAIMS SETTLEMENT WITH YAMASA AIRCRAFT
AM1 KUMIAI AND RELATED PARTIES AND (B) RELATED SEALING MOTION**

I, Matthew Landess, declare as follows:

1. I am a partner of SkyWorks Capital, LLC (“**SkyWorks**”), which serves as aircraft fleet restructuring financial advisor to the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”) and served in such capacity prior to the commencement of these cases. I have been employed by SkyWorks or its affiliates since 2008.

2. As a Partner at SkyWorks, I have advised several airlines during their restructuring processes. I have worked on bankruptcy cases in the airline industry, including TWA, Delta Air Lines, and American Airlines. I have advised multiple industry-leading airlines on matters relating to fleet planning, including aircraft orders, aircraft financing structures, tax leases, operating leases, capital leases and multiple debt structures, and negotiating contracts on behalf

¹ The Debtors in these cases, along with each Debtor’s registration number in the applicable jurisdiction, are as follows: Grupo Aeroméxico, S.A.B. de C.V. 286676; Aerovías de Mexico, S.A. de C.V. 108984; Aerolitoral, S.A. de C.V. 217315; and Aerovías Empresa de Cargo, S.A. de C.V. 437094-1. The Debtors’ corporate headquarters is located at Paseo de la Reforma No. 243, piso 25 Colonia Cuauhtémoc, Mexico City, C.P. 06500.

of my clients that have enabled them to collectively save billions of dollars and successfully restructure their businesses.

3. I submit this declaration (this “**Declaration**”) in support of the *Debtors’ Motion for Entry of an Order (I) Authorizing Debtor Aerovías de México, S.A. de C.V. To Assume (On an Amended Basis) that Certain Lease Agreement and (II) Approving the Claims Settlement with Yamasa Aircraft AMI Kumiai and Related Parties* (the “**Assumption Motion**”) and the *Debtors’ Motion for Entry of an Order Authorizing the Debtors To Redact Commercially Sensitive Information* (the “**Sealing Motion**” and, together with the Assumption Motion, the “**Motions**”), which were filed with the Court contemporaneously herewith.²

4. The statements in this declaration are, except where specifically noted, based on my personal knowledge or opinion, on information that I have received from the Debtors’ employees or advisors or professionals of SkyWorks working directly with me or under my supervision, direction, or control, or from the Debtors’ books and records maintained in the ordinary course of their businesses.³

5. I am not being specifically compensated for this testimony other than through payments received by SkyWorks as a professional retained by the Debtors. I am over the age of 18 years and authorized to submit this Declaration on behalf of the Debtors. If I were called upon to testify, I could and would competently testify to the facts set forth herein.

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

³ This declaration is based on SkyWorks’ knowledge of the Debtors, the Chapter 11 Cases, and their fleet (aside from aircraft bearing manufacturer’s serial number 35311).

Assumption Motion

8. As set forth in the Assumption Motion, the Debtors have been engaged in a multi-step process to (a) analyze their anticipated, long-term fleet and equipment needs, (b) make corresponding adjustments to the size and composition of their current operating fleet, and (c) obtain the most favorable terms for agreements relating to aircraft equipment. Over the last several months, the Debtors have continued negotiating with existing lessors and potential lessors of additional aircraft and equipment to obtain the best terms available for the aircraft and equipment that will be necessary for the Debtors to pursue their long-term business plan and to optimize their anticipated fleet upon emergence from the Chapter 11 Cases.

9. As part of these efforts, on August 31, 2021, the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing Debtors To Assume Certain Aircraft Leases* [ECF No. 1677] (the "**Omnibus Assumption Motion**") seeking to assume three Japanese aircraft operating leases, including the Aircraft Lease. Since filing the Omnibus Assumption Motion, the Debtors continued negotiating with the Lessor the terms and conditions for the Amended Aircraft Lease in an effort to obtain the best terms available for the Aircraft.⁴ As a result of arm's length and good faith negotiations, the Debtors have reached an agreement with the Lessor to (a) assume the Aircraft Lease relating to the Aircraft on an amended basis on terms substantially consistent with those set forth in the Amended Aircraft Lease, (b) allow certain prepetition claims against the Debtors in the Chapter 11 Cases relating to the Aircraft in favor of the Lessor, and (c) reaffirm the Guaranty.

10. The form of the Amended Aircraft Lease attached as Exhibit 1 to the Proposed Order sets forth the commercial terms agreed between the Lessor and the Debtor Lessee and a

⁴ As a result of reaching an agreement with the Lessor with respect to the Yamasa Transactions (as defined herein), the Debtors subsequently adjourned the Omnibus Assumption Motion as it related to the Aircraft. ECF No. 1738.

summary of the material terms thereof (the “**Summary**”) is attached to the Assumption Motion as Exhibit B. By agreeing to such terms, the Debtors have achieved certainty in maintaining the Aircraft in their fleet on terms that fit the Debtors’ short- and long-term needs and that the Debtors believe are advantageous. The Aircraft will come at attractive economics and ownership costs. Moreover, the Lessor and the Debtor Lessee have agreed that, subject to the Debtors’ continued compliance with the terms of the Aircraft Lease and the applicable Equipment Stipulation, the assumption of the Aircraft Lease on an amended basis, on terms substantially consistent with those set forth in the Amended Aircraft Lease, would not give rise to an obligation to make any cash payment at the time of assumption to cure any defaults under the Aircraft Lease under section 365(b)(1)(A) of the Bankruptcy Code.

11. The Debtors are seeking to reset their fleet and attendant costs to a market level. As part of this process, the Debtors are evaluating their fleet of aircraft and equipment, reviewing the relevant underlying leases and agreements, and, to the extent prudent, negotiating amendments to such leases and agreements for aircraft and equipment that the Debtors desire to maintain. In doing so, the Debtors compared the Aircraft Lease and the Aircraft to available alternatives and ultimately negotiated (at arm’s length, in good faith, and in consultation with their key stakeholders) economically favorable terms, as memorialized in the Amended Aircraft Lease, that are in line with the Debtors’ long-term business plan. In addition to the improved costs and better terms and conditions as compared to the Aircraft Lease, the Amended Aircraft Lease also will create operational flexibility for the Debtors, as it will allow the Debtors to retain and operate an existing aircraft in their fleet and would position the Debtors to potentially reject other aircraft or equipment that are not as attractive for the long term fleet. Finally, the Debtors have determined (based on the exercise of their sound business judgment) that the terms of the Amended Aircraft Lease

represent the best available transaction under the circumstances (*i.e.*, the Chapter 11 Cases), but also would be a commercially beneficial transaction irrespective of such circumstances (and is superior to at least some of their prepetition aircraft leases).

12. Accordingly, I believe that the assumption of the Aircraft Lease on an amended basis, on terms and conditions substantially consistent with those set forth in the Amended Aircraft Lease, (a) would be the result of the Debtors exercising their sound business judgement in accordance with their fiduciary duties, (b) would be in the best interests of their estates and economic stakeholders, and (c) would further serve to maximize value for the benefit of all creditors.

13. Finally, in conjunction with this transaction, the Debtors seek to resolve all pre-assumption claims against the Debtors relating to the Aircraft or the Aircraft Lease belonging to the Lessor and certain other parties (collectively, the “**Claimants**”⁵) in the Chapter 11 Cases. To this end, the parties have agreed that the Lessor will have two allowed non-priority general unsecured prepetition claims, each in the final amount of \$50,000,000, one against the Debtor Lessee and another against Grupo Aeroméxico (the “**Claims Settlement**” and, together with the Amended Aircraft Lease and the reaffirmation of the Guaranty, the “**Yamasa Transactions**,”⁶ and, the Amended Aircraft Lease and other related documents necessary or advisable to implement the Yamasa Transactions, the “**Yamasa Transaction Documents**”).⁷ Without prejudice to claims

⁵ For the avoidance of doubt, “**Claimants**” includes, without limitation, the claimants of claims numbered 381-91.

⁶ The Yamasa Transactions also include, without limitation, the release and termination of a certain exchange agreement, guarantee, and netting letter entered into in connection with the financing of the Aircraft and the Debtors’ agreement to continue performing under certain prepetition fee letters relating to the Aircraft.

⁷ In accordance with the Yamasa Transaction Documents, the Lessor has agreed that, solely to the extent that (a) no Event of Default under the Amended Aircraft Lease shall have occurred and be continuing and (b) the Lessor is entitled in respect of the claims allowed pursuant to the Claims Settlement to vote on a chapter 11 plan of reorganization proposed by the Debtors that is a Complying Plan (as defined herein), the Lessor (and, solely with respect to the claims allowed pursuant to the Claims Settlement, any of its successors, assignees, or transferees) shall

arising under the Amended Aircraft Lease, the Guaranty, and the other Yamasa Transaction Documents, the claims allowed pursuant to the Claims Settlement shall constitute the only general unsecured claims of the Claimants in respect of the Aircraft or the Aircraft Lease allowed in the Chapter 11 Cases.

14. I believe that the Claims Settlement negotiated with the Lessor is reasonable. Rather than engage in costly and value-destructive litigation over the Debtor Lessee's obligations to the Claimants, the amounts of the Claimants' claims, and any amounts mitigating the quantum of those claims, the parties negotiated a consensual resolution settling on \$50,000,000 as the agreed aggregate amount for the Claims Settlement. Any efforts by the Debtors, through litigation or otherwise, to resolve such disputes would be time-consuming and expensive, and would delay any distribution to the creditor beneficiaries of the Debtors' estates. A failure to resolve the matters at issue at this time could negatively impact the Debtors and their estates. The Claims Settlement is the product of arm's length and good faith bargaining among the separate and independent advisors of the Debtors and the Lessor that will (a) eliminate the need for a costly claims dispute and (b) unlock distributable value for the Debtors' unsecured creditors by liquidating the Claimants' prepetition claims against the Debtors. Lastly, a number of the Debtors' key stakeholders, including the respective advisors to the Committee, the Ad Hoc Group of Senior Noteholders, and the Ad Hoc Group of Unsecured Claimholders, have no objection to the relief requested.

vote in favor of the Debtors' Complying Plan in respect of such claims (or any portion thereof). A Chapter 11 plan of reorganization shall be a "**Complying Plan**" if it (a) is not inconsistent with the Amended Aircraft Lease or the other Yamasa Transaction Documents and (b) treats the claims allowed pursuant to the Claims Settlement (i) as fully and finally allowed non-priority general unsecured claims not subject to any defense, reduction, setoff, recoupment, or reconsideration under section 502 of the Bankruptcy Code and (ii) no worse than the non-priority unsecured claims of any other aircraft or engine lessor whose claims run solely against the Debtor Lessee and/or the Guarantor (other than de minimis "convenience class" claims).

Accordingly, I believe that the proposed Claims Settlement is fair and equitable, would be in the best interests of the Debtors' estates, creditors, and other stakeholders, and should be approved.

Sealing Motion

15. The Debtors are also seeking to partially redact the agreed form of the Amended Aircraft Lease and the Summary. While the Debtors recognize the need to disclose sufficient information and details when seeking the relief requested in the Assumption Motion, the Debtors must ensure that they protect certain key economic and commercial terms of the Amended Aircraft Lease and the Summary (the "**Confidential Information**").

16. Disclosure of the Confidential Information could reasonably be expected to cause harm to the Debtors and jeopardize their goals at a critical juncture in the Chapter 11 Cases in various ways.

17. First, disclosing the Confidential Information would provide other aircraft counterparties insight into the Debtors' cost structure, negotiating positions, and fleet strategy. Counterparties that are currently negotiating with the Debtors over new long-term leases, some for aircraft equipment similar to the Aircraft, will insist on obtaining the most favorable economic terms provided to any other lessor. Moreover, the Debtors anticipate further negotiations with existing equipment and aircraft counterparties (and potential new counterparties) regarding the terms of long-term lease agreements, and the Debtors' negotiating position would be harmed if equipment and aircraft counterparties know the Confidential Information. Further, if the Debtors are not successful in protecting sensitive information and commercial accommodations made by the Lessor, it would hinder the Debtors' ability to enter into further agreements with, and obtain beneficial economic terms from, the Lessor and other counterparties necessary to the Debtors' ongoing business.

18. Second, disclosure of the Confidential Information would provide rarely disclosed information to the Debtors' industry competitors. Given that fleet strategy is a core component of any commercial airline's business model, disclosure of this sensitive information would provide the Debtors' competitors with unique insight into the Debtors' costs and business strategy, which insight the Debtors themselves do not have respecting their competition. In an already challenging marketplace, this informational asymmetry would leave the Debtors at a competitive disadvantage relative to their peers.

19. Finally, disclosure of the Confidential Information could negatively implicate the relief requested in the Assumption Motion because the Lessor may be unwilling to proceed with the transactions contemplated by the Amended Aircraft Lease on their current terms if it is required to publicly disclose certain highly confidential commercial terms in the context of the recent negotiations with the Debtors. The Lessor is an active participant in the airline industry and seeks to ensure that it is not disadvantaged by disclosure of commercial terms in this proceeding that could be used by other customers to disadvantage it in future business negotiations. For this reason, the Lessor agrees with filing the Confidential Information under seal.

20. Importantly, the proposed redactions are limited and tailored to protect only specific information whose publication could reasonably be expected to adversely affect the Debtors' ongoing and future negotiations or competition with their peers. The narrowly-tailored nature of the redactions will serve to both minimize the quantity of redacted information while maximizing value for the Debtors' estates and economic stakeholders.

21. For the reasons set forth above, I believe that (a) the relief requested in the Motions is fair, equitable, and reasonable and represents a sound exercise of the Debtors' business judgment and (b) the Court's authorization for the Debtors to assume the Aircraft Lease on an amended basis,

(i) is in the best interest of their estates and economic stakeholders and (ii) will further serve to maximize value for the benefit of all creditors. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 13th day of October, 2021
in Castle Rock, Colorado

/s/ Matthew Landess

Matthew Landess