

**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
CERTAIN DEBTORS TO ENTER INTO AGREEMENTS WITH MTU
MAINTENANCE BERLIN-BRANDENBURG GMBH AND MTU MAINTENANCE
LEASE SERVICES B.V. AND (II) APPROVING THE CLAIMS
SETTLEMENT THEREIN 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 of my clients that have enabled them to collectively save billions of dollars and successfully restructure their businesses.

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.

3. I submit this declaration (this “**Declaration**”) in support of the *Debtors’ Motion for Entry of an Order (I) Authorizing Certain Debtors To Enter into Agreements with MTU Maintenance Berlin-Brandenburg GMBH and MTU Maintenance Lease Services B.V. and (II) Approving the Claims Settlement Therein and (B) Related Sealing Motion* (the “**MTU 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 MTU Motion, the “**Motions**”).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.

MTU Motion

6. Aerolitoral and MTU Maintenance Berlin-Brandenburg GmbH (“**MTU-BB**”) are party to the prepetition PPE Agreement dated January 19, 2011 (as amended, the “**PPE Agreement**”) relating to certain maintenance, repair, and overhaul (“**MRO**”) services for

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motions or the Letter Agreement, as applicable.

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).

CF34-10E6 type engines. Separately, Aerolitoral and MTU Maintenance Lease Services B.V. (“**MTU-MLS**” and, together with MTU-BB, “**MTU**”) are party to the prepetition Customer Lease Agreements which govern the leasing of two Leased Engines. Finally, Aerovías and MTU-MLS are party to the 876746 Lease Agreement relating to the leasing of Engine 876746.

7. Prior to the Petition Date, Aerolitoral issued various repair orders to MTU-BB in connection with the PPE Agreement. MTU-BB completed the work requested by Aerolitoral under certain of these repair orders and returned certain of the related engines to Aerolitoral. MTU-BB currently holds a few of these engines that are repaired or in a position to be repaired in the near term. Specifically, these engines include (i) two General Electric model CF34-10E6 engines bearing engine serial numbers 424191 and 424349 that the Debtors understand are repaired and can be ready for shipment promptly (the “**MOE Engines**”) and (ii) another General Electric model CF34-10E6 engine bearing engine serial number 424619 that is currently disassembled and could be reassembled and repaired, and ready for shipment in a matter of weeks (the “**Falko Engine**”) that is the subject of an aircraft lease that the Debtors have not yet decided to assume or reject (the “**Falko Lease**”). MTU-BB has prepetition claims arising from the repair services performed on these engines, which MTU-BB asserts are secured by liens on these engines. The Debtors project that they will have increased need for these types of engines in the coming months and would benefit from receiving these repaired engines as quickly as practicable.

8. As a result of arm’s length and good faith negotiations, the Debtors have reached an agreement with (a) MTU-BB to enter into a replacement MRO agreement (the “**Replacement Agreement**” and, together with the Letter Agreement, the “**Agreements**”), on terms substantially consistent with those set forth in the Letter of Intent, and such entrance will be

deemed an immediate rejection of the PPE Agreement, (b) MTU resolving any and all claims against the Debtors in the Chapter 11 Cases relating to the PPE Agreement (related to work and invoices issued prepetition and, also, its potential rejection), the MOE Engines, the Falko Engine, and the various lease agreements with MTU-MLS (the “**Claims**”), and (c) effectuate the timely return of the MOE Engines and, if applicable, the Falko Engine, each free and clear of any liens (these transactions, the “**MTU Transactions**”), each as described herein, in the Letter Agreement, and in the MTU Motion.

9. The Letter Agreement and the Letter of Intent set forth the commercial terms between the Debtors and MTU. Consistent with the Letter of Intent, the Debtors and MTU-BB will enter into the Replacement Agreement, which will govern MTU-BB’s provision of MRO services to Aerolitoral on a go-forward basis. Of critical near-term concern for the Debtors’ estates, by agreeing to the Letter Agreement, the Debtors secure the redelivery of the repaired MOE Engines and can begin reintegrating them into their fleet in a timely fashion at a time when the Debtors’ spare engine capacity is limited, which puts severe strain on operations, and, if the Debtors elect to assume the Falko Lease, receive return of the Falko Engine promptly as well.

10. The Debtors are seeking to renegotiate favorable terms for necessary future engine repair services, obtain the return of the MOE Engines and, if applicable, the Falko Engine as soon as possible so as to properly reintegrate them in their fleet promptly and minimize additional claims against the estate that would result from rejection of the PPE Agreement. In order to do so, the Debtors must promptly pay the MOE Payoff Amount, which payment the Debtors anticipate will be partially mitigated by the reimbursement of the MOE Engines’ lessor. By doing so, the Debtors will receive return of the MOE Engines and, if applicable, the Falko Engine free and clear of any liens, including mechanic’s liens, including the liens that MTU

asserts it holds on account of repair it performed on those engines. Finally, the Debtors have determined (based on the exercise of their sound business judgment) that the terms of the Agreements represent the best available transactions under the circumstances (*i.e.*, the Chapter 11 Cases), but also would be commercially beneficial transactions irrespective of such circumstances.

11. Accordingly, I believe that the entry into the MTU Transactions, (a) would be the result of the Debtors exercising their sound business judgment 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.

12. Finally, conjunction with this transaction, the Debtors seek to resolve any and all Claims of MTU against the Debtors. To this end, the parties have agreed (the “**Claims Settlement**”):

- a. that the following Claims shall be allowed as prepetition non-priority general unsecured claims in the final amounts, and against the designated Debtors, listed below (the “**Allowed Claims**”):

Claim / Schedule Number	Claimant	Debtor	Treatment	Final Amount
13412 / 561073240	MTU Maintenance Lease Services B.V.	Aerovías	Allowed	\$303,904.83
13414 / 565019670	MTU Maintenance Lease Services B.V.	Aerolitoral	Allowed	\$247,236.36
13479 / 565019650	MTU Maintenance Berlin- Brandenburg GmbH	Aerolitoral	Allowed	\$1,904,921.81
13491	MTU Maintenance Berlin- Brandenburg GmbH	Aerolitoral	Allowed	\$2,869,433.95
13494	MTU Maintenance Berlin- Brandenburg GmbH	Aerolitoral	Allowed	\$2,148,892.60
13497	MTU Maintenance Berlin- Brandenburg GmbH	Aerolitoral	Allowed	\$2,486,669.63
13499	MTU Maintenance Berlin- Brandenburg GmbH	Aerolitoral	Allowed	\$261,806.13

13501	MTU Maintenance Berlin- Brandenburg GmbH	Aerolitoral	Allowed	\$497,072.92
13502	MTU Maintenance Berlin- Brandenburg GmbH	Aerolitoral	Allowed	\$2,165,146.08
			Total:	\$12,885,084.31

- b. Aerolitoral shall pay to MTU-BB \$5,741,097.24 in cash for completed repair services and the return of the MOE Engines free and clear of any liens (the **“MOE Payoff Amount”**). The claims numbered 13482 and 13483 will be withdrawn.
- c. The claim numbered 13498 (the **“Falko Engine Claim”**) will be allowed as a prepetition non-priority general unsecured claim against Aerolitoral’s bankruptcy estate in the final amount of \$2,132,735.62; *provided, however*, that if the Debtors ultimately assume the Falko Engine’s underlying lease, then upon the effectiveness of such assumption, (a) the Falko Engine Claim will be expunged, and (b) as set forth in § 2(c) of the Letter Agreement, (i) MTU-BB will complete the repairs to and return the Falko Engine and (ii) Aerolitoral will make the payments specified therein in accordance with its terms.
- d. MTU-BB will be granted a contingent non-priority general unsecured claim for rejection damages against Aerolitoral’s bankruptcy estate in the final amount of \$20,000,000, which will be allowed if, and upon, Aerolitoral and MTU-BB entering into the Replacement Agreement by the Replacement Agreement Completion Date (which shall be deemed a rejection of the PPE Agreement) (the **“Contingent Replacement Agreement Claim”**); *provided*, for the avoidance of doubt, that pursuant to Clause 17.1 of the PPE Agreement, the MOE Engines and the engines bearing serial numbers 424669, 424670, and 424663 which are currently at MTU-BB’s facility, will be repaired and returned to Aerolitoral in accordance with the terms of the PPE Agreement.
13. The amount of the Claims Settlement shall constitute the only general unsecured Claims allowed in the Chapter 11 Cases; *provided, however*, that if the Replacement Agreement is not entered into by the Replacement Agreement Completion Date, MTU reserves all rights, remedies, and claims and may assert claims related to any rejection or assumption of the PPE Agreement (but, for the avoidance of doubt, not related to the MOE Engines, Falko Engine, or Completed Repair and Lease Claims); *provided further* that the Debtors expressly reserve all rights to object to any claims relating to the PPE Agreement should the parties not enter into the Replacement Agreement by the Replacement Agreement Completion Date. For the avoidance of

doubt, if the Replacement Agreement is entered into on or before the Replacement Agreement Completion Date, the Contingent Replacement Agreement Claim shall be the only Claim relating to the PPE Agreement, included the rejection thereof, allowed in the Chapter 11 Cases.

14. I believe that the Claims Settlement negotiated with MTU is reasonable. Rather than engage in costly and value-destructive litigation over the Debtors' obligations to MTU under the PPE Agreement or resulting from the rejection thereof, the amounts of MTU's claims, the purportedly secured status of those claims, and any amounts mitigating the quantum of those claims, the parties negotiated a consensual resolution settling on \$15,017,819.93 in allowed claims, with an additional \$20,000,000 as a contingent claim, and the \$5,741,097.24 MOE Payoff Amount. 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 MTU that will (a) eliminate the need for a costly claims dispute and (b) unlock distributable value for the Debtors' unsecured creditors by liquidating the Allowed Claims against the Debtors. Importantly, with respect to the MOE Payoff Amount, the MOE Engines and Falko Engines are allegedly secured by liens on the equipment that will be returned promptly under the Letter Agreement arising from work performed on those specific pieces of equipment (*i.e.*, not elevating the status of claims for work performed on different equipment). 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. 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 Letter Agreement. While the Debtors recognize the need to disclose sufficient information and details when seeking the relief requested in the MTU Motion, the Debtors must ensure that they protect certain key economic and commercial terms of the MTU Transactions, as set forth in the Exhibits (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. First, disclosing the Confidential Information would provide other MRO service counterparties insight into the Debtors' cost structure and negotiating positions. Counterparties that are currently negotiating with the Debtors over similar MRO service agreements will insist on obtaining the most favorable economic terms provided to any other MRO service counterparty. Moreover, the Debtors anticipate further negotiations with MRO service counterparties (and potential new counterparties) regarding the terms of long-term service agreements, and the Debtors' negotiating position would be harmed if MRO service counterparties know the Confidential Information. Further, if the Debtors are not successful in protecting sensitive information and commercial accommodations made by MTU, it would hinder the Debtors' ability to enter into further agreements with, and obtain beneficial economic terms from, MTU and other counterparties necessary to the Debtors' ongoing business.

17. Second, disclosure of the Confidential Information would provide rarely disclosed information to the Debtors' industry competitors. Given that fleet-service 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.

18. Finally, disclosure of the Confidential Information could negatively implicate the relief requested in the MTU Motion because MTU may be unwilling to proceed with the MTU Transactions 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. MTU 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, MTU agrees with filing the Confidential Information under seal.

19. 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.

20. 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 enter into the Letter Agreement and its approval of the Claims Settlement, (i) is in the best interest of the Debtors' 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 23rd day of December, 2021
in Chico, California

/s/ Matthew Landess
Matthew Landess