

**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 RICARDO JAVIER SÁNCHEZ BAKER IN
SUPPORT OF (A) DEBTORS' MOTION FOR ENTRY OF AN ORDER
AUTHORIZING DEBTOR AEROVÍAS DE MÉXICO, S.A. DE C.V. TO
ASSUME (ON AN AMENDED AND RESTATED BASIS) THAT CERTAIN
LEASE AGREEMENT AND (B) RELATED SEALING MOTION**

I, Ricardo Javier Sánchez Baker, declare as follows:

1. I am the Chief Financial Officer of Grupo Aeroméxico, S.A.B. de C.V. (“**Grupo Aeroméxico**”) and certain of its affiliates (collectively, the “**Debtors**”), including Aerovías de México, S.A. de C.V. (“**Aerovías**”), each of which is a debtor and debtor in possession in the above-captioned chapter 11 cases (the “**Chapter 11 Cases**”). I have held several other positions with the Debtors since 2006, including serving as advisor to the Chief Executive Officer and Director of Revenue Management. I have been the chairman of the board of directors of the SABRE Corporation, a member of the SEAT Technical Committee, and a member of the Aeromexpress, CECAM, and PLM boards of directors. I have held various positions within the Federal Public Administration (*Administración Pública Federal*), including deputy director general of public debt for the Ministry of Finance and Public Credit in 2003 and 2005. I hold a bachelor’s degree in economics from the Universidad Iberoamericana, a diploma in finance from

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.

Instituto Tecnológico Autónomo de México, and master's and doctorate degrees in economics from the University of California, Los Angeles. I am generally familiar with the Debtors' day-to-day operations, fleet planning, financing arrangements, business affairs, and books and records that reflect, among other things, the Debtors' liabilities, and the amount thereof owed to their creditors as of the commencement of the Chapter 11 Cases.

2. I submitted the *Declaration of Ricardo Javier Sánchez Baker in Support of the Debtors' Chapter 11 Petitions and First Day Pleadings* [ECF No. 20]. 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 and Restated Basis) that Certain Lease Agreement and (II) Approving the Claims Settlement with Wilmington Trust Company* (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

3. The statements in this Declaration are, except where specifically noted, based upon my personal knowledge, my review of relevant documents, information provided to me by employees working under my supervision, or my opinion based upon experience, knowledge, and information concerning the operations of the Debtors and the aviation industry as a whole.

4. 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.

Assumption Motion

5. 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 and equipment. In doing so, 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.

6. As a result of arm's length and good faith negotiations, the Debtor Lessee has reached an agreement with the Lessor to (a) assume the Aircraft Lease relating to the Aircraft, which the Debtor Lessee currently operates as part of its existing fleet, on an amended and restated basis on terms substantially consistent with those set forth in the Amended and Restated Aircraft Lease attached to the proposed order to the Assumption Motion as Exhibit 1 and (b) resolve any and all claims against the Debtors in the Chapter 11 Cases relating to the Aircraft or the Aircraft Lease belonging to the Claimants.

7. The Amended and Restated Aircraft Lease sets forth the commercial terms between the Lessor and the Debtor Lessee. 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 with improved economics and terms and conditions as compared to the existing Aircraft Lease. The Aircraft will come at attractive economics and leasing and operating costs. Moreover, the Lessor and the Debtor Lessee have agreed that the assumption of the Aircraft Lease on an amended and restated basis, on terms substantially consistent with those set forth in the Amended and Restated Aircraft Lease, would not give rise to an obligation to make any cash payment at the time

of assumption (other than payments for certain post-petition obligations of the Debtors to the Lessor) to cure any defaults under the Aircraft Lease under section 365(b)(1)(A) of the Bankruptcy Code.

8. The Debtors are seeking to reset their fleet and attendant costs to a competitive 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 and Restated 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 and Restated Aircraft Lease also will create long-term 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 and Restated 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).

9. Accordingly, I believe that the assumption of the Aircraft Lease on an amended and restated basis, on terms substantially consistent with those set forth in the Amended and Restated Aircraft Lease, (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.

10. Finally, in conjunction with this transaction, the Debtors seek to resolve any and all prepetition claims and certain post-petition claims against the Debtors relating to the Aircraft or the Aircraft Lease in the Chapter 11 Cases. To this end, the parties have agreed that the Lessor, on behalf of itself and all other Claimants, will have an allowed non-priority general unsecured prepetition claim against the bankruptcy estate of the Debtor Lessee in the final amount of \$44,902,387 on account of (a) all prepetition claims relating to the Aircraft or the Aircraft Lease, (b) the excess amount of the rent, maintenance payments, or other obligations payable or performable by the Debtor Lessee under the Aircraft Lease over the rent, maintenance payments or other obligations payable, or performable under the *Stipulation and Order Between Debtors and Counterparties Concerning Certain Equipment* [ECF No. 420] (the “**MSN 35311 Stipulation**”) and the PBH Agreement,³ and (c) the excess amount of the rent, maintenance payments, or other obligations payable or performable by the Debtor Lessee under the Aircraft Lease over the rent, maintenance payments, or other obligations payable or performable by the Debtor Lessee under the Amended and Restated Aircraft Lease (the “**Claims Settlement**” and, together with the Amended and Restated Aircraft Lease, the “**MSN 35311 Transactions**”).⁴

11. I believe that the Claims Settlement negotiated is reasonable. Rather than engage in costly and value-destructive litigation over the Debtor Lessee’s obligations to the Claimants,

³ As used in this Declaration, “PBH Agreement” shall have the meaning ascribed to it in the MSN 35311 Stipulation.

⁴ The Lessor has agreed that, as part of the Claims Settlement, the holder(s) of the Allowed Claim shall support a Complying Plan, as defined and set forth in the Proposed Order.

the amounts of the Claimants' claims, and any amounts mitigating the quantum of those claims, the parties negotiated a consensual resolution settling on \$44,902,387 as the agreed final 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' claim 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. Accordingly, I believe that the proposed Claims Settlement is fair and equitable, satisfies the range of reasonableness test, and would be in the best interests of the Debtors' estates, creditors, and other stakeholders, and should be approved.

Sealing Motion

12. The Debtors are also seeking to partially redact the agreed form of the Amended and Restated Aircraft Lease and the Summary thereof. 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 Aircraft Lease, as set forth in the Amended and Restated Aircraft Lease and the Summary (the **"Confidential Information"**).

13. 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 aircraft

counterparties insight into the Debtors' cost structure, negotiating positions, and fleet strategy. Counterparties that are currently negotiating with the Debtors over 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.

14. 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.

15. 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 transaction contemplated by the Amended and Restated Aircraft Lease on its 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.

16. 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.

17. 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 and restated 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.

18. 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 Mexico City, Mexico

/s/ Ricardo Javier Sánchez Baker
Ricardo Javier Sánchez Baker