

**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 JEFFREY S. CRAINE IN SUPPORT OF (A) DEBTORS' MOTION FOR ENTRY OF AN ORDER AUTHORIZING CERTAIN DEBTORS TO IMPLEMENT CERTAIN TRANSACTIONS WITH BRASILMEX LEASING, LLC AND RELATED PARTIES, INCLUDING (I) ASSUMPTION OF CERTAIN AIRCRAFT LEASES (ON AN AMENDED BASIS), (II) ENTRY INTO NOVATION DOCUMENTS, ANCILLARY DOCUMENTS, TERMINATION DOCUMENTS, AEROVÍAS GUARANTIES, AND AMENDED AND RESTATED FINANCING STIPULATION, AND (III) THE CLAIMS SETTLEMENT AND (B) RELATED SEALING MOTION

I, Jeffrey S. Craine, 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 (collectively, the "**Debtors**") in the above-captioned chapter 11 cases (the "**Chapter 11 Cases**"), and served in such capacity prior to the commencement of the Chapter 11 Cases. I have been employed by SkyWorks or its affiliates since 2002.

2. In my 19 years at SkyWorks, I have provided financial advice to multiple airline clients, including Spirit Airlines, Aeroméxico, American Airlines, Atlas Air, Finnair, Japan Airlines, TUI Travel Group, and GOL Linhas Aéreas. I have extensive experience structuring and

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.

arranging aircraft-backed lease and loan transactions, negotiating aircraft and engine orders and order amendments, and working on both consensual and bankruptcy-related airline restructurings.

3. As a Partner at SkyWorks, I have advised several airlines during their restructuring processes, as well as numerous aircraft lenders or lessors to airlines that are or were in bankruptcy or other restructurings. I have worked on bankruptcy cases in the airline industry, including American Airlines, Delta Air Lines, and Air Canada. I have advised multiple industry-leading airlines on matters relating to fleet planning, including aircraft orders, aircraft financing structures (including tax leases, operating and capital leases, pre-delivery payment financings, and multiple types of aircraft-backed debt structures), and have negotiated contracts on behalf of my clients that have enabled them to collectively save billions of dollars and successfully restructure or otherwise improve their businesses.

4. I submit this declaration (this “**Declaration**”) in support of the *Debtors’ Motion for Entry of an Order Authorizing Certain Debtors To Implement Certain Transactions with Brasilmex Leasing, LLC and Related Parties, Including (I) Assumption of Certain Aircraft Leases (on an Amended Basis), (II) Entry into Novation Documents, Ancillary Documents, Termination Documents, Aerovías Guaranties, and Amended and Restated Financing Stipulation, and (III) the Claims Settlement* (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

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

5. 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, and/or from the Debtors' books and records maintained in the ordinary course of their businesses.³

6. 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.

Assumption Motion

7. 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 financiers, and potential lessors and financiers 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.

8. Collectively, Aerovías currently leases the Aircraft pursuant to that certain Aircraft Finance Lease Agreement, dated February 22, 2011, by and between the Lessor, as lessor, and Aerovías, as lessee (as amended and supplemented by those certain agreements listed as items 4

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).

through 13, and 35 in Exhibit A to the Amended and Restated Financing Stipulation, the “**Finance Lease Agreements**” and, all documents listed in Exhibit A to the Amended and Restated Financing Stipulation shall be collectively referred to herein as the “**Exhibit A Documents**”). Grupo Aeroméxico guarantees Aerovías’s obligations under the Finance Lease Agreements (the “**Grupo Guaranty**”). Aerovías subleases the Aircraft to Aerolitoral pursuant to that certain Aircraft Sublease Agreement, dated February 22, 2011, between Aerovías, as sublessor, and Aerolitoral, as sublessee (as amended and supplemented by those certain agreements listed as items 25 through 34 of the Exhibit A Documents, the “**Subleases**” and, together with the Finance Lease Agreements, the “**Aircraft Leases**”).

9. As a result of arm’s length and good faith negotiations, certain of the Debtors have reached a series of integrated agreements with the Counterparties to restructure this arrangement as described below.

10. Certain of the Debtors and the Counterparties have agreed to mutually amend the Aircraft Leases and their relationship (as necessary or appropriate) to better align with the Debtors’ long-term business plan. To this end, the existing leasing structures will collapse at the Debtor level such that, among other things, (a) Aerovías will novate the Subleases to the Lessor pursuant to the Lease Novation, (b) the Debtors will enter into documents terminating the Finance Lease Agreements and the Grupo Guaranty (the “**Termination Documents**”),⁴ (c) Aerolitoral will lease the Aircraft directly from the Lessor (pursuant to the Amended Aircraft Leases), and (d) Aerovías will guarantee Aerolitoral’s obligations under the Amended Aircraft Leases (the “**Aerovías Guaranties**”). In order to facilitate the foregoing transactions, the Debtors also seek authorization

⁴ It is the intent of the parties that the Grupo Guaranty shall terminate upon entry of the Proposed Order, while the Finance Lease Agreements shall be assumed upon entry of the Proposed Order and terminate with respect to each applicable Aircraft upon the effectiveness of the Amended Aircraft Lease for such Aircraft.

to enter into the Amended and Restated Financing Stipulation, which largely serves the purpose of (y) extending the term of the Financing Stipulation and (z) obligating Aerolitoral to abide by all of the covenants, undertakings, and obligations of the “Lessee” contained in the Form Lease for each Aircraft Lease pending the effectiveness of the corresponding Amended Aircraft Lease. 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 terms, conditions, and near-term cash flow projections as compared to the existing Aircraft Leases.

11. Furthermore, the Counterparties and the Debtors agree that, subject to the Debtors’ compliance with the terms of (a) the Aircraft Leases and (b) the Financing Stipulation until the Amended and Restated Financing Stipulation is effective and then the Amended and Restated Financing Stipulation, the assumption of the Aircraft Leases, each on an amended basis and substantially consistent with the terms and conditions set forth in the Form Lease, would not give rise to an obligation to make any cash payments at the time of assumption to cure any defaults under the Aircraft Leases under section 365(b)(1)(A) of the Bankruptcy Code.

12. 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 Leases, the Exhibit A Documents, 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 set forth in the Amended Aircraft Leases and the Amended and Restated Financing Stipulation, that are in line with the Debtors’ long-term business plan. In addition, the proposed transactions will (a) create operational

flexibility for the Debtors, as they contemplate, among other things, a deferral of fixed rental payments that affords the Debtors an improved cash flow profile during the remainder of the amended leasing terms for each Aircraft Lease, (b) allow the Debtors to retain and operate ten existing Aircraft in their fleet, and (c) position the Debtors to potentially reject other costly aircraft or equipment that are not as attractive for the long-term fleet.

13. Accordingly, I believe that entry into the transactions contemplated in the Assumption Motion, (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.

14. Finally, in conjunction with the assumption of the Aircraft Leases, each on an amended basis on terms substantially consistent with those set forth in the Form Lease, the Debtors seek to resolve all pre-assumption claims against the Debtors relating to any of the Aircraft Leases, the Exhibit A Documents, the Grupo Guaranty, or the Aircraft in the Chapter 11 Cases. To this end, the parties have agreed that, upon the entry of the Order and the effectiveness of the Amended and Restated Financing Stipulation, (a) the Lessor, on behalf of itself and any other party (including the Counterparties) with an interest in any of the Aircraft Leases, the Exhibit A Documents, the Grupo Guaranty, or the Aircraft, will have new allowed non-priority general unsecured claims in the final aggregate amount of \$16,000,000 against each of the bankruptcy estates of Grupo Aeroméxico and Aerovías and (b) all other claims relating to the Aircraft Leases, the Exhibit A Documents, the Grupo Guaranty, or the Aircraft, including, without limitation, the claims numbered 686–691, shall be expunged (the “**Claims Settlement**”⁵). For the avoidance of

⁵ It is the intent of the parties that the claims allowed against Grupo Aeroméxico and Aerovías pursuant to this Claims Settlement would be classified in and afforded treatment (a) under class 3(a) of the *Debtors’ Joint Plan of*

doubt, the claims allowed pursuant to the Claims Settlement shall constitute the only pre-assumption claims relating to the Aircraft Leases, the Exhibit A Documents, the Grupo Guaranty, or the Aircraft allowed in the Chapter 11 Cases.

15. I believe that the Claims Settlement negotiated with the Lessors is reasonable. Rather than engage in costly and value-destructive litigation over the Debtors' obligations to the Counterparties, the amounts of the Counterparties' claims, and any amounts mitigating the quantum of those claims, the parties negotiated a consensual resolution settling on the agreed final amounts for the Claims Settlement.⁶ 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 Counterparties that will (a) eliminate the need for a costly claims dispute and (b) unlock distributable value for the Debtors' unsecured creditors by liquidating the Counterparties' 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

Reorganization under Chapter 11 of the Bankruptcy Code [ECF No. 2293] filed on December 10, 2021, if confirmed, (b) under the class, to the extent one exists, that provides for separate classification for claimants with recourse claims against both Aerovías and Grupo Aeroméxico in any other chapter 11 plan of the Debtors, or (c) in any chapter 11 plan filed by the Debtors that does not provide for separate classification for claimants with recourse claims against both Aerovías and Grupo Aeroméxico, that is no worse than the treatment given to the non-priority general unsecured claims of any other aircraft lessor whose claims run solely against the applicable Debtor.

⁶ Pursuant to the Claims Settlement, secured claims in the aggregate amount of at least \$583,884,114 will be withdrawn. Furthermore, certain of the Withdrawn Claims (as defined in the Proposed Order) also include the assertion of unliquidated amounts.

of reasonableness test, and would be in the best interests of the Debtors' estates, creditors, and other stakeholders, and should be approved.

Sealing Motion

16. The Debtors are also seeking to partially redact the Exhibits to the Assumption Motion, including the Form Lease and the Amended and Restated Financing Stipulation. 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 Leases and the Amended and Restated Financing Stipulation, as set forth in the Exhibits and the Summary (the "**Confidential Information**").

17. The Confidential Information includes, among other things, provisions related to restructured rent terms, power-by the hour terms, security deposits, maintenance obligations, and other commercially sensitive financial terms and calculations. As a result, by this Sealing Motion, the Debtors seek to redact the Confidential Information and file the Exhibits in partially redacted form.

18. 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 Counterparties, it would hinder the Debtors' ability to enter into further agreements with, and obtain beneficial economic terms from, the Counterparties and other counterparties necessary to the Debtors' ongoing business.

19. 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.

20. Finally, disclosure of the Confidential Information could negatively implicate the relief requested in the Assumption Motion because the Counterparties may be unwilling to proceed with the transactions contemplated by the Assumption Motion on their current terms if they are required to publicly disclose certain highly confidential commercial terms in the context of the recent negotiations with the Debtors. The Counterparties are active participants in the airline industry and seek to ensure that they are 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 Counterparties agree with filing the Confidential Information under seal.

21. 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.

22. 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 transactions contemplated by the Assumption Motion (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.

23. 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 29th day of December, 2021
in New York, New York

/s/ Jeffrey S. Craine
Jeffrey S. Craine