

**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 DEBTOR
AEROVÍAS DE MÉXICO, S.A. DE C.V. TO IMPLEMENT CERTAIN
TRANSACTIONS WITH MUFG BANK, LTD., INCLUDING (I) ENTRY INTO
AN OMNIBUS AMENDMENT AGREEMENT, (II) ASSUMPTION AND/OR
REINSTATEMENT OF CERTAIN AIRCRAFT TRANSACTION
DOCUMENTS (AS AMENDED BY THE OMNIBUS AMENDMENT
AGREEMENT), 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 Debtor Aerovías de México, S.A. de C.V. To Implement Certain Transactions with MUFG Bank, Ltd., Including (I) Entry into an Omnibus Amendment Agreement, (II) Assumption and/or Reinstatement of Certain Aircraft Transaction Documents (as Amended by the Omnibus Amendment Agreement), 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 set forth in the applicable Motion.

5. The statements in this Declaration are, except where specifically noted, based upon 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.

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 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.

8. As a result of arm's length and good faith negotiations, the Debtors have reached a series of integrated agreements with the Counterparties to relating to the following transactions:

A. The Omnibus Amendment Agreement

9. Collectively, Aerovías, as the owner participant, currently holds 100% of the beneficial ownership interests in the Aircraft through the Borrowers, which are owner trusts. Pursuant to the AMX Guarantees, Aerovías has guaranteed the secured debt obligations owed by

the Borrowers to the Loan Participant, the Agent, and the Security Trustee under the Facility Agreements, the Mortgages, the Aircraft Operating Agreements, and the other Operative Documents (together with the AMX Guarantees, the “**Transaction Documents**”). The Aircraft are pledged as collateral securing the obligations under, among other things, the Facility Agreements.

10. Aerovías also uses the Aircraft pursuant to those certain (a) Amended and Restated Aircraft Operating Agreement N997AM, dated as of September 4, 2019, between Aerovías and the MSN 30283 Borrower (as supplemented, amended, and/or modified from time to time, the “**30283 Operating Agreement**”), (b) Aircraft Operating Agreement N784XA, dated as of March 11, 2015, between Aerovías and the MSN 33784 Borrower (as supplemented, amended, and/or modified from time to time, the “**33784 Operating Agreement**”), and (c) Aircraft Operating Agreement N788XA, dated as of March 12, 2015, between Aerovías and the MSN 33788 Borrower (as supplemented, amended, and/or modified from time to time, the “**33788 Operating Agreement**” and, together with the 30283 Operating Agreement and the 33784 Operating Agreement, the “**Aircraft Operating Agreements**”).

11. The Omnibus Amendment Agreement sets forth the commercial terms of the Restructuring Transactions. Through the Omnibus Amendment Agreement, Aerovías and the Counterparties will mutually amend their relationship to better align with the Debtors’ long-term business plan. 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 Transaction Documents. Specifically, the terms of the Omnibus Amendment Agreement include, among other things, amendments to the repayment schedules and extensions of the maturity dates of the loans.

Furthermore, the Counterparties and the Debtors agree that, subject to the Debtors' compliance with the terms of Transaction Documents, the Financing Stipulations, and the Omnibus Amendment Agreement, the assumption of the Transaction Documents (as amended by the Omnibus Amendment Agreement) would not give rise to an obligation to make any cash payments at the time of assumption to cure any defaults under the Transaction Documents 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 Transaction Documents (including the AMX Guarantees, the Facility Agreements, the Mortgages, the Aircraft Operating Agreements, and the other Operative 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 Omnibus Amendment Agreement, that are in line with the Debtors' long-term business plan. In addition, the Omnibus Amendment Agreement, and the amendments to the Transaction Documents contemplated therein, will (a) create operational flexibility for the Debtors, as they contemplate, among other things, a near-term reduction in principal payments due and reallocation of the principal balance of the outstanding loans to improve the Debtors' near-term cash flow, (b) allow the Debtors to retain three 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. Lastly, entry into the Restructuring Transactions further benefits the Debtors, their estates, and the Debtors' economic stakeholders, as it will preserve the Debtors' equity value in the Aircraft by

keeping intact Aerovías's rights under the Transaction Documents to acquire the remaining ownership interests in the Aircraft from the non-Debtor Borrowers—each a limited purpose trust of which Aerovías is the sole beneficiary.

13. Accordingly, I believe that approval of the Restructuring Transactions, including the assumption and/or reinstatement of the Transaction Documents (as amended by the Omnibus Amendment Agreement), (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, (c) would further serve to maximize value for the benefit of all creditors, and (d) represent the best available transactions under the circumstances of the Chapter 11 Cases.

B. The Claims Settlement

14. In conjunction with the Restructuring Transactions, the Debtors seek to resolve all pre-assumption claims against the Debtors relating to any of the Transaction Documents or the Aircraft in the Chapter 11 Cases. To this end, the parties have agreed that (a) MUFG, on behalf of itself and any other party with an interest in any of the Transaction Documents or the Aircraft, shall be granted a new contingent non-priority general unsecured claim against Aerovías's bankruptcy estate (the "**Contingent Claim**") for all reasonable and documented fees and expenses of the Counterparties under the Transaction Documents, including, without limitation, the legal fees and expenses and the fees and expenses of MUFG's technical advisor (collectively, the "**Fees and Expenses**"), in excess of \$275,000 and (b) all other claims relating to the Transaction Documents or the Aircraft, including, without limitation, the claims numbered 341, 342, and 344, shall be expunged (the "**Claims Settlement**" and, together with the Restructuring Transactions,

the “**MUFG Transactions**”). The Contingent Claim, to the extent applicable, shall constitute the only claim relating to the Transaction Documents or the Aircraft allowed in the Chapter 11 Cases.

15. I believe that the Claims Settlement negotiated is reasonable. Rather than engage in costly and value-destructive litigation over the Debtors’ obligations to the Counterparties (including the Fees and Expenses), the amounts of the Counterparties’ claims, and any amounts mitigating the quantum of those claims, the parties negotiated a consensual resolution whereby Aerovías would grant the Contingent Claim to MUFG. 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 eliminate the need for a costly claims dispute. 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 herein. Accordingly, I believe that the proposed Claims Settlement is fair, equitable, and reasonable, 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 agreed form of the Omnibus Amendment Agreement and the summary of the material terms 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 Transaction Documents, as set forth in the Omnibus Amendment

Agreement and the summary of the material terms thereof that is attached to the Assumption Motion as Exhibit B (the “**Confidential Information**”).

17. 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 and equipment 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 and 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.

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 Counterparties may be unwilling to proceed with the MUFG Transactions 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.

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 enter into the Omnibus Amendment Agreement and assume and/or reinstate, as applicable, the Transaction Documents, each as amended by the Omnibus Amendment Agreement, (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.

22. 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 4th day of January, 2022
in New York, New York

/s/ Jeffrey S. Craine
Jeffrey S. Craine