

**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 SMBC AERO
ENGINE LEASE B.V. 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 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 SMBC Aero Engine Lease B.V. (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 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, 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.

Assumption Motion

6. 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

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).

(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.

7. 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 Engine Lease relating to the Engine, which the Debtor Lessee currently operates as part of its existing fleet,⁴ on an amended basis on terms substantially consistent with those set forth in the Letter of Intent, and (b) allow a certain claim against the Debtor Lessee in its Chapter 11 Case relating to the Engine and Engine Lease in favor of the Lessor.

8. The Letter of Intent 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 Engine in their fleet on terms that fit the Debtors' short- and long-term needs and that the Debtors believe are advantageous. The Engine will come at attractive economics, ownership costs, and terms and conditions as compared to the existing Engine Lease. Moreover, the Lessor and the Debtor Lessee have agreed that, subject to the Debtors' continued compliance with the terms of the Engine Lease and the Equipment Stipulation, the assumption of the Engine Lease on an amended basis, on terms substantially consistent with those set forth in the Letter of Intent,

⁴ Pursuant to the *Stipulation and Order Between Certain Debtors and Counterparties Concerning Certain Equipment* [ECF No. 491] (the "**Equipment Stipulation**"), the Debtor Lessee and the Lessor agreed to, among other things, enter into the PBH Agreement (as defined in the Equipment Stipulation) governing the Debtor Lessee's post-petition use of the Engine.

would not give rise to an obligation to make any cash payment at the time of assumption to cure any defaults under the Engine Lease under section 365(b)(1)(A) of the Bankruptcy Code.

9. 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 Engine Lease and the Engine 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 Letter of Intent, 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 Engine Lease, the Lease Amendment also will create operational flexibility for the Debtors, as it will allow the Debtors to retain and operate an existing engine in their fleet. Finally, the Debtors have determined (based on the exercise of their sound business judgment) that the terms of the Lease Amendment 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 engine leases).

10. Accordingly, I believe that the assumption of the Engine Lease, on an amended basis on terms substantially consistent with those set forth in the Letter of Intent, (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.

11. Finally, in conjunction with this transaction, the Debtors seek to resolve all pre-assumption claims against the Debtors relating to the Engine or the Engine Lease in the Chapter 11 Cases. To this end, the parties have agreed that the Lessor will have an allowed non-priority general unsecured prepetition claim in the final amount of \$4,600,000.00 against the bankruptcy estate of the Debtor Lessee (the “**Claims Settlement**”⁵ and, together with the Lease Amendment, the “**SAEL Transactions**” and, the Lease Amendment and other related documents necessary or advisable to implement the SAEL Transactions, the “**SAEL Transaction Documents**”). Without prejudice to claims arising under the Lease Amendment and the other SAEL Transaction Documents, the claim allowed pursuant to the Claims Settlement shall constitute the only general unsecured claim relating to the Engine or the Engine Lease allowed in the Chapter 11 Cases.

12. 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 Lessor, the amounts of the Lessor’s claims, and any amounts mitigating the quantum of those claims, the parties negotiated a consensual resolution settling on \$4,600,000.00 as the agreed final 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

⁵ It is the intent of the parties that the claim allowed against the Debtor Lessee pursuant to this Claims Settlement would be classified in and afforded treatment under Class 3(c) of the *Debtors’ Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code* [ECF No. 2293] filed on December 10, 2021.

distributable value for the Debtors' unsecured creditors by liquidating the Lessor's 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 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

13. The Debtors are also seeking to partially redact the agreed form of the Letter of Intent 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 Engine Lease, as set forth in the Letter of Intent and the summary of the material terms thereof that is attached to the Assumption Motion as **Exhibit B** (the “**Confidential Information**”).

14. 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 equipment similar to the Engine, 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.

15. 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.

16. 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 Letter of Intent 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.

17. 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.

18. 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 Engine 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.

19. 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 7th day of January, 2022
in Castle Rock, Colorado

/s/ Matthew Landess

Matthew Landess