

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: SPIRIT AVIATION HOLDINGS, INC., et al., Debtors.

Chapter 11 Case No. **25-11897 (SHL)** (Jointly Administered)

SUPPLEMENTAL OBJECTION OF STEVEN McLEAN REGARDING STRUCTURAL CONFLICT OF INTEREST ARISING FROM OVERLAPPING CREDITOR-EQUITY POSITIONS

(Filed in Further Support of My Prior DIP Objection at Docket 856)

I, **Steven McLean**, respectfully submit this Supplemental Objection in further support of my previously-filed DIP Objection at **Docket 856**. This filing addresses a material structural conflict of interest inherent in the Debtors' proposed restructuring, arising from the fact that the same constituency controlling the Debtors' prepetition secured debt, DIP Roll-Up claims, and plan negotiations also holds significant equity interests in the Debtors. This dual-positioning creates a conflict that undermines the integrity of the restructuring process and requires heightened judicial scrutiny.

This Supplemental Objection should be read together with Docket 856 and my subsequent filings challenging the Debtors' misuse of the DIP structure to predetermine the restructuring outcome.

I. INTRODUCTION

The Debtors' capital structure reveals that certain institutional holders simultaneously occupy the roles of:

- prepetition secured creditors,
- DIP Roll-Up beneficiaries, and
- existing equity holders (directly or through affiliated investment vehicles).

This overlapping control creates a structural incentive for these parties to support a Plan that reallocates the entire reorganized enterprise to themselves, even where such an outcome is inconsistent with the Bankruptcy Code's requirements of fairness, good faith, and proper valuation.

Courts in this District — including both Judge Wiles and Judge Lane — have repeatedly held that restructuring outcomes driven by conflicted constituencies cannot be approved without independent valuation, independent oversight, and a process free from coercive creditor influence.

II. FACTUAL BASIS FOR THE STRUCTURAL CONFLICT

The record shows:

1. **The Roll-Up lenders hold substantial prepetition secured notes**, which are elevated to superpriority status through the DIP structure.
2. **These same lenders hold equity interests**, directly or indirectly, in the Debtors.
3. **The Plan allocates 100% of the reorganized equity to the Roll-Up lenders**, despite the new-money DIP being paid in full.
4. **The Debtors' valuation relies on a transition-year trough**, which disproportionately benefits the dual-positioned constituency.
5. **No independent committee, banker, or valuation process** has been disclosed to mitigate this conflict.

These facts demonstrate that the constituency controlling the restructuring process stands to benefit from:

- a depressed valuation,
- the use of transition-year metrics,
- coercive DIP milestones, and
- a Plan structure that reallocates all equity to themselves.

This is precisely the scenario in which courts require heightened scrutiny.

III. LEGAL BASIS FOR HEIGHTENED SCRUTINY

A. DBSD North America, Inc. (2d Cir. 2011)

The Second Circuit held that creditors acting with equity-like motives or strategic self-interest cannot dominate the restructuring process to the detriment of other stakeholders.

B. Innkeepers USA Trust (Bankr. S.D.N.Y. 2010)

Judge Chapman rejected a restructuring agreement where a creditor group with conflicted incentives attempted to steer the process toward a self-benefiting outcome.

C. Aegean Marine Petroleum Network Inc. (Bankr. S.D.N.Y. 2018) — Judge Wiles

Judge Wiles held that DIP financing structures cannot be used to:

- predetermine the outcome of a Chapter 11 case,
- distort the capital structure, or
- manufacture impairment.

The facts here align directly with those concerns.

D. AMR Corp. (Bankr. S.D.N.Y. 2012) — Judge Lane

Judge Lane emphasized that:

- the restructuring process must remain free from coercive creditor influence,
- valuation must be grounded in reliable evidence, and
- plan outcomes cannot be engineered through structural leverage.

This precedent is directly applicable to the Debtors' use of the Roll-Up to dictate plan outcomes.

E. LATAM Airlines Group S.A. (Bankr. S.D.N.Y. 2020)

Judge Garrity held that insider-aligned creditor groups cannot structure DIP or plan terms that effectively transfer equity to themselves without independent valuation evidence.

IV. APPLICATION TO THIS CASE

The conflict is not hypothetical; it is operational and outcome-determinative:

- The Roll-Up lenders benefit if the valuation is artificially low.
- They benefit if existing equity is canceled.
- They benefit if DIP milestones force premature monetization.
- They benefit if the Plan reallocates all equity to them.
- They benefit from the use of transition-year EBITDAR rather than normalized forward earnings.

The Debtors have not disclosed:

- any independent valuation,
- any independent committee oversight,
- any fairness opinion, or
- any process safeguards to mitigate the conflict.

Without such protections, the Plan cannot satisfy:

- **§1129(a)(3)** (good faith),
- **§1129(a)(1)** (compliance with the Code), or
- **§1129(b)** (fair and equitable).

V. RELIEF REQUESTED

For the reasons stated above, and in further support of my DIP Objection at **Docket 856**, I respectfully request that the Court:

1. **Find that the overlapping creditor–equity interests create a structural conflict requiring heightened scrutiny.**
2. **Decline to confirm any Plan that reallocates equity to a conflicted creditor group without independent valuation evidence.**
3. **Require the Debtors to produce all communications, banker models, and analyses reflecting the conflicted parties’ influence on valuation and plan structure.**
4. **Order an evidentiary valuation hearing** to ensure that the Plan is not the product of conflicted incentives.
5. **Grant such other relief as the Court deems just and proper.**

Dated: March 18, 2026

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on March 18, 2026, I served a true and correct copy of the foregoing Supplemental Objection by email upon the following parties:

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/s/ Steven McLean Steven McLean Dated: March 18, 2026