
Hughes Hubbard & Reed

HHR Helps Delta Strengthen Its Partnership with Aeroméxico Through Chapter 11 Restructuring

News & Events | Deals & Matters | People

Hughes Hubbard & Reed LLP • A New York Limited Liability Partnership
One Battery Park Plaza • New York, New York 10004-1482 • +1 (212) 837-6000

Attorney advertising. Readers are advised that prior results do not guarantee a similar outcome. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. For information regarding the selection process of awards, please visit <https://www.hugheshubbard.com/legal-notices-methodologies>.

The firm advised Delta Air Lines in its capacity as strategic partner and equity investor in the Chapter 11 restructuring of Grupo Aeroméxico, Mexico's largest airline.

HHR served as lead counsel to Delta Air Lines in Grupo Aeroméxico, S.A.B. de C.V. and certain of its affiliates' Chapter 11 proceedings in the United States Bankruptcy Court for the Southern District of New York.

Aeroméxico entered into Chapter 11 proceedings in June 2020 due to the COVID-19 pandemic. At the time, Delta was Aeroméxico's most critical strategic partner, as a joint venture partner and with an approximately 49% equity interest in Aeroméxico. Overall, since the implementation of the joint cooperation agreement (JCA) between the two carriers in May 2017, Delta Air Lines and Aeroméxico have flown more than 28 million customers and operated 251,000 flights between the U.S. and Mexico.

Chapter 11 proceedings often result in existing equity holders losing their stake in the debtor, as well as in a sale of the business, which can change its strategic partnerships. At the beginning of Aeroméxico's case, Delta looked to HHR as its trusted advisor to partner with Delta to achieve the ambitious goal of maintaining a significant equity stake upon Aeroméxico's exit from Chapter 11 and maintaining the strategic joint venture partnership. Over the 18 months of the engagement, HHR implemented innovative strategies to achieve Delta's goals. At the end of the case, Delta's partnership with Aeroméxico was even stronger, and Delta received a 20% ownership interest in Aeroméxico.

HHR negotiated and documented for Delta two new investments in Aeroméxico. First, Delta purchased \$187 million of loans in an over \$1 billion debtor-in-possession financing facility, which ultimately converted to equity in reorganized Aeroméxico. Second, Delta made a \$100 million "new money" investment in a \$720 million bankruptcy exit financing facility. In addition, Aeroméxico reaffirmed the JCA and entered into a new services agreement with Delta, which resulted in an additional new equity grant to Delta in return for the performance of the services

under the agreement. In total, these investments and contractual arrangements resulted in Delta retaining a 20% ownership interest in Aeroméxico and two director seats on Aeroméxico's board of directors.

The HHR team overcame a number of challenges in helping Delta achieve its goals. Creditor groups, including the Official Committee of Unsecured Creditors, opposed the equity grant to Delta as part of the services agreement and challenged Delta's recoveries given its status as an "insider" of Aeroméxico. HHR effectively defeated the creditors' challenges. The firm engaged in a long and contentious discovery process, which included the production of tens of thousands of documents and numerous depositions, all the time maintaining Delta's substantive positions.

Ultimately, these creditor groups either settled with Aeroméxico, without any concession as to Delta's ownership position or role going forward, or such groups' objections were overruled by the Bankruptcy Court. The Bankruptcy Court entered an order approving Aeroméxico's joint plan of reorganization on February 4, 2022, and it became effective on March 17, 2022.

Katie Coleman led the Delta team for HHR overseeing all bankruptcy, corporate and litigation strategy, along with Jeff Margolin, who was essential to the engagement's success by not only contributing to strategy but also by ensuring immediate results and responsiveness to Delta's legal and business teams. Chris Gartman was the lead litigator, including defending Delta at all depositions. Steve Greene, Scott Naturman and Javad Husain advised on the numerous deal agreements needed to consummate the reorganization transactions. Carl Mills, Elizabeth Beitler and Talia Helfrick assisted on all bankruptcy and litigation matters.

Related People



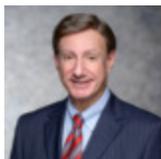
Kathryn A. Coleman



Jeffrey S. Margolin



Chris Gartman



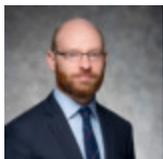
Steven J. Greene



Scott Naturman



Javad Husain



Carl W. Mills



Elizabeth A. Beitler

Related Areas of Focus

Aviation

Corporate

Corporate Reorganization & Bankruptcy