Docket #2262 Date Filed: 10/24/2021

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
AVIANCA HOLDINGS S.A., *et al.*,[1]	:	Case No. 20-11133 (MG)
Debtors.	:	(Jointly Administered)

DECLARATION OF GINGER HUGHES IN SUPPORT OF CONFIRMATION OF JOINT CHAPTER 11 PLAN OF AVIANCA HOLDINGS S.A. AND ITS AFFILIATED DEBTORS

I, Ginger Hughes, make this declaration (the "Declaration") pursuant to 28 U.S.C. § 1746 and state as follows:

1. I am a Managing Director and Partner of Seabury International Corporate Finance LLC and its FINRA-regulated broker-dealer affiliate, Seabury Securities LLC (collectively "Seabury"), the investment banker and financial advisor to the debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Debtors" or the "Company").

2. I submit this Declaration in support of confirmation of the *Joint Chapter 11 Plan of Avianca Holdings S.A. and Its Affiliated Debtors*, filed on September 15, 2020 [Docket No. 2137] (together with all schedules and exhibits thereto, and as has been and may be modified, amended

[1] The Debtors in these chapter 11 cases, and each Debtor's federal tax identification number (to the extent applicable), are as follows: Avianca Holdings S.A. (N/A); Aero Transporte de Carga Unión, S.A. de C.V. (N/A); Aeroinversiones de Honduras, S.A. (N/A); Aerovías del Continente Americano S.A. Avianca (N/A); Airlease Holdings One Ltd. (N/A); America Central (Canada) Corp. (00-1071563); America Central Corp. (65-0444665); AV International Holdco S.A. (N/A); AV International Holdings S.A. (N/A); AV International Investments S.A. (N/A); AV International Ventures S.A. (N/A); AV Investments One Colombia S.A.S. (N/A); AV Investments Two Colombia S.A.S. (N/A); AV Loyalty Bermuda Ltd. (N/A); AV Taca International Holdco S.A. (N/A); Aviacorp Enterprises S.A. (N/A); Avianca Costa Rica S.A. (N/A); Avianca Leasing, LLC (47-2628716); Avianca, Inc. (13-1868573); Avianca-Ecuador S.A. (N/A); Aviaservicios, S.A. (N/A); Aviateca, S.A. (N/A); Avifreight Holding Mexico, S.A.P.I. de C.V. (N/A); C.R. Int'l Enterprises, Inc. (59-2240957); Grupo Taca Holdings Limited (N/A); International Trade Marks Agency Inc. (N/A); Inversiones del Caribe, S.A. (N/A); Isleña de Inversiones, S.A. de C.V. (N/A); Latin Airways Corp. (N/A); Latin Logistics, LLC (41-2187926); Nicaragüense de Aviación, Sociedad Anónima (N/A); Regional Express Américas S.A.S. (N/A); Ronair N.V. (N/A); Servicio Terrestre, Aéreo y Rampa S.A. (N/A); Servicios Aeroportuarios Integrados SAI S.A.S. (92-4006439); Taca de Honduras, S.A. de C.V. (N/A); Taca de México, S.A. (N/A); Taca International Airlines S.A. (N/A); Taca S.A. (N/A); Tampa Cargo S.A.S. (N/A); Technical and Training Services, S.A. de C.V. (N/A). The Debtors' principal offices are located at Avenida Calle 26 # 59 – 15 Bogotá, Colombia.

or supplemented from time to time, the "Plan")[2] including the agreements and other documents set forth in the Plan Supplement, dated October 5, 2021 and October 12, 2021 [Docket Nos. 2185, 2208] (as the same has been or may be amended, modified, supplemented, or restated, the "Plan Supplement"). Specifically, with the Debtors' authorization, I make this Declaration to offer the testimony I would give, pursuant to Rule 702 of the Bankruptcy Rules of Evidence, regarding the Plan's satisfaction of the so-called "best interests" test embodied in section 1129(a)(7) of title 11 of the United States Code (the "Bankruptcy Code").

3. I am generally familiar with the terms and provisions of the Plan and the requirements for confirmation of the Plan under section 1129 of the Bankruptcy Code and, in particular, section 1129(a)(7) of the Bankruptcy Code. I also have consulted with the Debtors' counsel, Milbank LLP ("Milbank"), regarding the requirements for confirmation of the Plan under section 1129 of the Bankruptcy Code.

4. Except as otherwise indicated, all facts set forth in this Declaration are based on (i) my personal knowledge of the Debtors' operations and finances, (ii) my review of relevant documents (including the Plan), (iii) information provided to me by Seabury employees working under my supervision, (iv) information provided to me by, or discussions with, members of the Debtors' management team and the Debtors' other advisors, and/or (v) my opinion based upon my professional experience. If called upon to testify, I could and would testify to each of the facts set forth herein on that basis.

Background and Qualifications

5. I have extensive experience working with financially troubled companies in complex financing restructurings both out-of-court and in Chapter 11 cases. I have 28 years of global airline

[2] Capitalized terms used but not otherwise defined herein have the meaning ascribed to such terms in the Plan.

experience covering a wide range of matters, including strategy, fleet financing, crisis management, cash conservation, due diligence, strategic sourcing negotiations, cost reduction programs and mergers and acquisitions.

6. Since joining Seabury in 2002, I have advised stakeholders in nearly every airline restructuring. I have advised several major airlines during their in-court and out-of-court restructurings, including Avianca, Republic, Pinnacle (now Endeavor), Frontier, South African, Northwest, Air Canada and US Airways.

7. Prior to joining Seabury, I was a Senior Manager and leader of Ernst & Young's global airline group from 1993 to 2001. During that time, I served numerous clients, including Southwest Airlines, British Airways, American Airlines and Hilton International. I led execution teams for various completed and proposed transaction, including the American Airlines/British Airways alliance, the British Airways/Qantas Airlines joint services, the proposed privatization of LOT Polish Airlines and Iberia Airlines, and Hilton International's acquisition of Stakis Hotels.

8. I received my Bachelor of Business Administration in Accounting from the University of Texas at Austin and am a FINRA-registered representative with the Series 7, 29 and 63 designations.

Seabury's Retention and Role in These Cases

9. The Seabury team, under my supervision, has worked closely with the Debtors' management and other professionals retained by the Debtors with respect to the Debtors' restructuring, and has come to intimately understand the Debtors' capital structure, liquidity needs, and business operations.

10. The Debtors retained Seabury in April 2020 to act as their investment banker and financial advisor in connection with a potential restructuring to be completed either in court or outside of chapter 11. Seabury worked with key members of the Company, including, but not

limited to, members of the Company's finance, financial planning and analysis, fleet, and other groups to evaluate and understand the Debtors' cash flows, capital structure, fleet strategy, and operations.

11. As a senior member of the Seabury team assisting the Debtors, I have been deeply involved in the Debtors' evaluation of their relationships with vendors, contract counterparties, and other suppliers. Specifically, I have assisted the Debtors in analyzing opportunities for cost reductions, leading the fleet restructuring, assessing initiatives affecting the Debtors' liquidity requirements and financial projections, developing strategic restructuring alternatives and strategies, and providing other financial analysis and planning. Accordingly, I have knowledge of the Debtors' assets, liabilities, and cash-flow needs and projections.

The Plan Is in the Best Interests of Creditors

12. In conjunction with the Debtors, Milbank, and the Debtors' other advisors, Seabury prepared a liquidation analysis (the "Liquidation Analysis")[3] to determine whether the Plan is in the best interests of the Holders of Claims against and Interests in each Debtor pursuant to section 1129(a)(7) of the Bankruptcy Code, which is commonly referred to as the "best interests test." I understand that section 1129(a)(7) of the Bankruptcy Code requires that Holders of Impaired Claims and Interests either accept the applicable chapter 11 plan or receive or retain value under the Plan that is at least equal to the amount that such Holders would receive if the Debtors were instead liquidated under chapter 7 of the Bankruptcy Code ("Chapter 7").

13. All calculations put forth in the Liquidation Analysis are based on the unaudited book values as of March 31, 2021, except for Cash and cash equivalents, which is pro forma for closing

[3] A copy of the Liquidation Analysis was annexed as Exhibit C to the Disclosure Statement. I incorporate the Liquidation Analysis to this Declaration by reference as if fully set forth herein.

of the Exit Facility. In a hypothetical Chapter 7 liquidation, all of the Debtors' cash proceeds, net of any liquidation-related costs and other administrative expenses and priority claims, would be distributed in order to satisfy: (i) all secured claims to the extent the relevant collateral values of the Debtors' assets are sufficient to do so, (ii) any administrative claims for fees and expenses arising from the Chapter 7 process for the benefit of the Trustee and other professionals involved in the liquidation process, (iii) any administrative claims such as chapter 11 professional fees, post-petition payables and other accrued liabilities, (iv) any priority unsecured claims and (v) any General Unsecured Claims. As set forth in the Liquidation Analysis and described herein, the recoveries that will be realized under the Plan by Holders of Impaired Claims and Interests that did not vote to accept the Plan are not less than what such Holders would otherwise receive if the Debtors were instead liquidated in a hypothetical Chapter 7 case.

14. Based on my experience, the methodology used to prepare the Liquidation Analysis is appropriate, and the assumptions and conclusions set forth in the Liquidation Analysis, including the estimate of the proceeds that would be realized in a Chapter 7 liquidation of the Debtors, are reasonable. The Liquidation Analysis provides a fair and reasonable assessment of the effects that a conversion of the Debtors' chapter 11 cases to cases under Chapter 7 would have on the proceeds available for distribution to Holders of Claims and Interests.

15. Pursuant to the Liquidation Analysis, holders of Claims in Class 3 (Engine Loan Claims), Class 4 (Secured RCF Claims), and Class 7 (Grupo Aval Lines of Credit Claims) are expected to receive substantially decreased recoveries in a hypothetical chapter 7 liquidation as compared to their recoveries under the Plan, and holders of Claims in Class 11 (General Unsecured Avianca Claims), Class 15 (General Unsecured Convenience Claims), Class 16 (Subordinated Claims), Class 17 (Intercompany Claims) (in the event that Intercompany Claims are not

Reinstated), Class 18 (Existing AVH Non-Voting Equity Interests), Class 19 (Existing AVH Common Equity Interests), Class 22 (Other Existing Equity Interests), and Class 23 (Intercompany Interests) (in the event that Intercompany Interests are not Reinstated) are expected to receive a 0% recovery in a hypothetical chapter 7 liquidation, which is equal to or less than the recoveries that such holders will receive under the Plan.

16. The Liquidation Analysis demonstrates that all Classes of Claims or Interests will recover value equal to or in excess of what such Claims or Interests would receive in a hypothetical chapter 7 liquidation. Based upon the foregoing, the Liquidation Analysis demonstrates that the Plan satisfies the best interests test contained in section 1129(a)(7) of the Bankruptcy Code. Accordingly, I believe that the best interests test is satisfied here.

Substantive Consolidation of Certain Debtors Is Warranted and Should be Approved

17. I believe that substantive consolidation of certain Debtors is warranted and should be approved. Substantive consolidation of the Debtors with one another—except for Aerounión, Avifreight, and SAI—for the purposes of the Plan (collectively, the "Avianca Debtors") is necessary in these chapter 11 cases as a component of the Global Plan Settlement.

18. The Avianca Debtors have operated in a consolidated manner and hold themselves out to customers and creditors as one "Avianca." The separate corporate existence of many of the Avianca Debtors was driven primarily by local regulatory requirements. Regardless of this separate corporate existence, the Avianca Debtors act under the umbrella of one "Avianca" brand, and creditors generally view them as such. Moreover, the Avianca Debtors' operations are tightly integrated, such that untangling each Avianca Debtor's separate operations would be difficult, time-consuming, and expensive. For example:

- The Avianca Debtors have a centralized cash management system, whereby Avianca Holdings (an Avianca Debtor) manages cash for the other Avianca Debtors;

- Avianca Holdings provides intercompany loans and other advanced capitalization to the other Avianca Debtors as necessary;

- Employees across the Avianca Debtors perform work for all of the Avianca Debtors, regardless of which country or Debtor the employees sit in;

- The Avianca Debtors share many of the same officers, directors, and shareholders, including Chief Executive Officer, Chief Operating Officer, Chief People Officer, Chief Planning Officer, General Counsel, Chief Information Officer, and Chief Commercial Officer;

- The Avianca Debtors share the same legal, marketing, and HR resources, as provided by Avianca Holdings;

- All maintenance and airport employees serve all Avianca Debtors; and

- All Avianca Debtors share a headquarters, and the signatures of employees at all Avianca Debtors list the same common business address of the headquarters in Colombia.

19. The substantive consolidation of the Avianca Debtors will eliminate a significant number of general unsecured claims against the Debtors based on guarantees provided by an Avianca Debtor. It is common for the Avianca Debtors to give cross-entity guarantees whenever requested by a counterparty, further linking the Avianca Debtors. Examples of the cross-Avianca Debtor guarantees include:

- Avianca Leasing, LLC, Grupo Taca Holdings Limited, Aerovías, Avianca Costa Rica, Taca International, Avianca-Ecuador, Tampa Cargo, Aviateca, Airlease Holdings One Ltd., Latin Logistics LLC, and International Trade Marks Agency Inc., along with non-Debtor Avianca Perú S.A., guarantee the 9.000% Senior Secured Notes due 2023 (the "2023 Secured Notes"), issued by Avianca Holdings on December 31, 2019, as part of the Debtors' efforts to reprofile their financial debt. As of the Petition Date, the aggregate principal amount of the 2023 Secured Notes was $484,419,000.

- Avianca Holdings, Taca International, and Avianca Costa Rica guarantee the loan agreement among USAVflow Limited ("USAV") and certain lenders, executed on December 12, 2017 as part of the Debtors' credit card securitization facility with USAV (the "USAV Loan Agreement"). As reflected in an agreement dated February 18, 2021 (the "USAV Settlement Agreement"), the existing loan facility has been restructured.

- Avianca Holdings guarantees the loan among Taca International and Banco de Bogotá, BAC International Bank, Inc. and Banco de Occidente, S.A. dated as of June 16, 2015. As reflected in an agreement (the "Grupo Aval Settlement Agreement"), the existing loan facility has been restructured.

- Avianca Holdings, Tampa Cargo and other operating entities guarantee the revolving credit agreement dated August 31, 2018 (as amended by Amendment No. 1 dated as of December 5, 2019 and Amendment No. 2 dated January 15, 2020) among Aerovías and certain lenders and Citibank, N.A., as Collateral Agent and Administrative Agent.

- Avianca Holdings, Grupo Taca Holdings Limited, Taca International Airlines, and Aerovías guarantee nearly all aircraft financings that collectively account for over 75% of estimated consolidated unsecured claims of the Avianca Debtors.

- There are various corporate debt agreements with individual borrowers/Debtors, where Avianca Holdings is a guarantor, regardless of which Avianca Debtor is the borrower.

20. Untangling each Avianca Debtor's separate operations would provide little benefit to any stakeholder. Indeed, no holder of a general unsecured claim against the Debtors would receive materially superior recoveries if the Avianca Debtors were each required to propose separate plans of reorganization or liquidation. The value of the Avianca Debtors is maximized by the sum of the parts of the Avianca Debtors. As separate entities, the Avianca Debtors have materially less value. Avianca runs a single network across all of its airline operations. Airline values are heavily correlated to the breadth of the network, as the customer proposition that drives loyalty and higher yield traffic is increased with the breadth and quality of the network offering.

21. Importantly, the Supporting Tranche B Lenders may be unwilling to convert their existing loans to equity or contribute additional capital as set forth in the Plan if the Plan does not incorporate the Global Plan Settlement, including the substantive consolidation of the Avianca Debtors. Without the conversion and those additional capital contributions, the value of distributions (if any) to holders of general unsecured claims against the Debtors would likely be significantly less than the value of the distributions set forth in the Plan.

22. Accordingly, I believe that substantive consolidation of the Avianca Debtors is necessary in these cases.

a. **Exclusion of SAI, Aerounión, and Avifreight from Substantive Consolidation**

23. Unlike the Avianca Debtors, SAI, Aerounión, and Avifreight maintain operations separate from the Avianca Debtors, are not marketed by the Debtors as falling under the "Avianca" brand, and, in my experience, are often not understood by the market and/or creditors as falling under the "Avianca" brand.

24. SAI is a ground-handling services provider in Colombian airports for Avianca, as well as for other airline customers. SAI maintains separate accounting and treasury systems from the Avianca Debtors, and the Avianca Debtors cannot access those systems. SAI has a distinct management team and maintains separate operational and financial systems from those of the Avianca Debtors. SAI also has a separate headquarters than that of the Avianca Debtors.

25. Aerounión is an airline in Mexico and runs independently from the Avianca Debtors under certain Mexican regulations. As with SAI, Aerounión maintains separate accounting and treasury systems from the Avianca Debtors, which the Avianca Debtors cannot access. Aerounión also has a distinct management team and maintains separate operational and financial systems from those of the Avianca Debtors. In addition, Aerounión has a headquarters separate from that of the Avianca Debtors.

26. Because air carriers certificated in Mexico are subject to Mexican regulatory requirements, including foreign ownership restrictions, Avifreight was established with the sole purpose of complying with those regulations. Avifreight also maintains separate operations from the Avianca Debtors.

27. Creditors of the Avianca Debtors, including the 2023 Noteholders, are not materially impacted by the exclusion of SAI, Aerounión, and/or Avifreight from the Avianca Debtors. None of SAI, Aerounión, or Avifreight are guarantors of the 2023 Notes. Further, the residual equity

value of SAI, Aerounión, and Avifreight are augmenting the recoveries of the Avianca Debtors' creditors, including the holders of the 2023 Notes. Avianca Holdings is a 90% shareholder in SAI, and thus the residual equity value flows to Avianca Holdings as a benefit to the Debtors' estate and its creditors. Similarly, 92% of the economic benefit of the equity interest in Aerounión flows to Avianca Holdings for the benefit of the Debtors' estate and its creditors.

28. For these reasons, SAI, Aerounión, and Avifreight were excluded from substantive consolidation.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: October 24, 2021

/s/ Ginger Hughes
Ginger Hughes