/Carey

Octubre de 2020

# LATAM AIRLINES OBTIENE FINANCIAMIENTO DIP POR US$2.450 MILLONES

LATAM Airlines completes debtor-in-possession loan

Emily Darby

14 October 2020

Multiple international and Latin American law firms have helped in the closing of LATAM Airlines' US$2.45 billion debtor-in-possession (DIP) financing, after overcoming several judicial hurdles.

Cleary Gottlieb Steen & Hamilton LLP in New York, Chile's Claro & Cía, Demarest Advogados in São Paulo, Rodrigo, Elías & Medrano Abogados in Lima, Philippi Prietocarrizosa Ferrero DU & Uría (Peru) and Ecuador's Pérez Bustamante & Ponce advised the airline.

Baraona Fischer & Cía in Santiago advised Chilean investors Cueto Group and Eblen Group as shareholders of LATAM, while Alston & Bird LLP in New York, Chilean firm Carey, Brazil's Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados, Heka Law Firm in Quito, Houthoff in Amsterdam, Estudio Olaechea in Lima and Posse Herrera Ruiz in Bogotá all advised one of the company's other shareholders, Qatar Airways. The three shareholders also provided part of the financing.

White & Case LLP in New York, Miami and Los Angeles, Cescon, Barrieu, Flesch & Barreto Advogados in São Paulo, Ferrere (Ecuador) and three DLA Piper LLP offices advised US investor Oaktree Capital Management as lender. Quinn Emanuel Urquhart & Sullivan LLP in New York and Hogan Lovells LLP advised US lender Knighthead while Davis Polk & Wardwell LLP in New York and Barros & Errázuriz Abogados in Santiago advised stakeholder Delta Air Lines. Dechert LLP in New York advised a group of creditors for the transaction.

Separate teams of Cescon Barrieu and DLA Piper (Peru) advised TMF's Brazilian and Peruvian branches respectively as local collateral agents.

Esta alerta legal es proporcionada por Carey y Cía. Ltda. con fines educativos e informativos únicamente y no pretende ni debe interpretarse como asesoría legal.

Carey y Cía. Ltda.
Isidora Goyenechea 2800, Piso 43.
Las Condes, Santiago, Chile.
www.carey.cl

The deal closed on 8 October, after the US Bankruptcy Court for the Southern District of New York approved the financing on 18 September. The closing took place only days after Colombian counterpart Avianca obtained a US$2 billion DIP financing early last week.

LATAM's final DIP deal comes after several court hearings over the last few months. Creditors objected to the airline's first DIP loan proposal in mid-July, claiming that the US$2.45 billion deal was too expensive and that the package unfairly permitted lenders to exchange debt for equity at a discounted rate. On 10 September, LATAM submitted a modified request to the New York bankruptcy court, but that request was rejected by the judge, who said the deal threatened to create an unfair share of equity between stakeholders.

Latin Lawyer understands several other international and Latin American law firms may have been involved in the final closing of the deal too, but this could not be confirmed prior to publication.

The DIP financing is divided into several tranches. In the first portion, Oaktree will lend US$1.125 billion instead of US$1.3 billion, as was suggested in the original proposal. US lenders Knighthead and Jeffries will provide the remaining US$175 million to bring the combined amount of the first tranche to US$1.3 billion.

In the second tranche, LATAM is set to receive US$750 million from Qatar Airways, the Cueto Group and the Eblen Group, while either Knighthead or Jeffries will provide another US$150 million. LATAM will receive the last US$150 million from either new or other existing shareholders.

DIP financings form part of restructuring proceedings and allow a company to continue its operations during such process.

LATAM first filed for Chapter 11 bankruptcy proceeding in New York in May, after travel restrictions – imposed to fight the covid-19 pandemic – had a huge financial impact on Latin America's aviation industry. The filing took place just weeks after Colombian counterpart Avianca began its own bankruptcy proceeding in New York. In June, Mexican airline Aeroméxico followed in their footsteps and filed for bankruptcy in New York too.

LATAM, which is Latin America's largest aviation group, reported a 75% revenue drop in the second quarter of 2020 compared with the

same time period last year, as well as a 94% decrease in passenger revenues.

---

**Counsel to LATAM Airlines Group**

In-house counsel - Juan Carlos Mencio

Cleary Gottlieb Steen & Hamilton LLP

Partners Jeff Lewis, Rich Cooper, Lisa Schweitzer and Luke Barefoot, and senior attorneys Kara Hailey and Carina Wallance in New York

Claro & Cía

Partners Jose María Eyzaguirre, Nicolás Luco, José María Eyzaguirre and Felipe Larrain, and associate Gerardo Otero and Josefina Covarrubias in Santiago

Demarest Advogados

Partners Celso Xavier, Thiago Giantomassi, Guilherme Bechara, Christiano Chagas and Marc Stalder, and associates Marcelo Peloso and Caio Secchi in São Paulo

Rodrigo, Elías & Medrano Abogados

Partner Guillermo Puelles and associates Francisco Carrillo and Renzo Rossi in Lima

Philippi Prietocarrizosa Ferrero DU & Uría (Peru)

Partner Ronald Fernandez Davila and associate Fiorella Ruiz del Campo in Lima

Pérez Bustamante & Ponce

Partner Diego Pérez-Ordóñez and associates Andrés Brown, José David Ortiz Custodio and Víctor Cabezas in Quito

**Counsel to the Eblen Group and the Cueto Group**

Baraona Fischer & Cía

Partners Alfonso Ugarte and Cristóbal Herrera and associates Fernanda Anguita, María Jesús Hernández and Raúl Campaña in

Santiago

**Counsel to Qatar Airways**

Alston & Bird LLP

Partners Gerard Catalanello, Paul Hespel, James Vincequerra, Steven Campbell and Sam Kaywood,

and associates David Rutherford, Heather Ripley, Reade Seligmann, Geoffrey Williams, Aimee Pickett Sanders, Chris Coleman, and Jill Luby in New York

Carey

Partners Jaime Carey, Diego Peralta, Pablo Iacobelli and Ricardo Reveco, and associates Jaime Carey Jaime Coutts in Santiago

Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados

Partners Marcelo Sampaio Góes Ricupero, Alex Hatanaka, Frederico Kerr Bullamah and Adriana Simões and associates Raphael Saraiva, Lucca Rizzo and Thaiana Tavares Labolita in São Paulo

Houthoff

Counsel Jeroen Vossenberg and associate David Heems in Amsterdam

Heka Law Firm

Partners Mauricio Subía and Cristina Viteri and associate Martina Holguín in Quito

Estudio Olaechea

Partner Carlo Viacava and associates Valery Vicente and July Choy in Lima

Posse Herrera Ruiz

Partner Mariana Posse and associates Lina María Lineros, Juan Pablo Bonilla and Sebastián Echeverri in Bogotá

**Counsel to Oaktree Capital Management**

White & Case LLP

Partners Tom Lauria and Michael Shepherd and associates Laura Femino and Andrew Maury in Miami; partners Todd Wolynski, Heather Waters Borthwick, David Bilkis and Kim Havlin, and associates Ruben Henriquez, Misha Ross, Michaela Pickus and Livy Mezei in New York; and associates David Grotts and Kevin Kinder in Los Angeles

Cescon, Barrieu, Flesch & Barreto Advogados

Partner Maurício Santos and associate Amanda Arêas in Rio de Janeiro, and partners Daniel Laudisio and Fábio Rosas in São Paulo

DLA Piper (Chile)

Partners Matías Zegers, Rodrigo Alvarez and Mauricio Halpern, and associates Vicente Vergara, María Isabel Izquierdo and Germán Vargas in Santiago

DLA Piper (Peru)

Partner Ricardo Escobar and associates Reyna Silva-Santisteban and Ricardo Mercado in Lima

DLA Piper Martínez Beltrán

Partners Camilo Martínez Beltrán and Nicolas Polania, and associates Sergio Rojas and Ana Sofía Payán in Bogotá

Ferrere (Ecuador)

Partner Jesús Beltrán and associates Juan Francisco Simone and Juan Bernardo Guarderas in Quito

**Counsel to Knighthead Capital Management**

Quinn Emanuel Urquhart & Sullivan LLP

Partners Susheel Kirpalani and Dennis Hranitzky, counsel Debra O'Gorman and associate Victor Noskov in New York

Hogan Lovells LLP

Partners Stacey Rosenberg and David Simonds in Los Angeles

**Counsel to Delta Air Lines**

Davis Polk & Wardwell LLP

Partners Marshall Huebner, Tim Graulich, Lara Buchwald and

Vanessa Jackson in New York

Barros & Errázuriz Abogados

Partners Pablo Guerrero, Carola Trucco, Vicente Cordero, and Javier San Martín and associates Fernanda Becker and José Luis Corvalán in Santiago

**Counsel to the creditors**

Dechert LLP

Partners Allan Brilliant and Craig Druehl and counsel David Herman in New York

**Counsel to TMF Fiduperu**

DLA Piper (Peru)

Partner Sergio Barboza and associate Juan Carlos Ramirez in Lima

**Counsel to TMF Brazil**

Cescon, Barrieu, Flesch & Barreto Advogados

Partner Fernando Gomes and associate Anita Reis in São Paulo