

IAN FLETCHER INTERNATIONAL INSOLVENCY LAW MOOT 2025

NUZILIA BANKRUPTCY COURT

In the matter of:

Fairland Locomotors S.A.,

Fairland Aviation S.A.,

Fairland Operations S.A.

Debtors.

Case No.: 25-12706

v.

Dreamland Locomotors LLC,

Dexter Aviation S.A.,

Bridgerton LLP.

Creditors.

I. INTRODUCTION

1. This is a case being heard before the Nuzilia Bankruptcy Court, a court of first instance. The key insolvency statute is the Nuzilia Insolvency Statute enacted by the State of Nuzilia. Its binding legal principles include judge-made or common law.
2. Nuzilia incorporated the UNCITRAL Model Law on Cross-Border Insolvency 1997 (MLCBI) in 1998 (the Nuzilia Insolvency Statute)¹ and shortly thereafter the

¹ Nuzilia applies MLCBI as adopted in the state of New York. Assume that Nuzilia has duplicated all other

UNCITRAL Model Law on Enterprise Groups 2019 (MLEG) in 2020 in its exact form.

3. A legacy company Fairland Locomotors SA (Fairland Loco) filed a voluntary reorganization application in its country of incorporation, Utopia. As a business with global operations, the proceedings of reorganisation have had consequential impact on several creditors and global contractual obligations.

II. THE FAIRLAND BUSINESS

4. Fairland Loco was founded by Generator Fairland (GF) as an automotive equipment and repair shop which in its double decade of existence diversified into the production of locomotives, development of diesel generator and other oil production equipment at its central business and by the early 2000s become one of the largest market players.
5. Fairland Loco continued to be a family-held enterprise with the various family members holding different equity percentages and corresponding board and voting rights. 95% of the equity is held by the Fairland brothers, Grant and Gem Fairland. The Fairland family resides in the Fairland family estate in Utopia.
6. In 2007, under a global expansion vision, Fairland Loco decided to expand into different verticals, with aviation, ground operations and maintenance as the first venture.
7. In terms of management and control, Fairland Loco was currently under the direction of Grant Fairland who served as the Managing Director and Chief Executive Officer of Fairland Loco. Gem Fairland proposed the idea of entering into the aviation market and was tasked with providing a plan for expansion to the board of directors.

procedural and substantive aspects that apply to the state of New York.

8. Grant Fairland made the proposal of incorporating Fairland Aviation SA (Fairland Aviation), under the laws of Extravaganza. Extravaganza as jurisdiction proved to be a more cost-effective experiment. This would also allow the brothers to establish different strongholds in different markets. Fairland Aviation would thus lease aircrafts in a more cost-effective jurisdiction and then expand to their home state of Utopia. This move would also be the first entry point into the global business market. Subsequently in 2017, Fairland Loco incorporated two companies, namely, Fairland Aviation, incorporated under the laws of Extravaganza and Fairland Ground Operations SA (Fairland GO), incorporated under the laws of Utopia. Both Fairland Aviation and Fairland GO were incorporated as wholly owned subsidiaries of Fairland Loco. Both, Fairland Aviation and Fairland GO share the same board of directors and key management personnel.
9. The role of Fairland GO would primarily be to support Fairland Aviation and Fairland Loco with all operational and logistical requirements to reduce overheads of entering into third party contracts.
10. Both Extravaganza and Utopia are civil law jurisdictions and have adopted the MLCBI but have not adopted the MLEG.
11. Fairland Loco, Fairland Aviation and Fairland GO (together are the Fairland Companies). Together, the Fairland Companies have 10,000 employees and are worth 1 billion USD.²

III. EXTERNAL INVESTORS IN FAIRLAND COMPANIES

12. Dreamland Locomotors LLC (Dreamland Loco) is a company incorporated under the laws of Nuzilia. Utopia being the most lucrative in terms of the market, Dreamland Loco incorporated a subsidiary in Utopia to broaden its business on a global platform. Shortly, after Dreamland's entry into the market, Grant Fairland,

² Assume that the currency of all transactions is United States Dollars.

aware that Dreamland Loco has substantial liquidity decided to approach Dreamland Loco to invest into Fairland GO by way of issuance of bonds and further strengthen its presence in the logistics market.

13. Rover Capital, a top private equity firm in Nuzilia was interested in doing business with Fairland Loco. Rover Capital after discussion with Grant Fairland extended financing and investment to Fairland Aviation and Fairland Loco in exchange for equity, thereby diluting the vote of the Fairland family.
14. As it stands, the equity capital structure of Fairland Aviation stands at: 10% Grant Fairland, 5% Gem Fairland, 36% Fairland Loco and 49% Rover Capital. The equity capital structure of Fairland Loco stands at 33% Grant Fairland, 12% Gem Fairland 6% Other Fairland Family and 49% Rover Capital. The capital structure of Fairland GO is 35% Grant Fairland, 25% Gem Fairland and 50% Fairland Loco.
15. Given the high capitalization requirements, Fairland Aviation was struggling to establish itself into a low-cost carrier market. As strategy, Fairland Aviation entered into leasing and hire purchase agreements with several banks across Utopia, Nuzilia and Extravaganza. Further, a local charter airlines company in Extravaganza, namely Dexter Aviation incorporated under the laws of Extravaganza demonstrated interested in entering a hire-purchase agreement with Fairland Aviation to utilize the manpower that Gem Fairland had at its disposal and also to reduce its own overhead operational expenses.
16. Fairland Aviation leased three aircrafts' at 1.2 million USD from Dexter Aviation and entered into a ten year leasing arrangement. Parallely, it borrowed an amount of 7 million USD from Fairland Loco as an intercompany loan agreement and a further 25 million US from Rover Capital.

IV. EVENTS LEADING TO REORGANISATION

17. In 2020, owing to the Covid 19 pandemic, Fairland Aviation suffered exceptional

losses and was unable to pay any of its debt obligations including the sums to Fairland Loco under its intercompany supply arrangements. Several supply contracts with Fairland Loco were rescinded and therefore the losses incurred were substantial. One of Fairland Loco's largest and key consumers, Bridgerton LLP, incorporated in the United Kingdom extended its contract of supply with Fairland Loco for another five years, subject to timely delivery going forward. Fairland Loco was unable to meet its supply contracts due to lack of operational resources. Employee salaries were going unpaid for several months.

18. To continue services, Grant Fairland and Gem Fairland extended personal guarantees of 6.7 million USD each, to various suppliers on behalf of Fairland Loco, and 40 million USD each on behalf of Fairland Aviation. Dexter Aviation was offered a corporate guarantee of 30 million USD from Fairland Loco and Bridgerton LLP was offered a corporate guarantee of 20 million USD from Fairland Loco.
19. Fairland GO with the investment of Dreamland Loco had entered into several viable and profitable business contracts and Dreamland Loco offered to takeover the company and its management. However, Grant Fairland negotiated a profit-sharing agreement where the income of Fairland GO that would be redirected to reduce the debt of Fairland Aviation and Fairland Loco. Dreamland Loco objected to this decision as a shareholder, but the decision of the board was final.
20. Grant Fairland opted for a reorganization that was being led by Rover Capital. The Fairland family suggested a consolidated reorganization to align all debts and businesses and potentially retain the equity, management and control of the Fairland family and made an application for a substantive reorganization of debts of Fairland Loco, Fairland Aviation and Fairland GO to the Bankruptcy Court of Utopia.

V. PROPOSED TERMS OF REORGANISATION

21. Some key terms of the reorganization through the proposed consolidation include:
- a. Fairland GO was to be acquired 51% by Rover Capital as a part of this reorganization plan.
 - b. Rover Capital will extend a15 million USD as debtor-in-possession financing to Fairland Loco to release the Fairland family of all third-party claims (including guarantee obligations) as a part of the reorganization.
 - c. Rover Capital further proposed to enter into a debt release agreement with the relevant contracting parties primarily the amounts owed to Bridgerton LLP, to retain Bridgerton as a customer.
 - d. all the employees of all three companies would receive a one-time settlement in priority to any other payments.
 - e. Grant Fairland, Gem Fairland and Rover Capital would be released from all past obligations under any guarantee or surety contracts.
22. The decision to implement the reorganization of Fairland Companies through consolidation was approved by the management and board of directors of the Fairland Companies. The Fairland Companies duly represented by Grant Fairland approached the Bankruptcy Court of Utopia to approve a voluntary reorganization of the Fairland Companies. Grant Fairland specifically argued that given the investments, shareholding and contractual interdependence the companies cannot be reorganized independently. Grant Fairland presented an approval of the board of directors under the Utopian Bankruptcy law to commence the proceedings.
23. Dexter Aviation filed an interim application stating that the corporate veil can be pierced, and that Fairland Aviation was a company with separate leadership and thus cannot be consolidated. Dreamland Loco sought an injunction against the consolidation on grounds of breach of fiduciary duty of the directors to act in the best interest of Fairland GO.

24. On a review of the proposed reorganisation, the Bankruptcy Court of Utopia ruled in favour of the consolidated reorganization proceedings and provided the following as a part of its order of consolidation:

“.... (a) the Court orders and directs the substantive consolidation of the Fairland Loco, Fairland Aviation and Fairland Go (“the Debtors”) into a single proceeding solely for the purposes of the reorganization plan. This consolidation includes but is not limited to, the acceptance, confirmation and all other actions with respect to the plan for the Debtors and any and all amendments or modifications thereto, in such consolidated proceedings.

(b) the Court orders and directs that solely for the purpose of the consolidated proceedings, all assets and liabilities of the Debtors are merged and deemed to be the consolidated assets and liabilities of all the Debtors;

(c) the Court orders and directs that solely for the purpose of the consolidated proceedings, all obligations and debts owed to or by any of the Debtors, to or from any other Debtor are discharged;

(d) the Court orders and directs that solely for the purpose of the consolidated proceedings, any obligations of any Debtor and all guarantees executed by one or more of the other Debtors are deemed to be a single consolidated obligation of all the Debtors;

(e) the Court orders and directs that each and every claim filed in the individual proceedings of any of the Debtors is deemed filed against all the Debtors in the consolidated proceedings;

(f) the Court orders and directs the appointment of a single common insolvency administrator to perform the duties and functions necessary for the consolidation and reorganization of the Debtors;

(g) the Court orders and directs that the insolvency administrator will assemble a common committee of creditors and stakeholders to address and reduces conflicts in potential decision-making;

(h) The Court orders and directs that the proposed reorganization plan, which must comprehensively address all or a subset of the Debtors based on relevant factors, including but not limited to the commonality of business, be formulated and approved by the board of all the Debtors and receive approval from at least 75% of the creditors and stakeholders. All dissenting stakeholders are to be paid in terms of the applicable order of priority.”

25. The Utopian Bankruptcy Court ordered the consolidation and approved the reorganization plan on January 1, 2024.

VI. DISPUTES RELATING TO CONSOLIDATION AND PROPOSED REORGANISATION

26. Dexter Aviation had sued Fairland Aviation for breach of contract of a default amount of principal, interest and penalty of 8 million USD in the Extravaganza Commercial Court and the proceedings are ongoing. The aircraft leasing agreements between Dexter Aviation and Fairland Aviation were governed by the laws of Extravaganza.

27. In the court of Extravaganza, Dexter Aviation argued that non-consensual release of third-party claims is not tenable in nature and violative of the basic tenants of contract law and policy in Extravaganza. Thus, the implementation of the reorganization through consolidation would be violative of public policy in Extravaganza.³ Since Fairland Aviation had defaulted on its payment, it sought to invoke the guarantee obligations of Grant and Gem Fairland allowed by the proposed reorganization.

28. Bridgerton LLP who was also one of Fairland Loco’s most valued clients had incurred a loss estimated at 12 million USD owing to supplies that were defaulted by Fairland Loco between the period of 2020-2022. All contracts between

³ Assume that there is no codified public policy exception under the laws of Extravaganza.

Bridgerton LLP and Fairland Loco are governed by the laws of England.⁴ Fairland Loco is defending an arbitration initiated for the default by Bridgerton LLP ongoing in the London Court of International Arbitration on grounds of force majeure.

29. Bridgerton LLP and several other business suppliers / trade creditors of the Fairland Companies who were impacted by the investment made by Rover Capital under the debt release agreement joined the claim of Dexter Aviation on the third-party claims being self-serving to the Fairland family and Rover Capital who aimed to reduce its own debt obligations and given the equity offered indirectly owned Fairland GO in the Commercial Court of Extravaganza.
30. Grant Fairland made an application in the proceedings at Extravaganza stating that the Utopian Court had already passed an order of consolidation, therefore, the court of Extravaganza did not have jurisdiction to rule on the proceedings. In the proceedings against the enforcement of the consolidation of the Fairland Companies, the Utopian Court had already decided in favour of enforcement of the debt release agreement and dismissed the claims of Dexter Aviation and others. The Utopian Court further passed an order of substantive consolidation and preliminarily approved the reorganization of the Fairland Companies.
31. Grant Fairland also argued that Dexter Aviation and other creditors have appealed approval of the Utopian Bankruptcy Court to the Supreme Court of Utopia, where the case is pending. On an interim basis, the Utopian Supreme Court had stated that it has exclusive jurisdiction to all matters connected to the Fairland Companies and any contracting party would violate the public policy exception applicable to the contractual law of Utopia.⁵

⁴ You are not required to make substantive arguments on the rule of Gibbs.

⁵ Assume that Utopia has formally adopted Article 6 of the MLCBI

VII. APPLICATIONS FILED IN THE COURT OF NUZILIA

32. In the Bankruptcy Court of Nuzila, the common foreign representative of Fairland Companies made an application under the provisions of Chapter 15 of the Nuzilian Insolvency Statute which states as follows:

(a) *“The purpose of this chapter is to incorporate the Model Law on Cross-Border Insolvency so as to provide effective mechanisms for dealing with cases of cross-border insolvency with the objectives of-*

(1) cooperation between-(A) courts of Nuzilia, Nuzilian trustees, trustees, examiners, debtors, and debtors in possession; and(B) the courts and other competent authorities of foreign countries involved in cross-border insolvency cases;

(2) greater legal certainty for trade and investment;

(3) fair and efficient administration of cross-border insolvencies that protects the interests of all creditors, and other interested entities, including the debtor;

(4) protection and maximization of the value of the debtor’s assets; and

(5) facilitation of the rescue of financially troubled businesses, thereby protecting investment and preserving employment.

(b) *This chapter applies where-*

(1) assistance is sought in Nuzilia by a foreign court or a foreign representative in connection with a foreign proceeding;

(2) assistance is sought in a foreign country in connection with a case under this title;

(3) a foreign proceeding and a case under this title with respect to the same debtor are pending concurrently; or

(4) creditors or other interested persons in a foreign country have an interest in requesting the commencement of, or participating in, a case or proceeding under this title....”

33. The FR who was running the operations of the Fairland Companies as a going concern, in the Chapter 15 application, filed a recognition application of the consolidation of the Fairland Companies in the Bankruptcy Court of Nuzilia, and a separate application for the reorganization plan.⁶
34. Bridgerton LLP files relies on the case of *Harrington v. Purdue Pharma L.P.*⁷ on the discharge of nonconsensual third-party releases that have been incorporated as a part of the reorganization plan and files an application against the Chapter 15 filed by the FR for the recognition of the reorganization plan.
35. Since most of Rover Capital's investments were in the aviation sector and it was in a liquidity crunch, Rover Capital files Chapter 11⁸ proceedings in the Bankruptcy Court of Nuzilia.
36. Dreamland Loco has filed an application against the recognition of the consolidation order and has observed that the directors of Fairland Loco and Fairland Companies have acted in violation of their fiduciary duty towards Fairland GO. Dreamland Loco and Dexter Aviation, therefore, bring a claim of adversarial proceedings against the directors of the Fairland Companies for not adhering to their fiduciary duties in the Nuzilian Bankruptcy Court.
37. Creditors of Fairland Aviation have filed a Chapter 11 petition in the Bankruptcy Court of Nuzilia and parallelly sought an injunction against the enforcement and recognition of the order of Utopian Bankruptcy Court arguing against the principles of substantive consolidation under the MLEG. Dexter Aviation has proposed an independent debtor-in-possession financing option to Fairland Aviation with the option to convert the financing to equity.

⁶ You are not expected to make substantive arguments on the appointment of an insolvency administrator or a foreign representative.

⁷ No. 23-124, 2024 WL 3187799, at *11 (U.S. June 27, 2024)

⁸ The Chapter 11 proceedings are akin to the proceedings under the US Bankruptcy Code as applicable to the State of New York.

38. Pending issues in relation to the enforcement of the consolidation and in a move to value maximise the assets, an involuntary liquidation application has been made by Bridgerton LLP in the Utopian Bankruptcy Court against Fairland Loco. Reviewing the facts of the case, the order of liquidation has been stayed by the Utopian Bankruptcy Court, subject to the decision of the Utopian Supreme Court on consolidation.
39. Reviewing the complexity of the matter the FR of the Fairland Companies has provided a summation of issues in relation to the consolidation as: (i) the jurisdiction of the court of Nuzilia, (ii) the treatment of the Fairland Companies under Nuzilian law, (iii) whether the consolidation of Fairland Companies violates public policy and (iv) the locus standi of the FR along with the general requirements of recognition. On the reorganization plan, the FR has to defend the validity of the plan by virtue of the non-consensual third-party releases under Nuzilian law.

VIII. PETITION BEING HEARD IN THE COURT OF NUZILIA

40. The Nuzilian Bankruptcy Court has combined the petitions in relation to the Chapter 15 recognition on the following issues to be addressed by the parties:
- a. Whether the order of consolidation of Fairland Companies under Chapter 15 can be recognized and enforced by the Court of Nuzilia.⁹
 - b. If the Court of Nuzilia is empowered to pass an order on the release of third-party claims as a part of the reorganization plan.

⁹ You are required to include the specific applications and arguments brought forward in the Chapter 15 proceedings.

RELEVANT TEXTS

Model Law on Cross Border Insolvency (1997)

Guide to Enactment of the UNCITRAL Model Law on Cross–Border Insolvency,
U.N. Gen. Ass., UNCITRAL 30th Sess., U.N. Doc. A/CN.9/442 (1997)

Model Law on Insolvency of Enterprise Groups (2019)

Digest of Case Law on the UNCITRAL Model Law on Cross-Border Insolvency
(2021)