

23 April 2020

## CIRCULAR TO LESSORS

Dear Sir/Madam

**Virgin Australia Holdings Ltd  
and certain entities listed in Schedule A  
(All Administrators Appointed)  
(the Companies or Virgin)**

### 1. Appointment of Voluntary Administrators and initial notice

Vaughan Strawbridge, John Greig, Sal Algeri and Richard Hughes were appointed Joint and Several Administrators (**Administrators**) of Virgin on 20 April 2020, pursuant to the provisions of Section 436A of the Corporations Act 2001 (**the Act**).

We refer to previous correspondence dated 21 April 2020 which provided a Notice of Appointment and details of First Meeting of Creditors. This letter supersedes the prior correspondence to the extent of any inconsistency.

We understand that Virgin currently leases property from you (**Property**). For the purpose of this letter we are referring to property hired, leased, used or occupied.

### 2. Application to the Federal Court of Australia to Extend the notice period under Section 443B

The Administrators acknowledge that any rent and other amounts payable during the Period will be classified as an unsecured claim in the Administration. Our initial review has concluded that the business is not in a position to support rental payments and other financial obligations on Property that is impacted by the restrictions imposed in relation to COVID-19. This would expose the Administrators to personal liability for the rent payments in circumstances where the business does not have the revenues necessary to support those rent payments, unless the Administrators disclaimed the relevant leases.

We advise that an Administrator only has 5 business days from the beginning of the Administration to give notice to an owner of property whether to disclaim any leases or contracts over the property, failing which the Administrator becomes liable for the ongoing rent or other amounts payable by Virgin during the Administration (see Section 443B of the Act).

If the Administrators were to formally disclaim your lease agreement (which they would need to do by 27 April 2020), it would be detrimental to the sale of business or recapitalisation process and would impact any ongoing benefit you could receive from any process. The alternative route of requiring that you confirm your willingness to agree to varied arrangements in relation to your lease agreement within that period would also not be beneficial to you or the other creditors of Virgin and the Administrators wish to facilitate a longer period for you to consider the relevant options. In the circumstances the Administrators would prefer not to have to issue the usual notice under Section 443B.

For those reasons, we advise that we are filing an application in the Federal Court of Australia to be heard on Friday, 24 April 2020, to seek to extend the notice period under Section 443B by up to four (4) weeks from the date of our appointment to provide us with sufficient time to appropriately consider your lease and to engage with you on the ongoing relationship between you and Virgin in anticipation of the intended recapitalisation and sale of business process envisaged by the Administrators and described below. The

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application is being made in relation to all leasing arrangements with entities over which the Administrators have been appointed with a view to lessors receiving the same treatment at this stage of the administration.

To be clear, we are not requesting any extension of the waiting period under the Cape Town Convention. We envisage discussing that with you as part of our broader discussions with you.

### **3. Administrators' intentions**

The Administrators have publicly announced their intention to seek to recapitalise the business and sell it, and an ongoing relationship with the lessors to the business will be important to that. During the extension period being requested under Section 443B, and beyond that, the Administrators envisage engaging with you and other lessors and creditors on the ongoing terms of your and their relationship with the business with a view to achieving that recapitalisation and sale of the business. This may ultimately involve a disclaimer of some of those arrangements or the variation or extension of some of those arrangements, or other negotiated outcomes. Next week we will be wanting to engage with you to firm up on interim arrangements with the Administrators to support the process being followed to achieve a recapitalisation and sale, which will include a request for a 3 month waiver of rent and other financial payment obligations.

### **4. Condition of the Property**

Our aim is to ensure that value is preserved in the Companies, particularly in the Property. We advise that:

- the Property, where it relates to aircraft or engines, is currently being maintained in compliance with CASA's requirements and OEM AMM procedures as well as Virgin's system of maintenance. Specifically, aircraft in an active parking program have an engine and APU idle run once per week;
- the Property is insured at its current value; and
- the Property, where it relates to aircraft, including the technical records including logbooks, are stored in a safe location. All records are retained both electronically and physically. The logbook remains with the aircraft but any pages with entries are scanned and returned to the Companies' engineering records department in Brisbane. All other aircraft records are retained in Brisbane either at the hangar or off-site in archive storage and the Companies retains electronic copies of all records.

### **5. Personal Property Securities Register (Register)**

Where a party has a registration of security interests affecting Virgin's personal property and/or personal property in the possession of Virgin (collateral) with the Personal Property Securities Register (**Register**), you should also have received correspondence regarding the registration on 21 April 2020. The Register is maintained by Australian Financial Security Authority in accordance with the requirements of the *Personal Property Securities Act 2009 (Cth) (PPSA)*.

If you did not receive correspondence regarding your registered security interest please contact Mukhtader Mohammed on 0404 285 401 or Rosie Hassall of this office on (02) 9233 5755 or by email to [virginaircraftlessor@deloitte.com.au](mailto:virginaircraftlessor@deloitte.com.au).

### **6. Ongoing communication and contact details**

We understand this is a very difficult and uncertain time for all creditors. Your continued support is important during the Administration whilst we seek a or recapitalisation of the business or sale of the business as a going concern. The Administrators appreciate your ongoing support of the business during this period, which is critical to achieving a successful outcome for all stakeholders. We will also be looking to establish regular update meetings to provide you with further updates on the voluntary administration and the recapitalisation of the business or sale of the business process.

For ease of response, confirmation by email to the consent sought under this letter would be appreciated, or alternatively, by signing and returning a copy of this letter to the address indicated at the top of this letter.

Should you require any further information in the meantime, please contact Mukhtader Mohammed on 0404 285 401 or Rosie Hassall of this office on (02) 9233 5755 or by email to [virginaircraftlessor@deloitte.com.au](mailto:virginaircraftlessor@deloitte.com.au).

Yours faithfully

A handwritten signature in black ink, appearing to be 'SA', followed by a period.

**Sal Algeri**  
Joint and Several Administrator

Encl.

**List of enclosures**

**Schedule A:** List of entities in Administration

**Schedule A – Virgin Group entities, all Administrators Appointed**

Virgin Australia Holdings Ltd, ACN 100 686 226  
Virgin Australia International Operations Pty Ltd, ACN 155 859 608  
Virgin Australia International Holdings Pty Ltd, ACN 155 860 021  
Virgin Australia International Airlines Pty Ltd, ACN 125 580 823  
Virgin Australia Airlines (SE Asia) Pty Ltd, ACN 097 892 389  
Virgin Australia Airlines Holdings Pty Ltd, ACN 093 924 675  
VAH Newco No.1 Pty Ltd, ACN 160 881 345  
Tiger Airways Australia Pty Limited, ACN 124 369 008  
Virgin Australia Airlines Pty Ltd, ACN 090 670 965  
VA Borrower 2019 No. 1 Pty Ltd, ACN 633 241 059  
VA Borrower 2019 No. 2 Pty Ltd, ACN 637 371 343  
Virgin Tech Pty Ltd, ACN 101 808 879  
Short Haul 2018 No. 1 Pty Ltd, ACN 622 014 831  
Short Haul 2017 No. 1 Pty Ltd, ACN 617 644 390  
Short Haul 2017 No. 2 Pty Ltd, ACN 617 644 443  
Short Haul 2017 No. 3 Pty Ltd, ACN 622 014 813  
VBNC5 Pty Ltd, ACN 119 691 502  
A.C.N. 098 904 262 Pty Ltd, ACN 098 904 262  
Virgin Australia Regional Airlines Pty Ltd, ACN 008 997 662  
Virgin Australia Holidays Pty Ltd, ACN 118 552 159  
VB Ventures Pty Ltd, ACN 125 139 004  
Virgin Australia Cargo Pty Ltd, ACN 600 667 838  
VB Leaseco Pty Ltd, ACN 134 268 741  
VA Hold Co Pty Ltd, ACN 165 507 157  
VA Lease Co Pty Ltd, ACN 165 507 291  
Virgin Australia 2013-1 Issuer Co Pty Ltd, ACN 165 507 326  
737 2012 No.1 Pty. Ltd, ACN 154 201 859  
737 2012 No. 2 Pty Ltd, ACN 154 225 064  
Short Haul 2016 No. 1 Pty Ltd, ACN 612 766 328  
Short Haul 2016 No. 2 Pty Ltd, ACN 612 796 077  
Short Haul 2014 No. 1 Pty Ltd, ACN 600 809 612  
Short Haul 2014 No. 2 Pty Ltd, ACN 600 878 199  
VA Regional Leaseco Pty Ltd, ACN 127 491 605  
VB 800 2009 Pty Ltd, ACN 135 488 934  
VB Leaseco No 2 Pty Ltd, ACN 142 533 319  
VB LH 2008 No. 1 Pty Ltd, ACN 134 280 354  
VB LH 2008 No. 2 Pty Ltd, ACN 134 288 805  
VB PDP 2010-11 Pty Ltd, ACN 140 818