

## Update to creditors

Virgin Australia Holdings Limited ACN 100 686 226  
and subsidiaries (all Administrators Appointed)

18 August 2020

We, the administrators (the **Administrators**) of Virgin Australia Holdings Limited (Administrators Appointed) and certain subsidiaries (all Administrators Appointed) (the **Companies** or **Virgin Australia Group**), would like to provide you with an update in respect of certain important matters relating to the administration of Virgin Australia Group of companies.

## Court Application by Broad Peak and Tor (BP&T)

On Tuesday, 11 August 2020 BP&T made an application to the Federal Court of Australia pursuant to section 447A(1) of the Corporations Act 2001 (**Act**) and sections 90-15 and 90-20 of the Insolvency Practice Schedule (Corporations) to the following effect:

- the Administrators notify creditors that any proposal for resolution on a deed of company arrangement (**DOCA Proposal**) is to be submitted to the Administrators on or before 24 August 2020 (**DOCA Proposal Date**);
- that a Facilitator be appointed to facilitate any requests for access to information or stakeholders for the purposes of preparing any such DOCA Proposal;
- the Administrators would be justified in disregarding any proposal received after the DOCA Proposal Date, provided that such access is provided by the Administrators to stakeholders of the business requested within one business day of any such request being made;
- any creditor may submit a DOCA Proposal on or before the DOCA Proposal Date and, despite point 3 above, may submit further explanatory material or amendments in respect of that DOCA Proposal on or before 26 August 2020 (**DOCA Publication Date**);
- on the DOCA Publication Date, the Administrators are to publish details of any such DOCA Proposal for consideration by creditors, together with any such explanatory material or amendments;
- at least one business day before the Administrators issue any voting/proxy forms creditors are given reasonable time to debate each DOCA Proposal, or alternatively to conduct question and answer sessions or other activities to promote any such DOCA Proposal;
- no earlier than 31 August 2020 (or such later date as may be required), the Administrators are to issue voting/proxy forms to creditors; and
- such voting/proxy forms are to fairly provide the opportunity for creditors to cast votes in favour of any such DOCA Proposals.

In respect to the role of the Facilitator, the orders they sought were to the following effect:

- to confer with the Administrators in relation to access to information and stakeholders requested by BP&T, or any other creditor in preparation of any DOCA Proposal and to facilitate the provision of such access;
- to prepare a limited report for inclusion in the Administrators report required to be given to creditors pursuant to section 439A of the Act, in respect of each such proposal;
- to report to the Court on or before 22 August 2020 in relation to the Facilitator's work done in accordance with such appointment;
- to apply to the Court for any direction or order if the Facilitator deems it necessary and appropriate to do so;
- the Administrators provide access to such documents and information that the Facilitator deems necessary and appropriate; and
- that the Facilitator's remuneration is to be paid on an hourly rate and on the same rates as the Administrators' remuneration and treated in all respects as if the Facilitator's remuneration is part of the remuneration of the Administrators and subject to the approval of the Committee of Inspection or Court order, as the case may be.

**On 17 August 2020, the Federal Court of Australia made orders dismissing the application made by BP&T and ordered that the Administrators' costs in respect to the application be paid by BP&T.**

The Administrators have exercised our power of sale pursuant to section 437A of the Act and as such we are unable to consider competing proposals for the sale of the assets or to otherwise deal with them in any manner whatsoever.

We advised creditors of the powers of the Administrators in the first meeting of creditors on 30 April 2020, which included the power to sell the business and assets of the Companies.

Exclusivity provisions formed part of the binding sale agreements with Bain Capital, which is normal practice for such transactions. These provisions prevent us from considering or progressing discussions with respect to the sale or dealing with the assets the subject of the sale agreement with any other party.

As we have advised, the second meeting of creditors will determine, not *who* the business is sold to, but *how* the completion of the sale will occur, that is, by way of asset sale or DOCA. If the Bain Capital DOCA (the details of which will be contained in our report to creditors which you will receive next week) is not approved by creditors, the sale to Bain will be completed under a pre-agreed asset sale agreement.

The benefit of completing the sale under the DOCA include:

- it will provide a much greater return to unsecured creditors; and
- the completion of the sale can happen much quicker, than if the sale is completed under an asset sale agreement.

#### **Court Application by the Administrators regarding timing of second meeting of creditors**

On 12 August 2020, the Administrators obtained orders from the Federal Court of Australia (**Orders**) to, amongst other things, extend the period during which the second meeting of creditors pursuant to section 439A of the Corporations Act 2001 (Cth) (the **Second Meeting of Creditors**) must be convened.

A copy of the Orders (and other orders made by the Federal Court in relation to the administration of the Companies) are available on the Deloitte website (<http://www.deloitte.com/au/virgin>) (the **Website**).

Following the extension of the convening period, the Administrators are now in a position to confirm that:

1. the Administrators' report to creditors pursuant to 75-225(3) of the Insolvency Practice Rules (Corporations) 2016 (the **Second Report**) will be made available to creditors by **25 August 2020** (Sydney time) via the Website (<http://www.deloitte.com/au/virgin>); and
2. the Second Meeting of Creditors will be held on **4 September 2020** at 10:00am (Sydney time).

The purpose of this update is to provide creditors with information about upcoming dates and the voting process in relation to the Second Meeting of Creditors.

#### **Second Report**

As you will be aware from the Administrators' circulars to creditors dated 17 July 2020 and 14 August 2020 (the **Circulars**), on 26 June 2020, the Administrators signed certain transaction documents for the sale of the business of the Virgin Australia Group to Bain Capital (**Sale and Implementation Deed**). Please see the Circulars for additional information in respect of the transaction with Bain Capital.

Details of the transaction and the Bain DOCAs will be provided to creditors in our Second Report issued in accordance with section 75-225 of the Insolvency Practice Rules (Corporations) on 25 August 2020. The report will also include other important information to assist creditors in making an informed decision in respect to the future of the Companies.

The Administrators strongly encourage all creditors to access the Second Report on the Website as soon as possible on 25 August 2020 (<http://www.deloitte.com/au/virgin>); and carefully review it. If you need assistance accessing the Second Report, you may contact us via email at [virginadmin@deloitte.com.au](mailto:virginadmin@deloitte.com.au).

## Second Meeting of Creditors

As noted above, the Second Meeting of Creditors will be held at **10:00am (Sydney time), Friday 4 September 2020**. Due to the current COVID-19 situation, the meeting will be held virtually through the Microsoft Teams Live Events platform.

At the Second Meeting of Creditors, creditors will have the opportunity to resolve that either:

1. the relevant Companies execute the DOCAs;
2. the administration of the relevant Companies should end; or
3. the relevant Companies be wound up (the **Second Meeting Resolutions**).

Creditors will also have the opportunity to approve or reject other resolutions detailed in the Second Report including that a Committee of Inspection be formed for the ensuing Deed of Company Arrangement/Liquidation and that all members of the current Committee of Inspection be appointed for that purpose.

## Voting Procedures (excluding Noteholders)

The Administrators have prepared the attached infographic in respect of the voting process and ask that you review that document prior to the release of the Second Report and the second meeting of creditors.

## Voting Procedures (Noteholders only)

For various reasons, including differing structures, note documentation, governing law and clearing systems, the voting procedures to be followed by Noteholders will vary depending upon which Virgin Australia Group Notes they hold.

The table below sets out key information in relation to the specific voting procedures applicable to the separate Notes series and the action required from the relevant Noteholders in connection with voting at the Second Meeting of Creditors. The distinct processes are determined by the relevant documents and applicable law.

Notes	Who will vote at the Second Meeting of Creditors?	Action required
AU\$325,000,000 8% notes due 26 November 2024 (ASX: VAHHA) (ISIN: AU0000063455) ( <b>Listed AUD Notes</b> )	Sargon Pty Ltd ( <b>Sargon</b> ) (the Trustee for the Listed AUD Notes)	<ol style="list-style-type: none"> <li>1. If the Trustee wishes to attend and vote at the Second Meeting of Creditors it must, to the extent it has not done so already:               <ol style="list-style-type: none"> <li>(a) register itself on the Halo platform (<a href="https://virgin.deloitte-halo.com/">https://virgin.deloitte-halo.com/</a>) by the Halo Registration Deadline of <b>20 August 2020</b> (see Key Dates below);</li> <li>(b) submit its proof of debt through the Halo platform by the POD Deadline of 5:00pm (Sydney time) on <b>28 August 2020</b> (see Key Dates below); and</li> <li>(c) submit its proxy and/or power of attorney through the Halo platform by the Proxy Deadline of 5:00pm (Sydney time) on <b>1 September 2020</b> (see Key Dates below).</li> </ol> </li> <li>2. Beneficial owners of Listed AUD Notes (<b>Listed AUD Noteholders</b>) are not required to register on the Halo platform or submit proofs of debt or proxies to the Administrators. Listed AUD Noteholders should, however, contact the Trustee (contact details below) as soon as possible for details of the Trustee's procedural requirements and deadlines for receiving voting instructions from Listed AUD Noteholders:               <p style="text-align: center;"><b>Sargon Pty Ltd</b> <a href="mailto:ct.sfas@sargon.com">ct.sfas@sargon.com</a></p> </li> </ol>

		<p>3. The Trustee and Listed AUD Noteholders should access and review the Second Report on the Website (<a href="http://www.deloitte.com/au/virgin">http://www.deloitte.com/au/virgin</a>) from 25 August 2020.</p> <p>4. AUD Listed Noteholders are entitled to attend the Second Meeting of Creditors as observers by following the Joining Instructions.</p>
<p>AU\$150,000,000 8.25% Senior Notes due 30 May 2023 (ISIN: AU3CB0253367) and AU\$250,000,000 8.075% Senior Notes due 5 March 2024 (ISIN AU3CB0261410) together the <b>Unlisted AUD Notes</b>)</p>	<p>The persons who are shown on the Noteholder Registers maintained by BTA Institutional Services Australia Ltd as the holder (or joint holder) of a Note (the <b>Registered Noteholders (AUD Unlisted)</b>)</p>	<p>1. Each Registered Noteholder (AUD Unlisted) that wishes to vote at the Second Meeting of Creditors must, to the extent it has not done so already:</p> <ul style="list-style-type: none"> <li>(a) register itself on the Halo platform (<a href="https://virgin.deloitte-halo.com/">https://virgin.deloitte-halo.com/</a>) by the Halo Registration Deadline of <b>20 August 2020</b> (see Key Dates below);</li> <li>(b) submit its proof of debt through the Halo platform by the POD Deadline of 5:00pm (Sydney time) on <b>28 August 2020</b> (see Key Dates below); and</li> <li>(c) submit its proxy and/or power or attorney through the Halo platform by the Proxy Deadline of 5:00pm (Sydney time) on <b>1 September 2020</b> (see Key Dates below).</li> </ul> <p>2. If a Registered Noteholder (AUD Unlisted) holds Unlisted AUD Notes on behalf of a sub-custodian or beneficial owner, it will need to liaise with the relevant sub-custodian or beneficial owner (as applicable) in respect of any voting instructions or directions it may require in accordance with the relevant custody arrangements.</p> <p>3. Beneficial owners of Unlisted AUD Notes are not required to register on the Halo platform or submit proofs of debt or proxies to the Administrators. Beneficial owners should, however, contact their Registered Noteholder (AUD Unlisted) or custodian as soon as possible to request details of any applicable procedural requirements or deadlines set by the Registered Noteholder or custodian for receiving voting instructions from beneficial owners of Unlisted AUD Notes.</p> <p>4. Registered Noteholders (AUD Unlisted) and beneficial owners of Unlisted AUD Notes should access and review the Second Report on the Website (<a href="https://virgin.deloitte-halo.com/">https://virgin.deloitte-halo.com/</a>) from 25 August 2020.</p> <p>5. Beneficial owners of Unlisted AUD Notes are entitled to attend the Second Meeting of Creditors as observers by following the Joining Instructions.</p>
<p>US\$350,000,000 7.875% Senior Notes due 15 October 2021 (Reg S CUSIP: Q94606AG7 &amp; 144A CUSIP: 92765YAG2) and the US\$425,000,000 8.125% Senior Notes due 15 November 2024 (Reg S CUSIP: Q94606AH5 &amp; 144A CUSIP: 92765YAH0)</p>	<p>N/A (beneficial owners of the USD Notes will vote via Depository Trust Company (DTC) Participants by way of a ballot process with Master Ballots to be provided to the Administrators 2 business days in advance of the Second Meeting of Creditors.)</p>	<p>1. A voting process will be commenced on or around 18 August 2020 through the DTC by the direct distribution of Master Ballots and Beneficial Owner Ballots by the Administrators to the DTC Participants listed on the Securities Position Report as at 7 August 2020 at 5:00pm New York time (the <b>Voting Record Date</b>).</p> <p>2. The deadline for the DTC Participants to return the Master Ballots to the Administrators is 1 September 2020 at 6:00pm New York Time (the <b>Master Ballot Voting Deadline</b>). Following commencement of the voting process, beneficial owners of USD Notes as at the Voting Record Date should contact their DTC Participants or nominees (as applicable) to request details of</p>

(together the USD Notes)		<p>any interim deadlines set by such parties for the return of the Beneficial Owner Ballots.</p> <ol style="list-style-type: none"> <li>3. Beneficial owners of the USD Notes are not required to register on the Halo platform or submit a proof of debt or proxy to the Administrators.</li> <li>4. Beneficial owners of the USD Notes should access and review the Second Report on the Website (<a href="http://www.deloitte.com/au/virgin">http://www.deloitte.com/au/virgin</a>) from 25 August 2020.</li> <li>5. Beneficial owners of the USD Notes should complete and return their Beneficial Owner Ballots in accordance with the instructions from and by the deadlines set by their respective DTC Participants or nominees (as applicable) in order to have their vote reflected in the Master Ballot.</li> <li>6. DTC Participants are required to tally the Beneficial Owner Ballots returned to them by the beneficial owners of the USD Notes and complete and return their Master Ballots to the Administrators by the Master Ballot Voting Deadline.</li> <li>7. The votes of the beneficial owners of the USD Notes as set out in the Master Ballots will be incorporated into the Halo platform for the purpose of recording voting at the Second Creditors Meeting.</li> <li>8. Beneficial owners of the USD Notes are entitled to attend the Second Meeting of Creditors as observers by following the Joining Instructions.</li> </ol>
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#### Key dates (Noteholders)

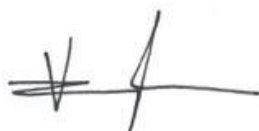
The below table sets out the following key dates in relation to the administration:

Date (time)	Event
7 August 2020	Voting Record Date for USD Notes (USD Notes only)
On or around 18 August 2020	Commencement of the solicitation process of the USD Notes through the DTC by the distribution of Master Ballots and Beneficial Holder Ballots to the DTC Participants (USD Notes only)
20 August 2020 ( <b>Halo Registration Deadline</b> )	Deadline to register on the Halo platform ( <a href="https://virgin.deloitte-halo.com/">https://virgin.deloitte-halo.com/</a> ) (Trustee of the listed AUD notes and the Registered Noteholders (AUD Unlisted) only)
25 August 2020 (Sydney time)	The Second Report to be made available on the Website ( <a href="http://www.deloitte.com/au/virgin">http://www.deloitte.com/au/virgin</a> ).
25 August 2020 (6:00pm New York time)	Call with the holders of the USD notes. The call will be held via Microsoft Teams; to receive the link for the call please email <a href="mailto:vaballothelp@akingump.com">vaballothelp@akingump.com</a> before August 25, 2020 9:00 a.m. New York Time.
28 August 2020 (5:00pm Sydney time) ( <b>POD Deadline</b> )	Deadline to submit proofs of debt through the Halo platform
1 September 2020 (5:00pm Sydney time) ( <b>Proxy Deadline</b> )	Deadline to submit proxy and/or power of attorney through the Halo platform
1 September 2020 (6:00 pm New York time)	Deadline for DTC Participants to return Master Ballots to the Administrators (each DTC Participant will have different dates before this deadline by which Noteholders are required to return Beneficial Owner Ballots) (USD Notes only)

4 September 2020	Voting Deadline (The Trustee of the AUD listed notes and the Registered Noteholders (AUD Unlisted) only)
4 September 2020 (10:00am Sydney time)	Second Meeting of Creditors is held

We trust creditors find this report informative and useful. In the event you have any queries regarding the contents of this report, or the administration in general, please do not hesitate to contact us at [virginadmin@deloitte.com.au](mailto:virginadmin@deloitte.com.au).

Yours faithfully



**Vaughan Strawbridge**  
Joint and Several Administrator