

**Form 5011**

Corporations Act 2001

**s436E, 439A**

Insolvency Practice Rules (Corporations) 2016

**s75-145(1)(c)**

## Copy of minutes of meeting

### Liquidator details

Registered liquidator number

**326810**

Registered liquidator name

**RICHARD JOHN HUGHES**

### Company details

Company name

**VIRGIN AUSTRALIA HOLDINGS  
LIMITED**

**100 686 226**

### Section under which minutes are lodged

Date of meeting

**21-05-2020**

Are the minutes being lodged for a meeting convened under s436E, or  
s439A of the Corporations Act 2001?

**No**

### Certification

I certify that the attached minutes of meeting are a true copy of the original  
minutes of meeting signed by the chair of the meeting as identified in the  
minutes.

**Yes**

## Authentication

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This form has been authenticated by	
Name	RICHARD JOHN HUGHES
This form has been submitted by	
Name	Richard John HUGHES
Date	20-06-2020

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## MINUTES OF THE COMMITTEE OF INSPECTION (COI) MEETING OF

VIRGIN AUSTRALIA HOLDINGS LIMITED ACN 100 686 226 AND SUBSIDIARIES (ADMINISTRATORS APPOINTED)  
(THE COMPANIES OR VIRGIN GROUP)

HELD AT THE OFFICES OF DELOITTE, LEVEL 9, 225 GEORGE STREET, SYDNEY NSW 2000  
ON 21 MAY 2020 AT 11:00AM (AEST)

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### PRESENT

Vaughan Strawbridge	Joint and Several Administrator, Deloitte Financial Advisory Pty Ltd ( <b>Deloitte</b> )
Phil Smith	Deloitte
Timothy Sackar	Clayton Utz
Committee members	Refer to the attendance register at <b>Annexure A</b>
Observers	Refer to the attendance register at <b>Annexure B</b>

### OPENING OF THE MEETING

Vaughan Strawbridge, one of the Joint and Several Administrators (**Administrators**) of the Virgin Group opened the meeting at **11:05am**.

### INTRODUCTIONS

Mr Strawbridge introduced those present at the meeting with him, being Mr Phil Smith of his staff and Mr Timothy Sackar of Clayton Utz, who are engaged as the solicitors for the Administrators.

Mr Strawbridge advised Mr Salvatore Algeri, one of the Administrators of the Virgin Group, was in attendance via the audio-visual conference facility, along with various members of the Deloitte staff engaged on the voluntary administration.

### CHAIRPERSON

Mr Strawbridge advised that as convenor of the meeting he would act as Chairperson of the meeting in accordance with rule 75-50 of the *Insolvency Practice Rules (Corporations)* (**IPR**).

### RECORDING OF MEETING

The Chairperson noted the meeting would be recorded to allow for accurate minute taking for reporting to the Australian Securities and Investments Commission (**ASIC**). The Chairperson enquired if there were any objections from those in attendance to record the meeting. There were no objections.

### IN ATTENDANCE

The Chairperson noted that all COI members received the link to the MS Teams virtual meeting of the COI and that their attendance at the meeting will be noted in the Attendance Register (**Annexure A**).

The Chairperson read the list of COI members and their representatives who advised they would be in attendance, as follows:

<b>Member</b>	<b>Representative</b>
FIIG Securities Limited	Thomas Jacquot
Northern Trust Asset Management	Leah Savageau
Sargon CT Pty Ltd	Yvonne Kelahe
The Bank of New York Mellon	Jeremy Hollingsworth
Association of Virgin Australia Group Pilots (VIPA)	John Lyons
Australian Council of Trade Unions (ACTU)	Michele O'Neil
Australian Federation of Air Pilots (AFAP)	Simon Lutton
Australian Licensed Aircraft Engineers (ALAEA)	Steve Purvinas
Australian Manufacturing Workers Union (AMWU)	Anne Donnellan
Australian Services Union (ASU)	Emeline Gaske
Dayna Field	Dayna Field
Flight Attendants Association of Australia (FAAA)	Teri O'Toole
Skywest Airlines Pilot Association (SALPA)	Paolo Casali
Transport Workers Union of Australia (TWU)	Michael Kalne
Electrical Trades Union (ETU)	Matt Murphy
Australia Pacific Airports (Melbourne) Pty Ltd	Shane O'Hare
Brisbane Airport Corporation Pty Ltd	Jim Parashos

<b>Member</b>	<b>Representative</b>
Canberra Airport Pty Ltd	Stephen Carson
Gold Coast Airport Pty Ltd	Adam Rowe
Perth Airport Pty Ltd	Brian Pereira
Sydney Airport Corporation Limited	Dhruv Gupta
Velocity Rewards Pty Limited	Christopher Hill
Airframe Leasing (S) Pte. Ltd	Richard Wolanski
AS Air Lease Holdings (Castlake)	June Raj
Dell Financial Services Pty Ltd	Cassie Douglas
JPA No. 123 Co., Ltd	Jason Opperman
Perth Aircraft Leasing (UK) Limited	Noel McCoy
Wilmington Trust Company (AerCap)	Alexander Wilson
Deputy Commissioner of Taxation	Gary Busby
Sabre GBL Inc	Tony Troiani
Airline Cleaning Services Pty Ltd	David Baker
Alliance Airlines Pty Limited	Marc Devine
Boeing Training & Flight Services Australia Pty Limited	Edward Gomes
Carlson Wagonlit Travel Australia Pty Ltd	Wai Mun Wong
Spotless Facility Services Pty Ltd	Jacob Gunzburg

The Chairperson advised Mr Henry Carr of the Attorney-General's Department was in attendance as an observer on behalf of the Commonwealth Government.

#### AGENDA AND FUNCTION OF THE COI

The Chairperson outlined the agenda for the meeting as follows:

1. Opening:
  - Attendance register
  - Function of the COI
  - Confidentiality agreements
2. Update on the Administration:
  - Court Orders obtained in the Federal Court of Australia
  - Recapitalisation and sale of business
  - Aircraft financiers and other financiers
  - Velocity Frequent Flyer
  - Operations
  - Employees
  - Cashflow & funding (*confidential information*)
  - Bondholders
  - Administrators' remuneration
  - Resolution to engage Deloitte Tax Services Pty Ltd (**Deloitte Tax Services**).

The Chairperson advised the functions of the COI are set out in Section 80-35 of the *Insolvency Practice Schedule (Corporations) (IPS)*. He noted the salient functions of the COI are to provide advice and, where required, give directions to the external administrators of the Virgin Group. He further noted the COI is primarily a consultative committee to assist with the external administration from time to time, and receive reports and updates from the Administrators.

The Chairperson advised that one topic from the agenda, being 'Cashflow & funding', was subject to confidentiality. This topic would be moved to the end of the meeting. All information provided to the COI during this agenda item was confidential information, and accordingly, all COI members who were yet to execute a confidentiality deed would be required to leave the meeting prior to this topic being discussed with the meeting.

Ms Michele O'Neill, as the representative of the Australian Council of Trade Unions (**ACTU**), asked whether the administrators would provide COI members with a copy of the slides presented at the meeting, other than those slides on the confidential matter (Cashflow & funding).

The Chairperson confirmed COI members would be provided with a copy of the non-confidential slides from the meeting presentation after the meeting. A copy of the non-confidential slides is attached to the minutes at **Annexure C (Meeting Presentation)**.

#### UPDATE ON THE ADMINISTRATION

The Chairperson provided an update on the Administration of the Virgin Group regarding:

- **Court Orders obtained in the Federal Court**

The Chairperson advised that the Administrators had obtained various Orders in the Federal Court of Australia on three occasions to date being 13 May, 15 May and 20 May 2020.

The Chairperson provided the meeting with a summary of the most recent Orders made, which are detailed on pages 5-7 of Annexure C.

- **Recapitalisation & sale of business**

The Chairperson provided a summary of the timetable of the sale of business and recapitalisation process (refer slide 8 of Annexure C). He noted there had been a significant amount of interest from parties throughout the sale process which was encouraging.

The Chairperson noted that with more than 90% of the fleet grounded, the Administrators have limited revenue sources available to continue trading through the sale process. The Administrators are looking into options to ensure they have short term liquidity through the sale program as well as liquidity beyond the sale process.

The Chairperson discussed the key milestones in the sale process to date:

- Upon appointment, the Administrators issued a flyer to parties they believed would be interested in acquiring the business
- On 27 April 2020, the Administrators distributed the first information memorandum (**IM**) to interested parties and opened the data room with limited historical financial information about the business. Sensitive and confidential information regarding key contracts was withheld from the data room at this time
- In early May, the Administrators distributed the second IM which set out the business plan of Virgin Group management including their financial forecast for the next three years. The purpose of this IM was to provide interested parties with an understanding of Virgin management's view of the different elements of the business and determine the extent of their interest and how they would like to position their bids
- On 15 May 2020, the Administrators received non-binding indicative offers (**NBIOs**). The Administrators took the following days to seek clarification from interested parties on aspects of their NBIOs and determine the shortlisted parties to continue to the second phase of the sale process.

The Chairperson advised that the NBIOs received encompassed proposals not only for the whole of the Virgin Group business but also proposals from other parties that expressed interest in being involved in the Virgin Group business going forward, but did not have the capacity to complete the process or submit a bid alone. The Administrators are in the process of collating these proposals and intending on providing these to the shortlisted bidders which could provide those bidders with additional capital support going into final offers. These include proposals from the various State Governments and existing shareholders.

The Chairperson advised the meeting that Virgin Group management are currently presenting to short listed bidders, providing more information and allowing bidders to speak with management about key functions of the business. The Administrators are also receiving various requests for information for due diligence and are in the process of compiling and uploading this material into the data room.

The Chairperson advised the Administrators asked shortlisted parties to reaffirm their offer by 29 May 2020, at which stage the number of shortlisted bidders will be reduced. This is to allow the further shortlisted parties to have more detailed discussions with key stakeholders in the business. He noted the Administrators are seeking final binding offers by 12 June 2020, with an aim to enter a binding agreement by the end of June.

The Chairperson advised it is the preference of the Administrators for the transaction to be completed by way of a Deed of Company Arrangement (**DOCA**), which would be a proposal put to creditors and decided on by creditors at the second meeting of creditors. Ahead of this meeting all creditors will receive the Administrators' report to creditor which would outline not only the history of the Companies, the reasons for the voluntary administration and the result of the Administrators' investigations into the affairs of the Companies, but also outline the terms of any DOCA proposal and compare that to the alternative, being the liquidation of the Companies. The report will include the Administrators' recommendation as to the best option for creditors, however, the decision is ultimately one for creditors to make.

The Chairperson outlined the key parties to the sale process as noted on page 8 of the Meeting Presentation (Annexure C).

Mr Smith advised the meeting that there had been significant work conducted by Virgin management to develop the forward business plan of the Virgin Group with the intention to not only add value for the prospective purchaser, but also creditors.

The Chairperson then provided a detailed timeline for phases two and three of the sale process as shown on page 9 of the meeting presentation.

Mr Tony Trolani on behalf of Sabre GBL Inc. asked the Chairperson about the participation of suppliers in the sale process to hold discussions with bidders around the flexibility of their services and to improve the attractiveness of the transaction to future buyers. The Chairperson responded by outlining the large amount of work the Virgin management team has put into their transformation plan, including views on which contracts need to be restructured to improve profitability and competitiveness. The preferred sale process time between the successful bidder entering into a binding agreement and Virgin, potentially, entering into a DOCA will give the successful bidder time to have conversations with existing suppliers and review agreements at a contract by contract level.

Michele O'Neil of the ACTU raised a concern that the meeting presentation was taking considerable time and there would not be enough time allocated to questions from COI members at the end of the meeting. The Chairperson advised the meeting would be extended beyond midday should further time be required.

- **Aircraft financiers and other financiers**

The Chairperson provided the summary position of the Companies' aircraft financiers as shown on page 10 of the Meeting Presentation (Annexure C), along with the timeline of communications with financiers and actions with finance agreements. He noted that the Administrators were maintaining insurance and maintenance on any aircraft in their possession.

- **Velocity Frequent Flyer (VFF)**

The Chairperson advised that VFF is an important value driver for the Virgin Group and that the Administrators were continuing to work collaboratively with the trustees of VFF and their advisors.

- **Operations**

The Chairperson advised the business is operating at around 5% of pre-COVID operations under Government underwritten travel services. This includes 64 weekly return domestic services and one weekly return service to Los Angeles. Virgin Australia Regional Airlines Pty Ltd (VARA) continues to conduct charter flights, operating 720 chartered flights across 11 ports over the month of May. The Chairperson noted domestic cargo services were not currently operating, except for some cargo on Government underwritten flights.

The Chairperson noted that the Administrators were working with ongoing trade suppliers in conjunction with the Virgin Group team to ensure there was no interruption to continuing services.

The Chairperson provided an update on the Administrators' actions in respect to insurance and IT systems as per the information set out on page 16 of the Meeting Presentation (Annexure C).

The Chairperson discussed the potential ramp up scenario for operations when COVID-19 travel restrictions are lifted.

- **Employees**

The Chairperson provided a summary of employees across the Virgin Group (refer page 18 of the Meeting Presentation at Annexure C).

The Chairperson provided a breakdown of the estimated outstanding employee entitlements (refer page 19 of the Meeting Presentation at Annexure C) and noted these figures have moved as the Administrators' continue to assess and verify entitlements from the Companies' books and records. He noted the amounts shown for payment in lieu of notice (PILN) and redundancy represent liabilities owed to employees made redundant prior to the appointment of administrators.

Ms O'Neil of the ACTU representing employees questioned the significant variation to the estimated entitlement figures presented at the first meeting of creditors, being \$451m. The Chairman noted the total amount advised at the first meeting of creditors was inclusive of PILN and redundancy entitlements that would crystallise in a liquidation scenario, whereas the amounts provided today are current entitlements as at 30 April 2020.

- **Cashflow funding**

The Chairperson advised the meeting that this topic was confidential in nature and will be discussed later in the meeting. The Chairperson noted that all members of the COI committee who hadn't signed a confidentiality agreement will be asked to kindly leave the meeting due to the confidentiality of the information provided.

- **Bondholders**

The Chairperson provided a summary of the Companies' five tranches of unsecured notes as shown on page 21 of the Meeting Presentation (Annexure C). He noted the Administrators had engaged Akin Gump to communicate and liaise with bondholders. He noted Akin Gump also act for the Administrators in seeking recognition of the voluntary administration in the United States of America under Chapter 15 Bankruptcy proceedings.

The Chairperson advised a Noteholder Consultative Committee (NCC) had been formed. The first meeting of the NCC will take place on 28 May 2020. The NCC does not have the same function as the COI but provides a forum for communication to bondholders.

- **Administrators' remuneration**

The Chairperson provided the COI with a breakdown of the fees incurred by the Administrators to date. He advised the Administrators are not seeking the approval of their fees at this stage but were providing this information for transparency.

#### RESOLUTION – ENGAGEMENT OF DELOITTE TAX SERVICES

The Chairperson advised the meeting that the Administrators propose to enter into an engagement with Deloitte Tax Services Pty Ltd to:

1. undertake certain procedures to review the Virgin Group's compliance with relevant tax laws, analyse tax positions previously adopted by the Virgin Group and prepare a tax due diligence report outlining the findings of this work;
2. assist with remedial steps or matters that should be attended to as a result of the above review;
3. assist with queries received from bidders in relation to the report prepared in (1);
4. provide advice on various tax aspects of any other relevant transaction documentation; and
5. provide tax structuring advice in relation to the sale, including any pre-transaction restructuring.

He noted the tax due diligence report will be provided to bidders in the sale process and that there would be reliance put on that report. He noted the importance of the report to enable the bidders to understand the tax position of the business in a short period of time.

The Chairperson advised the engagement fees were expected to be around \$400,000, and that the approval of creditors or the COI would be sought prior to payment of the actual fees incurred. He noted the Administrators had negotiated a 30% discount on the proposed hourly rates. He further noted that a significant reason the Administrators had sought the services of Deloitte for this work was because of the conflict that may arise due to the involvement of other major accounting firms in advising other stakeholders, including the Government, bidders and airports.

Mr Smith noted the team the Administrators are proposing to engage have also conducted similar work recently so are familiar with tax issues associated with a voluntary administration and Deed of Company Arrangement structure.

The following resolution was proposed by the Chairperson to the members of the COI in attendance:

*"Approve the Administrators to enter into an agreement with Deloitte Tax Services Pty Ltd to provide specialist tax advice on various matters in relation to the sale of the Virgin Group's business."*

Members of the COI were then provided with instructions to access the online polling platform and the Chairperson invited COI members to vote on the resolution using the online platform.

The Chairperson moved on to the next agenda item while the votes were being counted.

- **Agreements entered by the Administrators**

The Chairperson provided the COI with a listing of the agreements the Administrators had entered since their appointment.

Ms O'Neil of the ACTU and on behalf of employees referred to the agreement entered into between the Administrators and the Commonwealth Government (represented by the Department of Infrastructure, Transport, Regional Development and Communications) and asked for clarification around why the estimated debts to be incurred under this agreement were \$500,000 per return trip.

The Chairperson advised the figure in question refers to the income to be received by the Companies from the Commonwealth under the agreement. The Chairperson noted that the Administrators have an obligation to run these Government underwritten flights, so the debt(s) are incurred if the flight was not operated.

Ms O'Neil questioned whether it would be an income of \$500,000 per return trip. The Chairperson advised he believed the \$500,000 income is actually on a weekly basis rather than per return flight basis as indicted in the Meeting Presentation. Ms O'Neil asked the Chairperson to clarify that point.

#### OUTCOME OF POLLING ON THE RESOLUTION FOR THE ENGAGEMENT OF DELOITTE TAX SERVICES

The Chairperson advised there were 27 votes in favour of the resolution, and no votes against. The Chairperson declared the resolution as carried.

#### QUESTIONS

The Chairperson opened the meeting to questions from the COI.

Thomas Jacquot, representative of FIIG Securities Limited, referring to the sale process and asked whether the Administrators had considered the possibility of a recapitalisation proposal from certain creditors in the instance that sale terms offered by potential bidders were not favourable?

The Chairperson advised the sale the Administrators are running is open to all parties, include creditors or a consortium of certain creditors. The Administrators would be open to a group of creditors putting forward a proposal for the recapitalisation of the business.

Marc Devine, representative of Alliance Airlines Pty Limited, queried the status of the existing agreements between Alliance Airlines and the Virgin Group, noting they had been waiting on an answer regarding the status of these agreements from the Administrators for the last three weeks?

The Chairperson advised he would follow up on Alliance Airlines' queries and have someone contact Mr Devine on this matter today.

Mr Devine then referred to the figure for lease liabilities of \$3.4bn shown in the Meeting Presentation (refer page 10 of Meeting Presentation at Annexure C) and noted that he recalled this figure [total lease liabilities] was previously reported by the Administrators at around \$1.9 billion to \$2.1 billion. Mr Devine further noted the amounts reported by the Administrators for employee entitlements and unsecured creditors had also increased over the course of the administration to date. He queried whether the Administrators have a handle on [the Companies'] total debt amounts now?

The Chairperson advised the Administrators do, and these figures have been included in various affidavits filed with the Court. The Chairperson advised there are two categories of lease liabilities: the financing lease liabilities and operating lease liabilities. The figure of \$3.4 billion reported earlier in the meeting is inclusive of operating lease liabilities up to the end of those lease obligations. In relation to employee entitlements, the Chairperson advised that work was being conducted to verify employee entitlements and ensure these amounts are reflected in the Companies' books and records.

Emeline Gaske of the ASU, representing employees, noted the figure for employee entitlements shown in the Meeting Presentation was \$132 million yet the figure in the Chairperson's affidavit of 11 May 2020 was \$96.7 million. Ms Gaske queried whether there would be future changes and how accurate the current figures provided are?

The Chairperson advised the \$96.7 million figure was from the records provided by the Companies at the time. The \$132 million figure reflects employee entitlements updated to real time and includes adjustments such as the re-crediting of annual leave. The Chairperson advised the Administrators had not yet written to employees with a confirmation of their outstanding entitlements as there was still some work to be done to verify entitlement amounts and ensure these are accurately reflected in the Companies' books and records.

Ms Gaske sought clarification on whether the current figure included some or all the re-credited annual leave?

The Chairperson confirmed it was inclusive of all re-credited annual leave entitlements.

Ms Gaske asked how long it would take until entitlement figures could be provided to employees?

The Chairperson advised that Administrators aim to complete this within the next week, however this could take longer depending on progress with verifying and calculating entitlements.

Michael Kaine of the TWU, representing employees, asked if the Administrators would deal proactively with the funding issue?

The Chairperson advised that this will be covered in the next section of the meeting which is subject to confidentiality.

Ms O'Neil of the ACTU requested that the Administrators provide the COI members with the agenda and the slide deck for future COI meetings in advance of the meeting, and that more time be allocated to questions and discussion in future meetings.

In response, the Chairperson advised the agenda would be provided to COI members in advance of the next meeting. He noted the slide deck is often not finalised until just prior to the commencement of the meeting, however, he will aim to provide this to COI members when available.

#### CONFIDENTIAL INFORMATION

The Chairperson advised the meeting that the COI members that have not signed confidentiality agreements must now leave the meeting, as confidential information is to be discussed.

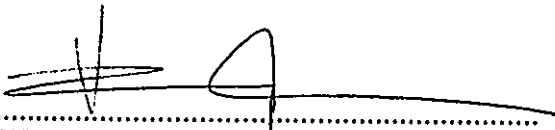
The COI members that did not sign confidentiality agreements left the meeting.

The Chairperson discussed the sources of funding available to the Administrators and Virgin Group for continued trading and the current cash flow position of the Virgin Group.

#### OTHER BUSINESS

There being no further business, the Chairperson thanked those present for attending and declared the meeting closed at 12:40 PM.

Signed as a correct record.

A handwritten signature in black ink, consisting of a stylized 'V' followed by a horizontal line and a large loop.

.....  
CHAIRPERSON

**Form 531C****LIST OF PERSONS PRESENT AT MEETING OF COMMITTEE OF INSPECTION****75-145(4)**

Insolvency Practice Rules (Corporations) 2016

**Virgin Australia Holdings Limited and Subsidiaries  
(all Administrators Appointed)****Meeting Details:** Committee of Inspection**Meeting date, time and place:** 21 May 2020, 11:00am AEST

Deloitte Financial Advisory Pty Ltd, Level 9, Grosvenor Place, 225 George Street Sydney NSW 2000

<b>Committee Member</b>	<b>Name of Proxy/Representative</b>	<b>Proxy Type</b>	<b>Signature</b>
FIIG Securities Limited	Thomas Jacquot	General	Attended via audio-visual conference
Northern Trust Asset Management	Leah Savageau	General	Attended via audio-visual conference
Sargon CT Pty Ltd	Yvonne Kelaheer	General	Attended via audio-visual conference
The Bank of New York Mellon	Jeremy Hollingsworth	General	Attended via audio-visual conference
Association of Virgin Australia Group Pilots (VIPA)	John Lyons	General	Attended via audio-visual conference
Australian Council of Trade Unions (ACTU)	Michele O'Neil	General	Attended via audio-visual conference
Australian Federation of Air Pilots (AFAP)	Simon Lutton	General	Attended via audio-visual conference
Australian Licensed Aircraft Engineers (ALAEA)	Steve Purvinas	General	Attended via audio-visual conference
Australian Manufacturing Workers Union (AMWU)	Anne Donnellan	General	Attended via audio-visual conference
Australian Services Union (ASU)	Emeline Gaske	General	Attended via audio-visual conference
Dayna Field			Attended via audio-visual conference
Flight Attendants Association of Australia (FAAA)	Teri O'Toole	General	Attended via audio-visual conference
Skywest Airlines Pilot Association (SALPA)	Paolo Casali	General	Attended via audio-visual conference
Transport Workers Union of Australia (TWU)	Michael Kaine	General	Attended via audio-visual conference
Electrical Trades Union (ETU)	Matt Murphy	General	Attended via audio-visual conference
Australia Pacific Airports (Melbourne) Pty Ltd	Shane O'Hare	General	Attended via audio-visual conference
Brisbane Airport Corporation Pty Ltd	Jim Parashos	General	Attended via audio-visual conference

**Form 531C****LIST OF PERSONS PRESENT AT MEETING OF COMMITTEE OF INSPECTION****75-145(4)**

Insolvency Practice Rules (Corporations) 2016

**Virgin Australia Holdings Limited and Subsidiaries  
(all Administrators Appointed)****Meeting Details:** Committee of Inspection**Meeting date, time and place:** 21 May 2020, 11:00am AEST

Deloitte Financial Advisory Pty Ltd, Level 9, Grosvenor Place, 225 George Street Sydney NSW 2000

<b>Committee Member</b>	<b>Name of Proxy/Representative</b>	<b>Proxy Type</b>	<b>Signature</b>
Canberra Airport Pty Ltd	Stephen Carson	General	Attended via audio-visual conference
Gold Coast Airport Pty Ltd	Adam Rowe	General	Attended via audio-visual conference
Perth Airport Pty Ltd	Brian Pereira	General	Attended via audio-visual conference
Sydney Airport Corporation Limited	Dhruv Gupta	General	Attended via audio-visual conference
Velocity Rewards Pty Limited	Christopher Hill	General	Attended via audio-visual conference
Airframe Leasing (S) Pte. Ltd	Richard Wolanski	General	Attended via audio-visual conference
AS Air Lease Holdings (Castlake)	June Raj	General	Attended via audio-visual conference
Dell Financial Services Pty Ltd	Cassie Douglas	General	Attended via audio-visual conference
JPA No. 123 Co., Ltd	Jason Charles Opperman	General	Attended via audio-visual conference
Perth Aircraft Leasing (UK) Limited	Noel McCoy	General	Attended via audio-visual conference
Wilmington Trust Company (AerCap)	Alexander Wilson	General	Attended via audio-visual conference
Deputy Commissioner of Taxation	Gary Busby	General	Attended via audio-visual conference
Sabre GBL Inc	Tony Troiani	General	Attended via audio-visual conference
Airline Cleaning Services Pty Ltd	David Baker	General	Attended via audio-visual conference
Alliance Airlines Pty Limited	Marc Devine	General	Attended via audio-visual conference
Boeing Training & Flight Services Australia Pty Limited	Edward Gomes	Special	Attended via audio-visual conference
Carlson Wagonlit Travel Australia Pty Ltd	Wai Mun Wong	General	Attended via audio-visual conference

**Form 531C****LIST OF PERSONS PRESENT AT MEETING OF COMMITTEE OF INSPECTION****75-145(4)**

Insolvency Practice Rules (Corporations) 2016

**Virgin Australia Holdings Limited and Subsidiaries  
(all Administrators Appointed)****Meeting Details:** Committee of Inspection**Meeting date, time and place:** 21 May 2020, 11:00am AEST

Deloitte Financial Advisory Pty Ltd, Level 9, Grosvenor Place, 225 George Street Sydney NSW 2000

Committee Member	Name of Proxy/Representative	Proxy Type	Signature
Spotless Facility Services Pty Ltd	Jacob Gunzburg	General	Attended via audio-visual conference

## LIST OF PERSONS PRESENT AT MEETING OF COMMITTEE OF INSPECTION

Observer's Register for: **Virgin Australia Holdings Limited and Subsidiaries**  
(all Administrators Appointed)

**Meeting Details:** Committee of Inspection (First)

**Meeting date, time and place:** 21 May 2020, 11:00am AEST

Deloitte Financial Advisory Pty Ltd, Level 9, Grosvenor Place, 225 George Street Sydney NSW 2000

Observer's name	Organisation	Signature
Henry Carr	Commonwealth of Australia represented by the Attorney-General's Department (FEG)	Attended via audio-visual conference
Sal Algeri	Deloitte	Attended via audio-visual conference
David Orr	Deloitte	Attended via audio-visual conference
Matthew Carr	Deloitte	Attended via audio-visual conference
Harry Bayard	Deloitte	Attended via audio-visual conference
Patrick Pham	Deloitte	Attended via audio-visual conference
Carolyn Chan	Deloitte	Attended via audio-visual conference



Virgin Australia Holdings Limited, ACN 100 686 226  
and certain subsidiaries  
(all Administrators Appointed)  
(the Companies or Virgin Group)

First meeting of Committee of Inspection  
11:00am (AEST), Thursday 21 May 2020

## Opening & welcome

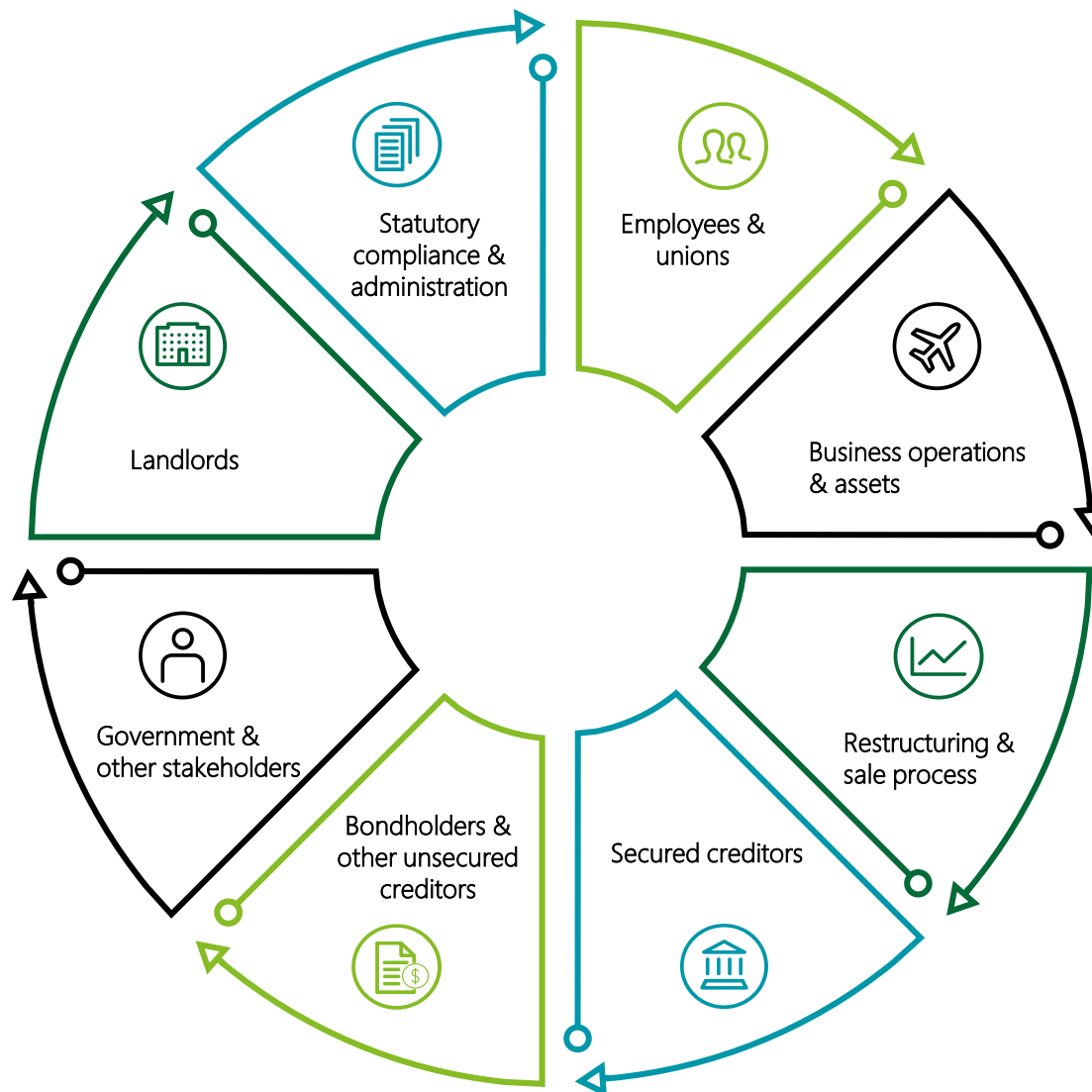
- Attendance register
- Function of the COI
- Confidentiality agreements (CA)

## Update on Administration

- Court Orders obtained in the Federal Court
- Recapitalisation & sale of business
- Aircraft financiers and other financiers
- Velocity Frequent Flyer
- Operations
- Employees
- Cashflow funding
- Bondholders
- Administrators' remuneration
- Resolution to engage Deloitte Tax Services



- Attendance Register and Observers
- Function of the COI
- CA's for COI members



## Summary of Orders made by the Federal Court on 13 May 2020

Matter	Order
Tiger International No.1 Pty Ltd ( <b>Tiger 1</b> )	<ul style="list-style-type: none"><li>• Tiger 1 was joined to the proceedings and all previous orders made for the 38 entities now apply to Tiger 1</li></ul>
Extension of the convening period	<ul style="list-style-type: none"><li>• The convening period to call the second meeting of creditors has been extended to 18 August 2020</li><li>• The Administrators are also entitled to apply for a further extension before 18 August 2020</li></ul>
Limitation of liability – Rio Tinto agreement	<ul style="list-style-type: none"><li>• Administrators liability be limited to the assets of Virgin Australia Regional Airlines Pty Ltd in respect of the Rio Tinto agreement</li></ul>
Conditional Credits	<ul style="list-style-type: none"><li>• Administrators be permitted to issue Conditional Credits</li><li>• Administrators liability in respect of the Conditional Credits is also limited to the assets of the particular Virgin company that issues the credit</li></ul>



## Summary of Orders made by the Federal Court on 15 May 2020

Matter	Order
Limitation of Liability – Applicable Agreements (incl. Aircraft Protocol)	<ul style="list-style-type: none"> <li>Administrators liability be limited to contracts entered into going forwards</li> <li>Prior notice must be given to all counterparties about the orders prior to them entering into an agreement</li> <li>Administrators must keep a schedule noting each Applicable Agreement entered into</li> <li>Provide an update to the COI of each Applicable Agreement entered into or proposed to be entered into together with an estimate of debt that may be incurred</li> </ul>
Limitation of Liability – General	<ul style="list-style-type: none"> <li>Administrators liability be limited in respect of intercompany loans</li> </ul>
Report on Company Affairs and Property (ROCAP)	<ul style="list-style-type: none"> <li>One ROCAP to be provided by the Deed of Cross-Guarantee companies, each other entity to provide their own ROCAP</li> </ul>
Dispensation of s80-55 of the IPR	<ul style="list-style-type: none"> <li>COI to derive a profit or advantage, so long as:                             <ul style="list-style-type: none"> <li>No gifts or remuneration are provided to members</li> <li>A schedule of each agreement entered into with COI members is kept by the Administrators</li> <li>The Administrators provide the COI with an update on these agreements at each meeting of the COI</li> <li>A list of agreements entered into with the COI is reported in our Report to Creditors</li> </ul> </li> </ul>
Bank Accounts	<ul style="list-style-type: none"> <li>Separate bank accounts are not required to be maintained</li> </ul>



## Summary of Orders made by the Federal Court on 20 May 2020

### Matter

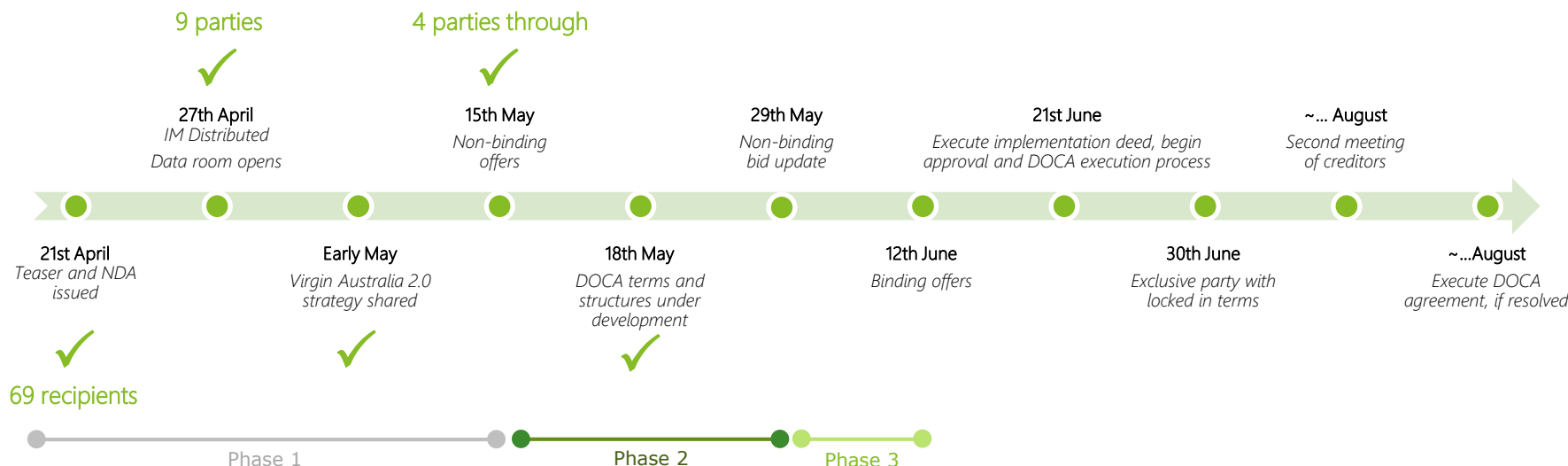
### Order

JobKeeper

- Administrators liability be limited in respect of JobKeeper payments

# Recapitalisation & sale of business

There has been substantial interest and engagement through the first stage of the sale process, culminating in a number of non-binding indicative offers (NBIOs) being received 15 May. Based upon these offers several parties have been progressed into the second stage; these parties have deep understanding of the airline industry, sufficient capital resources, and the ability to move quickly apace with the process timetable



## Deloitte.

- Pursuing a rapid sale/recapitalisation process, while the fleet is grounded will maximise the return to creditors and restrict cash burn in our view
- An important component of realising maximum value is ensuring a level playing field for all credible interested parties



## Morgan Stanley

- Following appointment the Administrators have engaged Houlihan Lokey and Morgan Stanley as lead sale advisors with respective strengths in restructuring, global sponsor networks and managing high-profile, sensitive and complex transactions



## Interested Parties

- This is a three stage process with NBIOs due mid May, refined offers by end of May and terms agreed with an exclusive party by end of June
- Part 1 of the IM brings interested parties not previously in the process "up to speed".
- The Virgin Australia IM part 2 - management plan is a key output to support interested party considerations



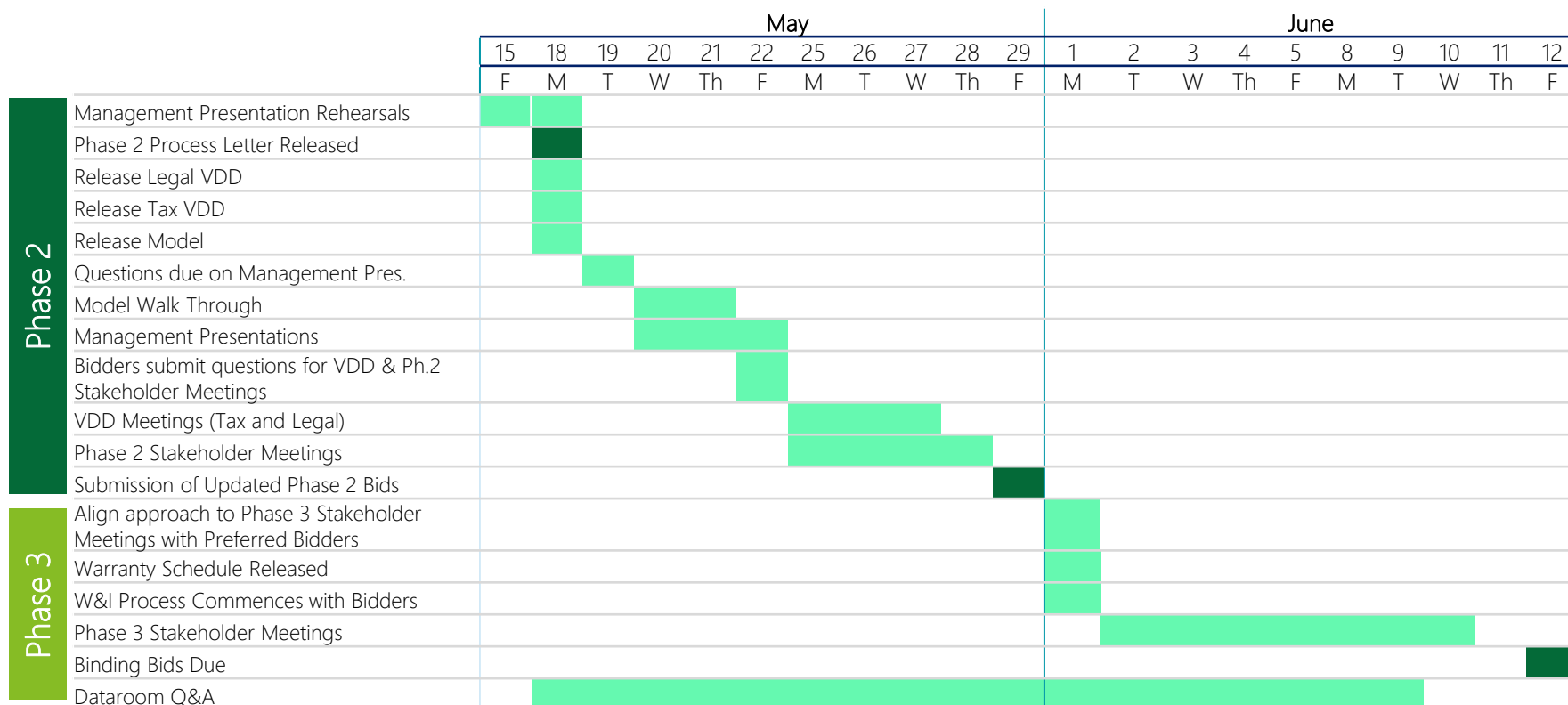
## Government

- The Administrators are working closely with the Federal Government and it's advisors
- State Governments have expressed their intent and interest to support the Airline in their states and we will work with them and shortlisted bidders ahead of binding bids being submitted.



# Recapitalisation & sale of business

The process is still on-track to deliver binding offers by mid-June and a locked-in exclusive party with terms by end-June. Between now and mid-June offers the shortlisted parties will receive a management presentation and legal and tax vendor-due diligence, alongside being given further access to key company information and stakeholders to finalise their due-diligence process for submission of their final offer



Half-day management presentations for shortlisted parties to take place during w/c 18 May

Forecast model walk-through w/c 18 May with Tax and Legal VDD meetings to be held w/c 25 May

Facilitation of shortlisted bidder meetings with Airports and State Governments during w/c 25 May

Facilitation of preferred bidder meetings with Lessors, Unions and Virgin Group during w/c 1 June



## Fleet size

	Aircraft	Engines	Total
Operating or finance lease	100	17	117
Secured aircraft loans	27	0	27
Encumbered for other facilities	6	2	8
<b>Total subject to finance</b>	<b>133</b>	<b>19</b>	<b>152</b>
Owned / unencumbered	13		
<b>Total</b>	<b>146</b>		

- >90% of Virgin's 146 aircraft and engines, are leased or subject to finance
- We are working with the 56 aircraft lessors and financiers to agree terms for the administration which will allow these assets to be available for the business' future

## Lease liabilities and commitments under existing agreements

- The estimated liability to aircraft lessors/financiers is \$3.4bn\*
- Monthly lease commitments for the fleet would ordinarily total c.\$40m
- We have sought to reduce this cost during the administration period

\*Includes future value of operating lease liabilities.

\$'m	Estimated liability
Secured aircraft loans	1,070
Finance lease (incl. JOLCOs)	460
Operating lease*	1,884
<b>Estimated liability to aircraft financiers / lessors</b>	<b>3,414</b>





Aircraft assets and lessor/financier relationships are integral to a successful sale and recapitalisation of the business



Due to the COVID-19 environment the potential to utilise assets to generate revenue is significantly diminished during the Administration period. Given this, the Administrators are unable to adopt existing financier agreements after the 443B extension period lapses on 26 May 2020 for the remainder of the Administration period



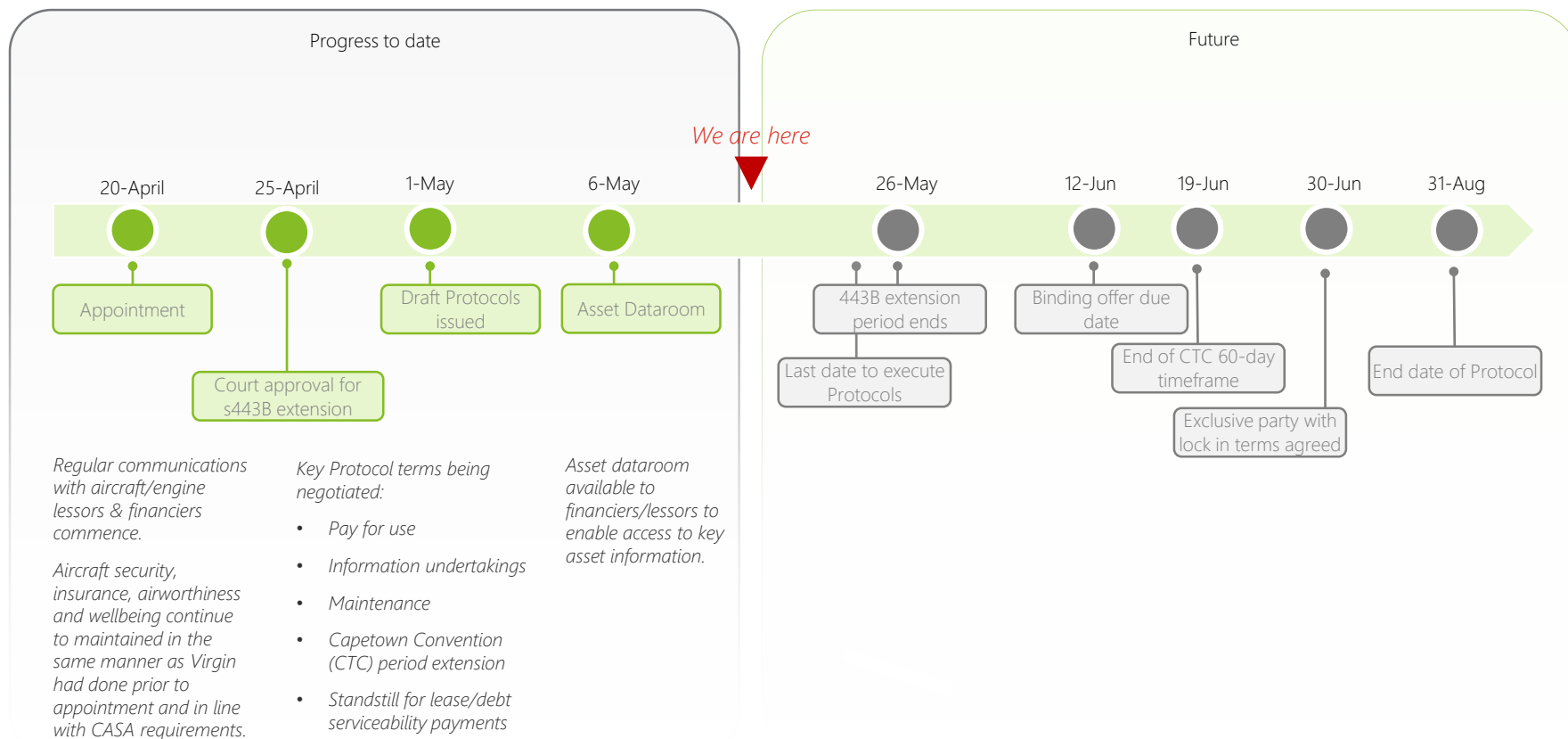
The Administrators are seeking to negotiate separate arrangements with each aircraft financier to set out clearly the terms for each asset in possession of the Administrators. These arrangements are captured in the form of a 'Protocol terms' to be executed by the lessor/financiers which outlines maintenance and usage charges for the period of the Administration



All aircraft are insured, appropriately stored, subject to appropriate maintenance schedules, and remain airworthy



## Timeline of key correspondence & events



## Hedging facilities

- All positions have been or are in the process of being closed out
- In process of validating the close out termination positions which will be unsecured claims in the administration

### "Set-off" rights

- Financiers who are also hedge counterparties and/or term deposit & cash facilities have ability to "set-off" creditor balances against value in these facilities under their agreements
- Various financial institutions have 'set-off' in-the-money and deposit account balances against debts owed

## Multi-Option Finance Agreements

- Line of credit and bank guarantee facilities
- Contingent exposure of \$281.6m of which \$36.2m has been called on during the administration to date

## Receivables Facility

- Remains active during the administration

## Velocity has significant accretive value for the Virgin Australia group

- Maintaining value of the Velocity Frequent Flyer (VFF) business will enhance the value of the Virgin Group.



## Key actions for value maximisation

### *Stakeholder support*

- Letter of support from the Trustee of the Loyalty Trust in for the recapitalisation/sale process
- Support from VFF's secured lenders (ANZ and Challenger)

### *Redemption reactivation*

- Reactivation of Velocity points redemptions for Virgin Australia domestic airfares resumed on 15 May for flights from 1 September

### *Communications*

- Working with the VFF team to manage communications to all members, suppliers and partners as well as ongoing engagement with the Trustee, the lenders and their advisers



## Domestic & International Flights

### Government Underwritten PRT flights

Currently operating at approx. 5% of pre-COVID weekly frequencies under government underwritten travel service

- 64x weekly domestic return flights over 17 routes (looking to increase to 76x return flights/week over 18 routes)
- 1x weekly international repatriation flight from BNE-LAX over next 4 weeks

### VARA

- 720x chartered flights for May 2020 across 11 ports

### Cargo

- No domestic cargo routes at present, except on government underwritten flights
- 4x returns per week on SYD-PER from Thursday, 28 May for two weeks
- Negotiating 2 return weekly international cargo flights per week (BNE-LAX, MEL-LAX)

## Suppliers & Continuation of Trading

### Correspondence with Trade Suppliers

- Corresponded with over 200 trade suppliers regarding ongoing arrangements, negotiated new supply arrangements where needed



## Insurance

### AJ Gallagher

- Appointed as our brokers to ensure sufficient coverage and continuity of policies

### Renewal of Policies

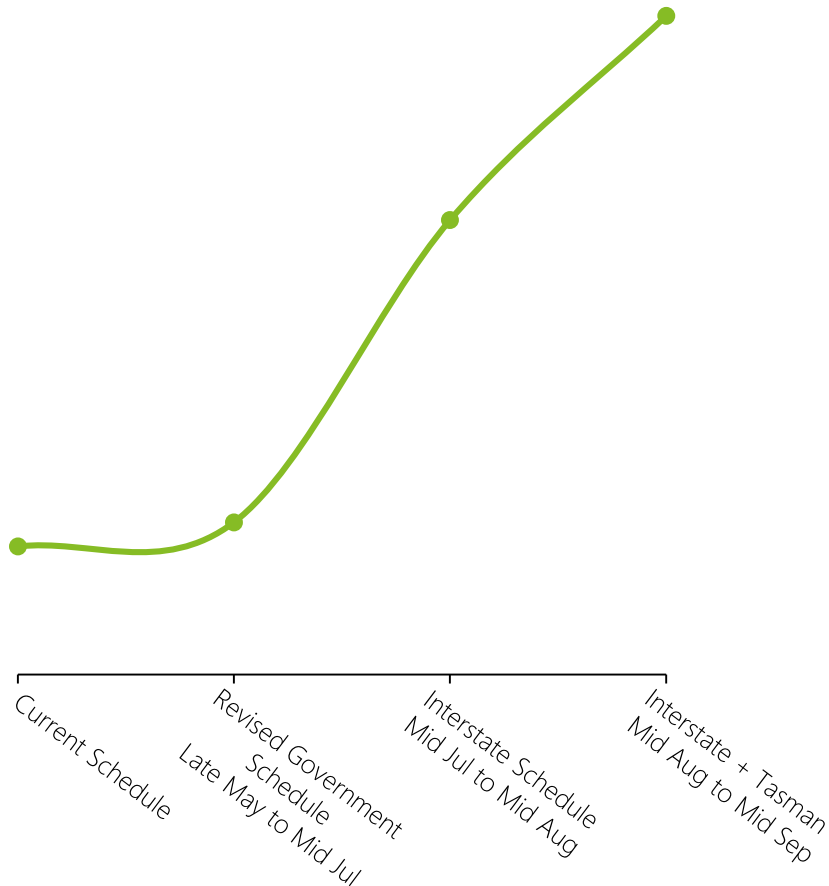
- Renewed EBA related policies on 1 May 2020 – Pilot Loss of License, Corporate Travel and Group Personal Accidental Policies
- Renewed on 13 May 2020 – Hull and Liabilities, Hull Deductible, Hull War and War excess policies

## IT Systems Update

### Work to date

- Deloitte and the Virgin IT teams have continued to work through the critical IT suppliers, put in place arrangements to continue supply through the Voluntary Administration period and preserving optionality for a purchaser.
- The Virgin Group has over 80 suppliers of critical IT services, the management of which was largely decentralized. This has presented challenges in discussions with many suppliers providing multiple services throughout the Group, with individually managed contracts and supplier relationships.

## Forecast no. of flights in ramp up scenario



Forecast schedule of COVID-19 restrictions lifting

## COVID-19 restrictions lift – ramp up options

### Forecast restrictions uplift

- We forecast restrictions to lift at the earliest, late June 2020

### Two (2) phased planned recovery

- Planned recovery ramp up over two (2) phases
  1. Interstate level (additional ports)
  2. Trans-Tasman travel

### Critical dependencies for ramp up

- State Government lifting restrictions on interstate travel
- Removal of social distancing on aircrafts
- Removal of 14-day self isolation travel only restrictions



## Virgin Group employee position

The Virgin Group (excluding Velocity Frequent Flyer) currently employ a total of 8,962 staff as at 8 May. This decreased from 9,020 at the time of our appointment due to a combination of resignations and redundancies on foot at that time:

**Table 1: Employment breakdown**

Entity	Full time	Part time	Casual	Jobshare	Total
Virgin Australia Regional Airlines Pty Ltd	428	57	1	-	486
Virgin Australia Airlines Pty Ltd	5,456	2,002	6	156	7,620
Tiger Airways Australia Pty Ltd	312	16	1	-	329
Virgin Tech Pty Ltd	437	73	17	-	527
<b>Total</b>	<b>6,633</b>	<b>2,148</b>	<b>25</b>	<b>156</b>	<b>8,962</b>

## JobKeeper

The first JobKeeper claim has been submitted covering c. 8,300 employees (noting VARA is ineligible) with payment received of \$24.8m covering the period 30 March to 26 April.



Based on latest estimates, **employee entitlements total \$132.1m** although our analysis is continuing. We are aware of variances that the Virgin finance team are in the process of calculating, in particular:

- Re-crediting of JobKeeper leave (estimated impact of \$3.6m as at 30 April 2020)
- Accruing leave for periods of Special Leave Without Pay (estimated impact of \$6.3m to \$6.9m as at 30 April 2020).

**Table 1: Outstanding entitlements - going concern (as at 30 April 2020)**  
(\$'m)

Entity	# employees	Wages	Annual leave	LSL	PILN	Redundancy	Total
Virgin Australia Regional Airlines	486	-	6.36	7.91	0.08	0.08	14.44
Virgin Australia Airlines	7,620	-	35.27	65.30	0.66	0.35	101.59
Tiger Airways Australia Pty Limited	329	-	1.64	0.52	0.17	0.12	2.44
Virgin Tech Pty Ltd	527	-	5.18	8.40	-	-	13.59
<b>Total</b>	<b>8,962</b>	<b>-</b>	<b>48.45</b>	<b>82.14</b>	<b>0.91</b>	<b>0.55</b>	<b>132.05</b>

- Note that employee entitlements are based on our assessment of information provided by Virgin Human Resources team dated 30 April 2020.
- All entitlements may have moved during the subsequent trading period including redundancy estimates.
- Wages continue to be paid during trade on.



\*\*\*Placeholder – Confidential\*\*\*

COI members who have not signed confidentiality agreements will be asked to leave prior to this topic being discussed.



## Unsecured Notes

Bonds (Rate; Maturity)	Trustee	Term (Years)	Principal	Currency	Principal (AUD \$'m)
7.875%; Oct-21	BNY Mellon, New York	5.0	350	USD	571
8.250%; May-23		5.0	150	AUD	150
8.075%; Mar-24		5.0	250	AUD	250
8.125%; Nov-24	BNY Mellon, New York	5.0	425	USD	693
8.000%; Nov-24	Sargon	5.0	325	AUD	325
					1,988

- Five note issues were undertaken by Virgin between October 2016 and November 2019.
- Unsecured obligations of each issue rank at least equally with all other unsubordinated and unsecured obligations.
- Computershare and Sargon have advised there are approximately 4,000 noteholders in the issue of November 2019.

## Administrator dealings

- The Administrators have had considerable communications with bondholders, trustees and their advisors since appointment.

### Akin Gump Strauss Hauer & Feld

- US law firm acting for the Administrators in respect of assisting with communicating and dealing with bondholders for all five tranches. They have had considerable communications with bondholders, trustees and their respective advisors. Akin Gump also act for the Administrators in seeking Orders pursuant to Chapter 15 US Bankruptcy Laws providing recognition of the Australian Insolvency proceedings.

### Noteholder Consultative Committee (NCC)

- Due to the size, position and complexity of matters for this stakeholder group, the Administrators made the decision to form a separate representative committee for the bondholder group. The NCC will not have voting powers, rather is designed for informative purposes to assist the Administrators and Bondholders with the administration process.
- Nominations for the NCC were requested and received by 15 May (US timeline) and a process has commenced to finalise the formation of the committee from the 63 nominations received.
- The first NCC meeting is expected to be held on 28 May.

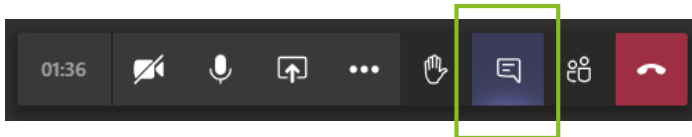


*"Approve the Administrators to enter into an agreement with Deloitte Tax Services Pty Ltd to provide specialist tax advice on various matters in relation to the sale of the Virgin Group's business."*



## From Microsoft Teams meeting Chat

1. Open the **Chat window** in the meeting



2. Click on the **Poll Link** posted in the Chat. You will be redirected to the Poll.

## Using the QR Code

1. Scan the QR Code below. You will be redirected to the Poll







Thank you for your attendance and participation.

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