

## NOTICE OF FILING

This document was lodged electronically in the FEDERAL COURT OF AUSTRALIA (FCA) on 5/08/2020 11:35:58 AM AEST and has been accepted for filing under the Court's Rules. Details of filing follow and important additional information about these are set out below.

### Details of Filing

Document Lodged: Affidavit - Form 59 - Rule 29.02(1)  
File Number: NSD714/2020  
File Title: WELLS FARGO TRUST COMPANY, NATIONAL ASSOCIATION (AS OWNER TRUSTEE) & ANOR v VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 & ORS  
Registry: NEW SOUTH WALES REGISTRY - FEDERAL COURT OF AUSTRALIA



*Sia Lagos*

Dated: 5/08/2020 11:36:04 AM AEST

Registrar

### Important Information

As required by the Court's Rules, this Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

The date and time of lodgment also shown above are the date and time that the document was received by the Court. Under the Court's Rules the date of filing of the document is the day it was lodged (if that is a business day for the Registry which accepts it and the document was received by 4.30 pm local time at that Registry) or otherwise the next working day for that Registry.



Form 59  
Rule 29.02(1)

### Affidavit

Federal Court of Australia  
District Registry: New South Wales  
Division: Commercial and Corporations List

No. NSD 714 of 2020

#### IN THE MATTER OF VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 & ORS

#### WELLS FARGO TRUST COMPANY, NATIONAL ASSOCIATION (AS OWNER TRUSTEE) AND ANOTHER NAMED IN SCHEDULE 1

Applicants

#### VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 AND OTHERS NAMED IN SCHEDULE 2

Respondents

Affidavit of: Salvatore Algeri  
Address: 447 Collins Street, Melbourne, Victoria 3000  
Occupation: Registered Liquidator and Chartered Accountant  
Date: 5 August 2020

I, Salvatore Algeri, of Deloitte Touche Tohmatsu (of which Deloitte Financial Advisory Pty Ltd is a wholly owned subsidiary) (**Deloitte**), at 447 Collins Street, Melbourne, Victoria 3000, Registered Liquidator and Chartered Accountant, say on oath:

1. I am a partner in the Financial Advisory Group of the professional services firm trading as Deloitte. I am a Chartered Accountant and a Registered Liquidator and I practise as an accountant specialising in corporate restructuring and insolvency-related matters, with key experience in the consumer business, retail and transport sectors.
2. I am one of the four joint and several voluntary administrators of the First, Second and Fourth Respondents and the other 38 companies set out in schedule 3 to this affidavit (collectively, the **Virgin Companies**), together with Mr Vaughan Strawbridge, Mr John Greig and Mr Richard Hughes (together, the **Administrators** and each an

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Filed on behalf of (name & role of party) The Applicants  
 Prepared by (name of person/lawyer) Timothy James Sackar  
 Law firm (if applicable) Clayton Utz  
 Tel +61 2 9353 4000 Fax +61 2 8220 6700  
 Email kaadams@claytonutz.com  
**Address for service** Level 15, 1 Bligh Street, Sydney NSW 2000  
 (include state and postcode)

**Administrator**). Mr Strawbridge, Mr Greig and Mr Hughes are also partners of Deloitte. The Administrators are the Third Respondents in the proceeding.

3. I am authorised by Mr Strawbridge, Mr Greig and Mr Hughes to make this affidavit on behalf of the Administrators. Where I depose below to the view or views of the Administrators, they are the views which I and each of Mr Strawbridge, Mr Greig and Mr Hughes hold at the date of swearing this affidavit.
4. Unless otherwise stated, I make this affidavit based on my own knowledge and belief and from information staff members at Deloitte and I have obtained in connection with my role as an Administrator of the First, Second and Fourth Respondents and the other Virgin Companies, which I believe to be true.
5. This is the second affidavit I have made in these proceedings. In this affidavit, I adopt the terms defined in my earlier affidavit sworn 17 July 2020.
6. In making this affidavit, I also refer to:
  - (a) the hearing of the proceedings on 31 July 2020 (**Hearing**); and
  - (b) the affidavits of Darren William Dunbier affirmed 17 July 2020 (**First Dunbier Affidavit**) and 5 August 2020 (**Second Dunbier Affidavit**).
7. I make this affidavit in support of:
  - (a) the redelivery proposal set out at paragraph 5 of the Second Dunbier Affidavit (**Redelivery Proposal**);
  - (b) the Respondents' submissions as to the period within which the Administrators should, pursuant to section 443B(8) of the *Corporations Act* 2001 (Cth) (**Corporations Act**), be relieved from liability in respect of the Applicants' aircraft objects (**Aircraft Objects**) which would otherwise have been payable by the Administrators pursuant to section 443B(2) of the *Corporations Act* after 16 June 2020, until 15 October 2020; and
  - (c) the additional relief sought in the Respondents' proposed amended interlocutory process, a copy of which is annexed to this affidavit and marked "A" (**Proposed Amended Interlocutory Process**).

### **Redelivery of Aircraft Objects**

8. I attended the Hearing on 31 July 2020 and have considered the practical implications of the matters arising out of the Hearing on the administrations of the Virgin Companies. In particular, I have reflected on the manner and time within which the Respondents can practically give possession of the Aircraft Objects by delivering that property to the

Applicants at Coconut Creek, Florida having regard to the circumstances of the Virgin Companies' administrations, available assets and other resources and the degree to which third party assistance and the cooperation of the Applicants is required to facilitate delivery up to the Applicants.

9. While the Deloitte and Virgin teams, including myself and Darren Dunbier had spent a considerable period of time prior to the Hearing working on the practical and logistical options to facilitate the Applicants' retrieval of their Aircraft Objects, following the Hearing, I instructed Darren Dunbier and other members of my staff to immediately revisit our earlier thinking on that question and to consider the manner in which the orders foreshadowed by the Court at the Hearing could be complied with. In particular, I instructed Mr Dunbier to investigate the most expeditious and cost-effective means of delivering up the Aircraft Objects to the Applicants, having regard to the logistical, regulatory and practical steps that would need to be taken.
10. I understand that the Redelivery Proposal is the result of Mr Dunbier's investigations.
11. While the Respondents intend to take all steps within their power or control to give effect to the Redelivery Proposal, or such proposal as can be agreed with the Applicants, as expeditiously as possible, the Respondents face certain unavoidable impediments which flow from the fact that the First, Second and Fourth Respondents are insolvent companies in external administration. One of those impediments is that not all of the regulatory and practical steps which must be undertaken are within the sole control of the Respondents. For example, Adelaide Airport has asserted a lien over an airframe (VH-VUT) on which one of the Willis Engines is attached. Release of that airframe so that the engine can be removed will require discharge of the lien either with the consent of Adelaide Airport or by further Court application.
12. Another impediment is that the steps outlined at paragraph 5 of the Second Dunbier Affidavit will require appropriately qualified staff and facilities of the Virgin Companies to be available to implement the Redelivery Proposal. While it is the Administrators' intention to prioritise the return of the Aircraft Objects to the Applicants, there are practical challenges which the Respondents need to overcome to achieve this prioritisation. I explain these challenges in further detail in the following paragraphs.
13. I am aware that the purchaser of the assets and business of the Virgin Companies is currently in negotiations with multiple parties and stakeholders to undertake a restructure of the business and operations of the Virgin Companies. Annexed to this affidavit and marked "**B**" is a copy of an announcement made by Virgin Australia Holdings Limited to the Australian Securities Exchange on 5 August 2020. That announcement notes that the Virgin Companies will move to an "all-Boeing 737 mainline fleet" for domestic and

short haul operations which will see the removal (i.e. cessation of use by the Virgin Companies) of ATR, Boeing 777, Airbus A330 and Tiger Airbus A320 aircraft. The Virgin Companies currently lease 8 different aircraft types (being Boeing 777 and 737 airframes, Airbus A320 and A330, ATR500, ATR600, Embraer E-Jet E190 and Fokker F100 airframes). As a consequence, over the course of the coming weeks the Administrators will be required by the purchaser to issue notices pursuant to section 443B(3) of the Corporations Act to multiple lessors and owners of non-Boeing 737 airframes (as well as to the lessors and owners of certain Boeing 737 airframes which will not be retained) to give notice of the lessee companies' intention not to exercise rights in respect of airframes which are not part of the future plan for the restructured Virgin Companies.

14. The practical complexities and challenges are that:
  - (a) prior to and upon the section 443B(3) notices being issued, the Respondents and their staff will need to deal with a large amount of leased aircraft property, located in multiple locations and correspond and engage with multiple different counterparties (and cannot exclusively deal with the Applicants);
  - (b) the business of the Virgin Companies does not usually involve, and is not generally designed to achieve, giving possession to owners and lessors of a large amount of aircraft property simultaneously in a short time frame, such that the impact of issuing multiple section 443B(3) notices in the coming weeks is anticipated to place significant strain on staff and resources;
  - (c) some of the property the subject of the proposed section 443B(3) notices is encumbered, or arguably encumbered, by third-party liens, such that staff and resources of the Virgin Companies will need to be devoted to taking steps to discharge those liens;
  - (d) due to the COVID-19 pandemic, 8,300 Virgin employees have been stood down and are on Jobkeeper support; and
  - (e) the First, Second and Fourth Respondents are insolvent.
15. At 9.30pm on 4 August 2020 I attended a teleconference with Garry Failler of Willis, Darren Dunbier and others at which the Redelivery Proposal was discussed. In that call I raised with Mr Failler and the Willis participants on the call the target return date of 15 October 2020, which was based on the Redelivery Proposal. At 8.10am on 5 August 2020 I received an email from Mr Failler in which he indicated that he had *"discussed internally [the] plan to redeliver the four engines to [Willis] via ferry to Delta and onward to Coconut Creek after the required inspections and tagging at Delta"* and said *"Should*

*you go this route, we can offer a return date for two of the engines of Sept. 15 and a date of Sept. 30 for the remaining two engines."* A copy of that email is annexed to this affidavit and marked Annexure "C".

16. While Willis have requested that the Willis Engines be returned by 15 and 30 September 2020, in my view, in light of the matters I have described above in paragraphs 13-14 above and based on my knowledge of the administrations of the Virgin Companies, my experience in relation to Virgin leasing issues and lease negotiations and my understanding of what the Redelivery Proposal entails:
  - (a) a requirement that the Aircraft Objects be redelivered before 15 or even 30 September 2020 would be impractical and would prejudice the First, Second and Fourth Respondents and their unsecured creditors by requiring the limited resources of the First, Second and Fourth Respondents and the Administrators to be diverted to meet an urgent redelivery timeframe; and
  - (b) it would be feasible for the Respondents to effect redelivery of the Aircraft Objects according to the Redelivery Proposal by 15 October 2020.
17. For those reasons, the Administrators intend to seek orders that:
  - (a) if the Respondents are required to redeliver the Aircraft Objects, they be redelivered in accordance with the Redelivery Proposal; and
  - (b) that the Administrators be relieved of personal liability in connection with the Aircraft Objects before 15 October 2020.

#### **Use of Virgin Companies' assets**

18. The proposed order 4, that the Respondents *"give possession"* of the *"aircraft objects"* identified in Schedule 2 to the Applicants' Amended Originating Process, by delivering up, or causing to be delivered up the *"aircraft objects"* to the Applicants at 4700 Lyons Technology Parkway, Coconut Creek, Florida, 33073, United States of America, will require relatively significant expenditure by the Respondent companies.
19. I understand that the Court has indicated that the First, Second and Fourth Respondents are required to bear the costs of returning the Aircraft Objects to the Applicants. That being so, the Administrators intend to seek leave to file the Proposed Amended Interlocutory Process in order to seek a declaration or direction as to how the expenses of complying with those orders should be funded.
20. For the reasons given in the First Dunbier Affidavit at paragraph 16, the cost of complying with the redelivery obligations in the General Terms Engine Lease Agreement would exceed AU\$1 million.

21. The First Respondent is a special purpose vehicle which operated as one of the main leasing entities in the Virgin Group. It is the lessee under the leases with the Second Applicant. Other than acting as an aircraft holding and leasing entity, it does not operate any business. It has no cash or liquid assets that could be applied towards complying with any orders made against it in these proceedings. The Report on Company Activities and Property completed by the directors of the First Respondent on 16 June 2020 and lodged with ASIC (**ROCAP**), the relevant extracts of a copy of which are annexed to this affidavit and marked "**D**", records the First Respondent as having direct liabilities of \$1,582,337,847.36. When debts of other entities in the Virgin Group that the First Respondent has guaranteed are taken into account, liabilities are estimated to be \$7,461,868,175.07 (excluding employee entitlements) in the ROCAP.
22. The Second Respondent has provided unsecured guarantees to the Applicants of the First Respondent's obligations under its leases with the Applicants. It has assets and cash but it is one of the significant trading entities in the Virgin Group and, as a consequence, has very significant liabilities in excess of assets and cash on hand. The ROCAP records that the direct liabilities of the Second Respondent are \$3,593,692,932.77 (excluding employee entitlements of \$97,066,035.54, which I understand have been recorded in an annexure to the ROCAP in a row that was labelled "Virgin Australia Pty Ltd" but intended to refer to the Second Respondent). When debts of other entities in the Virgin Group that the Second Respondent has guaranteed are taken into account, liabilities are estimated to be \$7,461,868,175.07 (excluding employee entitlements) in the ROCAP. The other creditors of the Second Respondent include employees, secured creditors, trade creditors, bondholders, other aircraft lessors who hold guarantees given by the Second Respondent and inter-company debts. Any payment of the costs associated with complying with any orders made against it in these proceedings will prejudice other priority and unsecured creditors of the Second Respondent.
23. The ROCAP records that the direct liabilities of the Fourth Respondent are \$159,044,570.76. It also owed the sum of \$2,091,494 to priority employee creditors as at the date of our appointment. When debts of other entities in the Virgin Group that the Fourth Respondent has guaranteed are taken into account, liabilities are estimated to be \$7,461,868,175.07 (excluding employee entitlements) in the ROCAP. Other creditors of the Fourth Respondent include secured creditors, trade creditors, bondholders and inter-company debts. Any payment of the costs associated with complying with any orders made against it in these proceedings will prejudice other priority and unsecured creditors of the Fourth Respondent.

24. If the Administrators directly apply the funds of the Second or Fourth Respondent, or any other Virgin Company, to comply with the obligations of the First, Second or Fourth Respondent under orders made in these proceedings, that expense will reduce any potential distribution to unsecured creditors of the company from which the funds are applied. The Administrators consider that unsecured creditors of that company may oppose or challenge any decision by the Administrators to take that course.
25. A doubt has therefore arisen in the administrations of the Virgin Companies as to whether the Administrators would be justified in applying the funds of the Second or Fourth Respondent, or any other Virgin Company, towards the costs of the First, Second or Fourth Respondent in complying with any orders made in these proceedings.

### **Swearing of this Affidavit**

26. I have not been able to swear this affidavit in proper form at the time that I have signed it due to the measures I have taken to minimise the spread of COVID-19.
27. I have been informed by Orfhlaith Maria McCoy, as the proposed witness to this affidavit, and believe, that the relaxation of formality with respect to the unsworn nature of this affidavit does not diminish the need for me to satisfy myself that the contents of this affidavit are true and correct. I have satisfied myself that that is the case.
28. I will formally swear this affidavit when circumstances allow and will instruct Clayton Utz to file the sworn version with the Court.

Sworn by the deponent  
 at Sydney  
 in New South Wales  
 on 5 August 2020  
 Before me:

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)  
)

Signature of deponent

Signature of witness  
 Orfhlaith Maria McCoy, solicitor.



**SCHEDULE 1**

Federal Court of Australia  
District Registry: New South Wales  
Division: Commercial and Corporations List

No. NSD 714 of 2020

**IN THE MATTER OF VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 & ORS**

**Applicants**

First Applicant: Wells Fargo Trust Company, National Association (as owner trustee)

Second Applicant: Willis Lease Finance Corporation

**SCHEDULE 2**

Federal Court of Australia  
District Registry: New South Wales  
Division: Commercial and Corporations List

No. NSD 714 of 2020

**IN THE MATTER OF VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 & ORS****Respondents**

First Respondent:	VB Leaseco Pty Ltd (Administrators Appointed) ACN 134 268 741
Second Respondent:	Virgin Australia Airlines Pty Ltd (Administrators Appointed) ACN 090 670 965
Third Respondent	Vaughan Strawbridge, Salvatore Algeri, John Greig and Richard Hughes, in their capacity as joint and several voluntary administrators of the First and Second Respondents
Fourth Respondent	Tiger Airways Australia Pty Limited (Administrators Appointed) ACN 124 369 008

**SCHEDULE 3**

Federal Court of Australia  
District Registry: New South Wales  
Division: Commercial and Corporations List

No. NSD 714 of 2020

**IN THE MATTER OF VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 & ORS****Virgin entities in administration**

1. Virgin Australia Holdings Ltd (Administrators Appointed) ACN 100 686 226
2. Virgin Australia International Operations Pty Ltd (Administrators Appointed) ACN 155 859 608
3. Virgin Australia International Holdings Pty Ltd (Administrators Appointed) ACN 155 860 021
4. Virgin Australia International Airlines Pty Ltd (Administrators Appointed) ACN 125 580 823
5. Virgin Australia Airlines (SE Asia) Pty Ltd (Administrators Appointed) ACN 097 892 389
6. Virgin Australia Airlines Holdings Pty Ltd (Administrators Appointed) ACN 093 924 675
7. VAH Newco No.1 Pty Ltd (Administrators Appointed) ACN 160 881 345
8. Tiger Airways Australia Pty Limited (Administrators Appointed) ACN 124 369 008
9. Virgin Australia Airlines Pty Ltd (Administrators Appointed) ACN 090 670 965
10. VA Borrower 2019 No. 1 Pty Ltd (Administrators Appointed) ACN 633 241 059
11. VA Borrower 2019 No. 2 Pty Ltd (Administrators Appointed) ACN 637 371 343
12. Virgin Tech Pty Ltd (Administrators Appointed) ACN 101 808 879
13. Short Haul 2018 No. 1 Pty Ltd (Administrators Appointed) ACN 622 014 831
14. Short Haul 2017 No. 1 Pty Ltd (Administrators Appointed) ACN 617 644 390
15. Short Haul 2017 No. 2 Pty Ltd (Administrators Appointed) ACN 617 644 443
16. Short Haul 2017 No. 3 Pty Ltd (Administrators Appointed) ACN 622 014 813
17. VBNC5 Pty Ltd (Administrators Appointed) ACN 119 691 502
18. A.C.N. 098 904 262 Pty Ltd (Administrators Appointed) ACN 098 904 262
19. Virgin Australia Regional Airlines Pty Ltd (Administrators Appointed) ACN 008 997 662
20. Virgin Australia Holidays Pty Ltd (Administrators Appointed) ACN 118 552 159

21. VB Ventures Pty Ltd (Administrators Appointed) ACN 125 139 004
22. Virgin Australia Cargo Pty Ltd (Administrators Appointed) ACN 600 667 838
23. VB Leaseco Pty Ltd (Administrators Appointed) ACN 134 268 741
24. VA Hold Co Pty Ltd (Administrators Appointed) ACN 165 507 157
25. VA Lease Co Pty Ltd (Administrators Appointed) ACN 165 507 291
26. Virgin Australia 2013-1 Issuer Co Pty Ltd (Administrators Appointed) ACN 165 507 326
27. 737 2012 No.1 Pty. Ltd (Administrators Appointed) ACN 154 201 859
28. 737 2012 No. 2 Pty Ltd (Administrators Appointed) ACN 154 225 064
29. Short Haul 2016 No. 1 Pty Ltd (Administrators Appointed) ACN 612 766 328
30. Short Haul 2016 No. 2 Pty Ltd (Administrators Appointed) ACN 612 796 077
31. Short Haul 2014 No. 1 Pty Ltd (Administrators Appointed) ACN 600 809 612
32. Short Haul 2014 No. 2 Pty Ltd (Administrators Appointed) ACN 600 878 199
33. VA Regional Leaseco Pty Ltd (Administrators Appointed) ACN 127 491 605
34. VB 800 2009 Pty Ltd (Administrators Appointed) ACN 135 488 934
35. VB Leaseco No 2 Pty Ltd (Administrators Appointed) ACN 142 533 319
36. VB LH 2008 No. 1 Pty Ltd (Administrators Appointed) ACN 134 280 354
37. VB LH 2008 No. 2 Pty Ltd (Administrators Appointed) ACN 134 288 805
38. VB PDP 2010-11 Pty Ltd (Administrators Appointed) ACN 140 818 266
39. Tiger International Number 1 Pty Ltd (Administrators Appointed) ACN 606 131 944
40. VAH Newco No. 2 Pty Ltd (In Liquidation) (Administrators Appointed) ACN 160 881 354
41. VB Investco Pty Ltd (In Liquidation) (Administrators Appointed) ACN 101 961 095



4. Such further or other orders or directions as the Court considers appropriate.
5. A declaration, or alternatively, a direction pursuant to section 90-15 of the IPSC, that, to the extent that any of the First Applicant, Second Applicant and Fourth Applicant are ordered to:
  - a. “give possession” of the “aircraft objects” in the manner sought in paragraph 3 of Amended Originating Application filed by the Respondents on 28 July 2020 (Respondent’s Originating Application) or such other manner as the Court determines;
  - b. maintain the “aircraft objects” in the manner sought in paragraph 4 of the Respondents’ Originating Application or such other manner as the Court determines;
  - c. take all steps necessary to cause to be completed, and “give possession” of, records and information in the manner sought in paragraph 4A of the Respondents’ Originating Application or such other manner as the Court determines;

the expenses of complying with those orders are:

- d. expenses properly incurred by the Third Respondent in carrying on the company’s business within the meaning of s 556(1)(a) of the Corporations Act; or, alternatively,
- e. debts or liabilities for which s 443D(aa) entitles the Third Respondent to be indemnified within the meaning of s 556(1)(c) of the Corporations Act.

Date: 5 August 2020

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Signed by Timothy James Sackar (by his partner  
Orfhlaith Maria McCoy)  
Solicitor for the Applicants

This application will be heard by the Federal Court of Australia at the Owen Dixon Commonwealth Law Courts Building, 305 William Street, Melbourne, Victoria at **10:15am on August 2020.**

**B. NOTICE TO RESPONDENT(S) (IF ANY)**

C/ Mr Noel McCoy / Ms Safiyya Khan  
Norton Rose Fulbright Australia  
Level 5, 60 Martin Place  
Sydney, NSW 2000  
noel.mccoy@nortonrosefulbright.com /safiyya.khan@nortonrosefulbright.com

**C. FILING**

This interlocutory process is filed by Clayton Utz for the Applicants.

**E. SERVICE**

The Applicants' address for service is:

Attention: Timothy Sackar/Kassandra Adams  
C/- Clayton Utz Lawyers  
Level 15,  
1 Bligh Street  
SYDNEY NSW 2000

The Applicants intend to serve a copy of this Interlocutory Process on the Respondents and ASIC.

**SCHEDULE 1**

Federal Court of Australia  
District Registry: New South Wales  
Division: Commercial and Corporations List

No. NSD 714 of 2020

**IN THE MATTER OF VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 & ORS****Applicants**

First Applicant:	VB Leaseco Pty Ltd (Administrators Appointed) ACN 134 268 741
Second Applicant:	Virgin Australia Airlines Pty Ltd (Administrators Appointed) ACN 090 670 965
Third Applicant	Vaughan Strawbridge, Salvatore Algeri, John Greig and Richard Hughes, in their capacity as joint and several voluntary administrators of the First and Second Applicants
<u>Fourth Applicant</u>	<u>Tiger Airways Australia Pty Limited (Administrators Appointed)</u> <u>ACN 124 369 008</u>



**SCHEDULE 2**

Federal Court of Australia  
District Registry: New South Wales  
Division: Commercial and Corporations List

No. NSD 714 of 2020

**IN THE MATTER OF VB LEASECO PTY LTD (ADMINISTRATORS APPOINTED) ACN 134 268 741 &  
ORS**

**Respondents**

First Respondent: Wells Fargo Trust Company, National Association (as owner trustee)

Second Respondent: Willis Lease Finance Corporation

## VIRGIN AUSTRALIA GROUP ANNOUNCES PLAN TO FOCUS ON CORE STRENGTHS, RE-ESTABLISHING ITSELF AS AN ICONIC AUSTRALIAN AIRLINE

### Key points:

- Plan for a stronger, more profitable and competitive Virgin Australia coming out of voluntary administration
- Focus on delivering exceptional experiences at great value with Virgin Australia's core domestic and short-haul international business
- Virgin Australia to provide customers with the value of travel credits post administration with validity dates extended for bookings made prior to administration
- Resetting Virgin Australia to meet lower global and Australian demand, including:
  - Reduction in cost base to meet sector uncertainty and COVID-19 market conditions
  - Securing approximately 6,000 jobs when the market recovers with 3,000 roles impacted
  - Simplified all-Boeing 737 mainline fleet and the retention of the regional and charter fleet, but removing ATR, Boeing 777, Airbus A330 and Tigerair Airbus A320 aircraft types
  - Long-haul international flying important part of plan but suspended until global travel market recovers
  - Tigerair Australia brand discontinued with Air Operator Certificate (AOC) and necessary support maintained to provide option for ultra-low-cost operations when market recovers
  - Continued commitment to regional and charter flying.

**5 August 2020:** The Virgin Australia Group (ASX: VAH) has announced a plan for a stronger, more profitable and competitive business, building on its unique culture and securing approximately 6,000 jobs as it prepares to exit voluntary administration under the ownership of Bain Capital.

### CEO COMMENTARY

Virgin Australia Group CEO and Managing Director Paul Scurrah said together with Bain Capital, the plan will help to re-establish Virgin Australia as an iconic Australian airline, bringing strong competition for travellers while securing approximately 6,000 direct jobs and indirect employment for more than 30,000 Australians.

"Our aviation and tourism sectors face continued uncertainty in the face of COVID-19 with many Australian airports recording passenger numbers less than three per cent of last year and ongoing changes to government travel restrictions," said Mr Scurrah.

"Demand for domestic and short-haul international travel is likely to take at least three years to return to pre-COVID-19 levels, with the real chance it could be longer, which means as a business we must make changes to ensure the Virgin Australia Group is successful in this new world.

"In a country as big as Australia, strong competitive airlines are critical in helping restore the economy, which is why in the face of the worst crisis our industry has ever seen, a well-capitalised Virgin Australia Group with a solid and sustainable future is a great outcome for Australians and the nation's economy.

"Even when we do see a return to pre-COVID-19 levels of travel, successful airlines will be influenced by demand and look very different than the way they did previously, requiring long-term capital, a lower cost base and be more focused on providing exceptional experiences through a combination of great people and world class technologies.

"Working with Bain Capital, we will accelerate our plan to deliver a strong future in a challenging domestic and global aviation market. We believe that over time we can set the foundations to grow Virgin Australia again and re-employ many of the highly skilled Virgin Australia team.

"Our initial focus will be on investing in the core Virgin Australia domestic and short-haul international operation alongside our 10-million-member strong Velocity Frequent Flyer program, continuing to offer an extensive network of destinations, a domestic lounge network and value for money for customers.

This is and the following 3 pages are Annexure B referred to in the affidavit of Salvatore Algeri

Sworn on

Before me



“Bain Capital recognises the importance of Virgin Australia’s loyal customers, and that’s why they will be provided the value of their travel credits post administration with validity significantly extended to ensure they have plenty of opportunity to book tickets to their favourite destinations.

“While these changes are important to manage the impact of COVID-19, they involve some very tough decisions. We expect approximately 3,000 roles will be impacted as a result of the changes announced today. However, our intention is to secure approximately 6,000 jobs when the market recovers with aspirations for up to 8,000 in the future. To those that leave the business, I want to thank them for the role they’ve played in making this a great airline. They will be closely supported through our alumni program, have all their entitlements honoured and be provided with a two-year extension of employee travel benefits and early access to retiree and long service benefits.

“Our people have shown incredible resilience under tough circumstances. They are what set the Virgin Australia Group apart and make us so unique. We hope to welcome many of them back as we start to grow again in the future.

“Virgin Australia has been a challenger in the Australian market for 20 years, and as a result of this plan and the investment of Bain Capital we are going to be in a much stronger position to continue that legacy.”

#### **PLAN FOR A STRONGER VIRGIN AUSTRALIA GROUP**

The plan is anchored around six key points:

##### **Overhaul the cost base, and simplify everything, starting with the fleet**

To build a successful airline, the Group will align costs with a depressed and uncertain revenue outlook, simplifying its fleet to realise cost efficiencies and remove operational complexity.

The Group will move to an all-Boeing 737 mainline fleet for domestic and short haul operations which will see the removal of ATR, Boeing 777, Airbus A330 and Tigerair Airbus A320 aircraft. The Group’s regional and charter fleet will remain, while the company reviews options at Virgin Australia Regional Airlines (VARA), including different operating models to support continued regional and charter flying.

The Group will also undertake a supplier contract review across its operations including products, services and facilities to better align with the company’s future size and requirements and lowering costs significantly.

Virgin Australia will consolidate its footprint and will move its corporate headquarters to 275 Grey Street in Brisbane’s Southbank. This follows a consolidation of its corporate offices in Sydney.

Long-haul international operations are an important part of the Virgin Australia business. However, given current international travel restrictions, the airline will continue to suspend flights to Los Angeles and Tokyo with the intention to recommence and grow long-haul flights when sufficient demand returns. Customers will continue to have access to international markets through the airline’s codeshare partners.

The Tigerair brand will be discontinued in the market as there is not sufficient customer demand to support two brands at this time. Tigerair Australia’s Air Operator Certificate (AOC) and the resources necessary to support the AOC will be retained to support optionality to operate an ultra-low-cost carrier in the future when the domestic market can support it.

##### **Focus on customer value**

Virgin Australia aims to be the best value carrier in the market, not a low-cost carrier. It will offer exceptional experiences at great value, regardless of purpose of travel. The airline will serve business travellers, including corporates and customers travelling for a holiday and visiting loved ones, and maintain a two-class cabin offering.



Virgin Australia will continue to offer choice and convenience through an extensive network of domestic and short-haul international destinations including frequent capital city connections and services to leisure and regional markets as part of the company's future network plans. Virgin Australia will also maintain a network of lounges in key domestic locations with a plan to re-open when demand returns.

Virgin Australia currently operates a reduced network of services to 28 towns and cities across Australia and will continue to add destinations and frequencies in line with demand and to support the nation's economic recovery from COVID-19.

Virgin Australia will continue to focus on delivering the best on-time performance and maintain an exceptional safety record and safety culture.

In response to COVID-19, Virgin Australia has introduced a range of health and wellbeing measures including a pre-departure eligibility questionnaire, contactless check-in, expanded social distancing measures, and more frequent cleaning onboard and at the airport.

### **Harness culture**

The Group's culture is unique and is the heart and soul of both the airline and Velocity Frequent Flyer. Over the past 12 months, the Group has gone to great lengths to unlock its culture and harness the spirit of its people. The Group will continue to reinvigorate the Virgin Australia brand and its passion for customer service, while embracing the diversity, talent and strength of its people.

### **Investment in world class digital and data technologies**

The Group will invest significantly in the comprehensive digital re-platforming of both the airline and Velocity Frequent Flyer program. It will accelerate the Group's vision for the future, to not only improve Virgin Australia's commercial capability and guest experience, but significantly enhance the employee experience and increase the pace of profitable revenue growth, enabling faster and bigger job growth opportunities.

### **Strong balance sheet and investment capital for both transformation and growth**

The Group will emerge from Voluntary Administration with a strong balance sheet, worthy of an investment grade rating, providing resilience and future growth potential.

Backed by Bain Capital, one of the world's leading private investment firms with more than \$AUD150 billion assets under management, Virgin Australia will have a strong balance sheet to withstand material future shocks to the industry.

### **Jobs and future growth**

The Group's people have shown extraordinary resilience during this uncertain period and the focus now is to preserve as many jobs in the immediate term as possible while building a business that is healthy and sustainable for decades to come.

As a result of the changes announced today, including the transition to a single Boeing 737 fleet for domestic and short-haul flying, it is expected approximately 3,000 jobs will be impacted, primarily across the operations functions, and corporate roles which directly support the operation. Formal consultation with unions and employee groups has commenced today, and all options including voluntary redundancy, redeployment, leave without pay and flexible work arrangements will be explored to retain as many jobs as possible.

While devastating for our people, making these changes now will secure approximately 6,000 jobs once market demand recovers, with potential to increase to 8,000 jobs in the future. Team members who remain stood down as the

Group waits for domestic and international travel restrictions to ease, or are on Leave Without Pay, will continue to receive the JobKeeper payment until it expires in March.

All team members that leave the business will depart with care and respect. Their entitlements will be paid in full and the Group is working with over 100 partners to identify short and long-term redeployment opportunities.

#### **TRAVEL CREDITS AND SUPPORT FOR GUESTS**

Bain Capital understands customers and staff are at the heart of the Virgin Australia business. As an acknowledgement of this, all travel credits and Velocity Frequent Flyer points will be carried forward under its ownership.

Virgin Australia will provide customers with the value of their travel credits post administration. To preserve value for customers with credits for bookings made prior to administration, booking dates will also be extended to 31 July 2022 for travel until 30 June 2023. Further information about the use of credits will be provided to customers in due course.

Customers and travel agents will be notified directly of any flight cancellations associated with the announcements made today. Tigerair Australia customers and those affected by any cancellations will be provided a travel credit for use on Virgin Australia operated services.

#### **VOTE OF CREDITORS**

Deloitte Restructuring Services partners and Administrators Vaughan Strawbridge, John Greig, Sal Algeri and Richard Hughes were appointed on 20 April 2020. They have entered into a binding sale agreement for the business with Bain Capital and continue to work with Bain Capital and Virgin Australia management on the restructuring of the airline.

The preferred method of implementation of the sale is through a Deed of Company Arrangement (DOCA) to be proposed by Bain Capital, which will be put to a vote at the second creditors' meeting.

**ENDS**

**This announcement was approved for release by Vaughan Strawbridge, Administrator Deloitte.**

**For further information, please contact:**

Virgin Australia Public Affairs  
P: 1800 142 467 or +61 7 3333 9666  
E: [publicaffairs@virginaustralia.com](mailto:publicaffairs@virginaustralia.com)

Virgin Australia Investor Relations  
E: [Investor.relations@virginaustralia.com](mailto:Investor.relations@virginaustralia.com)

**Gardner, Tom**

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**From:** Garry Failler <gfailler@willislease.com>  
**Sent:** Wednesday, 5 August 2020 8:10 AM  
**To:** Darren Dunbier; Boulton, Ian; Algeri, Sal  
**Cc:** Dean Poulakidas  
**Subject:** [EXT]Willis engines

Hi Darren,

We have discussed internally your potential plan to redeliver the four engines to us via ferry to Delta and onward to Coconut Creek after the required inspections and tagging at Delta.

Should you go this route, we can offer a return date for two of the engines of Sept. 15 and a date of Sept. 30 for the remaining two engines.

We can also accept a "swap" of the two engines stands presently in Melbourne. As mentioned, we would require additional details of the replacement stands when it is available for our review. For example, at a minimum, we will require the name of the manufacturer, date of manufacture, date of last replacement of the shock mounts and photos. If acceptable to us, we can arrange for a title transfer of the stands.

All other details are still being handled by our attorneys and I refer you to them for any other discussions.

Best regards,  
Garry

**Garry Failler**, SVP, Materials & Services and Chief Technical Officer  
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*Willis Lease Finance Corporation – Power to Spare Worldwide®*



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This is Annexure C referred to in the affidavit of Salvatore Algeri

Sworn on

\_\_\_\_\_

Before me

\_\_\_\_\_

This is and the following 2 pages are Annexure D referred to  
in the affidavit of Salvatore Algeri

Forms Manager

Form being prepared

Date/time: 23-06-2020 12:18:38

Reference Id: 141169605

Sworn on

Before me

**Form 507**

Corporations Act 2001

421A(1) & (2), 429(2)(b) & (c), 475(1) & (7),  
497(6), 438B(2)

## Report on Company Activities and Property

### Liquidator details

Registered liquidator number

**326810**

Registered liquidator name

**RICHARD JOHN HUGHES**

### Company details

Company name

**VB LEASECO PTY LTD**

ACN

**134 268 741**

### Report reason

This report was prepared under:

**s438B(2) Appointment of administrator of  
company**

Date when report was received

**16-06-2020**

Date the report on company activities and property is made up to

**20-04-2020**

### Authentication

This form has been authenticated by

Name **RICHARD JOHN HUGHES**

This form has been submitted by

Name

Date

#### For more help or information

Web [www.asic.gov.au](http://www.asic.gov.au)  
Ask a question? [www.asic.gov.au/question](http://www.asic.gov.au/question)  
Telephone 1300 300 630

**Question A4**

This is the annexure of 1 pages marked with \* mentioned in Part A. Signed by: Garrett Mavall Dated: 1/6/2020

*Amounts the Company owes to its employees (priority creditors)*

EMPLOYEES NAME	WAGES OWED	HOLIDAY PAY OWED	LONG SERVICE LEAVE OWED	REDUNDANCY OWED	OTHER	TOTAL OWED
Virgin Australia Pty Ltd Employees	9,711,135.38	35,206,588.10	49,980,788.94	782,289.10	1,385,234.03	97,066,035.54
Tiger Airways Australia Pty Ltd Employees	-	1,387,639.98	448,763.17	248,361.94	6,728.90	2,091,494.00
Virgin Tech Pty Ltd Employees	1,319,436.42	5,181,940.47	7,652,490.09	-	2,775.14	14,156,642.12
Virgin Australia Regional Airlines Pty Ltd Employees	472,626.89	5,920,260.31	7,206,834.18	165,661.14	347,377.26	14,112,759.77
	<b>11,503,198.68</b>	<b>47,696,428.86</b>	<b>65,288,876.38</b>	<b>1,196,312.17</b>	<b>1,742,115.33</b>	<b>127,426,931.43</b>



ROCAP VAH

Sum of AUD Row Labels	Column Labels								Grand Total
	A5.1 Aircraft Leases	A5.2 Debt & Interest	A5.3 Interco Loans	A5.4 Creditors & Accruals	A5.5 Hedge Counterparties	A5.6 Other Creditors	A5.7 Tax Balances	A5.8 Property & Other Leases	
VIRGIN AUSTRALIA AIRLINES HOLDINGS PTY LTD			4,375,429.38						4,375,429.38
Tiger Airways Australia Pty Limited	90,595,228.94		23,169,773.78	44,159,067.00				1,120,501.04	159,044,570.76
VB Leaseco Pty Ltd	1,443,556,057.71		138,058,690.48			723,099.17			1,582,337,847.36
Virgin Australia Airlines Pty Ltd	299,203,060.06	463,912,363.86	2,081,830,887.72	330,313,057.78	197,931,945.10	17,815,740.26	19,063,443.00	183,622,414.99	3,593,692,932.77
VIRGIN AUSTRALIA CARGO PTY LTD			23,008,263.99			7,158,128.79		77,593.67	30,243,986.45
Virgin Australia Holdings Limited		1,991,581,727.07	308,611.53						1,991,890,338.60
Virgin Australia Regional Airlines Pty Ltd	69,686,854.15		552,387.57	11,741,234.86		15,124,024.10		3,177,641.45	100,282,142.13
VIRGIN TECH PTY LTD			927.81						927.81
<b>Grand Total</b>	<b>1,903,041,220.86</b>	<b>2,455,494,090.92</b>	<b>2,271,304,972.06</b>	<b>386,213,359.64</b>	<b>197,931,945.10</b>	<b>40,820,992.32</b>	<b>19,063,443.00</b>	<b>187,998,151.16</b>	<b>7,461,868,175.07</b>