

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 23, 123 EAGLE STREET, BRISBANE QLD 4000
ON 31 JULY 2020 AT 11:00AM (AEST)

PRESENT

Vaughan Strawbridge	Joint and Several Administrator, Deloitte Financial Advisory Pty Ltd (Deloitte)
John Greig	Joint and Several Administrator, Deloitte
David Orr	Deloitte
Matthew Carr	Deloitte

Committee members	Refer to the attendance register at Annexure A
Observers	Refer to the attendance register at Annexure B

OPENING OF THE MEETING

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

CHAIRPERSON

Mr Strawbridge advised he would act as Chairperson of the meeting.

INTRODUCTIONS

The Chairperson introduced John Greig, Joint and Several Administrator of the Companies, who was present at the meeting along with David Orr, Matthew Carr and various members of Deloitte staff who were assisting on the Voluntary Administration were also in attendance.

IN ATTENDANCE

The Chairperson advised the MS Teams listing of those accessing the online meeting would be used as a basis for the attendance register. The attendance register is attached at **Annexure A**.

QUORUM

The Chairperson advised there were 26 members accessing the videoconference facility at that time, and accordingly there was a quorum present at the meeting.

RECORDING OF MEETING

The Chairperson noted that there will be an audio recording of the meeting to allow for accurate minute taking for report 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.

AGENDA

The Chairperson outlined the agenda for the meeting as follows:

1. Extension of the convening period
2. Bond/noteholders voting at the 2nd meeting of creditors
3. Sale of business
4. Current trading and restructuring progress
5. Any other business

The Chairperson referred to the discussion notes which were circulated to committee members ahead of the meeting to provide further context around the agenda items. The Chairperson advised he would take the discussion notes as being read by members for the purpose of the minutes. He will go over the key points of the discussion notes in the meeting and then allow time to address any concerns or questions committee members have.

EXTENSION OF THE CONVENING PERIOD

The Chairperson advised the Administrators are proposing to make an application to the Federal Court of Australia next week to extend the time to hold the second meeting of creditors from 25 August to Friday, 4 September 2020.

The Chairperson outlined the key points from the discussion notes:

- With the extension of the convening period, the Administrators are seeking to extend the period to hold the meeting to 4 September. The intent is not to unnecessarily delay the timing of the meeting but provide the Administrators with some additional breathing space and provide creditors with additional time to receive the report.
- The timing is beneficial and has been set to give creditors maximum time to consider the report.
- Under the current timetable, creditors would only have the report for three days prior to appointing proxies for the second meeting. The Administrators would like to provide additional time; however, their concern is that the report to creditors would not be ready to release until around 18 August or 19 August.
- By extending the period in which they can hold the meeting, the Administrators can issue the report a little later and also provide effectively twice the amount of time for creditors to consider the report prior to appointing proxies.
- The Administrators are making efforts to simplify the procedures at the second meeting of creditors, including seeking remuneration approval from the COI and consulting with the COI and Noteholder Consultative Committee (**NCC**) on the sale process.
- The extension provides benefits to the restructuring activities currently being undertaken.
- In considering the proposed extension to the timetable, the Administrators are seeking to reduce the need for the second meeting to be adjourned for the purpose of allowing creditors additional time to consider the report. The Administrators do not believe an adjournment for this purpose is in the best interest of creditors, which should be around moving forward with the resolutions at the second meeting and the sale.

The Chairperson asked if any COI members had questions around the proposed extension of the administration timetable.

- 1. Thomas Jacquot of FIIG Securities Limited (FIIG Securities) asked if the Administrators had considered an extension that is longer than a couple of weeks to provide more than five business days to creditors to consider the Administrators' report. Mr Jacquot also noted that certain categories of bonds require the trustee of those bonds to vote at the meeting, and he was not convinced that having five business days under the proposed timetable provided much additional time than the three business days under the current timetable.**
- 2. Jeremy Hollingsworth of Bank of New York Mellon (BNY Mellon) agreed with Mr Jacquot's comments around the short timeframe for bondholders to consider the Administrators' report and vote.**
- 3. Michele O'Neil of the Australian Council of Trade Unions (ACTU) referred to the discussion notes that were circulated to COI members, in particular the note that stated the Administrators had consulted with the COI and obtained the approval of the COI to enter the binding agreement with Bain Capital and secure interim funding. Ms O'Neil commented that she did not believe this was accurate.**

In response, the Chairperson advised Ms O'Neil was not in attendance at that particular meeting where a resolution was put to the COI which sought their support to enter the binding agreement. Ms O'Neil thanked the Chairperson for the clarification.

- 4. Yvonne Kelaher from Sargon CT Pty Ltd (Sargon) agreed with the concerns raised by Messrs Jacquot and Hollingsworth around the timing for trustees of bonds to obtain instructions from bondholders for voting at the second meeting of creditors.**
- 5. Gary Busby of the Australian Taxation Office (ATO) echoed the views of Mr Jacquot and noted that he thought an extension should be sought for a longer period to provide creditors with more time to consider the Administrators' report.**
- 6. Ms O'Neil of the ACTU commented that she understood the concerns around timing, but she had concerns with seeking an extension longer than that proposed by the Administrators due to the additional anxiety this may cause employees.**

7. Mr Jacquot of FIIG Securities referred to the recent media articles in relation to Broad Peak and Tor proposing an alternative deed of company arrangement (DOCA) proposal for creditors to consider at the second meeting. He asked if an alternative DOCA proposal was provided, how would it fit within the proposed extension timetable.

The Chairperson responded to the questions raised and comments from COI members:

- If there was an alternative proposal that was compelling enough to consider, the normal course would be to adjourn the meeting to consider the alternative proposal as this would not usually be received until after the Administrators' report and just prior to the second meeting of creditors. However, it was noted the Administrators have already exercised their power of sale with respect to the assets and business of the Group. Reference to discussion document re binding agreement and sale.
- The timing of the proposed extension is designed to provide creditors with a week to consider the report before having to appoint proxies. If they appoint a general proxy, they then have an additional three days to consider the report before voting at the meeting. On that basis, it will give creditors around 12 days to consider the report before voting.
- The Chairperson reiterated comments made by Ms O'Neil and noted there was a huge amount of anxiety around the transaction and a need for certainty. The longer the report is out there, there is a greater the level of anxiety. The proposed timetable provides a happy medium where there is sufficient time for creditors to consider the report, but it also reduces uncertainty.
- The Chairperson noted the Corporations Act does not intend for the notice period to be a long period; the report is structured to provide creditors with sufficient details and has the benefit of the Administrators' recommendation around the course of action to allow creditors to make an informed decision.
- The Chairperson also noted that in considering the timetable, the Administrators are trying to be mindful of all stakeholders.
- In response to the concerns around the US noteholders, the Chairperson noted the Administrators are currently working on a process with the exchange system in the US. There will be a letter sent today asking trades to be completed prior to 7 August. Discussions are also being held with the exchange around the ballot process required which is designed to meet the timetable.
- With the Australian bonds, the Chairperson advised the Halo orders made by the Federal Court yesterday would be beneficial. He advised the Administrators will work with trustees around getting instructions out to bondholders around how to submit proofs of debt and how to vote. The system is designed to improve the speed of communication and to get the report to them in a timely manner.
- The Chairperson advised the last circular to creditors was intended to provide information around the sale process, in particular, that it is designed to put up a DOCA which will provide a significantly better return to creditors than in a liquidation or in the event the Administrators need to complete the sale transaction through an asset sale agreement. He advised the decision for creditors was not around the sale itself and who the business was sold to; the Administrators took that responsibility through the sale process in light of all the considerations around the need for certainty and the need for funding. The sale is designed to be certain so that there will be an outcome for creditors. Without that binding nature of the sale agreement, there would be a very different sale structure going forward given the implications of the COVID-19 pandemic and people's expectations around how long it will take for domestic and international travel to ramp back up.

Jeremy Hollingsworth of BNY Mellon noted that there may still be a delay between when the report is issued and when it is received by bondholders.

The Chairperson advised the Administrators would utilise electronic communications to allow the report to be distributed faster. The report will be uploaded to the Administrators website for creditors to download to allow them to access the report sooner.

The Chairperson advised the key decision at the meeting is around a DOCA versus Liquidation. That decision is around the level of return to creditors which will be significantly higher under a DOCA than to a Liquidation. He noted there is nothing stopping trustees from seeking instructions from bondholders on how to vote. The Chairperson advised the Administrators would be happy to work with the trustees around forming communications to bondholders on the sale process undertaken and why the DOCA outcome will be significantly higher than the alternative.

Mr Jacquot of FIIG Securities asked to what extent the Administrators could provide information ahead of the report around the alternative liquidation scenario.

The Chairperson advised the Administrators had considered whether they could release the Liquidation analysis earlier. Their concern was that releasing the liquidation analysis without the comparative of what could be achieved

through the DOCA could be very destructive as it focuses on the liquidation outcome versus what will actually be achieved through a DOCA which might create anxiety. This is the reason the Administrators have hesitated to release the liquidation analysis to the market early. He further noted that the proposed timetable was structure to include a weekend, which provides creditors with additional time to review and consider the report.

The Chairperson advised the Administrators had considered the issues around timing and will also take on board comments made by the COI members.

Ms O'Neil reiterated that the ACTU would be concerned with any delay beyond 4 September and suggested that issues around the timing of when information be released could be considered further at the next COI meeting. Ms O'Neil noted it is important for the workforce that there is certainty as soon as possible.

The Chairperson noted the resolution to be put to the COI was to extend the period to hold the meeting to 4 September and he proposed that resolution go ahead. He advised the Administrators would go back and reconsider whether they can release their report earlier, even if it's a day or two earlier to provide additional time.

Mr Jacquot of FIIG Securities asked that should Broad Peak and Tor submit a DOCA proposal after the report is issued, would the Administrators look to adjourn the meeting to a later date.

The Chairperson advised the Administrators have entered into a binding agreement to sell the business to Bain Capital. If Bain Capital's DOCA proposals are not approved, the sale to Bain Capital would still proceed, but it will be completed as an asset sale agreement. That asset sale agreement would take a lot longer to complete, have more complexity, cost more and that cost will ultimately be borne by the creditors through a reduced return. The benefit of the sale through the DOCA is that there would be a superior return to creditors rather than the Administrators completing a sale through an asset sale agreement. He further noted that if Broad Peak and Tor put forward a recapitalisation proposal that deals with assets the Administrators have already entered an agreement for, the Administrators could not consider that alternative proposal. If an alternative proposal is put forward, the Administrators will communicate that to creditors, but they would not be able to complete on the alternative DOCA proposed as those assets have already been dealt with. He noted the sale process has been conducted, Broad Peak and Tor were aware of the timetable around what was required to take their proposal forward, but they did not comply and provide what was required to allow the Administrators to consider their proposal and allow them the additional time to go through their due diligence to put the proposal formally to creditors. He advised the sale has now been agreed, and it is now a matter of how the sale is completed.

RESOLUTION ON THE EXTENSION OF THE ADMINISTRATION TIMETABLE

The Chairperson put the resolution to the meeting as follows:

"That the voluntary administrators make an application to the Federal Court of Australia to:

- 1. extend the period to hold the second meeting of creditors to 4 September 2020; and*
- 2. require POD and proxy forms to be submitted on the HALO platform by close of business on the 3rd business day prior to the meeting of creditors (being Tuesday 1 September 2020)."*

The Chairperson declared the resolution carried on the voices.

The Chairperson advised that should the Court grant the additional time as foreshadowed in the application to extend the convening period, sufficient time will have been provided to creditors to consider the administrators report and the Administrators will resist any motion to adjourn the meeting for the purpose of considering the report further.

The Chairperson asked if there were any committee members who oppose this approach/decision. No committee members opposed the approach suggested by the Administrators.

BOND/NOTEHOLDERS VOTING AT THE CREDITORS MEETING

The Chairperson referred to the bondholder/noteholder voting considerations summarised in the discussion notes and noted the Administrators will continue to work with these parties around these issues.

SALE OF BUSINESS

The Chairperson referred to the discussion notes on the sale of the business and advised he would take this as being read by committee members.

CURRENT TRADING AND SALE POSITION

The Chairperson advised current trading is impacted by the COVID-19 pandemic. The Administrators have had to cancel a significant number of flights and there will be further cancellations, particularly flights routes to and from Sydney. He advised cancellations are demand lead; to the extent there remains demand, flights will continue.

The Chairperson advised the Administrators are seeking to try and agree with the Federal Government to include some of the Sydney – Brisbane flights into the guaranteed schedule, which would allow the Administrators to continue these flights as they would be underwritten by the Government. In the absence of that, the Administrators will need to reduce costs so there are not significant losses on these flights.

The Chairperson advised the liability or losses incurred in trading during this period are being borne by Bain Capital. The interim funding is still sufficient in the Administrators' view to continue trading through to the completion of the transaction. In the event the funding is not sufficient, there is the ability to increase the interim funding through Bain Capital.

The Chairperson advised Bain Capital are incredibly committed to the transaction. He noted the current trading conditions do not create any grounds for Bain Capital to terminate the sale agreement.

ANY OTHER BUSINESS

1. Takeovers Panel

The Takeovers Panel has arrived at draft reasoning for not considering the Broad Peak and Tor application, which are set out in the discussion noted. The Chairperson advised the Administrators are pleased with the comments from the Takeovers Panel, where in their view, it's not in the public interest to obstruct or delay the administration and they recognise the importance of the speed to create certainty of the execution of the sale.

2. Investigations

The Chairperson noted a summary of the investigations being conducted by the Administrators is included in the discussion notes.

The Chairperson advised that the Administrators report on any breaches of directors' duties identified from these investigations. The Chairperson noted there was also an obligation to report any identified breaches of duties to the Australian Securities and Investments Commission (ASIC) which they can then consider whether further action should be taken by the regulator.

The Chairperson noted the Administrators' report is privileged which provides protection if accusations are made in respect of the directors' conduct.

3. Voluntary Administrators' remuneration

The Chairperson advised the Administrators' current run rate for remuneration has continued at an average of \$1.1m per week.

The Chairperson advised that a remuneration report would soon be issued to the COI and a further COI meeting will be called to consider the approval of the fees of the voluntary administrators.

Ms O'Neil of the ACTU asked when committee members would receive the remuneration report, noting it would not be suitable to receive this just prior to the meeting.

The Chairperson advised that to hold the COI meeting next Friday, the latest date they would issue the remuneration report would be on Monday.

4. Halo Court Orders

The Chairperson advised that an application to Court was heard yesterday in respect to the use of the Halo platform for the upcoming second meeting of creditors. He noted the Halo platform will save costs in the administration, and the Administrators estimate those savings to be in the order of \$2.5m. These savings will continue by using the platform for communicating with creditors and also in adjudicating on proofs of debt during a dividend process.

5. MVL Court Orders

The Chairperson advised that an application to Court was heard yesterday in respect to two companies that are currently in a Members Voluntary Liquidation (MVL) and will now be placed into voluntary administration to form part of the rest of the companies in the Virgin Australia Group. These orders were sought as the two entities are guarantors to issued bonds.

6. Other Court Proceedings

The Chairperson advised there was a Court case being heard today in relation to aircraft engines which the Administrators have not exercised their rights to and have effectively handed back possession to the owner of the engines. The owner is seeking orders that the Administrators not only have to hand the engines back, but also do certain additional works to the engines and deliver them back to the US. This would be a significant

cost, and it is the Administrators view that these costs should not be borne by the administration and effectively by all creditors, and that the Administrators obligations are to hand them back as they are and where they are.

Marc Devine of Alliance Airlines asked if those engines had been used during the administration process.

The Chairperson advised they have not been used during the administration, but they have continued to be maintained and the Administrators have incurred costs around removing them from the aircraft and providing records on the engines to the owner.

QUESTIONS

The Chairperson opened the meeting to further questions from committee members.

Dhruv Gupta of Sydney Airport asked if there were other trading circumstances that could lead to the termination of the sale transaction.

The Chairperson advised that there were rights to terminate the transaction if the Administrators could not deliver up certain things, such as air operating certificates and things required to run the airline. However, the transaction could not be terminated based on trading and trading performance.

There were no further questions. There being no further business, the Chairperson thanked those present for attending and declared the meeting closed at 12:06 PM (AEST).

Signed as a correct record.



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CHAIRPERSON