

Gardner, Tom

From: Paul Lukaszewski <paul.lukaszewski@aberdeenstandard.com>
Sent: Monday, 10 August 2020 3:27 PM
To: 'virginadmin@deloitte.com.au'; 'vstrawbridge@deloitte.com.au'
Cc: VA; Moore, Naomi; Dailey, Renée; Botter, David; Matthew Macreadie; hugh, cecely (External)
Subject: Virgin Australia - NCC meeting - voting and process concerns
Attachments: Affidavit of Vaughan Neil Strawbridge dated 7 August 2020.pdf; DOCA Summary.pdf; FINAL - Project Ray - Notice to Holders re expeted voting timeline.pdf

****EXTERNAL Email****

Mr Strawbridge, Joint & Several Administrators, staff and advisors:

We are Noteholders of unsecured notes issued by Virgin Australia Holdings Limited (administrators appointed) and members of the Noteholder Consultative Committee (NCC). We refer to the attached document entitled "**Summary of the Deed of Company Arrangement (DOCA) proposed by Broad Peak and Tor ("Bondholder DOCA") for review by Noteholders**".

After reviewing this document, we are of the view that the Bondholder DOCA is sufficiently material to our decision regarding our vote in the second meeting of creditors. Though the details of the Bain DOCA have been kept confidential by the Administrators, public reports suggest the Bondholder DOCA presents better recoveries to the company's creditors, in particular to its retail and institutional unsecured creditors. As a result, we hereby request the Administrators to make available to the Noteholders sufficient information in order for Broad Peak and Tor to present their binding and unconditional DOCA at the 2nd meeting of creditors to be considered alongside Bain's DOCA.

As the unsecured bondholder voting process is being conducted separately from the 2nd meeting of creditors, all pertinent materials related to alternate DOCAs should be distributed on a timely basis, alongside the Administrators' report. Bondholder ballots should provide the necessary options to vote for alternate proposals to the one supported by the Administrators. Virgin's retail and institutional bondholders constitute a material portion of the company's creditor pool so it is essential that they are not disadvantaged by separate voting procedures which do not present to them all available information and all voting options. All creditors should be treated fairly and creditors should be given enough information to determine and vote for the DOCA which ends the company's administration proceedings.

This request is supported by the judgment delivered by Justice Middleton dated 10 July 2020 in the Federal Court of Australia. In the judgement, Noteholders as creditors of the Company has the ability to approve an alternative DOCA, which is different to Bain's DOCA as being promoted by the Administrators. Paragraph 14 states (emphasis added):

14 *I should say at the outset that there is no doubt that the Administrators may promote the SID with Bain as their preferred proposal in contest with the Noteholders' Offer, and may enter into contractual arrangements that could inform the scope of any alternative proposal. **However, the Administrators' preference for one proposal does not justify the exclusion of all other proposals from consideration by the creditors. It is to be recalled that s 439C(a) of the Corporations Act expressly authorises the creditors to approve a DOCA which is different from the one which accompanied the notice of meeting***

Furthermore, the Administrators has the obligation to provide sufficient information to enable the creditors to make an informed decision at the meeting of creditors if such information is deemed material. Paragraph 32 states (emphasis added):

32 *I make this final observation. It is important that proper preparation be made for the meeting of creditors in August 2020. **This will obviously require the Administrators to be full and frank with the creditors, and to provide sufficient information to enable the creditors to make an informed decision on the matters for resolution at the meeting of creditors. If a creditor at the meeting needs more time or information to consider their position, this could be a reason to adjourn the meeting of creditors. If sufficient information is not provided which is material to creditors in reaching a decision on a proposed DOCA which is entered into, this could be a ground for the Court later terminating the DOCA. Neither of these scenarios is desirable.***

In light of the Judge's remarks, we request a full justification be provided publicly if the administrators refuse these requests.

We wish to also refer you to the Affidavit of Vaughn Neil Strawbridge dated 7 August 2020 which was circulated to creditors on 8 August 2020. In this document, in Paragraph 29 Mr Strawbridge asserts "No objection or concerns to that course was made by any member of the NCC". We believe this statement requires clarification by the administrators as we asked questions during the meeting which were not answered to our satisfaction. Furthermore, we wish to inform you we have these concerns regarding the voting process being put forward:

1. Unlike all other creditors, Virgin's retail and institutional bondholder creditors are being made to vote their claims in advance of the second creditor meeting and are being prohibited from using the Halo platform to vote their claims even if they have been properly registered:

*"The Administrators have advised us that **any Holders who have separately filed their own proof of debt directly with the Administrators will not be admitted for voting purposes on the Halo platform, but will have to vote through DTC process set out above.**" (see attached NOTICE TO NOTEHOLDERS 4 August 2020)*

In various filings, the Administrators have singled out USD bondholder creditors and verbally in the most recent NCC meeting they indicated this will also be applicable to the AUD bondholder creditors as well. Requiring all bondholder creditors to vote in advance may prevent them considering any additional developments of facts presented during the meeting. We would request voting procedures properly allow all retail and institutional bondholder creditors to have the same opportunities to consider alternative proposals, including the Bondholder DOCA, as any other Virgin creditor.

2. Neither the administrators nor their advisors have shared the form or content of ballot that will be distributed to bondholders. It is unclear what options bondholders will be given in their ballots. Meanwhile, the Administrator continues to dismiss the Noteholders' alternative DOCA. Justice Middleton's ruling makes clear that Virgin's creditors should be free to consider any proposal including alternate DOCAs not supported by the Administrators. We would request the information distributed to bondholders must include full details of alternate DOCAs and bondholder ballots must provide for consideration of alternate proposals as it is the right of all creditors to vote their claims in support of any DOCA.

Access to information has been severely restricted and little has been disclosed by the Administrators with respect to the Bain proposal. The sale process was extremely rushed and only 2 prospective buyers were designated "finalists" with the ability to conduct detailed diligence. Of those 2, one publicly withdrew citing lack of engagement and information from the Administrators, eliminating competitive tension from the final round of bidding. The Bondholder DOCA has also been presented to the Administrators and based on publicly available information and press speculation, appears to be superior for the company's creditors however reports suggest that the Administrators have not engaged with this proposal and are not affording the relevant Noteholders requisite access to key stakeholders. When the NCC members asked about such alternate DOCA proposal, the Administrators did not give a satisfactory response with respect to their engaging the proposal or their intention to disclose it to creditors as an alternative proposal. As creditors of Virgin we are entitled to and want to see creditors achieve the best outcome possible. We wish to understand why the Administrators continue to not engage with a credible alternate proposal put forward by Broad Peak and Tor.

Paul Lukaszewski
Head of Corporate Debt, Asia and Australia
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THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE SUBJECT SECURITIES. IF BENEFICIAL OWNERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN FINANCIAL AND LEGAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES, IMMEDIATELY FROM THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISER. IF APPLICABLE, ALL DEPOSITORIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE THE RE-TRANSMITTAL TO BENEFICIAL OWNERS OF THE SECURITIES IN A TIMELY MANNER.

If you have recently sold or otherwise transferred your entire holding(s) of Notes (as defined below), you should immediately forward this document to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE TO NOTEHOLDERS

**Virgin Australia Holdings Limited
ACN 100 686 226
(the “Company”)**

**US\$425,000,000 8.125 per cent. Senior Notes due 2024
Reg S: CUSIP Number: Q94606AH5 ISIN: USQ94606AH52
144A: CUSIP Number: 92765YAH0 ISIN: US92765YAH09
(the “Notes”)**

4 August 2020

Reference is made to the indenture dated 7 November 2019, made between the Company, the Guarantors (as defined therein) and us as trustee for the holders of the Notes (the “**Trustee**”) relating to the Notes, as amended, modified and/or supplemented from time to time (the “**Indenture**”) and to the notices to Holders dated 24 April 2020 (the “**24 April 2020 Notice**”), 29 April 2020 (the “**29 April 2020 Notice**”), 30 April 2020 (the “**30 April 2020 Notice**”), 6 May 2020 (the “**6 May 2020**”) and 29 July 2020 (the “**29 July 2020 Notice**”) and, together with the 24 April 2020 Notice, the 29 April 2020 Notice, the 30 April 2020 Notice and the 6 May 2020 Notice, the “**Notices**”). All terms and expressions used but not otherwise defined in this notice shall have the meanings attributed to them in the Indenture and/or the Notices, as applicable.

Voting by Holders at the Second Meeting of Creditors

The Trustee has received a circular to creditors from the Administrators dated 17 July 2020 (the “**17 July Circular**”), which related to the convening of the second meeting of creditors (the “**Second Meeting of Creditors**”) and the Administrators’ report to creditors (the “**Report to Creditors**”). A copy of the 17 July Circular is attached to this Notice.

The Trustee understands that the dates of the issuance of the proposed resolutions and the Report to Creditors, and the date of the Second Meeting of Creditors are expected to change from the dates specified in the 17 July Circular.

The Trustee has spoken with the Administrators and their legal counsel as to the procedure for Holders to submit their votes on the Proposed Resolutions, and the timeframe for Holders to consider the Proposed Resolutions and the Report to Creditors. From that discussion, the Trustee understands the Administrators propose the following procedure:

- In order to be able to vote on the Proposed Resolutions at the Second Meeting of Creditors, Holders will need to submit instructions through The Depository Trust Company (“DTC”). The voting procedure will be run directly by the Administrators and their legal counsel and the Trustee has not been asked to be involved in that process.
- Several days before the publication of the Report to Creditors, the Administrators plan to distribute Master Ballot and Beneficial Holder Ballot papers via DTC to the Holders with accompanying details of how the voting process will work for the Holders, with the intention that the Holders will be in receipt of these papers and details about how to vote prior to the publication of the Report to Creditors. Holders are urged to read these papers carefully and to contact their custodian/DTC participant or the Administrators if they have any queries.
- The Administrators have advised us that they will issue the Report to Creditors only on their website: <https://www2.deloitte.com/au/en/pages/finance/articles/virgin-australia-holdings-limited-subsidiaries.html#> Holders are urged to monitor this website for the publication of the Report to Creditors and the release of other information that may be relevant to Holders. There is likely to be only a short period of time for Holders to consider the Report to Creditors and submit their ballot papers to their custodian/DTC participant.
- The Administrators have advised us that they anticipate setting a deadline of a few business days for the return of the ballot papers by DTC ahead of the Second Meeting of Creditors. Accordingly, DTC participants and/or other parties through which Holders hold their Notes will set an earlier deadline for Holders to submit their ballot papers to them to be provided to DTC.
- Holders are urged to contact their custodian/DTC participant to ensure they are aware of the applicable deadline for the return of their ballot papers.
- Following the deadline for the return of ballot papers by DTC, the Administrators will upload the votes of the Holders to Deloitte’s Halo platform. The Administrators have advised us that they intend to use the Halo platform to collate the votes cast by all applicable creditors.
- Holders will not be asked to submit a proof of debt alongside their ballot papers.
- The Administrators have advised us that any Holders who have separately filed their own proof of debt directly with the Administrators will not be admitted for voting purposes on the Halo platform, but will have to vote through DTC process set out above.

The Administrators have advised that they and their legal counsel have been discussing the procedure outlined above directly with DTC and certain DTC participants. The Trustee was not invited to be involved in those discussions.

Should Holders wish the Trustee to take any further action regarding the timings proposed by the Administrators and/or the procedure for casting votes on the proposed resolutions, they are urged to contact the Trustee as a matter of urgency using the details below.

No Further Action by the Trustee

Unless instructed to do so by the Holders (and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction), the Trustee does not presently intend to take any further action pursuant to the Indenture in relation to the Relevant Default at this time, other than participating in the COI.

Holders are requested to contact the Trustee in accordance with the procedures set out below and provide indemnification and/or security and/or pre-funding to the Trustee's satisfaction and their instructions as to what actions (if any) such Holders require the Trustee to take in relation to the Relevant Default.

Verification of Holdings

Please note that in any correspondence with the Trustee, the Holders will be required to submit their proof of holding together with due written authorisation. Accordingly, in order to facilitate any communications with the holders of the Notes and the provision of any information such as transaction documents, the Trustee hereby invites all Holders to make themselves known to the Trustee and to verify their holdings of the Notes to the Trustee by contacting their custodian and directing it to have Euroclear/Clearstream to send a SWIFT to The Bank of New York Mellon (IRVGB2XEXC) as Trustee (attention: Default Group – Jeremy Hollingsworth) disclosing:

1. ISIN for the Notes (Reg S) USQ94606AH52 / (144A) US92765YAH096;
2. account no.;
3. participant name;
4. nominal amount; and
5. beneficial holder details (including email address).

Holders of Notes at DTC must instruct their custodian to provide the Trustee with a certification of their holdings and to provide a letter setting forth the holding's details (nominal amount, CUSIP, beneficial holder name) and the DTC participant number where the securities are held.

Trustee Contact Details

The Trustee may be contacted using the following details:

Address: The Bank of New York Mellon
240 Greenwich Street
New York, NY 10286
United States of America

with a copy to:

The Bank of New York Mellon
Level 5, 360 Collins Street
Melbourne, Victoria 3000
Australia

For the attention of: Jeremy Hollingsworth
Email: jeremy.hollingsworth@bnymellon.com with copy to
dagemea@bnymellon.com

The above communication is made without prejudice to any and all the Trustee's rights under the Indenture, all of which are expressly reserved.

The Trustee provides the information above for the information of Holders but makes no representation as to the accuracy or completeness thereof and cannot accept any liability for any loss caused by any inaccuracy therein. The Trustee expresses no opinion as to the action (if any) that Holders should take in relation to the matters set out above. The Trustee makes no recommendations and gives no legal or investment advice herein or as to the Notes generally. Holders should take and rely on their own independent legal, financial or other professional advice, and may not rely on advice or information provided to the Trustee, statements as to the legal position included in notices issued by the Trustee relating to the Notes or otherwise or the views of the Trustee expressed herein or otherwise.

ISIN and CUSIP numbers appearing herein have been included solely for the convenience of the Holders. The Trustee assumes no responsibility for the selection or use of such number and makes no representation as to the correctness of the numbers listed above.

This notice is given by
THE BANK OF NEW YORK MELLON
in its capacity as Trustee

Form 59
Rule 29.02(1)

Affidavit

No. NSD 464 of 2020

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

IN THE MATTER OF VIRGIN AUSTRALIA HOLDINGS LTD (ADMINISTRATORS APPOINTED) ACN 100 686 226 & ORS

VAUGHAN STRAWBRIDGE, SALVATORE ALGERI, JOHN GREIG AND RICHARD HUGHES, IN THEIR CAPACITY AS JOINT AND SEVERAL VOLUNTARY ADMINISTRATORS OF VIRGIN AUSTRALIA HOLDINGS LTD (ADMINISTRATORS APPOINTED) AND THE THIRD TO FORTIETH PLAINTIFFS NAMED IN SCHEDULE 1

First Plaintiffs

AND OTHERS NAMED IN THE SCHEDULE

Plaintiffs

Affidavit of: Vaughan Neil Strawbridge
Address: 9 Grosvenor Place, 225 George Street, Sydney, New South Wales
Occupation: Registered Liquidator and Chartered Accountant
Date: 7 August 2020

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1	Affidavit of Vaughan Neil Strawbridge in support of application for orders under sections 447A(1) of the <i>Corporations Act 2001</i> (Cth) and s 90-15 of Schedule 2 - the <i>Insolvency Practice Schedule (Corporations)</i> sworn on 7 August 2020	All	1 - 12
2	Exhibit "VNS-5", being a bundle of documents exhibited to this affidavit by the deponent.	8	3

Filed on behalf of (name & role of party) The Plaintiffs
Prepared by (name of person/lawyer) Timothy James Sackar
Law firm (if applicable) Clayton Utz
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(include state and postcode)

[Version 3 form approved 02/05/2019]

I, Vaughan Neil Strawbridge, of Deloitte Touche Tohmatsu (of which Deloitte Financial Advisory Pty Ltd is a wholly owned subsidiary) (**Deloitte**), at Level 9 Grosvenor Place, 225 George Street, Sydney, New South Wales, 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 have practised for more than 25 years as an accountant specialising in insolvency related matters in Australia, Thailand and the United Kingdom.
2. I am one of the four joint and several voluntary administrators of each of the Second to Fortieth Plaintiffs (**Virgin Companies**), together with Mr Salvatore Algeri, Mr John Greig and Mr Richard Hughes (together, the **Administrators** and each an **Administrator**). Mr Algeri, Mr Greig and Mr Hughes are also partners of Deloitte. Messrs Algeri, Greig, Hughes and I are also the joint and several administrators of each of VAH Newco No. 2 Pty Ltd ACN 160 881 354 (in liquidation) (Administrators Appointed) (**VAH Newco 2**) and VB Investco Pty Ltd ACN 101 961 095 (in liquidation) (Administrators Appointed) (**VB Investco**), the proposed Forty-First Plaintiff and Forty-Second Plaintiff respectively. Together, I refer to the Second to Fortieth Plaintiffs, VAH Newco 2 and VB Investco as the **Virgin Companies**.
3. I am authorised by Mr Algeri, 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 view(s) which each of I, Mr Algeri, 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 I and staff members at Deloitte have obtained through my role as an Administrator of the Virgin Companies, which I believe to be true.
5. This is the eighth affidavit that I have sworn in these proceedings.
6. I refer to and rely upon my:
 - (a) affidavit of 23 April 2020 (**First Affidavit**);
 - (b) supplementary affidavit of 24 April 2020 (**Second Affidavit**);
 - (c) affidavit of 11 May 2020 (**Third Affidavit**);
 - (d) supplementary affidavit of 11 May 2020 (**Fourth Affidavit**);
 - (e) supplementary affidavit of 15 May 2020 (**Fifth Affidavit**),
 - (f) affidavit of 2 July 2020 (**Sixth Affidavit**); and

(g) affidavit of 9 July 2020 (**Seventh Affidavit**),
each filed in the proceedings.

7. I also refer to the affidavits of David Michael Orr dated 29 July 2020 (**First Orr Affidavit**) and 6 August 2020 (**Second Orr Affidavit**).
8. Exhibited to me at the time of making this affidavit is a bundle of documents to which I make reference in this affidavit marked "VNS-5" (**Exhibit VNS-5**). A reference to a Tab in this affidavit is to a tab in Exhibit VNS-5 unless otherwise stated.
9. I make this affidavit in support of the relief sought by the Plaintiffs in the Interlocutory Process filed in these proceedings on 7 August 2020 (**Application**), namely, orders under sections 439A(6) and 447A(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) and section 90-15 of the *Insolvency Practice Schedule (Corporations)*, being Schedule 2 to the Corporations Act (**IPSC**).

VAH Newco No. 2 Pty Ltd and VB Investco Pty Ltd

Appointment of Administrators

10. On 26 April 2019, Mr Hughes (being one of the Administrators) was appointed as the liquidator of each of VAH Newco 2 and VB Investco pursuant to section 491(1) of the Corporations Act.
11. On 30 July 2020, pursuant to orders made by Justice Middleton in Federal Court of Australia Proceedings number NSD 818 of 2020 (**MVL Orders**):
 - (a) leave was granted for the Administrators (including Mr Hughes) to be appointed as joint and several administrators of each of VAH Newco 2 and VB Investco; and
 - (b) the winding up of each of VAH Newco 2 and VB Investco was stayed until further order.
12. On 3 August 2020, in accordance with the MVL Orders, the Administrators were appointed as joint and several administrators of VAH Newco 2 and VB Investco pursuant to section 436B of the Corporations Act. Exhibited at **Tabs 1 and 2 of Exhibit VNS-5** are copies of the Form 505 documents lodged with ASIC on 3 August 2020 giving notice of the appointment of the Administrators.
13. The Administrators seek to join VAH Newco 2 and VB Investco to these proceedings such that they will be subject to the proposed orders sought in the Application, will be subject to the proposed orders contained in the application filed by the First Plaintiffs in the proceedings on 29 July 2020 in respect of the Halo Platform which the

Administrators are using to assist with the administration of the Virgin Companies, and to additional orders that may be sought in the proceedings in any future applications.

FURTHER EXTENSION OF THE CONVENING PERIOD

Background

14. I refer to the orders of the Court dated 13 May 2020 in the proceedings (**13 May Orders**), pursuant to which the period within which the second meetings of creditors (**Second Meetings**) for the purposes of section 439A(5)(b) of the Corporations Act must be convened (**Convening Period**) was extended to 18 August 2020. I also refer to my Third Affidavit, which sets out the basis on which that extension of the Convening Period was sought, including the reasons set out in paragraph 59 of that affidavit.
15. The Administrators seek orders that the Convening Period be further extended for a period of 13 days, to 31 August 2020.

Basis for application to extend convening period

16. Pursuant to section 439A of the Corporations Act and section 75-225 of the Insolvency Practice Rules 2016 (**IPR**), at the Second Meetings, the creditors will consider the Administrators' report and recommendations as to whether or not it would be in the creditors' interests that:
 - (a) the Virgin Companies execute a DOCA;
 - (b) the administrations should end (with control of the Virgin Companies be returned to their directors); or
 - (c) the Virgin Companies be wound up.
17. In summary, for the following reasons, the Administrators are of the opinion that it would be in the best interests of the Virgin Companies' creditors for there to be a short extension of the Convening Period (including the deadline by which the Administrators must convene the Second Meetings):
 - (a) the proposed further extension will enable the Administrators to provide creditors with a longer period in which to consider the Administrators' report pursuant to section 75-225 of the IPR (**Report**), which is likely to be lengthy and detailed given the size and complexity of the affairs of the Virgin Companies (see paragraph 20 below); and
 - (b) the extension will allow additional time for creditors to register on and become familiar with the Halo Platform (as described in the First and Second Affidavits of

David Michael Orr)) and to lodge their proofs of debt and proxy forms (see paragraph 30 below).

Second Meetings and Report to Creditors

18. Pursuant to the Application, the Administrators have sought additional orders to facilitate the use of the Halo Platform for the Second Meetings. These orders include orders that creditors:
 - (a) be required to lodge particulars of a debt or claim by 5.00pm, 5 business days prior to the date of the Second Meetings (and that creditors be prevented from amending or replacing any proof of debt after that date, except with the written consent of the Administrators); and
 - (b) be required to lodge an appointment of proxy and / or an appointment of attorney by 5.00pm, 3 business days prior to the date of the Second Meetings (and that creditors be prevented from amending or replacing any appointment of proxy form, appointment of attorney details or any vote lodged on the Halo Platform after that date, except with the written consent of the Administrators).
19. Pursuant to the IPR, the Report is required to be provided at least 5 business days prior to the Second Meetings being held.
20. As at the date of this affidavit the preparation of the Report is already very far advanced, but it remains a significantly time consuming and complex task. The complexity arises from the number of companies in administration at one time, the sheer numbers of disparate interest groups whose details need to be described and considered in the Report (such as employees, union representatives, bondholders, lessors and financiers, trade creditors, Government, overseas creditors and customers) and the degree to which the assets, liabilities and interests of those companies interact, including by reason of the ASIC Deeds of Cross-Guarantee to which some (but not all) companies are party and the guarantee obligations given by some companies in respect of the obligations of other companies in the group. The Report will address the Administrators' sale process which culminated in the sale and implementation deed concluded between the Virgin Companies and Bain Capital, as well as the implications of that transaction for creditors.
21. Following entry into the transaction with Bain Capital, discussions have been ongoing between Bain Capital and its representatives and a range of contractual counterparties and stakeholders, in order for the Transaction to complete. On 5 August 2020, Virgin Australia Holdings Limited made an announcement to the Australian Securities Exchange on 5 August 2020 in respect of its plan for a stronger, more profitable and

competitive restructured group. A copy of that announcement is exhibited at **Tab 3 of Exhibit VNS-5**. That plan reflects the intense work which has been and remains to be undertaken by the Virgin Companies, the Administrators and the Bain Capital team, and our advisors to design and implement a restructure of the business and operations of the Virgin Companies so that they will be viable following exit from voluntary administration. While Bain Capital's discussions with key stakeholders and contractual counterparties of the Virgin Companies are substantially progressed, the relatively short extension of the Convening Period sought would also assist in enabling further negotiations with contractual counterparties and stakeholders to be finalised in advance of the Second Meetings.

22. If the Report is issued on the fifth business day before the Second Meetings, the orders sought in relation to the time by which lodgement of proofs of debt and proxy and attorney forms are required would provide creditors of the Virgin Companies' with little time to consider the Report before the proposed cut-off dates. In circumstances where an extension is granted, however, the Administrators intend to issue the Report 8 business days prior to the Second Meetings.

COMMITTEE OF INSPECTION

23. Pursuant to the 24 April Orders and the 13 May Orders, the Court ordered that one committee of inspection be formed in respect of the Virgin Companies (other than VAH Newco 2 and VB Investco, which did not have administrators appointed at the time) (**Committee of Inspection**).
24. On 12 May 2020, the creditors resolved that 36 creditors of the Virgin Companies are members of the Committee of Inspection (see paragraph 23 of the Sixth Affidavit).
25. I presided at a meeting of the Committee of Inspection held on 31 July 2020 at 11.00am (**31 July Meeting**). At the 31 July Meeting, there were 32 members of the Committee of Inspection in attendance. I informed the Committee of Inspection that the Administrators would make an application to the Court seeking the relief sought in the Application. No objection to that course was made by any member of the Committee of Inspection at the meeting.

CORRESPONDENCE WITH LAWYERS FOR BANK OF NEW YORK MELLON

26. On 28 July 2020 my solicitors, Clayton Utz, received a letter from Corrs Chambers Westgarth, Perth (**CCW**) who act for Bank of New York Mellon (**BoNY**). A copy of that letter is exhibited at **Tab 4 of Exhibit VNS-5**. BoNY is the trustee named in the indentures dated 17 October 2016 and 7 November 2019 governing the USD note issuance by Virgin Australia Holdings Limited. In their letter CCW say "*We would urge*

your client to re-consider the timing of the second meeting of creditors and the publication of the notice of meeting and the report to creditors and request that your client provide an absolute minimum of 10 business days between the issue of the notice of meeting (and the report to creditors) and the meeting so that all creditors are given a proper opportunity to consider and vote on any resolutions". Following receipt of the letter from CCW, my solicitors sent a short email to CCW, a copy of which is exhibited at **Tab 5 of Exhibit VNS-5**. Jeremy Hollingsworth of BoNY attended the meeting of the Committee of Inspection on 31 July 2020 at which the Administrators' intention to seek an extension of the convening period was considered by the Committee.

27. At 1.30pm on 4 August 2020 I also attended a telephone conference with Mr Hollingsworth and his solicitors (CCW and Allen & Overy LLP) at which I explained the Administrators' intention to seek a short extension of the convening period for the principal purpose of allowing creditors more time to consider the Report.
28. While the Administrators do not consider that they can seek extensions of the convening period solely because the statutory timeframe does not align with a creditor's internal voting or administrative timetable, I believe that the extension of the convening period sought in this application will address, in large part, the timing concerns raised by BoNY. Further, while BoNY is the trustee named in the indenture for the USD Notes, the Administrators have, for some time, been working with their US lawyers (Akin Gump Strauss Hauer & Feld LLP) to facilitate voting by the USD Noteholders directly through the Depository Trustee Company (**DTC**) process which is referred to in 28 July 2020 letter from CCW. In anticipation of the Second Meetings and in connection with the upcoming voting process for USD Noteholders the Administrators have established a USD Senior Note Voting Record Date of 7 August 2020 at 5:00 pm New York time. Exhibited at **Tab 6 of Exhibit VNS-5** is a copy of an email dated 3 August 2020 from my US lawyers, Akin Gump, to BoNY and its solicitors, attaching a notice of a USD Senior Note Voting Record Date of 7 August 2020 at 5:00 pm New York time. This notice was posted to Deloitte's Virgin Australia dedicated webpage, distributed to 342 parties who have registered with Akin Gump as a noteholder, custodian or other noteholder representative, distributed to all noteholders that have registered on the Halo Platform and filed on the docket in the Virgin Australia Chapter 15 proceedings in the United States. It is the Administrators' intention to commence the DTC process with the distribution of ballots prior to the release of the 75-225 Report. This will enable the nominee-intermediary to forward the ballots to the beneficial owners of the notes in advance of the release of the 75-225 Report, maximizing the time the beneficial owners have to consider the report and expeditiously return the ballots. The Administrators

designed this phased approach to ensure greater voting participation by the USD Noteholders.

NOTEHOLDERS CONSULTATIVE COMMITTEE

29. I presided at a meeting of the Noteholders Consultative Committee (**NCC**) held on 6 August 2020 at 10.30am (**NCC Meeting**). At the NCC Meeting, I informed the NCC that the Administrators would make an application to the Court seeking the relief sought in the Application. No objection or concerns to that course was made by any member of the NCC.

NO PREJUDICE TO CREDITORS

30. Given the scale and complexity of the administrations of the Virgin Companies, the Administrators are of the view that any limited prejudice that might be caused to creditors (including employees and real and personal property lessors) by a 13 day extension of the statutory moratorium provided by Part 5.3A of the Corporations Act is greatly outweighed by the benefits to creditors conferred by the additional time available to:
- (a) review and consider the Report and consider how a vote as to the future of the Virgin Companies should be exercised; and
 - (b) utilise the Halo Platform to lodge proofs of debt and proxy forms and thereby ensure they are able to participate at the Second Meetings.
31. In the Administrators' opinion, the period sought for the extension is for the shortest period possible to deliver those benefits and no specific prejudice will be suffered by the creditors of the Virgin Companies if the Convening Period is extended. In addition, as noted in my Seventh Affidavit at paragraph 21, Bain Capital assumed economic risk for the business conducted by the Virgin Companies on and from 1 July 2020 and are funding the ongoing trading of the business. Accordingly, the net assets realised before that date for the benefit of creditors have been preserved. In that context, a modest extension of the convening period (as is sought) will not expose the Virgin Companies to any additional financial risk. The Virgin Companies are funded to meet all trading liabilities throughout any extension of the convening period.
32. As mentioned in paragraphs 25 and 29 above, the proposed application to extend the Convening Period was approved by the Committee of Inspection and the NCC did not raise any objection.

SWEARING OF THIS AFFIDAVIT

- 33. 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.
- 34. I have been informed by Kassandra Suzann Adams, 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.
- 35. 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 7 August 2020)
 Before me:)

.....
 Signature of deponent

.....
 Signature of witness
 Kassandra Suzann Adams, solicitor

SCHEDULE 1

Federal Court of Australia
District Registry: New South Wales
Division: General

No. NSD 464 of 2020

IN THE MATTER OF VIRGIN AUSTRALIA HOLDINGS LTD (ADMINISTRATORS APPOINTED) ACN 100 686 226 & ORS

Plaintiffs

- First Plaintiffs: Vaughan Strawbridge, Salvatore Algeri, John Greig and Richard Hughes, in their capacity as joint and several voluntary administrators of each of the Second to Fortieth Plaintiffs
- Second Plaintiff: Virgin Australia Holdings Ltd (Administrators Appointed) ACN 100 686 226
- Third Plaintiff: Virgin Australia International Operations Pty Ltd (Administrators Appointed) ACN 155 859 608
- Fourth Plaintiff: Virgin Australia International Holdings Pty Ltd (Administrators Appointed) ACN 155 860 021
- Fifth Plaintiff: Virgin Australia International Airlines Pty Ltd (Administrators Appointed) ACN 125 580 823
- Sixth Plaintiff: Virgin Australia Airlines (SE Asia) Pty Ltd (Administrators Appointed) ACN 097 892 389
- Seventh Plaintiff: Virgin Australia Airlines Holdings Pty Ltd (Administrators Appointed) ACN 093 924 675
- Eighth Plaintiff: VAH Newco No.1 Pty Ltd (Administrators Appointed) ACN 160 881 345
- Ninth Plaintiff: Tiger Airways Australia Pty Limited (Administrators Appointed) ACN 124 369 008
- Tenth Plaintiff: Virgin Australia Airlines Pty Ltd (Administrators Appointed) ACN 090 670 965
- Eleventh Plaintiff: VA Borrower 2019 No. 1 Pty Ltd (Administrators Appointed) ACN 633 241 059

Twelfth Plaintiff:	VA Borrower 2019 No. 2 Pty Ltd (Administrators Appointed) ACN 637 371 343
Thirteenth Plaintiff:	Virgin Tech Pty Ltd (Administrators Appointed) ACN 101 808 879
Fourteenth Plaintiff:	Short Haul 2018 No. 1 Pty Ltd (Administrators Appointed) ACN 622 014 831
Fifteenth Plaintiff:	Short Haul 2017 No. 1 Pty Ltd (Administrators Appointed) ACN 617 644 390
Sixteenth Plaintiff:	Short Haul 2017 No. 2 Pty Ltd (Administrators Appointed) ACN 617 644 443
Seventeenth Plaintiff:	Short Haul 2017 No. 3 Pty Ltd (Administrators Appointed) ACN 622 014 813
Eighteenth Plaintiff:	VBNC5 Pty Ltd (Administrators Appointed) ACN 119 691 502
Nineteenth Plaintiff:	A.C.N. 098 904 262 Pty Ltd (Administrators Appointed) ACN 098 904 262
Twentieth Plaintiff:	Virgin Australia Regional Airlines Pty Ltd (Administrators Appointed) ACN 008 997 662
Twenty-first Plaintiff:	Virgin Australia Holidays Pty Ltd (Administrators Appointed) ACN 118 552 159
Twenty-second Plaintiff:	VB Ventures Pty Ltd (Administrators Appointed) ACN 125 139 004
Twenty-third Plaintiff:	Virgin Australia Cargo Pty Ltd (Administrators Appointed) ACN 600 667 838
Twenty-fourth Plaintiff:	VB Leaseco Pty Ltd (Administrators Appointed) ACN 134 268 741
Twenty-fifth Plaintiff:	VA Hold Co Pty Ltd (Administrators Appointed) ACN 165 507 157
Twenty-sixth Plaintiff:	VA Lease Co Pty Ltd (Administrators Appointed) ACN 165 507 291
Twenty-seventh Plaintiff:	Virgin Australia 2013-1 Issuer Co Pty Ltd (Administrators Appointed) ACN 165 507 326
Twenty-eighth Plaintiff:	737 2012 No.1 Pty. Ltd (Administrators Appointed) ACN 154 201 859

Twenty-ninth Plaintiff:	737 2012 No. 2 Pty Ltd (Administrators Appointed) ACN 154 225 064
Thirtieth Plaintiff:	Short Haul 2016 No. 1 Pty Ltd (Administrators Appointed) ACN 612 766 328
Thirty-first Plaintiff:	Short Haul 2016 No. 2 Pty Ltd (Administrators Appointed) ACN 612 796 077
Thirty-second Plaintiff:	Short Haul 2014 No. 1 Pty Ltd (Administrators Appointed) ACN 600 809 612
Thirty-third Plaintiff:	Short Haul 2014 No. 2 Pty Ltd (Administrators Appointed) ACN 600 878 199
Thirty-fourth Plaintiff:	VA Regional Leaseco Pty Ltd (Administrators Appointed) ACN 127 491 605
Thirty-fifth Plaintiff:	VB 800 2009 Pty Ltd (Administrators Appointed) ACN 135 488 934
Thirty-sixth Plaintiff:	VB Leaseco No 2 Pty Ltd (Administrators Appointed) ACN 142 533 319
Thirty-seventh Plaintiff:	VB LH 2008 No. 1 Pty Ltd (Administrators Appointed) ACN 134 280 354
Thirty-eighth Plaintiff:	VB LH 2008 No. 2 Pty Ltd (Administrators Appointed) ACN 134 288 805
Thirty-ninth Plaintiff:	VB PDP 2010-11 Pty Ltd (Administrators Appointed) ACN 140 818 266
Fortieth Plaintiff:	Tiger International Number 1 Pty Ltd (Administrators Appointed) ACN 606 131 944

Summary of the Deed of Company Arrangement (DOCA) proposed by Broad Peak and Tor (“Bondholder DOCA”) for review by Noteholders¹

A. Highlights

Broad Peak and Tor, in their capacity as significant Noteholders, have submitted a DOCA proposal to the Administrators and we are requesting other noteholders to consider joining our group to support this DOCA on the essential terms set out below.

- Honouring full employee entitlements of ~A\$450 million:
 - Cash needed to pay the entitlements of non-continuing employees fully covered by the proposed new funding;
 - All entitlements for continuing employees to be fully honoured.
- A continuing workforce of approximately two-thirds of the current staff.
- A focussed fleet comprising all, or substantially all, of the existing 737 aircraft.
- Honouring Velocity program obligations in full.
- Honouring travel credits in full.
- Virgin to return to ASX-listed company with no need for future sale to long-term owner or relisting;
- Virgin to remain headquartered in Queensland.
- Backing of the existing Virgin executive management team.
- Support for Virgin management’s restructuring plan.
- Significant reduction in net debt of more than A\$3bn compared to pre-Administration levels.
- All Noteholders and other unsecured creditors receive equity in satisfaction of their claims.
- Repayment of the interim funding provided to the Administrator
- New funding support (in the form of a convertible note) for operations and payouts under the DOCA, of circa A\$800 million to support the business of the restructured airline. This will be underwritten by Broad Peak and Tor but will be offered on a pro-rata basis to all the compromised unsecured creditors.

The Bondholder DOCA proposal provides significant and unique benefits:

- Optimal recovery for unsecured creditors;
- Opportunity for all compromised unsecured creditors (including lessors, landlords, and other trade creditors) to participate in the new money facility to maximize recoveries
- Expected day 1 recovery for noteholders who elect to participate in new money raising of 50-67 cents in the dollar.
- Expected day 1 recovery for noteholders who elect not to participate in new money raising of 38-47 cents in the dollar

¹ The material in this summary has been based on publicly available information.

- More than 5,500 investors becoming equity holders of ASX-listed shares.
- Diversified shareholder base capable of supporting future capital requirements, thus maximising financial flexibility to cope with any unforeseen developments during the post-COVID recovery period, as highlighted by the ongoing situation in Victoria.
- Transaction structure which allows unsecured creditors to choose time of recovery:
 - Immediately for those that want cash, or
 - Later for those thinking it would be better to wait for airlines to return to normal.
- Matching a good operating plan to a de-levered sustainable capital structure.

It is important to note that while Broad Peak and Tor have the financial capacity to underwrite this DOCA proposal, all noteholders and, other unsecured creditors will be afforded the opportunity to participate in the new money structure.

Broad Peak and Tor are not looking to control the company or run the business and will look to appoint a truly independent board.

The equity will be re-allocated via the well-worn legal path of a section 444GA Corporations Act 2001 order.

B. Details of the proposal

The Bondholder DOCA proposal is underpinned by a detailed analysis of Virgin's existing business, an assessment of its relative strengths and weaknesses to determine areas where the business should be focussed in the post-COVID environment and valuation assessments based on comparisons with global airlines. We have worked with an expert team of professionals with significant airline operating and turnaround expertise and have a high level of confidence in our plan.

1) Business plan

In our view, Virgin's strengths lie in its domestic business, supplemented by a streamlined international business that is focussed on servicing nearby segments such as New Zealand and Bali. In FYE June 2019 and 1H ended Dec 2019, almost all the earnings of the business came from these segments, with Tiger Air and long haul international business being either a drag or not a meaningful contributor to earnings. As such, our plan envisages a go-forward business that is focussed on the domestic market and supporting that with key nearby international destinations which will also only gradually be added once international borders re-open. We would also expect the business to work with Australian regional operators to provide much needed services to the small number of markets from which the Company will withdraw as a result of airport runway capability and levels of demand constraining its service with a single aircraft fleet.

Prior to entering Administration, Virgin had a complicated fleet structure, spread across several aircraft types. Our plan envisages a fleet based on a single aircraft type, the 737s, which will simplify operations significantly and lead to additional cost savings.

Our plan envisages retaining substantially all of the 737s and returning the remaining aircraft. **We look forward to negotiating mutually acceptable terms with the existing lessors of these 737s to put in place appropriate payment structures (such as power-by-the-hour) during the ramp up period and appropriate lease terms over the longer term. With financiers and lessors of aircraft that are not going to be part of the go-forward fleet, we look forward to engaging with them to agree appropriate post-mitigation claims which will rank alongside those of all the noteholders and other unsecured creditors and will receive the same recovery under the Deed of Company Arrangement.**

Our plan involves retaining approximately two-thirds of the existing ~9,000 employees to support the revitalised and right-sized airline. Our plan involves paying all employee entitlements in full for

employees who cannot be part of the continuing operations and preserving in full the entitlements of employees who continue to be employed. **We look forward to working closely with employee organisations to ensure a sustainable transition during the ramp up phase to normalised flying conditions.**

Based on our analysis, we estimate that an approximately A\$800m injection of funds will place the company on a strong footing to manage through the ramp up period and maintain an adequate cushion for unforeseen challenges. **We are committed to under-writing this injection in the form of convertible notes though this funding will be open to all unsecured creditors to participate in on a pro-rata basis under our plan.**

In addition, we will retain the company as a listed entity, with a significantly de-gearred balance sheet which would maximise its financing flexibility to raise additional funding in the future, should it be needed. This is not envisaged as something that will be needed under our plan but at the same time, we recognise the potential uncertainties. The experience of broadly held airlines such as Qantas and American Airlines which have raised significant amounts of additional capital from the financial markets in recent months corroborates the significant benefits of retaining Virgin as a listed entity with a broadly diversified investor base and significantly reduced leverage. This latter point is very important since we believe that Virgin's concentrated shareholder base was partly the reason why it could not raise financing earlier in the year to avoid going into Administration.

2) Valuation of the Company

Based on our business plan for Virgin, we estimate the current enterprise value of the business, immediately upon completion of the Administration, to be approximately A\$3.5-4.0 billion. The key variables driving this valuation are

- i) Our estimated EBITDAR for the company post-normalisation; and
- ii) The appropriate EV/EBITDAR multiple to be applied to this EBITDAR estimate based on current multiples of 2022 "undisturbed" forecast EBITDAR of other comparable airlines.

In our view, it is reasonable to assume that FY2022 will be the first normalised year of operations. This is consistent with consensus forecasts for Virgin's direct competitor such as Qantas as well as for other global airlines. In the table below, we show revenue and EBITDAR forecasts for major airlines as compared to their revenue and EBITDAR for the pre-COVID period. This clearly shows that the market is pricing in an expected recovery on a similar basis as that included in our estimates. In fact, one could argue that Virgin should see a faster recovery given its focus on the domestic business as compared to other airlines where international travel has been and will continue to be a significant driver of revenues and earnings and which is likely to take longer to recover to pre-COVID levels.

EBITDAR	LTM Dec-19 local ccy	FY22 (f) local ccy
Qantas	3,415	2,798
Air New Zealand	1,136	1,088
American Airlines	7,095	5,078
United Airlines	7,066	5,074
Delta Air Lines	9,732	7,163
Southwest Airlines	4,303	3,843
EasyJet	965	1,089
Ryan Air	1,876	1,795

Source: Bloomberg (5 Aug 2020), Company Filings

Notes:

Aus, NZ and US airlines EBITDAR estimate for 12 months ending June 2022

Easy Jet EBITDAR estimate for 12 months ending Sept 2022

Ryan Air EBITDAR estimate for 12 months ending March 2022

Revenue	LTM Dec-19 local ccy	FY22 local ccy
Qantas	18,224	12,969
Air New Zealand	5,873	4,236
American Airlines	45,768	33,805
United Airlines	43,259	31,885
Delta Air Lines	47,007	34,435
Southwest Airlines	22,428	18,451
EasyJet	6,385	6,086
Ryan Air	8,495	7,147

Source: Bloomberg (5 Aug 2020), Company filings

Notes:

Aus, NZ and US airlines Revenue estimate for 12 months ending June 2022

Easy Jet Revenue estimate for 12 months ending Sept 2022

Ryan Air Revenue estimate for 12 months ending March 2022

When we compare Virgin's pre-COVID business, its profitability was largely driven by the domestic business, with a smaller contribution from its international business which in turn came largely from the short haul international routes. As such, even with a reduced fleet and simplified business that will be focussed on those businesses, we believe that in the medium-term Virgin will retain at least the same earnings capacity as in the pre-COVID environment. In addition, Virgin will benefit from the cost saving initiatives that management had already embarked upon prior to the company going into administration as well as from additional savings that will arise as a result of having a simpler and more streamlined business. As such, compared to the company's EBITDAR of A\$943m for FY18 A\$844m for FY19, we believe that an EBITDAR of approximately A\$1 billion for the financial year ending in June 2022 (which we are estimating as the first full year of normalised operations) is a reasonable basis to assess the value of the business.

We have applied a 3.5-4.0x multiple to our estimated FY22 EBITDAR for the airline, a conservative assumption vis-à-vis where comparable airlines around the world are being valued currently as shown in the table above and arrive at **an Enterprise Value of A\$3.5-4.0 billion for the company**. This multiple is at the low end of the range as can be seen below and one could again argue that a domestically focussed airline with a clean and streamlined business and cost structure should trade at a premium. However, we have conservatively used the low end of the range for the purposes of our plan though all the unsecured creditors who will get equity in return for their claims can choose to hold on to the equity to maximise value over time.

EV / EBITDAR	Estimated Current EV Local ccy	LTM Dec-19	FY22
Qantas	10,756	3.1x	3.8x
Air New Zealand	4,382	3.9x	4.0x
American Airlines	36,069	5.1x	7.1x
United Airlines	26,799	3.8x	5.3x
Delta Air Lines	31,451	3.2x	4.4x
Southwest Airlines	15,487	3.6x	4.0x
EasyJet	4,099	4.2x	3.8x
Ryan Air	13,065	7.0x	7.3x
Average		4.2x	5.0x

Source: Bloomberg (5-Aug-20), Company Filings

Notes:

EV based on latest available net debt numbers

Ryan Air EV based on estimated net debt as of Sept '20

Relative to this Enterprise Value, we estimate the net debt of the company upon completion of the Administration to be approximately A\$2 billion, comprising

- i) Debt/leases associated with the fleet of 737s that will be continued; as indicated, we look forward to engaging with the financiers and lessors to finalise terms for these;
- ii) Debt owed to the Velocity group of companies; we look forward to engaging with the management of Velocity and the Trustee of the Velocity Trust to agree terms on which the existing financing arrangements between Virgin and Velocity can continue;
- iii) New money injection of circa A\$800m, in the form of convertible notes; and
- iv) Other secured debt that gets crystallised as a result of guarantees and LCs being called for example, on terminated leases; and
- v) Offset by significant cash in hand upon completion of the Administration.

This implies equity value of approximately A\$1.5-2.0bn which will be available to be distributed pro-rata in the form of listed shares to all the unsecured creditors. For those who are unable to hold shares in the relisted company, a managed book build will be undertaken to provide an exit option to monetise their shares.

3) Distributions to different stakeholders

We estimate a total pool of unsecured creditors of approximately A\$3 billion, comprising

- i) A\$ and US\$ bondholders
- ii) Post-mitigation claims of lessors and financiers whose aircrafts are returned
- iii) Other unsecured claimants such as trade creditors and other financiers who have an unsecured exposure to the company

Entitlements of employees who cannot continue to employed under this plan will be fully paid out. All the entitlements of continuing employees will be honoured in full. We look forward to working with management, employees and unions to chart a fair pathway forward for Virgin following its return to the ASX, including possible employee representation at board level if supported by employees and their representatives.

We have also provided for circa A\$100m to cover payments to critical trade creditors as part of our proposal and we look forward to discussing with management and with the relevant creditors to finalise this amount. Together with the payouts to employees, we estimate circa A\$250m in cash payout to employees who cannot continue with the company and to priority creditors in full satisfaction of their claims.

Any interim funding drawn down by the Administrators will also be repaid in full.

The entire equity, valued at A\$1.5-2.0bn, will be distributed to the other unsecured creditors including the Noteholders. All these creditors will also get a pro-rata right to participate in the new money financing. After factoring in the new money of A\$800m in the form of convertible notes, the fully diluted equity value of the company will be A\$2.3-2.8 billion and this implies a recovery of 50-67 cents in the dollar for unsecured creditors. For creditors that do not participate in the new money facilities, their estimated recovery will be in the range of 38-47 cents as shown in the table below.

(A\$ million)		
Estimated FY22 EBITDAR	1,000	1,000
Estimated EV/EBITDAR Multiple (x)	3.5	4.0
Enterprise value (upon conclusion of Administration)	3,500	4,000
Estimated Net Debt (including new money funding)	- 2,000	- 2,000
Estimated Equity Value (A)	1,500	2,000
Amount raised through Convertible Note (B)	800	800
Fully diluted Equity Value (C)	2,300	2,800
Fully diluted equity stake attributable to the Convertible Note	50%	50%
Fully diluted equity Stake available to existing unsecured creditors	50%	50%
Equity value available to existing unsecured creditors (D)	1,150	1,400
Estimated Unsecured Creditors - Priority (including payouts to employees)	250	250
Estimated Unsecured Creditors - Others (E)	3,000	3,000
Total Unsecured Creditor Claims to be paid out or converted to equity (F)	3,250	3,250
Recovery for Other Unsecured Creditors		
Creditors who participate pro-rata in the new money financing [(C-B)/E]	50%	67%
Creditors who do not participate pro-rata in the new money financing [D/E]	38%	47%

In addition, we are aware that the Company had entered into contracts with Boeing for new 737 MAX aircraft, delivery of which had been deferred to 2021 and beyond. We are seeking to engage with the Virgin management team and Boeing to assess how these contracts need to be adjusted in light of our plan and the requirements of the Company, going forward. In the event of a potential claim for damages arising under these contracts, our DOCA will likely provide for a separate pool from which a return from any such claim would be satisfied.

C. The way forward

We strongly believe that the bondholders' DOCA Proposal provides the ideal solution for Virgin and maximises recovery for its creditors, many of whom had funded the airline in good faith as recently as the last quarter of 2019. It also allows the Australian "mum and dad" investors in the recently issued retail note the greatest optionality and ability to retain an interest in the business. Many of these constituents are eager to retain an interest in the business in the form of listed equity.

Further, the proposed new low-leverage structure provides the best form for an airline to navigate the uncertainties of the period from now until a normalisation of the aviation market post COVID-19.

The bondholders are seeking access to Virgin stakeholders and information to enable the DOCA proposal to be finalised before the second creditors' meeting and to avoid any conditions. These stakeholders include employees, the Velocity Trustee, and the lessors and other financiers. When the Administrators categorise the bondholder DOCA and recapitalisation proposal as "uncertain" and "conditional" they are only referring to our request to allow us to have those confirmatory discussions in order to finalise our proposal.

To be clear, all of the outstanding conditions of the bondholder proposal are wholly within the control of the Administrators and which have been denied to us thus far despite our multiple requests in this regard. In our DOCA proposal, the only conditions are:

- Discussions with employee unions to confirm the plan for employees to be retained by Virgin and appropriate working arrangements during the ramp-up period;
- Access to the Company's key financing banks to discuss and agree on the terms for continuing the company's merchant facilities and guarantee/LC facilities, as needed, with them after the Administration.
- Meeting with aircraft lessors and other financiers to discuss and agree the reasonable amendments to continuing leasing and financing arrangements for the relisted company.
- Discussion with the Velocity Trustee to confirm the financing arrangements between Velocity and Virgin after the conclusion of the Administration period;
- The Administrators allow us to share our confidential financial modelling with other noteholders who wish to participate and the supporting documents for that proposal (so that those noteholders can make an informed decision about whether to participate); and
- Discussions with QIC to confirm whether they are still prepared to provide financing support for the relisted Virgin companies as offered to the two other bidders. Our proposal does not assume any such support; however, we would welcome a discussion with them to assess the possibility of including such support, if available, in our proposal.

In order for us to complete the above and present a binding DOCA, we are also requesting

- Meetings with the Virgin management team to verify our principal financial and operating assumptions and obtain an update on the latest cash flow position of the company; and
- Assistance, from the Administrators of Virgin, only in so far as is necessary to get access to key stakeholders and obtain the confirmations listed above.

In each case, we believe that if the Administrators co-operate with us, we can finalise our diligence and present Virgin creditors with an unconditional DOCA at the proposed second meeting of creditors which will result in the best possible recovery for all creditors. We have been requesting this access and information to confirm the conditions outlined above from the Administrators but have not been given any assistance in this regard while we understand the two shortlisted bidders had been provided with all such access and information and Bain Capital continues to actively engage with all of these stakeholders to finalise its plan.

We believe that our DOCA proposal represents the best opportunity for Virgin. We are well positioned to deliver our DOCA proposal in a timely manner and are well-capitalised and committed to advancing this proposal in a constructive and co-operative way. Evidence of our financial capacity has been provided to the Administrators.

We welcome the opportunity to discuss any aspect of this our DOCA proposal with the Administrators and look forward to advancing this matter on a co-operative basis.