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28 July 2020

Attention: Orla McCoy
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SYDNEY NSW 2000

Contact
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Copy to: Vaughan Strawbridge, Richard Hughes, John Greig and Salvatore Algeri as joint and several administrators of Virgin Australia Holdings and subsidiaries (in voluntary administration)
Level 9 Grosvenor Place
225 George Street
SYDNEY NSW 2000

Dear Sirs

Virgin Australia Holdings Limited and subsidiaries (in voluntary administration)

We act for The Bank of New York Mellon, which is the trustee in respect of the following notes issued by Virgin Australia Holdings Limited and guaranteed by a number of its subsidiaries:

(a) US$350,000,000 7.875 per cent. Senior Notes due 2021 pursuant to an indenture dated 17 October 2016; and
(b) US$425,000,000 8.125 per cent. Senior Notes due 2024 pursuant to an indenture dated 7 November 2019.

We refer to the circular to creditors dated 17 July 2020 (**17 July Circular**).

Our client has attempted on numerous occasions now to engage with the administrators as to the procedure for voting at the second creditors' meeting and the notice that will be provided to creditors. As our client has explained to the administrators, this is particularly important because on some of the resolutions at the second meeting of creditors noteholders will need to vote individually, and on other resolutions our client will only be able to vote at the second creditors meeting if so instructed by the noteholders. It is therefore critical that sufficient time is allowed for noteholders to vote and for noteholder instructions to be solicited and our client believes that the administrators have not recognised this to date. Your client has repeatedly rescheduled our calls and has not to date engaged with our client. Our client is concerned that little time has been left before

the date the administrators have indicated for the second meeting of creditors for all of the issues around noteholder voting to be adequately addressed.

In the 17 July Circular, your client stated that they anticipate holding a second meeting of creditors on 26 August 2020, but that the notice convening the second meeting of creditors (which will set out the resolutions to be voted on at the second meeting of creditors) and your client's report to creditors will not be issued until 19 August 2020. This is 5 business days before the second meeting of creditors, which is the minimum required by rule 75-225 of the *Insolvency Practice Rules (Corporations) 2016* (Cth).

The voluntary administrations of the Virgin Australia group are complex. They concern 39 companies, which the administrators have categorised into 6 operational sub-groups. There are a large number of creditors involved in the process. At the beginning of the administration, the administrators identified that there were more than 10,000 creditors and anticipated that there may be more than 12,000 creditors. Creditors are owed in total in excess of $AU 7.4 billion. Given the size of the Virgin Australia group administrations and also the need to conduct creditors' meetings electronically, the administrators have previously expressed concern about the inefficiencies and challenges of voting at creditors' meetings, in particular the difficulty of conducting polls at creditors' meetings (we refer to the affidavit of Mr Strawbridge dated 23 April 2020).

As you know, the second meeting of creditors is an important meeting at which creditors of Virgin Australia Holdings Limited and its subsidiaries will vote on resolutions as to the future of the companies, including as to whether any proposals for deeds of company arrangement should be entered into. Accordingly, it is critical that creditors have a reasonable opportunity to understand the information provided in your client's report so that they can vote on an informed basis at the second meeting of creditors.

At this stage, we understand that there may be competing deeds of company arrangement proposals, one from Bain Capital and another from a group of the noteholders, and that the proposals may provide substantially different dividend outcomes to the noteholder creditor class. This makes it even more critical that creditors are given a reasonable opportunity to assess the different proposals and submit proxies.

The noteholder creditor class is the largest unsecured group of creditors, which according to the 17 July Circular are owed $AU1.988 billion. The US$ noteholder class are owed approximately $AU1.086 billion. Accordingly, it is important that creditors, and, in particular, the noteholder creditor class, are given adequate opportunity to:

(a) properly consider the report to creditors, and the resolutions proposed to be voted on at the meeting, and obtain any necessary legal or financial advice; and
(b) submit their proxies for voting on the resolutions for the second creditors' meeting, and/or for the $US Notes to instruct our client to vote on the resolutions.

As you know, our client provides professional trustee services for note issues and as such has considerable experience in communicating with noteholders and arranging voting by noteholders. Based on that experience, our client's view is that if the notice of meeting and report to creditors are issued only 5 business days before the meeting, the US$ noteholders will not have sufficient time to properly consider the content of those documents and submit their proxies for voting purposes. In fact, 5 business days is unlikely

to be sufficient time for many of the US$ noteholders even to receive and respond to the proposal (due to the mechanism by which our client is required to communicate with them), without allowing any time for them to be able properly to consider its implications. Our client has communicated this view to the administrators on a number of occasions, including during the first week of the administration.

Further, we note that the US$ Notes are cleared through The Depository Trust Company (**DTC**), and any solicitation for votes from the noteholders will need to comply with DTC's rules. Based on our client's experience, DTC does not permit a solicitation process of less than 5 business days. As (i) our client will need to receive and process the notice of meeting and report to creditors and prepare its own notice soliciting noteholder instructions before sending the package to DTC and (ii) due to the timezones involved, a deadline for noteholder responses will necessarily have to be set in advance of the second meeting of creditors, it appears likely that materially less than 5 business days will in practice be available for the DTC solicitation process. If so, DTC will not accept the consent solicitation and the noteholders will be denied any right to vote on the proposals.

Even if a solicitation process can be conducted, our client's experience is that only a small minority of noteholders (approximately 20-30%) are likely to submit proxies if only 5 business days' notice is given. This is due to the time it takes for the proposal to reach the holders and for them to send back responses, as mentioned above. So, allowing such a short period of time between the notice and the second meeting of creditors is likely to have the effect of disenfranchising a majority of the noteholder creditor class, and denying them the proper opportunity to vote on the future of Virgin Australia Holdings Limited and its subsidiaries.

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. We understand that this may require a short extension of the convening period, but given the complexity of these administrations and the impact on the creditors, it is highly likely that this extension would be granted.

If your client intends to make any further applications to the court in relation to notice periods, voting or the conduct of the second meeting of creditors, we request that you provide our client with prior notice of such applications, and that your client engage with our client as to the substance of those applications and provide our client, or the noteholders, with an opportunity to be heard. In that regard, we further request that, should your client bring such court applications, it bring this letter to the attention of the court. We remind your client (and you) as to your obligations of full disclosure and candour on ex parte applications.

In accordance with our client's obligations as trustee, it will now proceed to inform noteholders of our concerns on what is proposed in the 17 July Circular, our client's attempts to engage with the administrators on these concerns and the rescheduling by the administrators of our calls, and this request for a longer period for creditors to consider the position and effectively vote on the resolutions.

Our client will also seek direction from the noteholders as to whether it should apply to the court for orders extending the notice period for the second meeting of creditors, if the administrators do not confirm by 5pm on Thursday 30 July 2020 that they will give the noteholders sufficient time to reasonably consider and vote on the report and resolutions before the meeting.

Our client continues to reserve all of its rights.

Yours faithfully
Corrs Chambers Westgarth

Corrs Chambers Westgarth

Michelle Dean
Partner