Virgin America Inc.
Form PREM14A
April 22, 2016
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

**VIRGIN AMERICA INC.**

**(Name of Registrant as Specified in its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

**Common Stock, par value $0.01 per share, of Virgin America Inc.**

(2) Aggregate number of securities to which transaction applies:

As of April 18, 2016, (a) 44,577,959 shares of Company Common Stock issued and outstanding, (b) 511,232 shares of Company Common Stock underlying options to purchase shares of Company Common Stock (assuming maximum level achievement with respect to any performance conditions) with an exercise price below $57.00; (c) 663,085 shares underlying restricted stock units (assuming maximum level achievement with respect to any performance conditions); and (d) 313,824 shares underlying restricted stock awards (assuming maximum level achievement with respect to any performance conditions).

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Solely for the purpose of calculating the filing fee, the underlying value of the transaction was calculated based on the sum of: (a) 44,577,959 shares of Company Common Stock outstanding multiplied by $57.00 per share; (b) 511,232 shares of Company Common Stock underlying options to purchase shares of Company Common Stock (assuming maximum level achievement with respect to any performance conditions) multiplied by $42.00 per share (which is the difference between $57.00 and $15.00, the weighted average exercise price of such options); (c) 663,085 shares underlying restricted stock units (assuming maximum level achievement with respect to any performance conditions) multiplied by $57.00 per share; and (d) 313,824 shares underlying restricted stock awards (assuming maximum level achievement with respect to any performance conditions) multiplied by $57.00 per share. In accordance with Section 14(g) of the Exchange Act, as amended, the filing fee was calculated by multiplying the aggregate value of the transaction by 0.0001007.

(4) Proposed maximum aggregate value of transaction:

$2,618,099,959.06

(5) Total fee paid:

$263,642.67

¨ Fee paid previously with preliminary materials.

¨

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date Filed:

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**PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION**

**DATED APRIL 22, 2016**

**VIRGIN AMERICA INC.**

**555 Airport Boulevard**

**Burlingame, California 94010**

, 2016

Dear Stockholder:

You are invited to attend a special meeting of stockholders of Virgin America Inc., a Delaware corporation (Virgin America, we or our ), on , 2016, at , Pacific time, to be held virtually, via live webcast at http://www.virtualstockholdermeeting.com/VA2016special.

At the special meeting, you will be asked to consider and vote upon three matters:

(i) a proposal to adopt the Agreement and Plan of Merger, dated as of April 1, 2016, by and among us, Alaska Air Group and the other parties thereto. If the merger is completed, Virgin America will become a subsidiary of Alaska Air Group and you will be entitled to receive $57.00, payable net to the holder in cash, without interest and less any applicable withholding taxes, for each share of Virgin America common stock that you own;

(ii) a proposal to adjourn the special meeting, if necessary, to solicit additional votes to approve the proposal to adopt the merger agreement if there are not sufficient votes at the time of the special meeting to adopt the merger agreement; and

(iii) a proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable to our named executive officers that is based on or otherwise relates to the merger.

After careful consideration, the board of directors of Virgin America unanimously determined that the merger and the other transactions contemplated by the merger agreement are fair to and in the best interests of Virgin America and its stockholders and approved and declared advisable the merger agreement, the merger and the other transactions contemplated by the merger agreement in accordance with the requirements of Delaware law.

**The board of directors of Virgin America unanimously recommends that you vote FOR the adoption of the merger agreement, FOR the proposal to adjourn the special meeting and FOR the non-binding, advisory proposal to approve certain compensation that will or may become payable to our named executive officers that is based on or otherwise relates to the merger.**

**Your vote is important.** It is important that your shares be represented and voted whether or not you plan to attend the virtual special meeting. You may submit a proxy over the Internet, by telephone or by completing and mailing the

enclosed proxy card. **Submitting a proxy over the Internet, by telephone or by written proxy will ensure your shares are represented at the special meeting.**

Sincerely,

David Cush

*President and Chief Executive Officer*

Don Carty

*Chairman of the Board*

The accompanying proxy statement is dated , 2016 and is first being mailed to stockholders on or about , 2016.

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**Neither the U.S. Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger or the merger agreement, passed upon the merits or fairness of the merger, or passed upon the adequacy or accuracy of the disclosure in the proxy statement. Any representation to the contrary is a criminal offense.**

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**VIRGIN AMERICA INC.**

**555 Airport Boulevard**

**Burlingame, California 94010**

## NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

**To Be Held on , 2016**

To the Stockholders of Virgin America Inc.:

We will hold a special meeting of stockholders of Virgin America Inc., a Delaware corporation ("Virgin America," "we" or "our"), virtually via live webcast at http://www.virtualstockholdermeeting.com/VA2016special on , 2016 at , Pacific time. During the virtual meeting, you may ask questions and will be able to vote your shares electronically. To participate, you will need the 16-digit control number we have provided on the proxy card. Additional directions for participating in the special meeting are available at http://www.virtualstockholdermeeting.com/VA2016special. We encourage you to allow ample time for online check-in, which will begin at , Pacific time. Please note that you will not be able to attend the special meeting in person. We will consider and act on the following proposals at the special meeting:

1. To adopt the Agreement and Plan of Merger, dated as of April 1, 2016, by and among Alaska Air Group, Inc., a Delaware corporation ("Alaska Air Group"), Alpine Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Alaska Air Group ("Merger Sub") and Virgin America (as it may be amended from time to time, the "Merger Agreement"), pursuant to which, upon the satisfaction or waiver of the conditions to closing set forth therein, Merger Sub will merge with and into Virgin America (the "Merger"), with Virgin America surviving the Merger as a subsidiary of Alaska Air Group (the "Merger Proposal"). Pursuant to the terms of the Merger Agreement, each outstanding share of Virgin America common stock, excluding shares owned by any holder who is entitled to demand and has properly demanded appraisal for such shares in accordance with, and who complies in all respects with, Section 262 of the General Corporation Law of the State of Delaware, treasury shares and shares held by Alaska Air Group, Merger Sub or any of their respective wholly-owned subsidiaries, will be cancelled and converted into the right to receive $57.00 in cash, without interest and less any applicable withholding taxes;

2. To approve the adjournment of the special meeting, if necessary, to solicit additional votes to approve the Merger Proposal, if there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement (the "Adjournment Proposal"); and

3. To approve on a non-binding, advisory basis, certain compensation that will or may become payable to our named executive officers that is based on or otherwise relates to the Merger (the Compensation Proposal), as disclosed pursuant to Item 402(t) of Regulation S-K in *The Merger Interests of Our Directors, Executive Officers and Affiliates in the Merger Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of the accompanying proxy statement.

The accompanying proxy statement and its annexes, including all documents incorporated by reference into the accompanying proxy statement, more fully describe these items of business. We urge you to read this information carefully.

**The board of directors of Virgin America unanimously recommends that you vote (1) FOR the Merger Proposal; (2) FOR the Adjournment Proposal; and (3) FOR the Compensation Proposal. The approval by Virgin America stockholders of the Merger Proposal is required to complete the Merger described in the accompanying proxy statement.**

We cannot complete the Merger unless the holders of a majority in voting power of the shares of our voting common stock, par value $0.01 per share (the Voting Common Stock) vote to adopt the Merger Agreement.

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The Adjournment Proposal will be approved if a majority of the votes cast by the shares of Voting Common Stock present or represented by proxy at the special meeting and entitled to vote on the subject matter vote in favor of the Adjournment Proposal, assuming a quorum is present. The Compensation Proposal will be approved if a majority of the votes cast by the shares of Voting Common Stock present or represented by proxy at the special meeting and entitled to vote on the subject matter vote in favor of the Compensation Proposal, assuming a quorum is present. The obligations of Virgin America and Alaska Air Group to complete the Merger are also subject to the satisfaction or waiver of several other conditions. We encourage you to read the accompanying proxy statement, including the annexes, in its entirety because it explains the proposed Merger, the documents related to the Merger and other related matters.

Only Virgin America stockholders of record of shares of our Voting Common Stock at the close of business on , 2016, the record date for the special meeting, are entitled to notice of and to vote at the special meeting and any adjournments or postponements of the special meeting. If you have any questions concerning the Merger, the special meeting or the accompanying proxy statement, need help voting your shares of Voting Common Stock, or would like additional copies, without charge, of the enclosed proxy statement or proxy card, please contact Virgin America s proxy solicitor MacKenzie Partners, Inc.:

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

Email to: proxy@mackenziepartners.com

Address: 105 Madison Avenue, New York, New York 10016

*Your vote is very important.* It is important that your shares be represented and voted whether or not you plan to attend the virtual special meeting. You may submit your proxy by completing and mailing the proxy card enclosed with the proxy statement, or you may grant your proxy electronically via the Internet or by telephone by following the instructions on the proxy card. You may also vote over the Internet during the virtual special meeting. If your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, you should instruct your broker, bank or nominee how to vote your shares using the voting instruction form furnished by your broker, bank or nominee. Submitting a proxy over the Internet, by telephone or by mailing a proxy card will ensure your shares are represented at the special meeting. If you do not vote or do not instruct your broker, bank or nominee how to vote, it will have the same effect as voting against the Merger Proposal.

**Please submit your proxy promptly whether or not you expect to attend the Virgin America virtual special meeting.**

By Order of the Board of Directors,

John J. Varley
*Senior Vice President, General Counsel and Secretary*

Burlingame, California

, 2016

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## SUMMARY

*This summary, together with the following section of this proxy statement entitled Questions and Answers About the Merger and the Special Meeting, highlights selected information from this proxy statement related to the proposed merger of Alpine Acquisition Corp. with and into Virgin America Inc. ( Virgin America, the Company, we, our, ours and us ) and may not contain all of the information that may be important to you. You should read carefully this entire proxy statement and all of its annexes. In addition, we incorporate by reference important business and financial information about Virgin America in this document. Each item in this summary includes a page reference directing you to a more complete description of that item. You may obtain without charge copies of documents incorporated by reference into this proxy statement by following the instructions under Where You Can Find More Information beginning on page 98.*

*In this proxy statement, we refer to Alaska Air Group, Inc. as Alaska Air Group, and Alpine Acquisition Corp. as Merger Sub. In addition, throughout this proxy statement we refer to the Agreement and Plan of Merger, dated as of April 1, 2016, by and among Virgin America, Alaska Air Group and Merger Sub as the Merger Agreement, and we refer to the merger of Merger Sub with and into Virgin America with Virgin America surviving as a wholly-owned subsidiary of Alaska Air Group as the Merger.*

**The Companies** (page 27)

***Virgin America Inc.***

555 Airport Blvd.

Burlingame, CA 94010

(650)-762-7000

www.virginamerica.com

Virgin America is a premium-branded, low-cost airline based in California that provides scheduled air travel in the United States and Mexico. We operate primarily from our focus cities of Los Angeles and San Francisco, with a smaller presence at Dallas Love Field (DAL), to other major business and leisure destinations in North America. We provide a distinctive offering for our passengers, whom we call guests, that is centered around our brand and our premium travel experience, while at the same time maintaining a low-cost structure through our point-to-point network and high utilization of our efficient, single fleet type consisting of Airbus A320-family aircraft.

Leveraging the reputation of the Virgin America brand, we target guests who value the experience associated with Virgin and the high-quality product and service that we offer. We have won numerous awards for our product, including Best Domestic Airline in *Travel + Leisure Magazine* s World s Best Awards and Best U.S. Airline in *Condé Nast Traveler Magazine* s Readers Choice Awards for the past eight consecutive years.

For additional information about Virgin America and our business, see the section entitled *Where You Can Find More Information* beginning on page 98 of this proxy statement.

***Alaska Air Group, Inc.***

19300 International Boulevard

Seattle, WA 98188

(206) 392-5040

www.alaskaair.com

Alaska Air Group operates Alaska Airlines, Inc. ( Alaska Airlines ) and Horizon Air Industries, Inc., which together with Alaska Airlines partner regional airlines, SkyWest Airlines, Inc. and Peninsula Airways, Inc., serve more than 100 cities through an expansive network in Alaska, Hawaii, the continental United States, Canada, Mexico and Costa Rica. In addition to enjoying Alaska Airlines network and low fares, its loyal customers can earn and redeem miles with partner airlines in the United States and across the world. Alaska

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Airlines offers award-winning customer service and industry-leading on-time performance and rewards its employees for contributing to its success through incentive pay. Alaska Airlines shows its commitment to environmental and community stewardship through ongoing efforts to improve fuel efficiency and extensive charitable endeavors in the communities it serves. The majority of Alaska Air Group s revenue is generated by transporting passengers. For additional information about Alaska Air Group and its business, see the section entitled *Where You Can Find More Information* beginning on page 96 of this proxy statement.

***Alpine Acquisition Corp.***

19300 International Boulevard

Seattle, WA 98188

(206) 392-5040

www.alaskaair.com

Alpine Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Alaska Air Group, was organized solely for the purpose of entering into the Merger Agreement with Virgin America and completing the Merger and has not conducted any business operations other than those incident to its formation and the transactions contemplated by the Merger Agreement. If the Merger is completed, Merger Sub will cease to exist following its merger with and into Virgin America.

**The Merger** (page 27)

Pursuant to the terms of the Merger Agreement that are described in this proxy statement and attached as Annex A, Virgin America will be acquired by Alaska Air Group. We encourage you to carefully read in its entirety the Merger Agreement, which is the principal document governing the Merger.

The Merger Agreement provides that Merger Sub will merge with and into Virgin America, with Virgin America continuing as the surviving corporation and a wholly-owned subsidiary of Alaska Air Group. Upon the completion of the Merger, each share of our voting common stock, par value $0.01 per share (the Voting Common Stock ) and our non-voting common stock, par value $0.01 per share (the Non-Voting Common Stock, and, together with the Voting Common Stock, the Company Common Stock ) outstanding (other than shares held by any holder who is entitled to demand and has properly demanded appraisal for such shares in accordance with, and who complies in all respects with, Section 262 of the General Corporation Law of the State of Delaware (the DGCL ), a copy of which is attached to this proxy statement as Annex D, treasury shares and shares held by Alaska Air Group, Merger Sub or any of their respective wholly-owned subsidiaries) will be converted into the right to receive $57.00, payable net in cash, without interest and less any applicable withholding taxes (the Merger Consideration ).

**Effect of the Merger on Virgin America Equity Awards** (page 66)

*Stock Options*. As of immediately prior to the effective time of the Merger, each unexpired and unexercised option to purchase Company Common Stock (the Company Options ) issued under any employee or director stock option, stock purchase or equity compensation plan, arrangement or agreement of the Company, including the Company s Amended and Restated 2005 Stock Incentive Plan and the Company s 2014 Equity Incentive Award Plan (collectively, the Company Stock Option Plans ), whether or not then exercisable or vested, will vest (in the case of a Company Option that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and

conditions applicable to the award) and be cancelled and, in exchange therefor, each former holder of any such cancelled Company Option will only be entitled to receive, in consideration of the cancellation of such Company Option and in full settlement therefor, a payment in cash of an amount equal to the product of (i) the total number of shares of Company Common Stock previously subject to such Company Option and (ii) the excess, if any, of the Merger Consideration over the exercise price per share previously subject to such Company Option (such amounts, the Option Payments), subject to all applicable federal, state and local tax withholdings and deductions.

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*Restricted Stock Units*. As of immediately prior to the effective time of the Merger, each outstanding award of restricted stock units granted pursuant to any Company Stock Option Plan (the Company RSUs ) will vest (in the case of a Company RSU that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and conditions applicable to the award) and become free of any restrictions and will be cancelled in exchange for the right to receive a payment equal to the Merger Consideration (such amounts payable hereunder being referred to as the RSU Payments ), subject to all applicable federal, state and local tax withholdings and deductions.

*Restricted Stock Awards*. As of immediately prior to the effective time of the Merger, each outstanding share of Company Common Stock granted pursuant to any Company Stock Option Plan that is subject to restrictions based on performance or continuing service (the Company RSAs ) will vest (treating for this purpose any performance-based vesting condition to which such Company RSA is subject as having been attained at maximum level), become free of any restrictions and be converted into the right to receive the Merger Consideration, subject to all applicable federal, state and local tax withholdings and deductions.

For a more complete description of the treatment of Company Options, Company RSUs and Company RSAs, see the section entitled *The Merger Agreement Treatment of Virgin America Equity Awards* beginning on page 66 of this proxy statement.

**Effect of the Merger on Virgin America Employee Stock Purchase Plan** (page 66)

Commencing on April 1, 2016, Virgin America s Employee Stock Purchase Plan, as amended (the Company ESPP ), ceased to accept any new participants and no participant in the Company ESPP is permitted to increase his or her contributions after such date. The Company ESPP will terminate as of immediately prior to the effective time of the Merger. The current offering period will be the final offering period under the Company ESPP. In the event the Merger closes on or before August 12, 2016 (the last day of the current offering period), the offering period will be shortened and the participants will purchase shares of Company Common Stock with all amounts withheld by Virgin America on behalf of the participants as of such date. All amounts withheld by Virgin America on behalf of the participants in the Company ESPP that have not been used to purchase shares of Company Common Stock at or prior to the effective time of the Merger will be returned to the participants without interest upon the termination of the Company ESPP.

For a more complete description of the treatment of the Company ESPP, see the section entitled *The Merger Agreement Treatment of Virgin America s Employee Stock Purchase Plan* beginning on page 66 of this proxy statement.

**The Special Meeting** (page 22)

The special meeting of stockholders will be held virtually via live webcast at http://www.virtualstockholdermeeting.com/VA2016special on , 2016 at , Pacific time. At the special meeting, you will be asked to vote on (i) the proposal to adopt the Merger Agreement, a copy of which is attached as Annex A to this document, and thereby approve the Merger (the Merger Proposal ), (ii) the proposal to approve the adjournment of the special meeting, if necessary, to solicit additional votes to approve the Merger Proposal if there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement (the Adjournment Proposal ) and (iii) the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable to our named executive officers that is based on or otherwise relates to the Merger (the Compensation Proposal ).

**Stockholders Entitled to Vote; Record Date** (page 22)

Only holders of record of Voting Common Stock as of , 2016, the record date for the determination of stockholders entitled to notice of and to vote at the special meeting (the Record Date ) may vote at the

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special meeting. For each share of Voting Common Stock that you owned on the Record Date, you are entitled to cast one vote on each matter voted upon at the special meeting.

**Quorum; Vote Required** (page 23)

A quorum of stockholders is necessary to hold the special meeting. The required quorum for the transaction of business at the special meeting is the representation, either by remote communication or by proxy, at the special meeting of a majority in voting power of the Voting Common Stock. If a quorum is not present at the special meeting, we expect that the special meeting will be adjourned to solicit additional proxies. Abstentions and broker non-votes, if any, count as present for establishing a quorum.

As of the Record Date, approximately shares of Voting Common Stock were outstanding and entitled to vote, approximately % of which were held by the Supporting Stockholders (as defined below), each of which has entered into the Support Agreement (as defined below) obligating each Supporting Stockholder to vote all of its shares of Voting Common Stock in favor of the Merger Proposal and any other proposals necessary to consummate the Merger.

Approval of the Merger Proposal requires the affirmative vote of the holders of a majority in voting power of the Voting Common Stock entitled to vote at the special meeting. Failure to vote, by proxy or at the meeting, and abstentions will have the same effect as a vote **AGAINST** the Merger Proposal. The Adjournment Proposal will be approved if the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy and entitled to vote on the subject matter, vote in favor of the proposal, assuming a quorum is present. The Compensation Proposal will be approved if the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy and entitled to vote on the subject matter, vote in favor of the proposal, assuming a quorum is present. On the Record Date, there were shares of Voting Common Stock entitled to vote at the special meeting. Because the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in order to obtain approval of the Merger Agreement by our stockholders (if a quorum is present) and the non-binding advisory proposal to approve the compensation for our named executive officers that is based on or otherwise relates to the Merger require the affirmative vote of the majority of the votes cast by the shares of Voting Common Stock present or represented by proxy and entitled to vote, abstentions and failures to vote, by proxy or at the meeting, will have no effect on the outcome of such proposals.

**Shares Owned by Our Directors and Executive Officers** (page 23)

As of the Record Date, our directors and executive officers beneficially owned and were entitled to vote an aggregate of shares of Voting Common Stock, or approximately % of the total Voting Common Stock outstanding on that date. These numbers do not give effect to outstanding Company Options or Company RSUs, none of which are entitled to vote at the special meeting, or the shares of Non-Voting Common Stock held by Virgin Group Holdings Limited as of the Record Date, which shares are also not entitled to vote at the special meeting. Two of our stockholders, Cyrus Aviation Holdings, LLC and Cyrus Capital Partners, L.P. (each, a Supporting Stockholder, and together, the Supporting Stockholders ), which are affiliated with two of our directors, have entered into the Support Agreement obligating such stockholders to vote all of their shares of Voting Common Stock in favor of the Merger Proposal and any other proposals necessary to consummate the Merger. We currently expect that each of our directors and executive officers will vote their shares in favor of the proposals to be presented at the special meeting.

**Market Price** (page 92)

Our Company Common Stock is listed on NASDAQ under the symbol VA. On April 1, 2016, the last full trading day prior to the public announcement of the proposed merger, our Company Common Stock closed at $38.90 per share.

On April 18, 2016, the latest practicable trading day before the printing of this proxy statement, our Company Common Stock closed at $55.37 per share.

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We have never paid a dividend on our Company Common Stock and do not anticipate paying one for the indefinite future. Until the effective time of the Merger, the Merger Agreement does not permit us to declare, set aside or pay any dividend or other distribution, without the prior written consent of Alaska Air Group. Following the Merger, there will be no further market for our Company Common Stock.

**Recommendation of the Company Board; Our Reasons for the Merger** (page 34)

Our board of directors (the Company Board ) has unanimously determined that the Merger Agreement and the transactions contemplated thereby are fair to, and in the best interests of, Virgin America and its stockholders and approved and declared advisable the Merger Agreement and the Merger and the other transactions contemplated thereby.

The Company Board therefore unanimously recommends that you vote **FOR** the Merger Proposal, **FOR** the Adjournment Proposal and **FOR** the Compensation Proposal.

In reaching its decision to approve the Merger Agreement and the Merger, and to recommend that our stockholders approve the Merger Proposal, the Company Board, with the assistance of our management and advisors, considered other alternative transactions, including contacts and extensive discussions with other potential acquirers. Notwithstanding the vigorous process described above, no other potential acquirers offered a strategic alternative as favorable to Virgin America stockholders as the Merger with Alaska Air Group.

The Company Board considered a number of factors in its deliberations, including the following (which factors are not necessarily presented in order of relative importance):

The Merger Consideration consists solely of cash, which provides immediate liquidity and certainty of value to Virgin America s stockholders compared to any transaction in which stockholders would receive shares of an acquirer s stock. The receipt of cash consideration eliminates for our stockholders the uncertainty and risk of the continued execution of our business on a stand-alone basis.

The proposed Merger Consideration of $57.00 per share of Company Common Stock represents a premium of 90.9% compared to $29.86, our volume-weighted average trading price for the 30 trading day period ending March 22, 2016, the last trading date unaffected by rumors related to a possible transaction between us and an acquirer; represents a 46.5% premium to the closing price of our Company Common Stock on April 1, 2016, the last trading day prior to the announcement of the Merger Agreement, and a 2.9% premium to the closing price of Company Common Stock of $55.37 on April 18, 2016, the latest practicable trading date before the printing of this proxy statement.

Our reasons for approving the Merger and Merger Agreement and our stockholder recommendations are further discussed in the section entitled *The Merger Recommendation of the Company Board; Our Reasons for the Merger* beginning on page 34 of this proxy statement.

**Interests of Our Directors, Executive Officers and Affiliates in the Merger** (page 51)

In considering the recommendation of the Company Board that the stockholders vote to approve the Merger Proposal, you should be aware that some of our directors, executive officers and stockholders affiliated with certain of our directors may have interests in the Merger that may be different from, or in addition to, the interests of the

stockholders generally. Interests of the directors, executive officers and stockholders affiliated with certain of our directors may be different from or in addition to the interests of our other stockholders for the following reasons, among others:

As of immediately prior to the effective time of the Merger, each Company Option issued under any Company Stock Option Plan will vest and be cancelled and, in exchange therefor, each former holder of any such cancelled Company Option will only be entitled to receive, in consideration of the cancellation of such Company Option and in full settlement therefor, the Option Payment.

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As of immediately prior to the effective time of the Merger, each outstanding Company RSU will vest and become free of any restrictions and will be cancelled in exchange for the right to receive the RSU Payment.

As of immediately prior to the effective time of the Merger, each outstanding Company RSA will vest (treating for this purpose any performance-based vesting condition to which such Company RSA is subject as having been attained at maximum level), become free of any restrictions and be converted into the right to receive the Merger Consideration in accordance with the terms and conditions of the Merger Agreement.

Each of our executive officers is party to our Change in Control Severance Plan (the Severance Plan ) that provides for severance benefits in the event of certain qualifying terminations of employment within the period of time commencing on the effective time of the Merger and ending 18 months after the Merger.

Our directors and executive officers are entitled to continued indemnification, expense advancement and insurance coverage under the Merger Agreement.

These interests are discussed in more detail in the section entitled *The Merger Interests of Our Directors, Executive Officers and Affiliates in the Merger* beginning on page 51 of this proxy statement. The members of the Company Board were aware of the different or additional interests described in such section and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending to the stockholders that the Merger Proposal be approved.

**Opinion of Virgin America s Financial Advisor** (page 38 and Annex C)

On April 1, 2016, Evercore Group, L.L.C. ( Evercore ) rendered its opinion to the Company Board that, as of April 1, 2016 and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the per share Merger Consideration was fair, from a financial point of view, to the holders of Company Common Stock entitled to receive such Merger Consideration.

**The full text of the written opinion of Evercore, dated as of April 1, 2016, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex C to this proxy statement and is incorporated by reference in its entirety into this proxy statement. You are urged to read the opinion carefully and in its entirety. Evercore s opinion was addressed to, and provided for the information and benefit of, the Company Board in connection with its evaluation of whether the Merger Consideration to be received by the holders of shares of Company Common Stock in the Merger is fair, from a financial point of view to such holders. The opinion does not constitute a recommendation to the Company Board, any stockholder of Virgin America or to any other persons in respect of the Merger, including as to how any holder of Voting Common Stock should vote or act in respect of the Merger. Evercore s opinion does not address the relative merits of the Merger as compared to other business or financial strategies that might be available to Virgin America, nor does it address the underlying business decision of Virgin America to engage in the Merger. For further discussion of Evercore s opinion, see the section entitled, *Opinion of Virgin America s Financial Advisor* beginning on page 38 of this proxy statement.**

**Delisting and Deregistration of Company Common Stock** (page 56)

If the Merger is completed, our Company Common Stock will no longer be listed on NASDAQ, we will be deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act ), and we will no longer file periodic reports with the U.S. Securities and Exchange Commission (the SEC ).

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**The Merger Agreement** (page 65)

***Conditions to Completion of Merger***

The respective obligations of each party to consummate the Merger will be subject to the satisfaction or written waiver at or prior to the effective time of the Merger of each of the following conditions:

- The Merger Agreement and the Merger will have been adopted and approved by the requisite affirmative vote of Virgin America s stockholders at a meeting of the Company s stockholders;
- The waiting period applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act ) will have expired or been terminated and any other required governmental approval will have been obtained;
- Any approval or authorization required to be obtained from the U.S. Federal Aviation Administration (the FAA ) and the U.S. Department of Transportation (the DOT ) in connection with the consummation of the Merger shall have been obtained; and
- There will have been no law enacted, entered, promulgated, enforced or deemed applicable by any governmental entity of competent jurisdiction that is in effect and makes illegal or otherwise prohibits or prevents the consummation of the Merger.

The obligations of Alaska Air Group and Merger Sub to consummate the Merger will be subject to the satisfaction or written waiver at or prior to the effective time of the Merger of each of the following conditions:

- With specified qualifications and exceptions, the truth and correctness of Virgin America s representations and warranties contained in the Merger Agreement as of the closing date of the Merger;
- Virgin America will have performed and complied in all material respects with the agreements and covenants to be performed or complied with by it under the Merger Agreement;
- The receipt by Merger Sub of a certificate executed by an executive officer of Virgin America certifying the satisfaction of the foregoing conditions; and
- Since the date of the Merger Agreement, there will not have occurred any change, event, development, condition, occurrence or effect or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on Virgin America.

The obligation of Virgin America to consummate the Merger will be subject to the satisfaction or written waiver at or prior to the effective time of the Merger of each of the following conditions:

With specified qualifications and exceptions, the truth and correctness of Alaska Air Group and Merger Sub s representations and warranties contained in the Merger Agreement as of the date of the Merger Agreement and as of the closing date of the Merger;

Each of Alaska Air Group and Merger Sub will have performed and complied in all material respects with each of the agreements and covenants to be performed or complied with by it under the Merger Agreement; and

The receipt by Virgin America of a certificate executed by an executive officer of Merger Sub certifying the satisfaction of the foregoing conditions.

***No-Shop; Acquisition Proposals; Change in Recommendation***

Pursuant to the terms of the Merger Agreement, Virgin America is subject to customary restrictions on its ability to solicit alternative acquisition proposals from third parties and to provide information to, and enter into discussions or negotiations with, third parties regarding alternative acquisition proposals. However, prior to the stockholder vote on the Merger Agreement and the Merger, the solicitation restrictions are subject to a customary fiduciary-out provision that allows Virgin America, under certain circumstances, to provide information to and participate in negotiations or discussions with third parties with respect to an alternative acquisition proposal if

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Virgin America determines in good faith, after consultation with its financial advisor and outside legal counsel, that the failure to take such action would reasonably be expected to be inconsistent with the Company Board s fiduciary duties under applicable law. Prior to terminating the Merger Agreement for a Superior Proposal (as defined below), Virgin America must provide Alaska Air Group with a four business day period (and a subsequent three business day match period) in which to negotiate with Virgin America, and is obligated to negotiate with Alaska Air Group in good faith, in order to amend the terms of the proposed transaction such that the alternative acquisition proposal no longer constitutes a Superior Proposal.

In addition, prior to the approval of the Merger Agreement and the Merger by Virgin America s stockholders, the Company Board may change its recommendation of the Merger for a reason unrelated to an alternative acquisition proposal if it determines in good faith (after consultation with its outside counsel) that, in light of the occurrence of certain intervening events, the failure to take such action would reasonably be expected to be inconsistent with the Company Board s fiduciary duties under applicable law, provided that Virgin America gives Alaska Air Group a four business day period in which to negotiate with Virgin America so as to avoid the need for such recommendation change.

***Termination of the Merger Agreement***

In each case described below, the Merger Agreement may be terminated and the Merger abandoned by action taken or authorized by the board or boards of directors of the terminating party or parties. The Merger Agreement may be terminated by mutual written consent of Alaska Air Group and Virgin America at any time prior to the effective time of the Merger. In addition, the Merger Agreement may be terminated by either party if:

- any court of competent jurisdiction or other governmental entity has issued an order or taken any other action permanently restraining, enjoining or otherwise prohibiting the Merger, which order or other action has become final and nonappealable (which order the party seeking to terminate the Merger Agreement has used its reasonable best efforts to resist, resolve or lift, as applicable, subject to the provisions of the Merger Agreement);

- the effective time of the Merger has not occurred on or before January 1, 2017 or, in certain circumstances, July 1, 2017 (such date, the Outside Date ); or

- the required stockholder approval is not obtained at the Virgin America special meeting or any adjournment or postponement of the special meeting.

The Merger Agreement may be terminated by Virgin America if:

- prior to the required stockholder approval, Virgin America enters into an alternative acquisition agreement with a third party with respect to a Superior Proposal in accordance with the provisions in the Merger Agreement; or

there is (i) an uncured inaccuracy in any representation or warranty or breach of any covenant of Alaska Air Group or Merger Sub that has prevented or materially delayed, or is reasonably likely to prevent or materially delay, the consummation of the Merger or the performance by Alaska Air Group or Merger Sub of any of their material obligations under the Merger Agreement; (ii) Virgin America has delivered to Alaska Air Group written notice of such inaccuracy or breach; and (iii) such inaccuracy or breach is not capable of cure or, if curable, has not been cured in all material respects prior to the earlier of the Outside Date and 30 days after the notice of breach. Virgin America cannot terminate for this reason if it has breached any material covenant in any material respect (which has not been cured in all material respects) or there is an uncured inaccuracy in any of Virgin America s representations and warranties that has not been cured.

The Merger Agreement may be terminated by Alaska Air Group if:

at any time prior to the effective time of the Merger, (i) the Company Board effects a change of board recommendation with respect to the adoption and approval of the Merger Agreement and the Merger;

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(ii) Virgin America enters into any alternative acquisition agreement with a third party; (iii) the Company Board publicly recommends to its stockholders any acquisition proposal by a third party; (iv) where an acquisition proposal has been publicly disclosed (other than by the commencement of a tender offer or exchange offer), the Company Board fails to publicly reaffirm its recommendation of the Merger within five calendar days after Alaska Air Group s request; (v) where a tender or exchange offer is commenced, the Company Board fails to recommend against such offer s acceptance by Virgin America s stockholders of such proposal (including for these purposes, by taking any position contemplated by Rule 14e-2 under the Exchange Act other than recommending rejection of such tender offer or exchange offer) within ten business days of the commencement of such proposal; (vi) the Company breaches or fails to perform its obligations pertaining to the non-solicitation and fiduciary out provisions of the Merger Agreement described in *The Merger Agreement No-Shop; Acquisition Proposals; Change in Recommendation* beginning on page 74 of this proxy statement (other than an immaterial breach that does not lead to an acquisition proposal by a third party); or (vii) formally resolves to take or announces its intention to take any of the foregoing actions (we refer to these events as the Triggering Events ); or

there is (i) an uncured inaccuracy in any representation or warranty or breach of any covenant of the Company that would result in the failure of the conditions to the obligation of Alaska Air Group to effect the Merger to be satisfied; (ii) Alaska Air Group has delivered to the Company written notice of such inaccuracy or breach; and (iii) such inaccuracy or breach is not capable of cure or, if curable, has not been cured in all material respects prior to the earlier of the Outside Date and 30 days after the notice of breach. Alaska Air Group cannot terminate for this reason if it or Merger Sub has breached any material covenant in any material respect (which has not been cured in all material respects) or there is an uncured inaccuracy in any of their representations and warranties of Alaska Air Group or Merger Sub contained in the Merger Agreement that has not been cured.

***Transaction Expenses and Termination Fees***

Each party will generally pay its own fees and expenses in connection with the Merger, whether or not the Merger is completed. However, the Company must pay Alaska Air Group a termination fee of $78.5 million (the Break-Up Fee ) if:

Virgin America terminates the Merger Agreement in order to enter into an alternative acquisition agreement with a third party with respect to a Superior Proposal in accordance with the terms of the Merger Agreement;

Alaska Air Group terminates the Merger Agreement prior to the effective time of the Merger in connection with a Triggering Event; or

The Merger Agreement is terminated because (i) the Merger has not been consummated before the Outside Date, (ii) there is an uncured, willful and material breach of Virgin America s covenant with respect to non-solicitation, or (iii) the stockholder approval was not obtained at the special meeting and, in each case, prior to the date of Virgin America s meeting of stockholders to approve the Merger Proposal (or prior to the termination of the Merger Agreement if there has been no stockholder meeting) an alternative acquisition proposal shall have been publicly announced or shall have become publicly known, and at any time on or prior to the first anniversary of such termination, Virgin America enters into a written agreement related to

an alternative acquisition proposal, recommends or submits an alternative acquisition proposal to its stockholders for adoption or a transaction in respect of any alternative acquisition proposal is consummated.

**Financing of the Merger** (page 51)

There is no financing condition to the Merger. Alaska Air Group expects to pay the aggregate Merger Consideration from its cash on hand or new borrowings. See the section entitled *Proposal 1 Approval of The Merger Proposal Financing of the Merger* beginning on page 51.

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**Material U.S. Federal Income Tax Consequences** (page 56)

The Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder (as defined in *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 56 of this proxy statement) whose shares of Company Common Stock are cancelled and converted into cash pursuant to the Merger will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received with respect to such shares (determined before the deduction of any applicable withholding taxes) and the holder s adjusted tax basis in such shares. A non-U.S. holder (as defined in *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 56 of this proxy statement) whose shares of Company Common Stock are cancelled and converted into cash pursuant to the Merger will generally not be required to recognize gain or loss for U.S. federal income tax purposes unless the non-U.S. holder has certain connections to the United States.

See the section entitled *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 56 of this proxy statement for a more complete discussion of the U.S. federal income tax consequences of the Merger. The tax consequences of the Merger to you will depend on your particular tax situation. You should consult your tax advisor for a complete analysis of the U.S. federal, state, local and/or foreign tax consequences of the Merger to you.

**Regulatory Matters** (page 59)

Under the HSR Act, as amended, and the rules and regulations promulgated thereunder by the U.S. Federal Trade Commission (the FTC ), the Merger cannot be consummated until, among other things, notifications have been given and certain information has been furnished to the FTC and the Antitrust Division of the U.S. Department of Justice and all applicable waiting periods have expired or been terminated.

In addition to the antitrust related filings and clearance discussed above, Virgin America and Alaska Air Group must obtain any approvals or authorizations required to be obtained from the FAA and the DOT, as well as all other approvals and authorizations required to be obtained in connection with the consummation of the Merger and the transactions contemplated by the Merger Agreement from any other governmental authority.

**Appraisal Rights** (page 60 and Annex D)

Pursuant to Section 262 of the DGCL, holders of Company Common Stock who do not vote in favor of adoption of the Merger Agreement and who comply fully with the applicable requirements of Section 262 of the DGCL and do not otherwise withdraw or lose the right to appraisal under Delaware law, have the right to seek appraisal of the fair value of their shares of Company Common Stock, as determined by the Delaware Court of Chancery, if the Merger is completed. The fair value of your shares of Company Common Stock as determined by the Delaware Court of Chancery may be more than, less than, or equal to the value of the Merger Consideration per share that you are otherwise entitled to receive under the terms of the Merger Agreement. Holders of Company Common Stock who wish to preserve any appraisal rights they may have must so advise Virgin America by submitting a written demand for appraisal prior to the vote to adopt the Merger Agreement, and must otherwise follow fully the procedures prescribed by Section 262 of the DGCL. A person having a beneficial interest in shares of Company Common Stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder of such shares to follow the steps summarized in this proxy statement and in a timely manner to perfect appraisal rights. **In view of the complexity of Section 262 of the DGCL, Virgin America stockholders who wish to pursue appraisal rights should consult their legal and financial advisors.**

**The Support Agreement** (page 88 and Annex B)

Pursuant to a Support Agreement, dated as of April 1, 2016 (the Support Agreement ), by and among Alaska Air Group and the Supporting Stockholders, each Supporting Stockholder has agreed, among other

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things, to vote such Supporting Stockholder s Voting Common Stock (i) in favor of the Merger Proposal; (ii) in favor of the Adjournment Proposal; (iii) in favor of any other matter necessary for consummation of the transactions contemplated by the Merger Agreement; (iv) against any competing acquisition proposal for Virgin America; and (v) against any action that is intended to delay, postpone or adversely affect the Merger and the other transactions contemplated by the Merger Agreement. As of the close of business on the Record Date, the Supporting Stockholders owned in the aggregate shares of the Voting Common Stock (not including any shares of Company Common Stock subject to Company Options or Company RSUs), all of which are subject to the Support Agreement, representing approximately % of the shares of Voting Common Stock outstanding as of the close of business on the Record Date.

The Support Agreement will terminate on the earlier of (i) the termination of the Merger Agreement, (ii) the effective time of the Merger and (iii) upon the entry into any amendment of the Merger Agreement, without the prior written consent of such Supporting Stockholder, that reduces or changes the form of consideration to be paid to such Supporting Stockholder in connection with the Merger. Notwithstanding the foregoing, each Supporting Stockholder has entered into the Support Agreement solely in such Supporting Stockholder s capacity as a stockholder of Virgin America and not in such Supporting Stockholder s capacity as an employee, officer or director of Virgin America. Accordingly, the Support Agreement does not restrict or limit any members of the Company Board from taking or omitting to take any action in his or her capacity as a director of Virgin America in order to fulfill his or her fiduciary obligations under applicable law.

**Legal Proceedings**

On April 21, 2016, a putative shareholder class action complaint was filed in the Court of Chancery of the State of Delaware against the Company Board, captioned *Thomas Houston* v. *Donald J. Carty*, et al., Case No. 12235 (Del. Ch.). The complaint alleges, among other things, that the Company s directors breached their fiduciary duties by approving the Merger Agreement. The complaint seeks, among other things, either to enjoin the proposed transaction or to rescind it should it be consummated, as well as other equitable relief and damages, including attorneys and experts fees.

We are reviewing the complaint and have not yet formally responded to it, but we believe that the plaintiff s allegations are without merit and we intend to defend against them vigorously. Litigation is inherently uncertain, however, and there can be no assurance regarding the likelihood that our defense of this action will be successful. Additional complaints containing substantially similar allegations may be filed in the future.

**Termination of 401(k) Plan**

If requested by Alaska Air Group in writing not later than 10 calendar days prior to the closing date of the Merger, Virgin America agrees to adopt, or cause to be adopted, all necessary corporate resolutions (which shall be subject to Alaska Air Group s reasonable and timely review and approval) to terminate each Virgin America benefit plan that is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the Code ) which includes a cash or deferred arrangement intended to qualify under Section 401(k) of the Code sponsored or maintained by Virgin America, effective as of no later than one day prior to the effective time of the Merger (but such termination may be contingent upon the closing of the Merger). Virgin America will provide Alaska Air Group with a copy of resolutions duly adopted by the Company Board so terminating any such Virgin America benefit plan.

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## QUESTIONS AND ANSWERS ABOUT THE MERGER

## AND THE SPECIAL MEETING

*The following questions and answers briefly address some questions you may have regarding the special meeting and the proposed Merger. These questions and answers may not address all questions that may be important to you as a stockholder of Virgin America. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement. We encourage you to read this proxy statement, including the annexes, in its entirety because it explains the proposed Merger, the documents related to the Merger and other related matters.*

**Q: Why am I receiving this proxy statement and proxy card?**

A: You are receiving this proxy statement and proxy card because, as of the Record Date, you owned shares of Company Common Stock. We have entered into the Merger Agreement on April 1, 2016. Pursuant to the Merger Agreement, subject to adoption of the Merger Agreement by our stockholders and the satisfaction of other conditions to the completion of the transactions specified in the Merger Agreement, Merger Sub will merge with and into Virgin America, with Virgin America surviving the Merger, and our Company Common Stock will be delisted from the NASDAQ Global Select Market ( NASDAQ ). A copy of the Merger Agreement is attached to this proxy statement as Annex A.

In order to complete the Merger, our stockholders holding a majority in voting power of the Voting Common Stock must vote to approve the Merger Proposal. We will hold a special meeting of our stockholders (the special meeting ) to obtain this approval. The Company Board is providing this proxy statement to give you information for use in determining how to vote on the proposals submitted to the stockholders at the special meeting. You should read this proxy statement and the annexes carefully. The enclosed proxy card and voting instructions allow you, as our stockholder, to have your shares voted at the special meeting without attending the special meeting. Your proxy is being solicited by the Company Board.

Your vote is very important. If you do not vote or do not instruct your broker, bank or nominee how to vote, it will have the same effect as voting **AGAINST** the Merger Proposal. We encourage you to submit your proxy as soon as possible.

**Q: As a holder of Company Common Stock, what will I be entitled to receive in the Merger?**

A: Upon the completion of the Merger, each share of Company Common Stock outstanding immediately prior to the effective time of the Merger, excluding shares owned by stockholders who have exercised appraisal rights under Delaware law, treasury shares and shares held by Alaska Air Group, Merger Sub or any of their respective wholly-owned subsidiaries, will be automatically converted into the right to receive the Merger Consideration. For example, if you own 100 shares of Company Common Stock and do not make a proper demand for appraisal, you will be entitled to receive $5,700 in cash, without interest, less any applicable withholding taxes, in exchange for your shares. Any withheld amounts will be treated for all purposes as having been paid to the holder of Company Common Stock in respect of whose shares the withholding was made.

**Q: What will holders of Virgin America equity awards receive in the Merger?**

A: *Stock Options.* As of immediately prior to the effective time of the Merger, each unexpired and unexercised Company Option, whether or not then exercisable or vested, will vest (in the case of a Company Option that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and conditions applicable to the award) and be cancelled and, in exchange therefor, each former holder of any such cancelled Company Option will only be entitled to receive, in consideration of the cancellation of such Company Option and in full settlement therefor, the Option Payment, subject to all applicable federal, state and local tax withholdings and deductions. If the exercise price of a Company Option is equal to or greater than the Merger

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Consideration or, in the case of a Company Option that is subject to a performance-based vesting condition, to the extent the applicable performance-based vesting condition has not been satisfied as of immediately prior to the effective time of the Merger and such portion of the Company Option is not required (pursuant to the terms and conditions applicable to the award) to become vested in connection with the Merger, such Company Option will be cancelled without any payment being made in respect thereof.

*Restricted Stock Units.* As of immediately prior to the effective time of the Merger, each outstanding Company RSU will vest (in the case of a Company RSU that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and conditions applicable to the award) and become free of any restrictions and will be cancelled in exchange for the right to receive the RSU Payment, subject to all applicable federal, state and local tax withholdings and deductions. If the applicable performance-based vesting condition of any Company RSU has not been satisfied as of immediately prior to the effective time of the Merger and such portion of the Company RSU is not required (pursuant to the terms and conditions applicable to the award) to become vested in connection with the Merger, such Company RSU will be cancelled without any payment being made in respect thereof.

*Restricted Stock Awards.* As of immediately prior to the effective time of the Merger, each outstanding Company RSA will vest (treating for this purpose any performance-based vesting condition to which such Company RSA is subject as having been attained at maximum level), become free of any restrictions and be converted into the right to receive the Merger Consideration, subject to all applicable federal, state and local tax withholdings and deductions.

See the section entitled *The Merger Agreement Treatment of Virgin America Equity Awards* beginning on page 64 of this proxy statement.

**Q: When do you expect the Merger to be completed?**

A: We are working toward completing the Merger as quickly as possible and expect to complete the Merger by the end of 2016. However, because there are certain conditions that must be met before completing the Merger, we cannot be certain of the timing of the completion of the Merger.

**Q: I received a proxy statement and proxy materials in connection with the Company s 2016 annual meeting of stockholders, scheduled to be held on May 10, 2016. Does the Company still intend to hold its 2016 annual meeting?**

A: We have postponed our 2016 annual meeting of stockholders and only intend to hold our 2016 annual meeting if the Merger is not consummated. If the Merger is consummated, we will not have public stockholders and there will be no public participation in any future stockholder meetings, including the 2016 annual meeting of stockholders.

**Q: What are Virgin America stockholders being asked to vote on and why is this approval necessary?**

A: Holders of our Voting Common Stock are being asked to vote on the following proposals:

1. the Merger Proposal;

2. the Adjournment Proposal; and

3. the Compensation Proposal, as disclosed pursuant to Item 402(t) of Regulation S-K in *The Merger Interests of Our Directors, Executive Officers and Affiliates in the Merger Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of the accompanying proxy statement.

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Virgin America stockholder approval of the Merger Proposal is required for completion of the Merger. Virgin America stockholder approval of the Adjournment Proposal and the Compensation Proposal are not required for completion of the Merger. No other matters are currently intended to be brought before the Virgin America special meeting by Virgin America.

**Q: What do I need to do now?**

A: After carefully reading and considering the information contained in this proxy statement, please submit your proxy for your Voting Common Stock as soon as possible so that your shares will be represented at the special meeting. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by your broker, bank or other nominee if your shares are held in street name through a broker, bank or other nominee.

**Q: How do I cast my vote?**

A: Before you vote, you should read this proxy statement in its entirety, including its annexes, and carefully consider how the Merger would affect you.

If you were a holder of record of Voting Common Stock on the Record Date, you may vote at the special meeting or you may have your shares voted by submitting a proxy for the special meeting by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage paid envelope, or by granting a proxy electronically via the Internet or by telephone by following the instructions on the enclosed proxy card. Internet and telephone proxy submissions are available 24 hours a day, and if you use one of these methods, you do not need to return a proxy card. You must have the enclosed proxy card available, and follow the instructions on such proxy card, in order to grant a proxy over the Internet or telephone. Any proxies granted over the Internet or by telephone must be received by no later than .

If, as a stockholder of record of Voting Common Stock, you sign, date and mail your proxy and do not indicate how you want to vote, or if you indicate you wish to vote **FOR** the Merger Proposal but do not indicate a choice on the other proposals, your proxy will be voted **FOR** the Merger Proposal, **FOR** the Adjournment Proposal and **FOR** the Compensation Proposal. However, if you indicate that you wish to vote **AGAINST** the Merger Proposal, your shares will only be voted **FOR** the other proposals if you indicate that you wish to vote **FOR** those proposals.

If you hold your Voting Common Stock in street name, which means your shares are held of record by a broker, bank or nominee, you must provide the record holder of your shares with instructions on how to vote your shares in accordance with the voting instructions provided by your broker, bank or nominee. If you do not provide your broker, bank or nominee with instructions on how to vote your shares, it will not be permitted to vote your shares. These are referred to generally as broker non-votes. Brokers, banks and other nominees will not have discretionary authority over the Merger Proposal, the Adjournment Proposal or the Compensation Proposal. For this reason, we do not believe that there will be any broker non-votes occurring in connection with any of the proposals at the special meeting. A broker non-vote occurs when a nominee holding shares for a beneficial owner returns a properly executed proxy but does not vote on a particular proposal because the nominee does not have discretionary voting authority and has not received instructions from the beneficial owner of the shares. Also, please note that if your shares are held in street name and you wish to vote at the special meeting, you must follow the instructions provided at http://www.virtualstockholdermeeting.com/VA2016special for submitting a legal proxy from the record holder of the shares (your broker, bank or nominee) authorizing you to vote at the special meeting.

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**Q: Do any of Virgin America s directors, executive officers or affiliates have interests in the Merger that may differ from those of the stockholders?**

A: Yes. Our directors, executive officers and certain of our stockholders affiliated with certain of our directors may have interests in the Merger that may be different from, or in addition to, the interests of our other Virgin America stockholders. See the section entitled *The Merger Interests of Our Directors, Executive Officers and Affiliates in the Merger* beginning on page 51 of this proxy statement. The members of the Company Board were aware of and considered these interests, among other matters, in evaluating the Merger Agreement and the Merger and in recommending that the stockholders vote their Voting Common Stock to approve the Merger Agreement and the Merger.

**Q: How does the Merger Consideration compare to the market price of Company Common Stock?**

A: The Merger Consideration represents a premium of 90.9% compared to $29.86, our volume-weighted average trading price for the 30 trading day period ending March 22, 2016, the last trading date unaffected by rumors related to a possible transaction between us and an acquirer, represents a 46.5% premium to the closing price of our Company Common Stock on April 1, 2016, the last trading day prior to the announcement of the Merger Agreement, a 87.3% premium to the average trading price for the sixty days prior to March 22, 2016, a 77.4% premium to the average trading price for the ninety days prior to March 22, 2016 and a 71.0% premium to the average trading price for the 180 days prior to March 22, 2016.

**Q: When and where is the special meeting?**

A: The special meeting of our stockholders will be held virtually via live webcast at http://www.virtualstockholdermeeting.com/VA2016special on , 2016, at , Pacific time, emanating from Burlingame, California. To participate, you will need the 16-digit control number we have provided on the proxy card. We encourage you to allow ample time for online check-in, which will begin at , Pacific time. Please note that you will not be able to attend the special meeting in person.

**Q: Who can vote or submit a proxy to vote and attend the special meeting?**

A: Only stockholders of record holding shares of Voting Common Stock at the close of business on the Record Date will be entitled to vote at the virtual special meeting. At the close of business on the Record Date, there were shares of Voting Common Stock issued and outstanding and entitled to vote.

*Stockholder of Record: Shares Registered in Your Name.* If, on the Record Date, your shares of Voting Common Stock were registered directly in your name with the transfer agent for our Company Common Stock, Wells Fargo Shareowner Services, then you are a stockholder of record of shares of Voting Common Stock. As a stockholder of record of shares of Voting Common Stock, you may vote online during the virtual special meeting or have your shares voted by proxy. Whether or not you plan to attend the virtual special meeting, we urge you to complete and submit the enclosed proxy card or submit a proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

*Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent.* If, on the Record Date, your shares of Voting Common Stock were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares of Voting Common Stock held in street name, and these

proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the special meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares of Voting Common Stock in your account. You are also invited to attend the special meeting. However, since you are not the stockholder of record, you may not vote your shares of Voting Common Stock at the special meeting unless you request and obtain a valid proxy card from your broker or other agent.

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**Q: What do I need in order to be able to attend the special meeting online?**

A: Virgin America will be hosting the special meeting via live webcast only. Any stockholder can attend the special meeting live online at http://www.virtualshareholdermeeting.com/VA2016special. The webcast will start at , Pacific time on , 2016. Stockholders may vote and submit questions while attending the special meeting online. In order to be able to enter the special meeting, you will need the control number, which is included on your proxy card if you are a stockholder of record of shares of Voting Common Stock or included with your voting instruction card and voting instructions you received from your broker, bank or other agent if you hold your shares of Voting Common Stock in street name. Instructions on how to attend and participate online are also posted online at http://www.virtualshareholdermeeting.com/VA2016special.

**Q: How does the Company Board recommend that I vote?**

A: The Company Board unanimously recommends that you vote:

**FOR** the Merger Proposal,

**FOR** the Adjournment Proposal, and

**FOR** the Compensation Proposal.

**Q: Why is the Company Board recommending that I vote FOR the Merger Proposal?**

A: After careful consideration, the Company Board unanimously determined that the Merger and the other transactions contemplated by the Merger Agreement are fair to and in the best interests of the Company and its stockholders and approved, adopted and declared advisable the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement and unanimously recommended adoption of the Merger Agreement by the stockholders of the Company holding shares of Voting Common Stock. In reaching its decision to approve the Merger Proposal and to recommend the adoption of the Merger Proposal and the other proposals by our stockholders, the Company Board consulted with our management, as well as our legal and financial advisors, and considered the terms of the proposed Merger Agreement and the transactions set forth in the Merger Agreement. The Company Board also considered each of the items set forth under *The Merger Recommendation of the Company Board; Our Reasons for the Merger* beginning on page 34 of this proxy statement.

**Q: What vote of Virgin America stockholders is required to approve the Merger Proposal?**

A: As a condition of the Merger and assuming a quorum is present, approval of the Merger Proposal requires the affirmative vote of the holders of a majority in voting power of the shares of Voting Common Stock entitled to vote at the special meeting. If you do not vote or do not instruct your broker, bank or nominee how to vote, it will have the same effect as voting **AGAINST** the Merger Proposal.

**Q: What vote of Virgin America stockholders is required to approve the Adjournment Proposal?**

A: The affirmative vote of the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy at the special meeting and entitled to vote on the subject matter, is required to approve the Adjournment Proposal, assuming a quorum is present.

**Q: What vote of Virgin America stockholders is required to approve the Compensation Proposal?**

A: The affirmative vote of the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy at the special meeting and entitled to vote on the subject matter, is required to approve the Compensation Proposal, assuming a quorum is present. The stockholders vote regarding the Compensation Proposal is an advisory vote, and therefore is not binding on Virgin America, the Company Board

or our compensation committee. Since compensation and benefits that may be paid or provided in connection with the Merger are based on contractual arrangements with the named executive officers, the outcome of this advisory vote will not affect the obligation to make these payments and these payments may still be made even if the stockholders do not approve, by advisory (non-binding) vote, the Compensation Proposal.

**Q: Have any Virgin America stockholders agreed to support the Merger?**

A: Yes. Pursuant to the Support Agreement, certain of Virgin America s stockholders have agreed, among other things, to vote (i) in favor of the Merger Proposal; (ii) in favor of the Adjournment Proposal; (iii) in favor of any other matter necessary for consummation of the transactions contemplated by the Merger Agreement; (iv) against any competing acquisition proposal for Virgin America; and (v) against any action that is intended to delay, postpone or adversely affect the Merger and the other transactions contemplated by the Merger Agreement.

As of the close of business on the Record Date, the Supporting Stockholders owned in the aggregate shares of the Voting Common Stock (not including any shares of Company Common Stock subject to Company Options or Company RSUs), all of which are subject to the Support Agreement, representing approximately % of the shares of Voting Common Stock outstanding as of the close of business on the Record Date.

The Support Agreement and the voting obligations thereunder, including the obligation to vote in favor of the Merger Proposal and the Adjournment Proposal, will terminate automatically upon termination of the Merger Agreement and certain other events. See *The Support Agreement* beginning on page 88 and Annex B.

**Q: How many votes am I entitled to cast for each share of Company Common Stock I own?**

A: For each share of Voting Common Stock that you owned on the Record Date, you are entitled to cast one vote on each matter to be voted upon at the special meeting. Holders of our Non-Voting Common Stock will not be entitled to vote at the Special Meeting. As of the Record Date, there were shares of Voting Common Stock outstanding and entitled to vote, held by approximately stockholders of record.

**Q: What constitutes a quorum?**

A: The presence by remote communication or by proxy of the holders of a majority in voting power of the Voting Common Stock outstanding and entitled to vote on the Record Date is required for a quorum at the special meeting. Abstentions and broker non-votes, if any, are counted as present for purposes of determining the presence of a quorum.

**Q: What will happen if I abstain from voting or fail to vote on the proposals or instruct my broker to vote on the proposals?**

A: If you attend the special meeting or send in your signed proxy card, but abstain from voting on any proposal, your shares of Voting Common Stock will still be counted for purposes of determining whether a quorum exists. If you indicate on your proxy that you abstain from voting on a proposal, it will have the same effect as a vote against the Merger Proposal, but will have no effect on the Adjournment Proposal or the Compensation Proposal.

If you fail to cast your vote at the special meeting, or if you fail to submit your proxy, by proxy card or electronically via the Internet or by telephone, or fail to give voting instructions to your broker, bank or nominee, it will have the same effect as a vote against the Merger Proposal and it will have no effect on the Adjournment Proposal or the Compensation Proposal.

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**Q: When should I submit my proxy?**
A: You should submit your proxy as soon as possible so that your shares of Voting Common Stock will be voted at the special meeting.

**Q: Can I change my vote after I have delivered my proxy?**
A: Yes. If you were a stockholder of record of our Voting Common Stock on the Record Date, you may revoke your proxy and change your vote, unless noted below, at any time before the final vote at the special meeting. You can do this in one of three ways:

- delivering to our corporate secretary a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked (written revocations may be sent to Virgin America Inc., Attn: Secretary of the Company, 555 Airport Blvd., Burlingame, CA 94010);
- delivering a new proxy, either by signing and delivering a new paper proxy, relating to the same shares and bearing a later date than the original proxy, or submitting a new proxy by telephone or over the Internet (your latest paper, telephone or Internet proxy will govern); or
- virtually attending the special meeting and voting at the special meeting, although attendance at the special meeting will not, by itself, revoke a proxy.

If you have instructed a broker, bank or other nominee to vote your shares, you must follow the directions received from your broker, bank or other nominee to change those instructions.

**Q: What should I do if I receive more than one set of voting materials?**
A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. In order to ensure that all of your shares are voted at the special meeting, please complete, sign, date and return each proxy card and voting instruction card that you receive.

**Q: Am I entitled to appraisal rights?**
A: Yes. As a holder of Company Common Stock, you are entitled to exercise appraisal rights under Section 262 of the DGCL a copy of which is attached to this proxy statement as Annex D, in connection with the Merger, if you do not vote in favor of the Merger Proposal and otherwise meet certain conditions and satisfy fully certain procedures set forth in Section 262 of the DGCL and described in this proxy statement in the section entitled *The Merger Appraisal Rights* beginning on page 60 of this proxy statement.

**Q: Is the Merger expected to be taxable to me?**

A: The Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder (as defined in *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 56 of this proxy statement) whose shares of Company Common Stock are cancelled and converted into cash in the Merger will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received with respect to such shares (determined before the deduction of any applicable withholding taxes) and the holder s adjusted tax basis in such shares. A non-U.S. holder (as defined in *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 56 of this proxy statement) whose shares of Company Common Stock are cancelled and converted into cash pursuant to the Merger will generally not be required to recognize gain or loss for U.S. federal income tax purposes unless the non-U.S. holder has certain connections to the United States.

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You should read *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 56 of this proxy statement for a more complete discussion of the U.S. federal income tax consequences of the Merger.

Because individual circumstances may differ, you should consult your tax advisor to determine the particular U.S. federal, state, local and/or foreign tax consequences of the Merger to you.

**Q: I have physical certificates evidencing my shares. Should I send in my share certificates now?**

A: No. After the Merger is completed, you will be sent a letter of transmittal with written instructions for exchanging your share certificates for the Merger Consideration. These instructions will tell you how and where to send in your certificates for your Merger Consideration. You will receive your cash payment after the paying agent receives your stock certificates and any other documents requested in the instructions. **Please do not send in your stock certificates with your proxy card**.

**Q: What should I do if I have lost my share certificates?**

A: Most of our stockholders hold their shares through book entry positions and have never possessed physical certificates representing their shares. However, if you had a physical certificate or certificates representing your shares and have lost one or more of your share certificates, please contact our transfer agent, Wells Fargo Shareowner Services at (800) 401-1957, to obtain replacement certificates. You may be required to provide evidence of the loss, theft or destruction of your certificates as well as a customary indemnity to secure against the risk that the share certificates may be subsequently recirculated.

**Q: What happens if the Merger is not completed?**

A: If our stockholders do not approve the Merger Proposal or if the Merger is not completed for any other reason, our stockholders will not receive any payment for their shares of Company Common Stock in connection with the Merger, and the Virgin America equity-based awards will remain outstanding and not be cancelled in exchange for any cash payment. Instead, we would remain an independent public company, and shares of Company Common Stock would continue to be listed and traded on NASDAQ. Under specified circumstances, we may be required to pay Alaska Air Group a termination fee of $78.5 million as described in *The Merger Agreement Transaction Expenses and Termination Fees* beginning on page 86 of this proxy statement.

**Q: What happens if I sell my shares of Company Common Stock before the special meeting?**

A: The Record Date is earlier than the date of the special meeting and the date that the Merger is expected to be completed. If you transfer your shares of Voting Common Stock after the Record Date, but before the special meeting, you will retain your right to vote at the special meeting, but will transfer the right to receive the Merger Consideration at the effective time of the Merger. If you transfer your shares of Non-Voting Common Stock before the effective time of the Merger, you will transfer the right to receive the Merger Consideration at the effective time of the Merger. The Merger Consideration is payable only to those stockholders who hold their Company Common Stock as of immediately prior to the effective time of the Merger.

**Q: Where can I find the voting results of the special meeting?**

A: Virgin America intends to announce preliminary voting results at the special meeting and publish final results in a Current Report on Form 8-K that will be filed with the SEC following the special meeting. All periodic and current reports Virgin America files with the SEC are publicly available when filed. See the section entitled *Where You Can Find More Information* beginning on page 98 of this proxy statement.

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**Q: If I participate in the Company ESPP, how will my stock purchase rights be treated in the Merger?**

A: We will terminate the Company ESPP as of the effective time of the Merger. On the Final Exercise Date (as defined below), the funds credited as of such date under the Company ESPP within the associated accumulated payroll withholding account for each participant under the Company ESPP will be used to purchase shares of Company Common Stock in accordance with the terms of the Company ESPP, and each share purchased thereunder immediately prior to the effective time of the Merger shall be cancelled at such time and converted into the right to receive the Merger Consideration in accordance with the terms of the Merger Agreement, subject to withholding of taxes. Any accumulated contributions of each participant under the Company ESPP as of immediately prior to the effective time of the Merger will, to the extent not used to purchase Company Common Stock in accordance with the terms and conditions of the Company ESPP, be refunded to such participant as promptly as practicable following the effective time of the Merger (without interest). No further Company ESPP Rights (as defined below) shall be granted or exercised under the Company ESPP after the Final Exercise Date.

**Q: Who can help answer my questions?**

A: If you have any questions about the Merger or how to submit your proxy, please contact our proxy solicitor, MacKenzie Partners, Inc., using the information below. If you would like additional copies, without charge, of this proxy statement or the enclosed proxy card, you should contact our proxy solicitor at:

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

Email to: proxy@mackenziepartners.com

Address: 105 Madison Avenue, New York, New York 10016

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, the documents to which we refer you in this proxy statement and information included in oral statements or other written statements made or to be made by us or on our behalf may include predictions, estimates and other information that may be considered forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, that do not directly or exclusively relate to historical facts, including, without limitation, statements relating to the completion of the Merger. You can typically identify forward-looking statements by the use of forward-looking words, such as may, should, could, project, bel anticipate, expect, estimate, continue, potential, plan, forecast and other words of similar import, or the ne these terms or comparable terminology. Stockholders are cautioned that any forward-looking statements are not guarantees of future performance. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from those anticipated as a result of various factors.

These risks and uncertainties include, but are not limited to factors and matters described or incorporated by reference in this proxy statement and the following factors: (1) the Company may be unable to obtain stockholder approval as required for the Merger; (2) other conditions to the closing of the Merger may not be satisfied, including that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval; (3) the Merger may involve unexpected costs, liabilities or delays; (4) the business of the Company may suffer as a result of uncertainty surrounding the Merger; (5) stockholder litigation in connection with the Merger may affect the timing or occurrence of the Merger or result in significant costs of defense, indemnification and liability; (6) the Company may be adversely affected by other economic, business, and/or competitive factors; (7) the occurrence of any event, change or other circumstances could give rise to the termination of the Merger Agreement and, in certain cases, the payment by us of a termination fee of $78.5 million; (8) the ability to recognize benefits of the Merger; (9) risks that the Merger disrupts current plans and operations or diverts management s or employees attention from ongoing business operations; (10) risk of potential difficulties with Virgin America s ability to retain and hire key personnel and maintain relationships with suppliers and other third parties; and (11) other risks to consummation of the Merger, including the risk that the Merger will not be consummated within the expected time period or at all. Additional factors that may affect the future results of the Company are set forth in filings the Company makes with the SEC from time to time, including its Annual Report on Form 10-K for the year ended December 31, 2015, its proxy statement on Schedule 14A for its 2016 Annual Meeting and the additional definitive proxy soliciting materials on Schedule 14A filed with the SEC in connection therewith, which are available on the SEC s website at www.sec.gov.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof. Except as required by applicable law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

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## THE VIRGIN AMERICA SPECIAL MEETING

### General

Your proxy is solicited on behalf of the Company Board for use at our special meeting of stockholders to be held virtually, via live webcast at http://www.virtualstockholdermeeting.com/VA2016special on , 2016, at , Pacific time, emanating from Burlingame, California, or at any postponement or adjournment thereof, for the purposes discussed in this proxy statement and in the accompanying Notice of Special Meeting of Stockholders and any business properly brought before the special meeting. Proxies are solicited to give all stockholders of record entitled to vote an opportunity to vote on matters properly presented at the special meeting. Instructions on how to attend and participate at the special meeting are also posted online at http://www.virtualshareholdermeeting.com/VA2016special.

### Date, Time and Place of the Special Meeting

We will hold the special meeting virtually, via live webcast at http://www.virtualstockholdermeeting.com/VA2016special on , 2016, at , Pacific time, emanating from Burlingame, California. On or about , 2016, we commenced mailing this proxy statement and the enclosed form of proxy to our stockholders who held shares of Company Common Stock as of the Record Date.

### Purpose of the Special Meeting

At the special meeting, we are asking holders of record of our Voting Common Stock on , 2016, to consider and vote on the following:

1. the Merger Proposal;

2. the Adjournment Proposal; and

3. the Compensation Proposal, as disclosed pursuant to Item 402(t) of Regulation S-K in the section entitled *The Merger Interests of Our Directors, Executive Officers and Affiliates in the Merger Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of this proxy statement.

### Recommendation of the Company Board

After careful consideration, the Company Board has unanimously determined that the Merger and the other transactions contemplated by the Merger Agreement are fair to and in the best interests of Virgin America and its stockholders and approved, adopted and declared advisable the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement.

**The Company Board unanimously recommends that Virgin America s stockholders vote FOR the Merger Proposal, FOR the Adjournment Proposal and FOR the Compensation Proposal. See the section entitled *The Merger Recommendation of the Company Board; Our Reasons for the Merger* beginning on page 34 of this proxy statement.**

**Stockholders Entitled to Vote; Record Date**

You may vote at the special meeting if you were a record holder of shares of the Voting Common Stock at the close of business on , 2016. For each share of Voting Common Stock that you owned on the Record Date, you are entitled to cast one vote on each matter voted upon at the special meeting. As of the Record Date, there were shares of Voting Common Stock outstanding and entitled to vote.

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**Quorum and Vote Required**

A quorum of stockholders is necessary to hold the special meeting. The required quorum for the transaction of business at the special meeting shall exist when the holders of a majority in voting power of the shares issued and outstanding and entitled to vote at the special meeting are present or represented by proxy. If a quorum is not present at the special meeting, we expect that the special meeting will be adjourned to solicit additional proxies. Abstentions and broker non-votes, discussed below, if any, count as shares present for establishing a quorum. As of the Record Date, approximately shares of Voting Common Stock were outstanding and entitled to vote, approximately % of which were held by the Supporting Stockholders, each of which, as discussed below, has entered into the Support Agreement obligating each Supporting Stockholder to vote all of its shares of Voting Common Stock in favor of the Merger Proposal and any other proposals necessary to consummate the Merger.

You may vote **FOR** or **AGAINST**, or you may **ABSTAIN** from voting on, the Merger Proposal. Adoption of the Merger Agreement requires the affirmative vote of the holders of a majority in voting power of the shares of Voting Common Stock entitled to vote at the special meeting. Since the vote on the Merger Proposal is based on the total number of shares of Voting Common Stock outstanding, rather than the number of actual votes cast, abstentions and broker non-votes will have the same effect as voting against the approval of the Merger Proposal. A broker non-vote occurs when a nominee holding shares for a beneficial owner returns a properly executed proxy but does not vote on a particular proposal because the nominee does not have discretionary voting authority and has not received instructions from the beneficial owner of the shares. Brokers, banks and other nominees will not have discretionary authority on the Merger Proposal, the Adjournment Proposal or the Compensation Proposal. For this reason, we do not believe that there will be any broker non-votes occurring in connection with any of the proposals at the special meeting. However, if any broker non-votes were to occur, such votes would have the same effect as voting against the approval of the Merger Proposal.

You may vote **FOR** or **AGAINST**, or you may **ABSTAIN** from voting on, the Adjournment Proposal. The Adjournment Proposal will be approved if the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy and entitled to vote on the subject matter, vote in favor of the proposal, assuming a quorum is present. Neither broker non-votes nor abstentions count as votes cast so they will have no effect on the Adjournment Proposal.

You may vote **FOR** or **AGAINST**, or you may **ABSTAIN** from voting on, the Compensation Proposal. The non-binding advisory Compensation Proposal will be approved if the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy and entitled to vote on the subject matter, vote in favor of the proposal, assuming a quorum is present. Neither broker non-votes nor abstentions count as votes cast so they will have no effect on the Compensation Proposal.

**Shares Owned by Our Directors and Executive Officers**

As of the Record Date, our directors and executive officers beneficially owned and were entitled to vote an aggregate of shares of Voting Common Stock, or approximately % of the total Voting Common Stock outstanding on that date. These numbers do not give effect to outstanding Company Options or Company RSUs, or to any outstanding shares of Non-Voting Common Stock, none of which are entitled to vote at the special meeting. Each of the Supporting Stockholders, which are affiliated with two of our directors, has entered into the Support Agreement obligating each Supporting Stockholder to vote all of its shares of Voting Common Stock in favor of the Merger Proposal and any other proposals necessary to consummate the Merger. We currently expect that each of our directors and executive officers will vote their shares in favor of the proposals to be presented at the special meeting.

**Voting; Proxies**

You may vote online at the special meeting or you may submit a proxy over the Internet or by signing, dating and returning the proxy card, or by telephone to have your shares voted thereat.

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***Voting at the Special Meeting***

If you plan to virtually attend the special meeting and wish to vote at the special meeting you will need to log in to http://www.virtualstockholdermeeting.com/VA2016special. To do so, follow the online instructions provided on your proxy card if you are a stockholder of record of shares of Voting Common Stock or included with your voting instruction card and voting instructions you received from your broker, bank or other agent if you hold your shares of Voting Common Stock in street name .

To ensure that your shares are represented and voted at the special meeting, the Company recommends that you promptly submit a proxy, even if you plan to virtually attend the special meeting.

***Voting by Proxy***

If you do not wish to attend the special meeting, you may submit your proxy by completing, dating, signing and returning the enclosed proxy card by mail or by granting a proxy by telephone or on the Internet. All shares of Voting Common Stock represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted **FOR** the Merger Proposal, **FOR** the Adjournment Proposal, and **FOR** the Compensation Proposal.

Only shares of Voting Common Stock affirmatively voted for the Merger Proposal, the Adjournment Proposal, and the Compensation Proposal, and properly executed proxies that do not contain voting instructions, will be counted as votes **FOR** the proposals. Shares of Voting Common Stock held by persons who attend the special meeting but abstain from voting at the special meeting or by proxy, and shares of Voting Common Stock for which we received proxies directing an abstention, will have the same effect as votes **AGAINST** the Merger Proposal, but will have no effect on the Adjournment Proposal or the Compensation Proposal. Shares of Voting Common Stock represented by proxies that reflect a broker non-vote, if any, will be counted for purposes of determining whether a quorum exists, and those shares will have the same effect as votes **AGAINST** the Merger Proposal but, because broker non-votes are not counted as votes cast, such votes, if any, will have no effect on the Adjournment Proposal or the Compensation Proposal.

**Revocation of Proxy**

If you are a holder of record of Voting Common Stock on the Record Date, you may revoke your proxy, unless noted below, at any time before the final vote at the special meeting by taking any of the following actions:

- delivering to our corporate secretary a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked;
- delivering a new proxy, either by signing and delivering a new paper proxy, relating to the same shares of Voting Common Stock and bearing a later date than the original proxy, or submitting a new proxy by telephone or over the Internet (your latest paper, telephone or Internet proxy will govern); or

virtually attending the special meeting and voting at the special meeting, although attendance at the special meeting will not, by itself, revoke a proxy.

Written notices of revocation and other communications with respect to the revocation of Virgin America proxies should be addressed to:

Virgin America Inc.

555 Airport Blvd.

Burlingame, CA 94010

Attention: Secretary of the Company

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If your shares of Voting Common Stock are held in street name, you may change your vote by submitting new voting instructions to your broker, bank or other nominee. You must contact your broker, bank or other nominee to find out how to do so. See above regarding how to vote at the special meeting if your shares are held in street name.

**Solicitation of Proxies**

The Company Board is soliciting proxies for the special meeting from our stockholders. We will bear the entire cost of soliciting proxies from our stockholders. In addition to the solicitation of proxies by delivery of this proxy statement by mail, we will request that brokers, banks and other nominees that hold shares of Company Common Stock, which are beneficially owned by our stockholders, send copies of the Notice of Special Meeting of Stockholders, proxies and proxy materials to those beneficial owners and secure those beneficial owners voting instructions. We will reimburse those record holders for their reasonable expenses. We have engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies and provide related advice and informational support for a fee of $ , plus reimbursement of customary disbursements. We may use several of our regular employees, who will not be specially compensated, to solicit proxies from our stockholders, either personally or by telephone, Internet, facsimile or special delivery letter.

**Appraisal Rights**

As more fully described below in the section entitled *The Merger Appraisal Rights*, if the Merger is effected, under applicable Delaware law, stockholders who do not wish to accept the Merger Consideration payable for their shares of Company Common Stock pursuant to the Merger may seek judicial appraisal of the fair value of their shares by the Delaware Court of Chancery in lieu of the Merger Consideration. **The fair value of your shares of Company Common Stock as determined by the Delaware Court of Chancery in an appraisal proceeding may be more than, less than, or equal to the value of the Merger Consideration that you are otherwise entitled to receive under the terms of the Merger Agreement.**

Generally, in order to properly demand appraisal, a stockholder must:

- deliver to us a written demand for appraisal, in compliance with Section 262 of the DGCL, before the vote on the Merger Proposal at the special meeting;
- not vote in favor of the Merger Proposal or submit a proxy to have such stockholder s shares voted in favor of the Merger Proposal;
- be a record holder of shares of our Company Common Stock on the date the written demand for appraisal is made and continue to hold the shares through the effective date of the Merger; and
- strictly follow the statutory procedures for perfecting appraisal rights under Section 262 of the DGCL, which are described in the section entitled *The Merger Appraisal Rights*, and included as Annex D to this proxy statement.

Merely voting against, or failing to vote in favor of, the Merger Proposal will not preserve your right to appraisal under the DGCL. Also, since a submitted proxy not marked **AGAINST** or **ABSTAIN** will be voted **FOR** the Merger

Proposal, the submission of a proxy not marked **AGAINST** or **ABSTAIN** will result in the waiver of appraisal rights. Because the demand for appraisal rights must be made by the record holder, if you hold shares of Company Common Stock in the name of a broker, bank or other nominee, you must instruct your nominee to take the steps necessary to demand appraisal for your shares.

Annex D to this proxy statement contains the full text of Section 262 of the DGCL, which relates to your right of appraisal. We encourage you to read these provisions carefully and in their entirety. If you or your nominee fail to follow all of the steps required by Section 262 of the DGCL, you will lose your right of appraisal.

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**Adjournments or Postponements**

Although it is not currently expected, if necessary, the special meeting may be adjourned for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement, by the vote of the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy and entitled to vote on the subject matter, assuming a quorum is present. Any signed proxies received by us for which no voting instructions are provided on such matter will be voted **FOR** the Adjournment Proposal.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on , 2016**

A copy of this proxy statement is available, without charge, by written request to Virgin America Inc. (Attn: Corporate Secretary, 555 Airport Blvd., Burlingame, CA 94010) or MacKenzie Partners, Inc. (at the address listed below), or from the SEC website at www.sec.gov.

**Assistance**

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact our proxy solicitor, MacKenzie Partners, Inc.:

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

Email to: proxy@mackenziepartners.com

Address: 105 Madison Avenue, New York, New York 10016

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## PROPOSAL 1

## APPROVAL OF THE MERGER PROPOSAL

## THE MERGER

*This discussion of the Merger does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as Annex A and which is incorporated by reference into this proxy statement. You should read the entire Merger Agreement carefully as it is the legal document that governs the Merger.*

### Introduction

We are asking our stockholders to approve the Merger Proposal.

### The Companies

***Virgin America Inc.***

555 Airport Blvd.

Burlingame, CA 94010

(650) 762-7000

www.virginamerica.com

Virgin America is a premium-branded, low-cost airline based in California that provides scheduled air travel in the United States and Mexico. We operate primarily from our focus cities of Los Angeles and San Francisco, with a smaller presence at DAL, to other major business and leisure destinations in North America. We provide a distinctive offering for our passengers, whom we call guests, that is centered around our brand and our premium travel experience, while at the same time maintaining a low-cost structure through our point-to-point network and high utilization of our efficient, single fleet type consisting of Airbus A320 family aircraft.

Leveraging the reputation of the Virgin America brand, we target guests who value the experience associated with Virgin and the high-quality product and service that we offer. We have won numerous awards for our product, including Best Domestic Airline in *Travel + Leisure Magazine* s World s Best Awards and Best U.S. Airline in *Condé Nast Traveler Magazine* s Readers Choice Awards for the past eight consecutive years.

For additional information about Virgin America and our business, see the section entitled *Where You Can Find More Information* beginning on page 98 of this proxy statement.

***Alaska Air Group***

19300 International Boulevard

Seattle, WA 98188

(206) 392-5040

www.alaskaair.com

Alaska Air Group operates Alaska Airlines and Horizon Air Industries, Inc., which together with Alaska Airlines partner regional airlines, SkyWest Airlines, Inc. and Peninsula Airways, Inc., serve more than 100 cities through an expansive network in Alaska, Hawaii, the continental United States, Canada, Mexico and Costa Rica. In addition to enjoying Alaska Airlines network and low fares, its loyal customers can earn and redeem miles with partner airlines in the United States and across the world. Alaska Airlines offers award-winning customer service and industry-leading on-time performance and rewards its employees for contributing to its success through incentive pay. Alaska Airlines shows its commitment to environmental and community stewardship through ongoing efforts to improve fuel efficiency and extensive charitable endeavors in the communities it serves. The majority of Alaska Air Group s revenue is generated by transporting passengers.

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For additional information about Alaska Air Group and its business, see the section entitled *Where You Can Find More Information* beginning on page 98 of this proxy statement.

***Alpine Acquisition Corp.***

19300 International Boulevard

Seattle, WA 98188

(206) 392-5040

www.alaskaair.com

Alpine Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Alaska Air Group, was organized solely for the purpose of entering into the Merger Agreement with Virgin America and completing the Merger and has not conducted any business operations other than those incident to its formation and the transactions contemplated by the Merger Agreement. If the Merger is completed, Merger Sub will cease to exist following its merger with and into Virgin America.

**Background of the Merger**

The Company Board and the Company s senior management regularly review and assess the Company s long-term strategic plan with the goal of maximizing stockholder value. As part of this ongoing process, the Company Board and senior management have periodically evaluated potential strategic alternatives relating to the Company s business and engaged in discussions with third parties concerning potential strategic transactions, including a sale of the Company. In particular, in September 2014, in parallel with the Company Board s consideration of an initial public offering, members of the Company Board and board members of another U.S.-based airline carrier ( Company A ) met and reviewed the Company s business and explored, among other things, a possible business combination involving the two companies. However, such discussions did not progress toward a transaction, and the Company consummated its initial public offering on November 19, 2014.

In the fall of 2015, a member of the executive team and a board member of a U.S.-based airline carrier ( Company B ) spoke with Donald Carty, the Chairman of the Company Board, regarding potential interest in a merger with the Company. Mr. Carty reviewed these communications with the Company Board at the Company s regularly scheduled in-person Board meeting on November 12, 2015 and recommended that Company management explore the potential synergies that could be achieved in a merger with Company B. On November 25, 2015, the Company signed a confidentiality agreement with Company B.

In late November 2015, without prior communication from the Company or its advisors, Brad Tilden, the Chief Executive Officer and President of Alaska Air Group, contacted Mr. Carty and, separately, an independent director of the Company Board regarding potential interest in an acquisition of the Company and to discuss diligence items.

On December 4, 2015, Mr. Tilden met with Mr. Carty and reiterated Alaska Air Group s potential interest in an acquisition of the Company. On December 6, 2015, the Company Board held a telephonic meeting with Company management present, during which Mr. Carty briefed the Company Board on the initial communication from Alaska Air Group and reviewed the recent contact from Company B. The Company Board discussed the merits and risks of a potential merger of the Company with another U.S. airline, as well as of remaining as an independent corporation, and then authorized Company management to communicate with Alaska Air Group, Company B and other potentially

interested U.S.-based airlines to evaluate potential business combination opportunities. Following further discussion, the Company Board considered the selection of a financial advisor for the evaluation of a potential sale transaction and authorized the Company to formally engage Evercore as the Company s financial advisor. In addition, the Company Board also confirmed the Company s plan to engage Seabury Aviation Consulting LLC ( Seabury ) as the Company s aviation consultant regarding analysis of the strategic rationale, revenue synergies, and cost synergies that could be achieved in a potential sale transaction and requested that Seabury perform an analysis of the potential synergies presented by a

merger with each of Alaska Air Group, Company A and Company B, which were the most likely potential suitors for the Company. The Company Board also approved retaining Latham & Watkins LLP, the Company s outside counsel, as the Company s legal advisor for any potential sale transaction. The Company Board selected each of Evercore, Seabury and Latham & Watkins LLP as advisors to the Company given their extensive experience in transactions of this type and in the airline industry and after determining that there were no conflicts of interest present that would affect their ability to effectively provide advice to the Company.

On December 10, 2015, the senior management teams of the Company and Company B participated in a discussion regarding the analysis and evaluation of potential cost and revenue synergies from a merger. On the same date, the Company executed formal engagement letters with Seabury to provide aviation consulting services and with Evercore to provide financial advisory services to the Company in connection with evaluating the sale of all or a substantial portion of the Company s assets or outstanding shares of common stock.

On December 11, 2015, the Company entered into a confidentiality agreement with Alaska Air Group, and the senior management teams of the Company and Alaska Air Group met to discuss Alaska Air Group s interest in the potential acquisition of the Company. The Alaska Air Group management team described the strategic objective of a purchase of the Company, and the similarities between the two companies in a number of areas including the areas of operational performance, customer service focus and employee engagement. The Alaska Air Group senior management team also reviewed a number of due diligence matters with the Company.

On December 13, 2015, Mr. Tilden sent a supplemental request for information in connection with Alaska Air Group s plans to submit an indicative non-binding offer involving a combination of the companies.

On December 14, 2015, Mr. Cush had dinner with the chief executive officer of Company A and discussed a potential business combination involving the two companies.

On December 17, 2015, Mr. Tilden called Mr. Carty to reiterate Alaska Air Group s interest in moving forward with exploring a potential transaction with the Company and submitted a non-binding indication of interest on behalf of Alaska Air Group to acquire all of the outstanding capital stock of the Company on a fully-diluted basis for $44.75 per share in cash. The closing price of the Company s common stock on NASDAQ on December 17, 2015 was $36.07 per share.

On December 18, 2015, the Company Board held a telephonic meeting with Company management and representatives from Evercore and Latham & Watkins LLP present. Company management provided an update to the Company Board regarding the offer made by Alaska Air Group the previous day, as well as management s meeting with Company B and Mr. Cush s dinner with the chief executive officer of Company A. Representatives of Evercore then provided the Company Board with an overview of the current strategic landscape and industry trends for airlines and reviewed various illustrative merger analyses for various potential counterparties in the airline industry, including Alaska Air Group, Company A and Company B. Following discussion, representatives of Evercore then reviewed certain preliminary financial analyses with respect to the offer from Alaska Air Group with the Company Board.

Following further discussion with Mr. Carty and representatives from Evercore and Latham & Watkins LLP, on December 23, 2015, representatives of Evercore called representatives of Merrill Lynch, Pierce, Fenner & Smith Incorporated ( Merrill Lynch ) and UBS Securities LLC ( UBS ), financial advisors to Alaska Air Group in connection with the potential transaction, to inform them that the offer from Alaska Air Group did not compensate the Company s stockholders for the Company s stand-alone value and, in addition, did not take into account the substantial benefits that could be potentially realized from the Company s historical net operating losses and the prospective synergies in a business combination. However, the representatives of Evercore informed representatives of Merrill Lynch and UBS

that the Company would be willing to consider engaging in further discussions and provide diligence information to Alaska Air Group to support the Company s expectations with respect to the potential benefits and operational synergies of a business combination between

the two airlines if Alaska Air Group were to increase its offer price. The closing price of the Company s common stock on NASDAQ on December 23, 2015 was $37.39 per share.

In early January 2016, U.S. financial markets and, in particular, trading in shares of the Company s common stock, became highly unstable. By January 15, 2016, the closing price of the Company s common stock on NASDAQ was $28.41 per share.

On January 5, 2016, Mr. Carty received a telephone call from certain senior executives from a large U.S.-based airline carrier ( Company C ) to highlight their potential interest in an acquisition of the Company and later submitted to Mr. Carty a detailed diligence request list in connection with their interest.

On January 6, 2016, Mr. Carty called Mr. Tilden to understand Alaska Air Group s current position with respect to a potential acquisition of the Company.

On January 13, 2016, the Company Board held a telephonic meeting with Company management and representatives from Evercore and Latham & Watkins LLP present, during which Company management and Mr. Carty provided an update to the Company Board since the last Company Board meeting regarding the status of discussions with each of Alaska Air Group, Company A, Company B and Company C.

On January 19, 2016, Mr. Cush had dinner with the Chief Executive Officer of Company A to further discuss a potential business combination involving the two companies.

On January 22, 2016, the Company entered into a confidentiality agreement with Company C in order to provide them with further diligence information regarding the Company.

Between January 11, 2016 and early February 2016, representatives of Evercore had several telephone calls and meetings with representatives of Merrill Lynch and UBS to encourage Alaska Air Group to reaffirm its interest in acquiring the Company and increase its offer price, as well as to provide further information regarding the Company and the potential benefits of a merger between the Company and Alaska Air Group. In parallel, representatives of Evercore contacted representatives of Company A, Company B and Company C to encourage them to submit an indication of interest for an acquisition of the Company by early February 2016. Based on advice received from Evercore and management and the Company Board s knowledge of the industry, other bidders were not contacted because the Company did not believe a value-maximizing transaction could be completed with any other party, due to ability to pay, limited potential synergies, regulatory issues or foreign ownership limitations that apply to airlines.

On February 4, 2016, the senior management teams of the Company and Company C had a meeting to discuss the strategic benefits of a larger presence for Company C on the west coast of the United States and to review certain details regarding cost synergies that could be obtained in a potential acquisition, including information relating to the Company s aircraft, engines, fleet maintenance, computer systems and other contractual arrangements.

On February 6, 2016, Mr. Carty and Mr. Tilden had a telephone call to discuss the status of Alaska Air Group s interest in a potential acquisition of the Company and next steps.

On February 6, 2016, the Chief Executive Officer of Company A spoke with Mr. Cush to discuss Company A s strategic interest in a potential acquisition of the Company and to inform him that Company A would likely be submitting an offer to acquire the Company after their board meeting the following week.

On February 8, 2016, the Company reviewed Seabury s analysis of the cost and revenue synergies likely to be obtained in a merger with each of Alaska Air Group, Company A and Company B and subsequently provided to each bidder Seabury s analysis of the potential synergies available in connection with an acquisition of the Company. That analysis demonstrated that the cost and revenue synergies available from a merger with

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Company A were slightly higher than what could be achieved with Alaska Air Group and that such synergies available from a merger with Company B were significantly lower than what could be achieved with either Alaska Air Group or Company A. Following the delivery of that analysis to Company B, Company B did not express any willingness to submit an indication of interest in connection with a potential acquisition of the Company.

On February 9, 2016, the Company Board held a telephonic meeting with Company management and representatives from Evercore and Latham & Watkins LLP present, during which Company management provided an update to the Company Board since the last Company Board meeting regarding the status of discussions with each of Alaska Air Group, Company A, Company B and Company C.

On February 12, 2016, Company A submitted a non-binding indication of interest to acquire all of the outstanding capital stock of the Company on a fully-diluted basis for $43.00 per share in cash. The closing price of the Company s common stock on NASDAQ on that day was $27.87 per share.

On February 16, 2016, at Alaska Air Group s direction, representatives of Merrill Lynch and UBS called Evercore and informed them that Alaska Air Group may no longer be willing to offer $44.75 per share in connection with an acquisition of the Company and requested that the Company indicate whether it would be willing to accept a lower offer price.

In addition, as of such date, Company C had not expressed any willingness to submit an indication of interest in connection with a potential acquisition of the Company. Company C also informed the Company that it believed regulatory approvals would be lengthy and difficult to obtain in connection with its acquisition of the Company. The closing price of the Company s common stock on NASDAQ on February 16, 2016 was $29.29 per share.

As directed by the Company Board, between February 16, 2016 and February 29, 2016, representatives of Evercore engaged in several discussions with representatives of Merrill Lynch and UBS to encourage Alaska Air Group to re-engage in the process and improve upon its initial offer for an acquisition of the Company in order to receive more detailed due diligence materials on the Company. During this time period, U.S. financial markets showed increased signs of stability and shares of the Company s common stock traded on NASDAQ at prices between $29.05 per share and $31.58 per share. In parallel, the Company entered into a confidentiality agreement with Company A on February 18, 2016, and the Company s management team subsequently engaged in several management meetings with the executive team from Company A to review the potential benefits of a merger between the two companies and provide due diligence materials related to the Company.

On February 23, 2016, Mr. Tilden called Mr. Carty to discuss the status of Alaska Air Group s interest in a potential acquisition of the Company and to inform him that Alaska Air Group was still considering various strategic options at that time.

The Company Board held an in-person meeting on February 25, 2016, with Company management and representatives of Latham & Watkins LLP and Evercore present. The Company presented the Seabury analysis of the strategic rationale, revenue synergies and cost synergies of a combination transaction with Alaska Air Group, Company A and Company B. Company management reviewed a number of business updates with the Company Board and then presented the Long-Term Plan, which is described in the section entitled *Certain Financial Forecasts* beginning on page 47 of this proxy statement, including the various assumptions underlying the key elements of the Long-Term Plan. Following discussion, the Company Board approved the Long-Term Plan as presented to it and directed Company management to provide the Long-Term Plan to Alaska Air Group, Company A and their respective advisors in connection with their evaluation of a potential acquisition of the Company. Representatives of Latham & Watkins LLP reviewed with the Company Board its fiduciary duties with respect to a potential strategic transaction,

including a sale of the Company, and representatives of Evercore then reviewed with the Company Board certain preliminary valuation analyses of the Company based on the Long-Term Plan. The Company Board next engaged in a lengthy discussion regarding the form of

consideration to be offered by a potential acquirer. Representatives of Evercore informed the Company Board that both Alaska Air Group and Company A had indicated in their prior offers that they would be willing to offer more value to the Company s stockholders if the consideration only consisted of cash, but that they would be willing to offer a portion of the consideration in stock if desired. After further discussion, the Company Board instructed Evercore to focus on a potential transaction which maximized the value offered to Company stockholders. Following the Company Board meeting, representatives of Evercore encouraged each of Alaska Air Group and Company A to submit revised proposals for an acquisition of the Company the following week in order to commence more significant due diligence on the Company and provided to each of Alaska Air Group and Company A the Long-Term Plan.

On February 29, 2016, Alaska Air Group reaffirmed its interest in acquiring the Company and submitted a revised proposal for an acquisition of the outstanding equity of the Company for cash consideration of $45.00 per share, with a request for exclusivity. The closing price of the Company s common stock on NASDAQ on that day was $31.19 per share.

On March 1, 2016, senior management of the Company and Company A, together with their respective financial advisors, had a telephone call to discuss the Long-Term Plan.

On March 2, 2016, Company A reaffirmed its interest in acquiring the Company and submitted a revised proposal for an acquisition of the outstanding capital stock of the Company on a fully-diluted basis for $46.00 per share in cash. The closing price of the Company s common stock on NASDAQ on that day was $30.21 per share.

On March 3, 2016, Mr. Carty and Mr. Tilden had a telephone call to discuss Alaska Air Group s February 29, 2016 offer and next steps. In addition, on the same day, representatives of Evercore contacted the financial advisor to Company A to discuss their revised proposal and next steps.

On March 4, 2016, the Company Board held a telephonic meeting with Company management and representatives from Evercore and Latham & Watkins LLP present, during which Company management provided an update to the Company Board since the last Company Board meeting regarding the status of discussions with each of Alaska Air Group and Company A.

Following the submission of these bids, Evercore instructed each bidder to provide best and final offers, reflecting their completed due diligence, in connection with an acquisition of the Company on March 31, 2016 and informed them that exclusivity would not be provided to any bidder. During the week of March 7, 2016, the Company provided access to representatives of each of Alaska Air Group and Company A to due diligence materials in an electronic data room. In addition, on March 10, 2016, Evercore provided a form of merger agreement for review and comment to each of Alaska Air Group and Company A, with the instruction to provide comments by the end of the following week.

During the week of March 14, 2016, the Company continued to respond to diligence questions and requests from Alaska Air Group and Company A. In addition, on March 15, 2016, Evercore provided to each of Alaska Air Group and Company A a form of the support agreement to be executed by certain stockholders of the Company concurrently with the execution of the merger agreement.

On March 18, 2016, O Melveny & Myers LLP, outside legal counsel to Alaska Air Group, and the outside law firm representing Company A each submitted revised drafts of the merger agreement and support agreement to Latham.

On March 19, 2016, representatives of Company C called Mr. Carty to expressly inform him that Company C would not be contemplating an offer, as Company C did not believe that it would be able to obtain needed regulatory approvals in connection with an acquisition of the Company.

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On March 21, 2016, the Company Board held a telephonic meeting with Company management and representatives from Evercore and Latham & Watkins LLP present, during which Company management provided an update to the Company Board since the last Company Board meeting regarding the status of discussions with each of Alaska Air Group and Company A. Representatives of Evercore then provided the Company Board with updated preliminary financial analyses of the proposed merger consideration taking into account the Long-Term Plan, which had been approved at the Company Board meeting on February 25, 2016, and certain alternative business assumptions. The closing price of the Company s common stock on NASDAQ on that day was $31.10 per share.

During the course of the trading day on March 23, 2016, a report from an anonymous source appeared in multiple press reports claiming that the Company was considering a sale and had reached out to potential buyers, resulting in a significant increase in the trading price per share of the Company s common stock. The closing price of the Company s common stock on NASDAQ on that day was $34.72 per share.

On March 25, 2016, Latham & Watkins LLP distributed a revised draft merger agreement to each of Alaska Air Group and Company A and negotiated key non-price terms of the merger agreement with each of O Melveny and the outside law firm representing Company A during the following few days. Key non-price contractual terms discussed as part of these negotiations included the ability of each party to terminate the agreement, including in the event the Company receives a superior proposal from a third party, the ability of the Company Board to change its recommendation that its stockholders vote in favor of the proposed transaction, the amount and triggers of any termination fee and/or acquirer expense payable by the Company and the efforts required by each party to obtain needed regulatory approvals in connection with the proposed transaction. During the course of these negotiations, Latham & Watkins LLP directed each of Alaska Air Group and Company A to submit an updated draft merger agreement on or prior to March 31, 2016 with their client s best and final proposals on price.

On March 28, 2016, further details from an anonymous source appeared in multiple press reports claiming that Alaska Air Group and another party had submitted bids in connection with a potential acquisition of the Company and that a transaction could be announced as soon as early the following week, resulting in another significant increase in the trading price per share of the Company s common stock. The closing price of the Company s common stock on NASDAQ on March 28, 2016 was $37.70 per share. Also on March 28, 2016, Latham distributed a revised draft of the support agreement to each of Alaska Air Group and Company A.

On March 31, 2016, each of Alaska Air Group and Company A submitted revised offers, with Alaska Air Group increasing its offer price to $48.00 per share and Company A increasing its offer price to $50.00 per share. Each offer also included a revised form of merger agreement. Following discussion with Company management and Mr. Carty, representatives of Evercore contacted Merrill Lynch and UBS to inform them that Alaska Air Group would need to improve its offer in order to remain competitive in connection with the process. The closing price of the Company s common stock on NASDAQ on that day was $38.56 per share. In addition, representatives of Evercore contacted the financial advisor to Company A to inform them that the other bidder was considering an increase to its bid prior to a Company Board call that was scheduled for the morning of April 1, 2016, and that Company A should also consider submitting an increased bid.

During the morning of April 1, 2016, at the direction of Alaska Air Group, representatives of Merrill Lynch and UBS contacted Evercore to inform them that Alaska Air Group was prepared to increase its offer price to $53.50 per share. The Company Board held a telephonic meeting later that same morning, with Company management and representatives of Latham & Watkins LLP and Evercore present. Company management provided the Company Board with an update on the status of discussions with each of Alaska Air Group and Company A. Representatives of Evercore provided input on next steps and the process most likely to result in each bidder further increasing its offer price, with the aim of executing a definitive merger agreement by the evening of April 3, 2016. Following discussion,

the Company Board agreed that Evercore should inform Company A that it would need to increase its offer price in order to remain in the auction process.

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Following the Company Board meeting, representatives of Evercore informed the financial advisor to Company A that Company A would need to increase its offer price in order to remain competitive in the auction process. During the afternoon on April 1, 2016, Company A submitted its best and final offer to acquire the outstanding capital stock of the Company for $55.00 per share on a fully diluted basis, in cash, which the financial advisor to Company A indicated to Evercore was Company A s highest possible offer price. After discussion with Company management and Mr. Carty, representatives of Evercore then informed Alaska Air Group that another bidder had submitted a higher price, Alaska Air Group would need to increase their offer price in order to continue in the process and that an offer price of $57.00 per share would likely close the auction process. Shortly after that communication, Alaska Air Group increased its offer price to $57.00 per share, but conditioned that price on signing a definitive merger agreement that evening.

Following a telephone call from the Chief Executive Officer of Company A informing Mr. Cush that Company A would not be willing to increase its offer price any further, representatives of Latham and O Melveny & Myers LLP finalized the merger agreement, associated disclosure schedules and the support agreement.

That evening, on April 1, 2016, the Company Board held a telephonic meeting with members of Company management and representatives of Latham & Watkins LLP and Evercore present. Latham & Watkins LLP reviewed with the Company Board its fiduciary duties as well as the proposed final terms of the Merger Agreement and Support Agreement. Representatives of Evercore then reviewed their financial analyses of the merger consideration and rendered to the Company Board Evercore s oral opinion, which was subsequently confirmed by delivery of a written opinion dated April 1, 2016, to the effect that, as of April 1, 2016 and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the per-share Merger Consideration was fair, from a financial point of view, to the holders of Company Common Stock entitled to receive such Merger Consideration. For a detailed discussion of Evercore s opinion, please see below under the caption *Opinion of Virgin America s Financial Advisor* beginning on page 38 of this proxy statement. After further deliberation and discussion, the Company Board (i) determined that the Merger and the other transactions contemplated by the Merger Agreement are fair to and in the best interests of the Company and its stockholders, (ii) approved and declared advisable the Merger Agreement, the Merger, the Support Agreement and the other transactions contemplated by the Merger Agreement and the Support Agreement in accordance with the requirements of the DGCL and (iii) recommended that the holders of the Company s voting common stock vote their shares in favor of the adoption of the Merger Agreement. The closing price of the Company s common stock on NASDAQ on April 1, 2016 was $38.90 per share.

Following the Company Board meeting, Alaska Air Group, Merger Sub and the Company entered into the Merger Agreement, and the Supporting Stockholders entered into the Support Agreement with Alaska Air Group with respect to the Merger.

The transaction was announced pursuant to a joint press release issued by Alaska Air Group and the Company prior to market open on April 4, 2016.

**Recommendation of the Company Board; Our Reasons for the Merger**

***Recommendation of the Company Board***

After careful consideration, the Company Board has unanimously determined that the Merger and the other transactions contemplated by the Merger Agreement are fair to and in the best interests of Virgin America and its stockholders and approved and declared advisable the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement.

Accordingly, the Company Board unanimously recommends that our stockholders vote **FOR** the Merger Proposal, **FOR** the Adjournment Proposal and **FOR** the Compensation Proposal.

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***Our Reasons for the Merger***

In reaching its decision to approve the Merger Agreement and the Merger and to recommend the approval of the Merger Proposal and the other proposals to our stockholders, the Company Board consulted with our senior management, as well as our legal and financial advisors, and considered the terms of the proposed Merger Agreement and the transactions set forth in the Merger Agreement, as well as other alternative transactions, including contacts and extensive discussions with other potential acquirers. Notwithstanding the vigorous process described above, no other potential acquirers offered a strategic alternative as favorable to Virgin America stockholders as the Merger with Alaska Air Group.

The Company Board considered a wide and complex range of factors in its deliberations, including the following positive factors (which factors are not necessarily presented in order of relative importance):

The Merger Consideration consists solely of cash, which provides immediate liquidity and certainty of value to Virgin America s stockholders compared to any transaction in which stockholders would receive shares of an acquirer s stock. The receipt of cash consideration eliminates for our stockholders the uncertainty and risk of the continued execution of our business on a stand-alone basis as described further below.

The proposed Merger Consideration of $57.00 per share of Company Common Stock represents a premium of 90.9% compared to $29.86, our volume-weighted average trading price for the 30 trading day period ending March 22, 2016, the last trading date unaffected by rumors related to a possible transaction between us and an acquirer, represents a 46.5% premium to the closing price of our Company Common Stock on April 1, 2016, the last trading day prior to the announcement of the Merger Agreement, and a 2.9% premium to the closing price of Company Common Stock of $55.37 on April 18, 2016, the latest practicable trading date before the printing of this proxy statement.

The advantages of entering into the Merger Agreement and consummating the Merger in comparison with the risks of remaining independent as a stand-alone company and pursuing the Company s strategic plan, including, (i) potential future competition, including from larger airlines which might have competitive advantages from their broader commercial scope and economies of scale in pricing; (ii) the risks inherent in the airline industry, (iii) potential changes in laws affecting that industry, (iv) the economy and capital markets as a whole and (v) the various additional risks and uncertainties that are listed in Item 1A of Part I of our most recent annual report.

The opinion of Evercore to the effect that, as of April 1, 2016 and based upon and subject to the assumptions, limitations, qualifications and conditions set forth in Evercore s written opinion, the Merger Consideration of $57.00 in cash per share to be received by holders of Company Common Stock (other than shares held by any holder who is entitled to demand and has properly demanded appraisal for such shares in accordance with, and who complies in all respects with, Section 262 of the DGCL, a copy of which is attached to this proxy statement as Annex D, treasury shares and shares held by Alaska Air Group, Merger Sub or any of their respective wholly-owned subsidiaries) in the proposed Merger was fair from a financial point of view to such holders, as more fully described below under the caption *The Merger Opinion of Virgin America s Financial Advisor* beginning on page 38 of this proxy statement, as well as the full text of

Evercore s fairness opinion, dated April 1, 2016, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Evercore in connection with its fairness opinion, and which is included in this proxy statement as Annex C. Evercore s fairness opinion was addressed to, and for the use and benefit of, the Company Board in connection with and for purposes of its evaluation of the Merger. Evercore s fairness opinion does not constitute a recommendation as to how any holder of Company Common Stock should vote with respect to the Merger.

The likelihood that the Merger will be consummated, based on, among other things, the likelihood of receiving the Company stockholder approval necessary to complete the transaction in a timely manner, the limited number of conditions to the Merger, the absence of a financing condition, Alaska Air Group s

representation that it will have sufficient financial resources to pay the aggregate Merger Consideration and consummate the Merger, the Company Board s and management s assessment, after discussion with Evercore, that Alaska Air Group has the financial capability to complete the Merger, the relative likelihood of obtaining required regulatory approvals and the remedies available under the Merger Agreement to Virgin America in the event of various breaches by Alaska Air Group or Merger Sub.

The terms and conditions of the Merger Agreement, including Virgin America s ability to consider and respond to, under certain circumstances specified in the Merger Agreement, a bona fide acquisition proposal from a third party, and the Company Board s right, after complying with the terms of the Merger Agreement, to terminate the Merger Agreement in order to enter into an agreement with respect to a Superior Proposal, subject to the terms and conditions of the Merger Agreement, including payment of a termination fee to Alaska Air Group of $78.5 million (approximately 3.0% of the equity value), which is within the customary range of termination fees payable in similar transactions and which, in the determination of the Company Board, taking into consideration the advice of its advisors, would not deter or preclude a third party with both the financial capability and strategic interest in the Company from submitting a potential Superior Proposal.

The Merger would be subject to the approval of Virgin America stockholders, and the stockholders would be free to reject the Merger.

The fact that if the Company s stockholders so desire and if they comply fully with all of the required procedures under the DGCL, they will be able to exercise appraisal rights with respect to the Merger, which would allow such stockholders to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery.

The Company Board s view that the Merger Agreement was the product of arm s-length negotiations and contained customary terms and conditions.

The Company Board s understanding of, and familiarity with, the other strategic alternatives available to the Company, including the discussions that took place with certain other potential acquirors as described in more detail above in *Background of the Merger*, and determined that the Merger is superior to the other strategic alternatives reasonably available currently to the Company.

The course of negotiations between the Company and Alaska Air Group, which resulted in an increase of $12.25 from the price per share of Company Common Stock initially offered by Alaska Air Group, and the Company Board s belief, based on these negotiations, that this was the highest price per share of Company Common Stock that Alaska Air Group was willing to pay and that the terms of the Merger Agreement were the most favorable terms to the Company to which Alaska Air Group was then willing to agree.

The Company Board s view that no other potential acquiror had submitted a price proposal or proposed a strategic alternative as favorable to the Company stockholders as the Merger with Alaska Air Group.

The Company Board also considered potential drawbacks and risks relating to the Merger, including the following (which drawbacks and risks are not necessarily presented in order of relative importance):

Virgin America will no longer exist as an independent company, and accordingly, Virgin America stockholders will no longer participate in any future growth it may have or any potential future increase in its value.

Under certain circumstances, Virgin America may be obligated to pay to Alaska Air Group a termination fee of $78.5 million (approximately 3.0% of the equity value), including the potential effect of such termination fee to deter other potential acquirors from publicly making a competing offer for the Company.

There can be no assurance that all of the conditions to the parties obligations to complete the Merger will be satisfied, or that the Merger will receive the required regulatory approvals, and as a result, it is

possible that the Merger may not be completed even if the Merger Proposal is approved by Virgin America stockholders. If the Merger is not completed, (i) Virgin America will have incurred significant risk and transaction and opportunity costs, including the possibility of disruption to our operations, diversion of management and employee attention, employee attrition and a potentially negative effect on our business and customer relationships, (ii) the trading price of Virgin America shares could be adversely affected and (iii) the market s perceptions of Virgin America s prospects could be adversely affected.

Virgin America s management s focus and resources may become diverted from other important business opportunities and operational matters while working to implement the Merger, which could adversely affect Virgin America s business.

The effect of a public announcement of Virgin America entering into the Merger Agreement on Virgin America s operations, stock price and employees, the Company s ability to retain key management, the Company s ability to effectively recruit replacement personnel if key sales and other personnel were to depart while the Merger is pending and the potential adverse effects on the financial results of the Company as a result of any related disruption in the Company s business, as well as the possibility of any suit, action or proceeding in respect of the Merger Agreement or the transactions contemplated by the Merger Agreement.

The operations of Virgin America will be restricted by interim operating covenants during the period between signing the Merger Agreement and the effective time of the Merger, which could effectively prohibit Virgin America from undertaking any strategic initiatives or other material transactions to the detriment of Virgin America and its stockholders. See the section entitled *Conduct of Business Pending the Closing* beginning on page 72 of this proxy statement.

The Merger will be a taxable transaction for U.S. federal income tax purposes. Virgin America stockholders that are U.S. holders (as defined in *Material U.S. Federal Income Tax Consequences* beginning on page 56 of this proxy statement) generally will be required to pay U.S. federal income tax on any gains they recognize as a result of the Merger.

The Company Board also considered that certain of our directors, officers and certain of their affiliates may have interests in connection with the Merger, as they may receive certain benefits that may be different from, or in addition to, those of our other stockholders. See the section entitled *Interests of Our Directors, Executive Officers and Affiliates in the Merger* beginning on page 51 of this proxy statement.

After taking into account all of the factors set forth above, as well as others, the Company Board unanimously agreed that the benefits of the Merger outweighed the drawbacks and risks and determined that the Merger and the other transactions contemplated by the Merger Agreement are fair to, and in the best interests of, Virgin America and its stockholders and approved and declared advisable the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement and recommended that our stockholders vote to approve the Merger Proposal at the special meeting.

The foregoing discussion is not intended to be an exhaustive list of the information and factors considered by the Company Board in its consideration of the Merger, but is merely a summary of the material positive factors and material drawbacks and risks considered by the Company Board in that regard. In view of the number and variety of factors and the amount of information considered, the Company Board did not find it practicable to, and did not make

specific assessments of, quantify or otherwise assign relative weights to, the specific factors considered in reaching its determination. In addition, the Company Board did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of the Company Board may have given different weights to different factors. The Company Board made its recommendation based on the totality of information presented to, and the investigation conducted by, the Company Board.

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**Opinion of Virgin America s Financial Advisor**

In connection with the Merger, Virgin America engaged Evercore to act as its financial advisor. On April 1, 2016, Evercore rendered its opinion to the Company Board that, as of April 1, 2016 and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the per-share Merger Consideration was fair, from a financial point of view, to the holders of Company Common Stock entitled to receive such Merger Consideration.

**The full text of the written opinion of Evercore, dated as of April 1, 2016, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex C to this proxy statement and is incorporated by reference in its entirety into this proxy statement. You are urged to read this opinion carefully and in its entirety. Evercore s opinion was addressed to, and provided for the information and benefit of, the Company Board in connection with its evaluation of whether the Merger Consideration to be received by the holders of Company Common Stock in the Merger is fair, from a financial point of view to such holders. The opinion does not constitute a recommendation to the Company Board, any stockholder of Virgin America or to any other persons in respect of the Merger, including as to how any holder of Voting Common Stock should vote or act in respect of the Merger Proposal. Evercore s opinion does not address the relative merits of the Merger as compared to other business or financial strategies that might be available to Virgin America, nor does it address the underlying business decision of Virgin America to engage in the Merger.**

In connection with rendering its opinion Evercore, among other things:

- reviewed certain publicly available business and financial information relating to Virgin America that Evercore deemed to be relevant, including publicly available research analysts estimates;
- reviewed certain non-public historical financial statements and other non-public historical financial and operating data relating to Virgin America prepared and furnished to Evercore by management of Virgin America;
- reviewed certain non-public projected financial data relating to Virgin America under alternative business assumptions prepared and furnished to Evercore by management of Virgin America, as described in the section entitled *Certain Financial Forecasts* beginning on page 47 of this proxy statement;
- reviewed certain non-public historical and projected operating data relating to Virgin America prepared and furnished to Evercore by management of Virgin America;
- discussed the past and current operations, financial projections and current financial condition of Virgin America with management of Virgin America (including their views on the risks and uncertainties of achieving such projections);

reviewed publicly available financial and operating information with respect to the business, operations, assets, liabilities, financial condition and prospects of certain other publicly traded companies that Evercore deemed relevant;

reviewed the reported prices and the historical trading activity of the Company Common Stock;

compared the financial performance of Virgin America and its stock market trading multiples with those of certain other publicly traded companies that Evercore deemed relevant;

compared the financial performance of Virgin America and the valuation multiples relating to the Merger with those of certain other transactions that Evercore deemed relevant;

compared the financial terms of the Merger, including the premiums paid, to the extent publicly available, with those of certain other transactions that Evercore deemed relevant;

reviewed certain analyses related to net operating losses of Virgin America prepared and furnished to Evercore by management of Virgin America;

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reviewed a substantially final draft of the Merger Agreement and the Support Agreement; and

performed such other analyses and examinations and considered such other factors that Evercore deemed appropriate.

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all of the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumed no liability therefor. With respect to the projected financial data relating to Virgin America referred to above, Evercore assumed that the data was reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of Virgin America s management as to the future financial performance of Virgin America, using the alternative business assumptions made by Virgin America s management and reflected therein. Evercore expresses no view as to any projected financial data relating to Virgin America or the assumptions on which they are based.

For purposes of rendering its opinion, Evercore assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Merger Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Merger Agreement, that all conditions to the consummation of the Merger will be satisfied without material waiver or modification thereof and that the final Merger Agreement will conform to the draft reviewed by Evercore. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the Merger will be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on Virgin America or the consummation of the Merger or materially reduce the benefits to the holders of shares of Company Common Stock of the Merger.

Evercore did not make or assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of Virgin America, nor was Evercore furnished with any such appraisals, nor did Evercore evaluate the solvency or fair value of Virgin America under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore s opinion is necessarily based upon information made available to Evercore as of April 1, 2016 and financial, economic, market and other conditions as they existed and as could be evaluated as of such date. It is understood that subsequent developments may affect Evercore s opinion and that Evercore does not have any obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness to the holders of Company Common Stock, from a financial point of view, of the Merger Consideration. Evercore does not express any view on, and its opinion does not address, the fairness of the Merger to, or any consideration received in connection therewith by, the holders of any other securities, creditors or other constituencies of Virgin America, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Virgin America, or any class of such persons, whether relative to the Merger Consideration or otherwise. Evercore assumed that any modification to the structure of the Merger will not vary in any respect material to its analysis. Evercore s opinion does not address the relative merits of the Merger as compared to other business or financial strategies that might be available to Virgin America, nor does it address the underlying business decision of Virgin America to engage in the Merger. Evercore s opinion does not constitute a recommendation to the Company Board, any stockholder of Virgin America or to any other persons in respect of the Merger, including as to how any holder of Voting Common Stock should vote or act in respect of the Merger Proposal. Evercore is not a legal, regulatory, accounting or tax expert and has assumed the accuracy and completeness of assessments by Virgin America and its advisors with respect to legal, regulatory, accounting and tax matters.

Set forth below is a summary of the material financial analyses reviewed by Evercore with the Company Board on April 1, 2016 in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by

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Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data that existed on or before March 22, 2016 (the last trading day prior to the first published media report regarding a potential sale of Virgin America on March 23, 2016), and is not necessarily indicative of current market conditions.

**The following summary of Evercore s financial analyses includes information presented in tabular format. In order to fully understand the analyses, the tables must be read together with the full text of each summary. The tables are not intended to stand-alone and alone do not constitute a complete description of Evercore s financial analyses. Considering the tables below without considering the full narrative description of Evercore s financial analyses, including the methodologies and assumptions underlying such analyses, could create a misleading or incomplete view of such analyses.**

***Summary of Evercore s Reference Point Analysis***

*Historical Share Price Performance*

Evercore reviewed the share price performance of Company Common Stock for the period commencing November 14, 2014 and ending on April 1, 2016. In addition, Evercore compared the per-share Merger Consideration to various market prices of Company Common Stock. Evercore observed that the closing price for Company Common Stock on March 22, 2016 (the last trading day prior to the first published media report regarding a potential sale of Virgin America on March 23, 2016) was $30.67 per share and the closing price for Company Common Stock on April 1, 2016 was $38.90 per share and compared these figures to the per-share Merger Consideration of $57.00 to be received by holders of Company Common Stock. Evercore noted that the premium to be received by holders of Company Common Stock in the Merger represented a premium of 85.8% to the March 22, 2016 closing price (the last trading day prior to the first published media report regarding a potential sale of Virgin America on March 23, 2016) and a premium of 46.5% to the April 1, 2016 closing price of Company Common Stock. Evercore also reviewed the intraday share prices for Company Common Stock over the 52 weeks prior to and including April 1, 2016 and observed a range of $26.30 to $39.20 per share, and noted that the closing price of Company Common Stock was $38.90 on April 1, 2016.

Evercore next compared the per-share Merger Consideration of $57.00 with historical Virgin America closing prices on certain dates and volume-weighted average prices during certain periods between July 15, 2015 and March 22, 2016. The following table presents the implied premium of the per-share Merger Consideration to such market observed prices:

| | Metric as of March 22, 2016 | Implied Premium |
|---|---|---|
| 1 Week Prior | $ 29.02 | 96.4% |
| 4 Weeks Prior | 30.92 | 84.3% |
| 30-Day VWAP | 29.86 | 90.9% |
| 60-Day VWAP | 30.43 | 87.3% |
| 90-Day VWAP | 32.13 | 77.4% |
| 180-Day VWAP | 33.34 | 71.0% |

*Equity Research Analyst Price Targets*

Evercore reviewed selected public market trading price targets for the Company Common Stock prepared and published by equity research analysts prior to April 1, 2016. These price targets reflect each analyst s estimate of the future public market trading price of the Company Common Stock at the time the price target was published. At April 1, 2016, the range of selected equity analyst price targets for Company Common Stock was $32.00 to $45.00 per share.

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The public market trading price targets published by equity research analysts did not necessarily reflect current market trading prices for shares of Company Common Stock and these estimates were subject to uncertainties, including the future financial performance of Virgin America and future financial market conditions.

***Summary of Evercore s Financial Analysis***

*Selected Peer Group Public Trading Analysis*

Evercore reviewed and compared certain financial information for Virgin America to corresponding financial multiples and ratios for the following publicly traded network, low-cost and hybrid carriers:

| **Hybrid Carriers** | **Network Carriers** | **Low-Cost Carriers** |
|---|---|---|
| Hawaiian Holdings, Inc. | Alaska Air Group, Inc. | Allegiant Travel Company |
| JetBlue Airways Corporation | American Airlines Group, Inc. | Southwest Airlines Co. |
| | Delta Air Lines, Inc. | Spirit Airlines, Inc. |
| | United Continental Holdings, Inc. | |

Although no carrier is directly comparable to Virgin America, Evercore selected these companies because it believed that they had characteristics that were instructive for purposes of its analysis. For each of the companies identified above, Evercore calculated and compared various financial multiples and ratios based on financial data and closing stock prices as of April 1, 2016, which Evercore obtained from filings made with the SEC and from publicly available equity research analysts projections. The financial multiples and ratios of Virgin America were based on publicly available equity research analysts projections and information from Virgin America management. For the purpose of its analyses, Evercore observed closing stock prices and calculated market capitalization and adjusted enterprise values (defined as market capitalization plus total debt, plus aircraft rent capitalized at 7.0x, plus preferred equity and minority interest, less unrestricted cash and cash equivalents) as of April 1, 2016.

Because no selected peer group company is exactly the same as Virgin America, Evercore believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the public trading analysis. Accordingly, Evercore also made qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of Virgin America and the selected companies. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between Virgin America and the companies included in the selected peer group.

Based upon these judgments, Evercore derived a range of multiples for the selected companies for each of calendar years 2015 and 2016 and applied such multiples to Virgin America s actual 2015 financial results, publicly available equity research analysts estimates referred to as consensus estimates for calendar year 2016 and estimates prepared by the management of Virgin America for calendar year 2016, which implied, in each case, a range of equity values per share of Company Common Stock.

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*Adjusted Enterprise Value to EBITDAR Analysis:* Evercore derived for the selected companies the adjusted enterprise value as a multiple of actual 2015 earnings before interest, taxes, depreciation, amortization and aircraft rent expense, referred to as EBITDAR, and adjusted enterprise value as a multiple of estimated 2016 EBITDAR. Evercore used a reference range of 2015 EBITDAR multiples of 5.25x to 6.25x for the selected companies and applied this range of multiples to Virgin America s 2015 EBITDAR. Evercore used a reference range of 2016 estimated EBITDAR multiples of 4.25x to 6.00x for the selected companies and applied this range of multiples to both consensus estimates of 2016 EBITDAR for Virgin America and Virgin America management s estimates of 2016 EBITDAR. The implied value range for shares of Company Common Stock on a fully diluted basis is set forth below:

| Analysis | Selected Multiple Range | Implied Share Price |
|---|---|---|
| Adjusted EV/2015A EBITDAR | 5.25x to 6.25x | $22.90 to $31.90 |
| Adjusted EV/2016E EBITDAR (*Consensus Estimates*) | 4.25x to 6.00x | $21.54 to $40.45 |
| Adjusted EV/2016E EBITDAR (*Management Estimates*) | 4.25x to 6.00x | $24.92 to $45.22 |

*Price to Earnings Before Tax (EBT) Analysis:* Evercore derived and compared for the selected companies the market capitalization of such companies as a multiple of actual 2015 earnings before tax and estimated 2016 earnings before tax. Evercore used a reference range of 2015 earnings before tax multiples of 6.50x to 8.50x for the selected companies and applied this range of multiples to Virgin America s 2015 earnings before tax. Evercore used a reference range of 2016 estimated earnings before tax multiples of 4.75x to 7.50x for the selected companies and applied this range of multiples to both consensus estimates of 2016 earnings before tax of Virgin America and Virgin America management s estimates of 2016 earnings before tax, in each case, to calculate an implied value range for shares of Company Common Stock on a fully diluted basis as set forth below:

| Analysis | Selected Multiple Range | Implied Share Price |
|---|---|---|
| Price/2015A EBT | 6.50x to 8.50x | $28.80 to $37.61 |
| Price/2016E EBT (*Consensus Estimates*) | 4.75x to 7.50x | $26.97 to $42.48 |
| Price/2016E EBT (*Management Estimates*) | 4.75x to 7.50x | $29.30 to $46.17 |

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*Price to Earnings Ratio Analysis:* Evercore derived and compared for the selected companies the stock price of such companies as a multiple of actual 2015 earnings per share on a fully diluted basis adjusted to normalize tax rates at 39.0%, referred to as Tax-Adjusted EPS, and estimated 2016 Tax-Adjusted EPS. To calculate the number of fully-diluted shares of Company Common Stock, Evercore assumed that 44,564,878 shares were issued and outstanding and assumed dilution based on 521,683 options at a weighted average strike price of $15.01, 76,483 performance stock awards, 663,088 restricted stock units and 160,858 restricted stock awards. Evercore used a reference range of 2015 Tax-Adjusted EPS multiples of 11.00x to 15.50x for the selected companies and applied this range of multiples to Virgin America s 2015 Tax-Adjusted EPS. Evercore used a reference range of 2016 estimated Tax-Adjusted EPS multiples of 7.75x to 12.00x for the selected companies and applied this range of multiples to both consensus estimates of 2016 Tax-Adjusted EPS for Virgin America and Virgin America management s estimates of 2016 EPS, in each case, to calculate an implied value range for shares of Company Common Stock. Evercore used the value of Virgin America s net operating loss carryforwards ( NOLs ) on a standalone basis as prepared by Virgin America s management to calculate the tax benefits from applying Virgin America s available NOLs to Virgin America management s estimates of taxable income for the years 2016 through 2019 and discounting such benefits to present value using a discount rate of 13.0% to derive a total NOL value per Virgin America share on a fully diluted basis. Evercore then added the resulting per-share NOL value to the implied value ranges from the price to earnings ratio analysis to arrive at a value range for shares of Company Common Stock.

| Analysis | Selected Multiple Range | Implied Share Price |
|---|---|---|
| Price/2015A Tax Adjusted EPS | 11.00x to 15.50x | $30.57 to $43.08 |
| Price/2016E Tax Adjusted EPS (*Consensus Estimates*) | 7.75x to 12.00x | $27.41 to $42.45 |
| Price/2016E Tax Adjusted EPS (*Management Estimates*) | 7.75x to 12.00x | $29.88 to $46.27 |
| Price/2015A Tax Adjusted EPS, Including NOLs | 11.00x to 15.50x | $35.29 to $47.79 |
| Price/2016E Tax Adjusted EPS, Including NOLs (*Consensus Estimates*) | 7.75x to 12.00x | $32.13 to $47.17 |
| Price/2016E Tax Adjusted EPS, Including NOLs (*Management Estimates*) | 7.75x to 12.00x | $34.60 to $50.99 |

*Premiums Paid Analysis*

Evercore reviewed the premiums paid for (i) United States acquisitions of publicly traded companies by strategic buyers from January 1, 2006 to April 1, 2016 with transaction equity values between $1.5 billion and $3.0 billion (excluding financial sponsor, U.S. Department of Treasury and REIT transactions and transactions in which the per share consideration represented a discount of 30% or more to the pre-announcement closing price of target company stock) and (ii) United States acquisitions of publicly traded companies from January 1, 2006 to April 1, 2016 with transaction equity values between $1.5 billion and $3.0 billion (excluding U.S. Department of Treasury and REIT transactions and transactions in which the per share consideration represented a discount of 30% or more to the pre-announcement closing price of target company stock).

For each of the precedent transactions Evercore analyzed the implied control premium calculated as the percentage by which the per-share consideration paid in each such transaction exceeded the target companies closing share price one trading day and four weeks prior to announcement of such precedent transaction. Based on Evercore s professional judgment and experience, Evercore selected a representative range of implied control premiums derived from the precedent transactions of 20% to 30% and applied such range of control premiums to the closing share price for the Company Common Stock on March 22, 2016 of $30.67 per share. Based on this analysis, Evercore derived a range of $36.80 to $39.87 for the implied equity value per share of Company Common Stock.

No company or transaction utilized in the premiums paid analysis is identical to Virgin America or the Merger. In evaluating the precedent transactions, Evercore made judgments and assumptions with regard to

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general business, market and financial conditions and other matters, which are beyond the control of Virgin America, such as the impact of competition on the business of Virgin America or the industry generally, industry growth and the absence of any material adverse change in the financial condition of Virgin America or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which the Merger is being compared.

*Precedent Transactions Analysis*

Evercore reviewed publicly available information related to certain precedent acquisition transactions involving North American airline targets from January 1, 2000 to April 1, 2016. Evercore chose the precedent transactions it deemed to be relevant transactions in the North American airline industry, and excluded transactions involving regional airlines and minority investments from its analysis. For each precedent transaction, Evercore calculated the implied adjusted enterprise value (adjusted to include capitalized trailing twelve-month aircraft rent at 7.0x) as a multiple of both trailing twelve-month target revenue and trailing twelve-month target EBITDAR. The precedent transactions reviewed by Evercore were:

| **Date** | | | **Adjusted Transaction Value as a Multiple of LTM:** | |
|---|---|---|---|---|
| **Announced** | **Target** | **Acquiror** | **Revenue** | **EBITDAR** |
| 10/1/13 | Frontier Airlines | Indigo Partners | 0.78x | 9.4x |
| 2/13/13 | US Airways | AMR Corp. | 0.68x | 5.2x |
| 9/26/10 | AirTran | Southwest Airlines Co. | 1.31x | 7.4x |
| 8/4/10 | ExpressJet | Skywest | 0.36x | N/A |
| 7/16/10 | Volaris (50% Stake) | Indigo Partners | 2.13x | 8.3x |
| 5/3/10 | Continental Airlines | UAL Corp. (United Airlines) | 1.00x | 8.8x |
| 6/23/09 | Midwest Air | Republic Airways | 1.31x | N/A |
| 6/22/09 | Frontier Airlines | Republic Airways | 1.04x | 5.1x |
| 4/14/08 | Northwest | Delta | 0.78x | 6.0x |
| 9/14/07 | Aeromexico | Investor Group led by Banamex | 1.00x | 9.9x |
| 8/17/07 | Midwest Air | TPG / Northwest Airlines | 1.11x | 8.9x |
| 12/13/06 | Midwest Air | AirTran | 1.07x | 8.6x |
| 7/13/06 | Spirit Airlines (Majority Stake) | Indigo Partners | N/A | N/A |
| 11/21/05 | Mexicana | Grupo Posadas | N/A | N/A |
| 8/15/05 | Atlantic Southeast Airlines, Inc. | SkyWest, Inc. | 1.87x | N/A |
| 5/19/05 | America West | US Airways | 1.16x | 7.5x |
| 2/20/04 | Spirit Airlines (51% Stake) | Oaktree Capital | N/A | N/A |
| 11/8/03 | Air Canada (31% Stake) | Trinity Time Investments | 1.08x | 16.0x |
| 10/6/03 | Atlantic Coast | Mesa Air | 1.51x | 5.0x |
| 1/10/01 | Trans World Airlines | AMR Corp. | 1.40x | 10.4x |
| 5/24/00 | US Airways | UAL Corp | 1.40x | 9.8x |

From the range of multiples from the precedent transactions, Evercore then selected a reference range of adjusted enterprise value to revenue multiples of 0.70x to 2.10x and a reference range of adjusted enterprise value to EBITDAR multiples of 5.50x to 9.50x and applied these ranges of multiples to Virgin America s 2015 revenue and

EBITDAR, respectively, to calculate an implied value range for shares of Company Common Stock on a fully diluted basis as set forth below:

| Scenario | Adjusted Enterprise Value to Revenue | Adjusted Enterprise Value to EBITDAR |
|---|---|---|
| Selected Multiple Range | 0.70x to 2.10x | 5.50x to 9.50x |
| Implied Company Share Price Range | $0.00 to $45.49 | $25.15 to $61.15 |

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No company or transaction utilized in the precedent transactions analysis is identical or directly comparable to Virgin America or the Merger. In evaluating the precedent transactions, Evercore made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of Virgin America, such as the impact of competition on the business of Virgin America, or the industry generally, industry growth and the absence of any material adverse change in the financial condition of Virgin America or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which the Merger is being compared.

*Discounted Cash Flow Analysis*

Evercore performed a discounted cash flow analysis, which is designed to estimate the value of a company by calculating the present value of estimated future cash flows of the company. Evercore calculated a range of equity values per share of Virgin America based on a discounted cash flow analysis for the calendar years 2016 through 2020. In preparing its analysis, Evercore relied on projected financial data relating to Virgin America under alternative business assumptions prepared and furnished to Evercore by Virgin America management.

Virgin America management s alternative business assumptions included in the projected financial data set forth four scenarios, varying, assumptions with respect to macroeconomic factors, fuel prices, capacity, revenue and costs.

In arriving at the estimated equity values per share of Company Common Stock, Evercore estimated a range of terminal values in 2020 by multiplying Virgin America s calendar year 2020 estimated EBITDAR for each management scenario by selected multiples as detailed in the table below:

| Scenario | Terminal Adjusted Enterprise Value to EBITDAR Multiple Range |
|---|---|
| Management Estimates Included in Long-Term Plan | 4.25x to 5.25x |
| Fuel Price Increase | 4.50x to 5.50x |
| Economic Softening | 4.25x to 5.25x |
| Economic Recession | 5.25x to 6.25x |

Evercore then discounted Virgin America s projected, unlevered free cash flows, included in each of the management scenarios and the estimated terminal value for each scenario, in each case, to a present value using discount rates ranging from 7.5% to 10.0%. The discount rates were based on Evercore s judgment of the estimated range of Virgin America s weighted average cost of capital. Evercore first calculated Virgin America s tax-effected adjusted EBITDAR, which it defined as projected EBITDAR for each of calendar years 2016 through 2020 based on Virgin America management s estimates under each scenario, less projected tax depreciation and amortization and less the estimated cash tax expense net of the tax benefits estimated by management to be available under Virgin America s net operating losses, assuming a 39% tax rate. To calculate unlevered free cash flow, Evercore then adjusted the resulting tax-effected adjusted EBITDAR by adding back tax depreciation and amortization, subtracting capital expenditures and adjusting for changes in working capital. Evercore calculated unlevered free cash flows under the Long-Term Plan of $213 million in 2016, $355 million in 2017, $365 million in 2018, ($36 million) in 2019 and $167 million in 2020. Evercore then estimated incremental aircraft rent in each year associated with the delivery of leased aircraft under each scenario, capitalized such amounts at 7.0x and discounted the resulting amounts to a present value. Based on the foregoing analysis, Virgin America s cash and debt as of December 31, 2015 (each as included in Virgin America s Annual Report on Form 10-K for the year ended December 31, 2015) and the estimated 2016 aircraft rent (included in each scenario and capitalized at 7.0x), the discounted cash flow analysis yielded the implied value ranges

for Company Common Stock, on a fully diluted basis, detailed below:

| Scenario | Implied Value Range Per Share |
|---|---|
| Management Estimates Included in Long-Term Plan | $37.14 to $57.46 |
| Fuel Price Increase | $27.24 to $45.53 |
| Economic Softening | $36.52 to $53.64 |
| Economic Recession | $18.93 to $31.38 |

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***Miscellaneous***

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by Evercore. In connection with the review of the Merger by the Company Board, Evercore performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Evercore s opinion. In arriving at its fairness determination, Evercore considered the results of all the analyses and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. Rather, Evercore made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. In addition, Evercore may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Evercore with respect to the actual value of the shares of Company Common Stock. No company used in the above analyses as a comparison is directly comparable to Virgin America. Further, Evercore s analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies used, including judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Virgin America or its advisors.

Evercore prepared these analyses for the purpose of providing an opinion to the Company Board as to the fairness, from a financial point of view, of the Merger Consideration to the holders of Company Common Stock entitled to receive such Merger Consideration. These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities actually may be sold. Any estimates contained in these analyses are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such estimates. Accordingly, estimates used in, and the results derived from, Evercore s analyses are inherently subject to substantial uncertainty, and Evercore assumes no responsibility if future results are materially different from those forecasted in such estimates.

The issuance of the fairness opinion was approved by an opinion committee of Evercore.

Pursuant to the terms of Evercore s engagement letter with Virgin America, Evercore will receive a fee of $19.63 million, which shall be payable only if the Merger is consummated. Virgin America has agreed to reimburse Evercore for its reasonable and documented out of pocket expenses (including reasonable outside legal fees, expenses and disbursements) and to indemnify Evercore for certain liabilities arising out of its engagement.

Aside from its current engagement by Virgin America, Evercore has not in the past two years provided financial advisory or investment banking services to Virgin America for which Evercore has received compensation. Evercore has not in the past two years provided, and is not currently providing, financial advisory or investment banking services to Alaska Air Group for which Evercore has received compensation. In the future, Evercore may provide financial or other services to Virgin America or Alaska Air Group, and in connection with any such services Evercore may receive compensation.

In the ordinary course of business, Evercore or its affiliates may actively trade the securities, or related derivative securities, or financial instruments of Virgin America or Alaska Air Group and/or their respective affiliates, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or instruments.

Virgin America engaged Evercore to act as a financial advisor based on Evercore s qualifications, experience and reputation. Evercore is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses in connection with mergers and acquisitions, leveraged buyouts, competitive biddings, private placements and valuations for corporate and other purposes.

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**Certain Financial Forecasts**

From time to time, Virgin America has prepared and provided public guidance as to its projected financial and operational results for the upcoming fiscal year or fiscal quarter in its press releases announcing its financial results for the immediately preceding month, quarter or year, as applicable. Other than such public guidance, Virgin America does not, as a matter of course, publicly disclose forecasts or internal projections as to future performance, earnings or other results due to the unpredictability of the assumptions and estimates underlying long-term forecasts and projections. However, in connection with Virgin America s evaluation of the Merger and the other transactions contemplated by the Merger Agreement, the Company s management prepared certain financial forecasts regarding Virgin America for the fiscal years from 2016 to 2020 (for the purposes of this section, the Forecasts ).

The Forecasts were prepared on a different basis, for a different purpose and at a different time than the Company s public guidance as to its projected financial and operational results for the upcoming fiscal year or fiscal quarter and on a different basis, for a different purpose and at a different time than any other internal financial forecasts that Company management may prepare for its own use or for the use of the Company Board in evaluating the Company s business. The Forecasts were prepared in connection with the Company Board s evaluation of the Merger and do not, and were not intended to, correspond to the Company s public guidance as to its projected financial and operational results for the upcoming fiscal year or fiscal quarter, and do not, and were not intended to, update or revise the Company s public guidance as to its projected financial and operational results for the upcoming fiscal year or fiscal quarter.

The inclusion of summaries of the Forecasts in this proxy statement should not be regarded as a representation of the Company, or an indication that the Company or its affiliates, advisors, or representatives considered, or now consider, any of the Forecasts to be a reliable prediction of actual future events or results, and the Forecasts should not be relied upon as such. The Forecasts are subjective in many respects and thus subject to interpretation. While presented with numeric specificity, the Forecasts set forth below reflect numerous estimates and assumptions with respect to industry performance and competition, general U.S. and global business, economic, regulatory, market and financial conditions, commodity prices (particularly the prices of crude oil and jet fuel), capacity utilization and other matters specific to the airline industry, all of which are difficult to predict, inherently subject to error and in many cases beyond the control of the Company. As further detailed below, the Forecasts also reflect assumptions as to certain business decisions that are subject to change and do not reflect any changes in the Company s operations or strategy that may be implemented after the Closing or any costs or obligations incurred in connection with the Merger and the subsequent integration of the operations of the Company and Alaska Air Group. While the Forecasts summarized below were prepared in good faith by the Company s management based on information available at the time of preparation, no assurances can be made regarding future events or that the assumptions made in preparing the Forecasts will accurately reflect future conditions.

The summary income statement and cash flow statement information described below together summarize the Forecasts reviewed and approved by the Company Board at a meeting held on February 25, 2016 (the Long-Term Plan ). Such Forecasts, together with certain projections relating to the value of the Company s net operating losses ( NOLs ), which are also provided below, were also provided to Evercore, Alaska Air Group and certain of Alaska Air Group s advisors. In addition, Virgin America provided the Forecasts to one other potential acquirer, Company A, that entered into a confidentiality agreement in connection with a potential acquisition of the Company. We did not provide any financial forecasts, including the Forecasts, to any other third parties in connection with a potential acquisition of the Company.

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***Income Statement Information in Long-Term Plan***

*($ in millions)*

| | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|
| **Total Operating Revenue** | 1,728.2 | 1,875.3 | 2,149.3 | 2,391.7 | 2,661.3 |
| **Total Operating Expense** | 1,423.2 | 1,527.9 | 1,739.9 | 1,950.5 | 2,175.9 |
| *Total Aircraft Rent* | 190.0 | 202.0 | 236.3 | 246.4 | 246.4 |
| *Depreciation and Amortization* | 38.2 | 44.3 | 47.0 | 98.4 | 147.0 |
| **Total Operating Income** | 305.0 | 347.5 | 409.4 | 441.2 | 485.4 |
| **Pre-Tax Income** | 282.0 | 324.0 | 386.2 | 407.8 | 438.8 |
| **Net Income** | 172.0 | 197.6 | 235.6 | 248.8 | 267.7 |

***Cash Flow Statement Information in Long-Term Plan***

*($ in millions)*

| | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|
| **Total Operating Cash Flow** | 297.4 | 310.9 | 359.1 | 316.6 | 513.8 |
| *Changes in Working Capital* | | | | | |
| - MX Reserves | (42.6) | (37.8) | (29.6) | (29.5) | (34.9) |
| - Engine Maintenance | | | (15.3) | (68.3) | 76.4 |
| - Other Working Capital | 25.1 | (13.4) | (20.0) | (20.0) | (20.0) |
| **Total Investing Cash Flow** | (297.9) | (69.0) | (93.6) | (501.6) | (487.8) |
| **Total Financing Cash Flows** | 190.4 | (44.0) | (46.2) | 225.5 | 201.8 |
| **Cash, end of period** | 692.6 | 890.5 | 1,109.8 | 1,150.4 | 1,378.2 |

***Value of NOLs (Maximum Usage by Potential Successor)***

*($ in millions)*

| | 2015E | 2016E | 2017E | 2018E | 2019E |
|---|---|---|---|---|---|
| **NOL Balance (for Federal Income Tax purposes)** | 697 | 437 | 198 | 31 | |
| **Maximum Annual NOL Usage (Section 382 Limitation)** | | 260 | 239 | 168 | 31 |
| **NOL Tax Benefit at 39.0% Tax Rate** | | 101 | 93 | 65 | 12 |
| **Present Value of Implied NOL Tax Benefit at 10.0% discount rate** | | 97 | 81 | 52 | 9 |

In addition, the below projections were provided to Evercore for purposes of calculating the value of Virgin America s NOLs on a standalone basis:

***Value of NOLs (Standalone Basis)***

*($ in millions)*

| | 2015A | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|---|
| **Taxable Income** | | 108 | 265 | 341 | 272 | 337 |
| **NOL Applied** | | (108) | (265) | (288) | (31) | |
| **Ending NOL Balance (for Federal Income Tax purposes)** | 691 | 583 | 318 | 31 | | |
| **Implied NOL Tax Benefit at 39.0% Tax Rate** | | 42 | 103 | $ 112 | 12 | |
| **Present Value of Implied NOL Tax Benefit at 13.0% discount rate** | | 40 | 86 | 83 | 8 | |

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Virgin America s management team also provided to Evercore certain income statement information based on alternative business assumptions from those underlying the Long-Term Plan, reflecting three different scenarios, which were reviewed with the Company Board at its March 21, 2016 meeting:

***Alternative Scenario #1: Fuel Price Increase***

*($ in millions)*

| | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|
| **Total Operating Revenue** | 1,728 | 1,923 | 2,259 | 2,535 | 2,845 |
| **Total Operating Expense** | 1,609 | 1,723 | 1,965 | 2,200 | 2,453 |
| *Total Aircraft Rent* | 190 | 202 | 236 | 246 | 246 |
| *Depreciation and Amortization* | 38 | 44 | 47 | 98 | 147 |
| **Total Operating Income** | 119 | 200 | 294 | 336 | 392 |
| **Pre-Tax Income** | 96 | 176 | 271 | 302 | 346 |
| **Net Income** | 58 | 108 | 165 | 184 | 211 |

***Alternative Scenario #2: Economic Softening***

*($ in millions)*

| | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|
| **Total Operating Revenue** | 1,728 | 1,875 | 2,120 | 2,178 | 2,182 |
| **Total Operating Expense** | 1,423 | 1,525 | 1,723 | 1,826 | 1,884 |
| *Total Aircraft Rent* | 190 | 202 | 236 | 246 | 246 |
| *Depreciation and Amortization* | 38 | 44 | 47 | 98 | 147 |
| **Total Operating Income** | 305 | 351 | 396 | 352 | 297 |
| **Pre-Tax Income** | 282 | 327 | 373 | 329 | 276 |
| **Net Income** | 172 | 200 | 228 | 201 | 168 |

***Alternative Scenario #3: Economic Recession***

*($ in millions)*

| | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|
| **Total Operating Revenue** | 1,728 | 1,875 | 2,086 | 2,124 | 2,181 |
| **Total Operating Expense** | 1,609 | 1,711 | 1,922 | 2,032 | 2,102 |
| *Total Aircraft Rent* | 190 | 202 | 236 | 246 | 246 |
| *Depreciation and Amortization* | 38 | 44 | 47 | 98 | 147 |
| **Total Operating Income** | 119 | 164 | 164 | 92 | 79 |
| **Pre-Tax Income** | 96 | 141 | 141 | 69 | 57 |
| **Net Income** | 58 | 86 | 86 | 42 | 35 |

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Virgin America management s alternative business assumptions underlying the scenarios above varied with respect to macroeconomic factors, fuel prices, capacity, revenue and costs. The following table sets forth certain of Virgin America management s alternative business assumptions underlying the Long-Term Plan and the three alternative scenarios above:

| Scenario | Management Estimates Included in Long-Term Plan | Fuel Price Increase | Economic Softening | Economic Recession |
|---|---|---|---|---|
| **Macroeconomic background** | Long-term GDP growth of 2.0% -2.5% per year through 2020<br><br>Modest increase in price of oil | Long-term GDP growth of 2.0% -2.5% per year through 2020<br><br>Oil price of $80 per barrel | GDP growth softens in 2017-2018, 2018, bottoming out at 0.5% from Q3 2017 to Q2 2018, then returns to 2.5% in 2019-2020<br><br>Modest increase in price of oil | GDP growth declines in 2017-2018, bottoming out at -1.8% from Q3 2017 to Q2 2018, then returns to 2.5% by 2020<br><br>Oil price of $80 per barrel |
| **Available seat miles** | 10 new aircraft leased in 2017-2018 and 16 new aircraft purchased in 2019-2020 | 10 new aircraft leased in 2017-2018 and 16 new aircraft purchased in 2019-2020 | 10 new aircraft leased in 2017-2018 and no aircraft purchases in 2019-2020 | 10 new aircraft leased in 2017-2018 and no aircraft purchases in 2019-2020 |
| **Passenger revenue per seat mile** | Flat in 2016 and 1% above industry levels thereafter | Flat in 2016 and 1% above industry levels thereafter | Flat in 2016 and 1% above industry levels thereafter | Passenger revenue per seat mile grows 0.0%, 1.0%, 0.5%, 1.5% and 1.0% above industry levels in 2016 -2020 |
| **Jet fuel price** | $1.39 per gallon in 2016 and $1.45 per gallon thereafter | Jet fuel price increases to $2.50 per gallon | $1.39 per gallon in 2016 and $1.45 per gallon thereafter | Jet fuel price increases to $2.50 per gallon |
| **Non-fuel costs per available seat mile** | Sales & marketing and other operating expenses grow at 3% per year | Sales & marketing and other operating expenses grow at 3% per year | Sales & marketing and other operating expenses grow at 2% per year | Sales & marketing and other operating expenses grow at 2% per year |

| | | | |
|---|---|---|---|
| Landing fees and other rents escalate at 5% per year | Landing fees and other rents escalate at 5% per year | Landing fees and other rents escalate at 5% per year | Landing fees and other rents escalate at 5% per year |
| Pilot and ITM scales increase 12.5% in 2018 and 3.0% thereafter; other SWB flat in 2016 and growing 3.0% thereafter | Pilot and ITM scales increase 12.5% in 2018 and 3.0% thereafter; other SWB flat in 2016 and growing 3.0% thereafter | Pilot and ITM scales increase 10.0% in 2018 and 2.0% thereafter; other SWB flat in 2016 and growing 2.0% thereafter | Pilot and ITM scales increase 10.0% in 2018 and 2.0% thereafter; other SWB flat in 2016 and growing 2.0% thereafter |

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Since the Forecasts cover multiple years, the information by its nature becomes less predictive with each successive year. Stockholders are urged to review the SEC filings of the Company for a description of risk factors with respect to the Company s business, as well as the risks and other factors described or incorporated by reference in this proxy statement. The Forecasts should be read together with the historical financial statements of the Company, which have been filed with the SEC, and the other information regarding the Company contained elsewhere in this proxy statement. None of the Forecasts were prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with the published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The Forecasts do not purport to present financial information in accordance with U.S. generally accepted accounting principles, and the Company s registered public accounting firm has not examined, compiled or otherwise applied or performed any procedures with respect to the Forecasts, nor has it expressed any opinion or given any form of assurance with respect to such information or the reasonableness, achievability, or accuracy of the Forecasts, and accordingly such registered public accounting firm assumes no responsibility for the Forecasts.

None of the Company or its affiliates, advisors, officers, directors or representatives has made or makes any representation to any stockholder or to any other person regarding the ultimate performance of the Company compared to the information contained in the Forecasts or that forecasted results will be achieved, and except as may be required by applicable law, none of them intend to update or otherwise revise or reconcile the Forecasts to reflect circumstances existing after the date such Forecasts were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the Forecasts are shown to be in error.

READERS OF THIS DOCUMENT ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FORECASTS.

**Financing of the Merger**

We estimate that the total amount of funds necessary to complete the Merger and related transactions in connection with the Merger is approximately $2.6 billion, representing, in the aggregate, the amounts due to equity holders under the Merger Agreement, assuming that no stockholder demands and perfects appraisal rights and without taking into account our cash on hand. Such amounts are expected to be paid by Alaska Air Group from its cash on hand or new borrowings. The Merger is not subject to a financing condition.

**Interests of Our Directors, Executive Officers and Affiliates in the Merger**

In considering the recommendation of the Company Board that the stockholders vote to approve the Merger Proposal, the stockholders should be aware that our directors, executive officers and certain of our stockholders affiliated with certain of our directors may have interests in the Merger that may be different from, or in addition to, the interests of our other stockholders generally. The members of the Company Board were aware of the different or additional interests and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending to the stockholders that the Merger Proposal be adopted. See the section entitled *Recommendation of the Company Board; Our Reasons for the Merger* beginning on page 34 of this proxy statement. The stockholders should take these interests into account in deciding whether to vote **FOR** the Merger Proposal. These interests are described in more detail below, and certain of them are quantified in the narrative and the table below.

***Consideration for Shares at the Effective Time of the Merger***

At the effective time of the Merger, shares of Company Common Stock beneficially owned by the executive officers and directors of the Company and their respective affiliates will be converted into the right to receive the same cash consideration on the same terms and conditions as the other stockholders of the Company.

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As of April 18, 2016, Cyrus Capital Partners, L.P. and its affiliates ( Cyrus ), which are affiliated with Stephen C. Freidheim and John R. Rapaport on the Company Board, beneficially owned, in the aggregate, 10,517,156 shares of Company Common Stock, excluding vested and unvested equity awards, which are discussed below under *Treatment of Virgin America Equity Awards*. Assuming the Merger was consummated on April 18, 2016, Cyrus would have been entitled to receive an aggregate of $599.5 million in cash, without interest and less any applicable withholding taxes.

As of April 18, 2016, Virgin Group Holdings Limited and its affiliates ( Virgin Group ), which are affiliated with Evan M. Lovell on the Company Board, beneficially owned, in the aggregate, 13,747,470 shares of Company Common Stock. Assuming the Merger was consummated on April 18, 2016, Virgin Group would have been entitled to receive an aggregate of $783.6 million in cash, without interest and less any applicable withholding taxes.

As of April 18, 2016, the directors and executive officers of the Company and their respective affiliates beneficially owned, in the aggregate, 25,313,578 shares of Company Common Stock, excluding vested and unvested equity awards, which are discussed below under *Treatment of Virgin America Equity Awards*. Assuming the Merger was consummated on April 18, 2016, the executive officers and directors of the Company and their respective affiliates would have been entitled to receive an aggregate of $1.4 billion in cash, without interest and less any applicable withholding taxes.

***Treatment of Virgin America Equity Awards***

Under the Merger Agreement, the equity awards held by our directors and executive officers as of the effective time of the Merger will be treated as follows:

*Stock Options.* As of immediately prior to the effective time of the Merger, each Company Option will vest (in the case of a Company Option that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and conditions applicable to the award) and be cancelled and, in exchange therefor, each former holder of any such cancelled Company Option will only be entitled to receive, in consideration of the cancellation of such Company Option and in full settlement therefor, a payment in cash of an amount equal to the Option Payment, subject to all applicable federal, state and local tax withholdings and deductions.

*Restricted Stock Units*. As of immediately prior to the effective time of the Merger, each outstanding Company RSU will vest (in the case of a Company RSU that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and conditions applicable to the award) and become free of any restrictions and will be cancelled in exchange for the right to receive a payment equal to the RSU Payment, subject to all applicable federal, state and local tax withholdings and deductions.

*Restricted Stock Awards*. As of immediately prior to the effective time of the Merger, each outstanding Company RSA will vest (treating for this purpose any performance-based vesting condition to which such Company RSA is subject as having been attained at maximum level), become free of any restrictions and be converted into the right to receive the Merger Consideration, subject to all applicable federal, state and local tax withholdings and deductions.

In addition, pursuant to our non-employee director compensation policy, the vesting of any Company Options, Company RSUs and Company RSAs that are outstanding and unvested as of immediately prior to the effective time of the Merger and held by all of our non-employee directors will accelerate in full.

For an estimate of the amounts that would be payable to each of our named executive officers on settlement of their unvested Company Options, Company RSUs and/or Company RSAs, see the section entitled *Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of this proxy statement. We estimate

that the aggregate amount that would be payable to our executive officers as a group and

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our non-employee directors as a group for their Company Options, whether vested or unvested, Company RSUs and/or Company RSAs, assuming that the Merger were completed on April 18, 2016 is approximately $43.8 million and approximately $5.1 million, respectively. The amounts above are determined using a per share price of Company Common Stock of $57.00 and the other assumptions set forth in footnote 2 of the table under the section entitled *Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of this proxy statement.

***Offer Letters with Our Executive Officers; Change in Control Severance Plan***

*Offer Letters*

We have entered into standard offer letters with each of our executive officers, which provide for a base salary, target annual incentive compensation and standard benefits, including, with respect to certain of the offer letters, severance benefits in the event such executive officer experiences certain qualifying terminations outside of a change in control (collectively, the Offer Letters ). Alaska Air Group has agreed to assume each of the Offer Letters following the effective time of the Merger.

*Change in Control Severance Plan*

In 2014, we also adopted a Severance Plan, pursuant to which each of our executive officers is eligible for certain severance and change in control benefits. Alaska Air Group has agreed to assume the Severance Plan following the effective time of the Merger. Under the Severance Plan, in the event that an executive officer is terminated without Cause or resigns for Good Reason (each as defined in the Severance Plan) during the 18-month period immediately following a change in control (as defined in our 2014 Equity Incentive Award Plan) of Virgin America, then such executive officer is entitled to receive (i) a lump sum cash severance payment equal to two times the sum of the executive officer s base salary and his or her target annual cash bonus opportunity for the year of termination; (ii) payment by us (or our successor) of COBRA premiums for up to 24 months following the date of termination; (iii) full accelerated vesting of each of the executive officer s then outstanding equity awards; (iv) career counseling and career transition services paid by us in an amount up to $10,000; and (v) lifetime positive space first class air travel for the executive officer and his or her covered family members and dependents for leisure travel. Under the Severance Plan, the executive officer must provide a general release of claims against Virgin America (or its successor) in order to receive the foregoing severance benefits.

For an estimate of the value of the payments and benefits described above under each of our Severance Plan that would be payable to our named executive officers, see the section entitled *Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of this proxy statement. We estimate that the aggregate amount that would be payable to our executive officers as a group under our Severance Plan, assuming that the Merger were completed on April 18, 2016 is approximately $10.0 million (not including the value of accelerated equity awards, which is disclosed in the section above). The amounts above are determined using the assumptions set forth in footnotes 1 and 3 of the table under the section entitled *Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of this proxy statement.

***Indemnification of Directors and Officers***

Our Amended and Restated Certificate of Incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

any breach of the director s duty of loyalty to us or our stockholders;

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any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or

any transaction from which the director derived an improper personal benefit.

Our Amended and Restated Certificate of Incorporation provides that we shall indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our Amended and Restated Bylaws provide that we are obligated to indemnify our directors and officers to the fullest extent permitted by Delaware law and advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. In 2014, we entered into agreements to indemnify our directors, executive officers and other employees as determined by the Company Board. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe these limitations of liability provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors and officers liability insurance.

The limitation of liability and indemnification provisions in our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and indemnification agreements may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. Our Amended and Restated Certificate of Incorporation provides that any such lawsuit must be brought in the Court of Chancery of the State of Delaware. The foregoing provisions may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the Securities Act ), may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

***Quantification of Payments and Benefits to Our Named Executive Officers***

In accordance with Item 402(t) of Regulation S-K, the table below sets forth the amount of payments and benefits that each of our named executive officers may receive in connection with the Merger, assuming that the Merger was consummated and such executive officer experienced a qualifying termination on April 18, 2016. The amounts below are determined using a per share price of Company Common Stock of $57.00. As a result of the foregoing assumptions, the actual amounts, if any, to be received by a named executive officer may materially differ from the amounts set forth below.

**Name**

| | Cash ($)(1) | Equity Awards ($)(2) | Perquisites/ Benefits ($)(3) | Total ($) |
|---|---|---|---|---|
| C. David Cush | 2,840,000 | 21,176,526 | 39,885 | 24,056,411 |
| Peter D. Hunt | 1,485,000 | 2,421,702 | 38,995 | 3,945,697 |
| E. Frances Fiorillo | 1,320,000 | 1,947,918 | 36,793 | 3,304,711 |
| Steve A. Forte | 1,485,000 | 2,497,227 | 71,193 | 4,053,420 |
| John J. Varley | 1,320,000 | 1,947,918 | 39,264 | 3,307,182 |

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(1) Amount represents the cash severance that each named executive officer is eligible to receive under our Severance Plan upon a double trigger qualifying termination, as described above in *Offer Letters with Our Named Executive Officers; Change in Control Severance Plan* beginning on page 53 of this proxy statement, where the named executive officer is terminated without Cause or resigns for Good Reason (each as defined in the Severance Plan) during the 18-month period immediately following a change in control. The amount constitutes two times the sum of the named executive officer s base salary and his or her target annual cash bonus opportunity, payable in a lump sum upon the qualifying termination.

The following table quantifies each separate form of cash compensation included in the aggregate total reported in the column.

| Name | Base Salary Component of Severance ($) | Bonus Component of Severance ($) |
|---|---|---|
| C. David Cush | 1,420,000 | 1,420,000 |
| Peter D. Hunt | 900,000 | 585,000 |
| E. Frances Fiorillo | 800,000 | 520,000 |
| Steve A. Forte | 900,000 | 585,000 |
| John J. Varley | 800,000 | 520,000 |

(2) Pursuant to the terms and conditions of the Severance Plan, each named executive officer would be entitled to full accelerated vesting of each of such named executive officer s then outstanding equity awards, including any Company Options, Company RSUs and Company RSAs, including performance-based Company RSAs, upon a double trigger qualifying termination as described in footnote (1) above, where the named executive officer is terminated without Cause or resigns for Good Reason during the 18-month period immediately following a change in control. In addition, pursuant to the terms of the Merger Agreement and as described in the section entitled *The Merger Agreement Treatment of Virgin America Equity Awards* beginning on page 66 of this proxy statement, each of such named executive officer s Company Options, Company RSUs and Company RSAs outstanding immediately prior to the effective time of the Merger will vest and be settled in accordance with the Merger Agreement. Any such awards vested and settled in connection with the Merger pursuant to the Merger Agreement would not also be paid in connection with a qualifying termination pursuant to the Severance Plan.

None of the named executive officers hold unvested Company Options as of April 18, 2016. The value of the unvested and accelerated Company RSUs and Company RSAs is equal to $57.00 multiplied by the number of unvested shares subject to such awards as of April 18, 2016 (treating for this purpose any performance-based vesting conditions to which Company RSAs are subject as having been attained at maximum level, pursuant to the terms of the Merger Agreement), in each case, consistent with the methodology applied under SEC Regulation M-A Item 1011(b) and Regulation S-K Item 402(t)(2). The amounts in this column for the unvested and accelerated Company RSUs and Company RSAs do not reflect any taxes payable by the named executive officers.

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The following table presents the allocation of the aggregate total reported in the column, calculated as described above, between each named executive officer s unvested Company RSUs, unvested Company RSAs not subject to performance-based vesting conditions, and unvested Company RSAs subject to performance-based vesting conditions, all as of April 18, 2016.

| Name | Value of Unvested Company RSUs ($) | Value of Unvested Company RSAs ($) | Value of Unvested Performance Company RSAs ($) |
|---|---|---|---|
| C. David Cush | 16,284,216 | 2,507,658 | 2,384,652 |
| Peter D. Hunt | 629,166 | 918,840 | 873,696 |
| E. Frances Fiorillo | 553,698 | 714,666 | 679,554 |
| Steve A. Forte | 704,691 | 918,840 | 873,696 |
| John J. Varley | 553,698 | 714,666 | 679,554 |

(3) Pursuant to the terms and conditions of the Severance Plan, each named executive officer would be entitled to payment by us (or our successor) of (i) COBRA premiums to the same extent we paid for such benefits prior to the executive s termination for up to 24 months following the date of termination, (ii) career counseling and career transition services in an amount up to $10,000 (assuming each named executive officer used the maximum $10,000 available) and (iii) lifetime positive space first class leisure air travel for the named executive officer and his or her covered family members and dependents, in each case, upon a double trigger qualifying termination as described in footnote (1) above, where the named executive officer is terminated without Cause or resigns for Good Reason during the 18-month period immediately following a change in control. The travel benefit was estimated using our incremental cost of providing flight benefits (including incremental fuel costs and the incremental cost of customer services such as baggage handling, insurance, security and cleaning) using a discount based on mortality assumptions listed on the U.S. Life Expectancy Tables and an estimate of flight usage by each named executive officer and his or her family members. In the case of Ms. Fiorillo and Mr. Varley, such amounts also include the value of retired officer complimentary travel benefit for such officer.

The following table quantifies each separate form of benefits included in the aggregate total reported in the column.

| Name | COBRA Premiums ($) | Outplacement Service ($) | Flight Benefits ($) |
|---|---|---|---|
| C. David Cush | 15,186 | 10,000 | 14,699 |
| Peter D. Hunt | 12,714 | 10,000 | 16,281 |
| E. Frances Fiorillo | 12,714 | 10,000 | 14,078 |
| Steve A. Forte | 47,326 | 10,000 | 13,868 |
| John J. Varley | 15,186 | 10,000 | 14,078 |

**Delisting and Deregistration of Company Common Stock**

If the Merger is completed, shares of the Company Common Stock will no longer be listed on NASDAQ and will be deregistered under the Exchange Act, and we will no longer file periodic reports with the SEC.

**Material U.S. Federal Income Tax Consequences**

The following discussion summarizes the material U.S. federal income tax consequences of the Merger to holders of Company Common Stock. This discussion is based upon the provisions of the Code, the U.S. Treasury Regulations promulgated thereunder (the Treasury Regulations ) and judicial and administrative rulings, all as in effect as of the date of this proxy statement and all of which are subject to change or varying interpretation,

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possibly with retroactive effect. Any such changes could affect the accuracy of the statements and conclusions set forth herein. No ruling has been requested from the IRS in connection with the Merger. Accordingly, the discussion below neither binds the IRS nor precludes it from adopting a contrary position. No opinion of counsel has been or will be rendered with respect to the tax consequences of the Merger.

This discussion assumes that holders of Company Common Stock hold their shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a holder of Company Common Stock in light of such holder s particular circumstances, nor does it discuss the special considerations applicable to holders of Company Common Stock subject to special treatment under the U.S. federal income tax laws, such as, for example, financial institutions or broker-dealers, mutual funds, partnerships or other pass-through entities and their partners or members, tax-exempt organizations, insurance companies, real estate investment trusts, personal holding companies, regulated investment companies, dealers in securities or foreign currencies, traders in securities who elect mark-to-market method of accounting, controlled foreign corporations, passive foreign investment companies, U.S. expatriates, holders who hold Company Common Stock as part of a hedge, straddle, constructive sale or conversion transaction, and holders whose functional currency is not the U.S. dollar. This discussion does not address the impact of the Medicare contribution tax or any aspect of foreign, state, local, alternative minimum, estate, gift or other tax law that may be applicable to a holder. In addition, this discussion does not address the U.S. federal income tax consequences to dissenting stockholders or holders of Company Common Stock who acquired their shares through stock option or stock purchase plan programs or in other compensatory arrangements.

We intend this discussion to provide only a general summary of the material U.S. federal income tax consequences of the Merger to holders of Company Common Stock. We do not intend it to be a complete analysis or description of all potential U.S. federal income tax consequences of the Merger.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Company Common Stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, entities or arrangements treated as partnerships that hold Company Common Stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences of the Merger to them.

**All stockholders should consult their own tax advisors to determine the particular tax consequences to them (including the application and effect of any state, local or foreign income and other tax laws) of the receipt of cash in exchange for shares of Company Common Stock pursuant to the Merger.**

For purposes of this discussion, the term U.S. holder means a beneficial owner of Company Common Stock that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or

a trust if (i) it is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

A non-U.S. holder means a beneficial owner (other than a partnership or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) of Company Common Stock that is not a U.S. holder.

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***U.S. Holders***

The Merger will be a taxable transaction for U.S. federal income tax purposes. A U.S. holder generally will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received pursuant to the Merger (determined before the deduction of any applicable withholding taxes) and such U.S. holder s adjusted tax basis in the shares cancelled and converted into cash pursuant to the Merger. A U.S. holder s adjusted tax basis will generally equal the price the U.S. holder paid for such shares. Such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if the holder s holding period for such shares exceeds one year as of the date of the effective time of the Merger. Long-term capital gains recognized by certain non-corporate U.S. holders, including individuals, generally will be taxable at a reduced rate. The deductibility of capital losses is subject to limitations. If a U.S. holder acquired different blocks of Company Common Stock at different times or different prices, such U.S. holder must determine such holder s tax basis, holding period, and gain or loss separately with respect to each block of Company Common Stock.

***Non-U.S. Holders***

Any gain realized on the receipt of cash in exchange for Company Common Stock pursuant to the Merger by a non-U.S. holder generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the non-U.S. holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable);

- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the Merger and certain other requirements are met; or

- the non-U.S. holder owned (directly, indirectly or constructively) more than 5% of the Company s outstanding shares of Company Common Stock at any time during the five years preceding the Merger, and the Company is or has been a United States real property holding corporation for U.S. federal income tax purposes at any time during such non-U.S. holder s ownership of more than 5% of the Company s outstanding shares of Company Common Stock. The Company does not believe that it is or was a United States real property holding corporation for U.S. federal income tax purposes.

Gain in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates. A non-U.S. holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

***Backup Withholding and Information Reporting***

A U.S. holder may be subject to backup withholding on all payments to which such U.S. holder is entitled in connection with the Merger, unless the U.S. holder provides its correct taxpayer identification number and complies with applicable certification procedures or otherwise establishes an exemption from backup withholding. In addition, if the paying agent is not provided with a U.S. holder s correct taxpayer identification number or other adequate basis for exemption, the U.S. holder may be subject to certain penalties imposed by the IRS. Each U.S. holder should complete and sign the IRS Form W-9 included as part of the letter of transmittal and timely return it to the paying agent in order to avoid backup withholding, unless an exemption applies and is established in a manner satisfactory to the paying agent.

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Certain non-U.S. holders may also be subject to backup withholding unless they establish an exemption from backup withholding in a manner satisfactory to the paying agent (such as by completing and signing an appropriate IRS Form W-8) and otherwise comply with the backup withholding rules. Non-U.S. holders should consult their own tax advisors regarding these matters.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will generally be allowable as a refund or credit against a holder s U.S. federal income tax liability, provided that certain required information is timely furnished to the IRS.

Payments made pursuant to the Merger will also be subject to information reporting unless an exemption applies.

**THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT A COMPLETE ANALYSIS OR DISCUSSION OF ALL POTENTIAL TAX CONSEQUENCES RELEVANT TO COMPANY STOCKHOLDERS. THE TAX CONSEQUENCES OF THE MERGER MAY VARY DEPENDING UPON THE PARTICULAR CIRCUMSTANCES OF EACH STOCKHOLDER. YOU SHOULD CONSULT YOUR TAX ADVISOR CONCERNING THE FEDERAL, STATE, LOCAL, FOREIGN AND/OR OTHER TAX CONSEQUENCES OF THE MERGER TO YOU.**

**Regulatory Matters**

The closing of the Merger is subject to expiration or termination of the applicable waiting periods under the HSR Act and the rules thereunder. Under the HSR Act and the rules thereunder, the Merger may not be completed unless certain information has been furnished by Alaska Air Group and Virgin America to the Antitrust Division of the U.S. Department of Justice and to the FTC and applicable waiting periods expire or are terminated. The HSR Act requires the parties to observe a 30-day waiting period, which we refer to as the initial waiting period, during which time the Merger may not be consummated, unless that initial waiting period is terminated early. If, before the expiration of the initial waiting period, the Antitrust Division of the U.S. Department of Justice or the FTC issues a request for additional information, the parties may not consummate the transaction until 30 days after Alaska Air Group and Virgin America have each substantially complied with such request for additional information (unless this period is shortened pursuant to a grant of earlier termination). Alaska Air Group and Virgin America filed their respective notification and report forms pursuant to the HSR Act with the Antitrust Division of the Department of Justice and the FTC on April 15, 2016, and each requested early termination of the waiting period.

At any time before the effective time of the Merger, the FTC, the Antitrust Division of the U.S. Department of Justice, state attorneys general, or private parties can file suit under the antitrust laws seeking to enjoin consummation of the Merger. There can be no assurance that the Merger will not be challenged on antitrust grounds or, if such a challenge is made, that the challenge will not be successful.

In addition to the antitrust related filings and clearance discussed above, Virgin America and Alaska Air Group must obtain any approvals or authorizations required to be obtained from the FAA and the DOT, as well as all other approvals and authorizations required to be obtained in connection with the consummation of the Merger and the transactions contemplated by the Merger Agreement from any other governmental authority.

There can be no assurance that Alaska Air Group and Virgin America will be able to obtain all required regulatory clearances and approvals. In addition, even if we and Alaska Air Group obtain all required regulatory clearances and approvals, and the Merger Proposal is approved by our stockholders, conditions may be placed on any such clearance or approval that could cause Alaska Air Group to abandon the Merger.

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**Appraisal Rights**

Holders of shares of our Company Common Stock who do not vote in favor of the proposal to adopt the Merger Agreement and who properly perfect appraisal of their shares will be entitled to appraisal rights in connection with the Merger under Section 262 of the DGCL.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL which is attached to this proxy statement as Annex D. The following summary does not constitute any legal or other advice nor does it constitute a recommendation that stockholders exercise their appraisal rights under Section 262 of the DGCL.

Under Section 262 of the DGCL, record holders of our Company Common Stock who do not wish to accept the per share Merger Consideration provided for in the Merger Agreement have the right to demand appraisal of their shares of Company Common Stock and to receive payment for the fair value of their shares of Company Common Stock as of the effective time of the Merger, exclusive of any element of value arising from the accomplishment or expectation of the Merger, as determined by the Delaware Court of Chancery, together with interest, if any, to be paid upon the amount determined to be fair value. **The fair value of shares of Company Common Stock as determined by the Delaware Court of Chancery may be more than, less than, or equal to the Merger Consideration per share that holders are otherwise entitled to receive under the terms of the Merger Agreement.** Company stockholders who do not vote in favor of the Merger Proposal, who properly demand appraisal for their shares of Company Common Stock in compliance with the provisions of Section 262 of the DGCL ( Section 262 ), and who continuously hold of record the shares of Company Common Stock for which they have demanded appraisal through the effective time of the Merger and do not otherwise withdraw or lose the right to appraisal under Delaware law will be entitled to appraisal rights. Strict compliance with the statutory procedures in Section 262 is required. Failure to follow precisely any of the statutory requirements will result in the loss of appraisal rights.

Under Section 262, when a merger agreement is to be submitted for adoption at a meeting of stockholders, the company submitting the matter to a vote of stockholders must notify the stockholders, who were stockholders on the record date for notice of the special meeting with respect to shares for which appraisal rights are available, that appraisal rights will be available not less than twenty days before the meeting to vote on the transaction. A copy of Section 262 must be included with such notice. This proxy statement constitutes Virgin America s notice to its stockholders that appraisal rights are available in connection with the Merger and the full text of Section 262 is attached to this proxy statement as Annex D, in compliance with the requirements of Section 262. Holders of shares of Company Common Stock who wish to exercise appraisal rights should carefully review the text of Section 262 contained in Annex D. Failure to comply timely and properly with the requirements of Section 262 will result in the loss of appraisal rights under the DGCL. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of shares of Company Common Stock, Virgin America believes that a stockholder who is considering exercising such rights should seek the advice of legal counsel.

Holders of shares of our Company Common Stock who wish to demand appraisal of their shares must deliver to Virgin America a written demand for appraisal of the holder s shares of Company Common Stock before the vote is taken to approve the Merger Proposal. The demand must reasonably inform Virgin America of the identity of the holder of record of shares of Company Common Stock who intends to demand appraisal of his, her or its shares of Company Common Stock. A stockholder seeking appraisal of his or her shares may not vote in favor of the Merger Proposal. In addition, a holder of shares of Company Common Stock wishing to exercise appraisal rights must hold of record the shares of Company Common Stock on the date the written demand for appraisal is made and must continue to hold such shares of Company Common Stock of record through the effective time of the Merger.

A proxy that is submitted and does not contain voting instructions will, unless revoked, be voted in favor of the Merger Proposal, and it will constitute a waiver of the stockholder s right of appraisal and will nullify any

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previously delivered written demand for appraisal. Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights must either submit a proxy containing instructions to vote against the Merger Proposal or abstain from voting on the Merger Proposal. Voting against or failing to vote for the Merger Proposal by itself does not constitute a demand for appraisal within the meaning of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote on the Merger Proposal.

All demands for appraisal should be addressed to Virgin America s General Counsel, 555 Airport Blvd., Burlingame, CA 94010, and must be delivered before the vote is taken to approve the Merger Proposal at the Virgin America special meeting. The demand must reasonably inform Virgin America of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares of Company Common Stock. A stockholder s failure to deliver the written demand to Virgin America prior to the taking of the vote on the Merger Proposal at the special meeting will constitute a waiver of appraisal rights.

Only a holder of record of shares of Company Common Stock is entitled to demand an appraisal of the shares registered in that holder s name. Accordingly, to be effective, a demand for appraisal by a stockholder of Company Common Stock must be made by, or in the name of, the record stockholder. The demand must set forth fully and correctly the record stockholder s name as it appears on the stockholder s stock certificate(s) or in the transfer agent s records, in the case of uncertificated shares, should specify the stockholder s mailing address and the number of shares registered in the stockholder s name, and must state that the person intends thereby to demand appraisal of the stockholder s shares in connection with the Merger. The demand cannot be made by the beneficial owner if he or she does not also hold the shares of Company Common Stock of record. The beneficial holder must, in such cases, have the registered owner, such as a broker, bank or other nominee, submit the required demand with respect to those shares of Company Common Stock. If a stockholder holds shares of Company Common Stock through a broker or bank who in turn holds the shares through a central securities depository nominee such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder. If you hold your shares of Company Common Stock through a broker, bank or other nominee and you wish to exercise appraisal rights, you should consult with your broker, bank or other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

If shares of Company Common Stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal must be made in that capacity. If the shares of Company Common Stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, bank or other nominee, who holds shares of Company Common Stock as a nominee for others, may exercise his or her right of appraisal with respect to the shares of Company Common Stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of Company Common Stock as to which appraisal is sought. Where no number of shares of Company Common Stock is expressly mentioned, the demand will be presumed to cover all shares of Company Common Stock held in the name of the record owner.

Within ten days after the effective time of the Merger, the surviving corporation in the Merger must give written notice of the effective date of the Merger to each stockholder of Virgin America who has demanded appraisal in accordance with Section 262 and who did not vote in favor of the proposal to adopt the Merger Agreement. At any time within sixty days after the effective time of the Merger, any stockholder who has not commenced an appraisal proceeding or joined a proceeding as a named party may withdraw the demand and accept the consideration specified by the Merger Agreement for that stockholder s shares of Company Common Stock by delivering to the surviving

corporation a written withdrawal of the demand for appraisal. However, any

such attempt to withdraw the demand made more than sixty days after the effective time of the Merger will require written approval of the surviving corporation.

Except with respect to a demand for appraisal that is properly withdrawn by the stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party within sixty days after the effective date of the Merger, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, with such approval conditioned upon such terms as the court deems just.

Within 120 days after the effective time of the Merger, but not thereafter, either the surviving corporation or any stockholder who has complied with the requirements of Section 262 and is entitled to appraisal rights under Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of Company Common Stock held by all such stockholders. Upon the filing of the petition by a stockholder, service of a copy of such petition shall be made upon the surviving corporation. The surviving corporation has no obligation to file such petition and has no present intention to file a petition and holders should not assume that the surviving corporation will file a petition. In the event that the surviving corporation does not file such petition, it is the obligation of the holders of Company Common Stock to initiate all necessary action to perfect their appraisal rights with respect to shares of Company Common Stock within the time prescribed in Section 262. The failure of a stockholder to file such a petition within the period specified in Section 262 could nullify the stockholder s previous written demand for appraisal. In addition, within 120 days after the effective time of the Merger, any stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the Merger Agreement will be entitled to receive from the surviving corporation, upon written request, a statement setting forth the aggregate number of shares of Company Common Stock not voted in favor of the Merger Agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within ten days after such written request has been received by the surviving corporation or within ten days after the expiration of the period for delivery of demands for appraisal, whichever is later. A person who is the beneficial owner of shares of Company Common Stock held either in a voting trust or by a nominee on behalf of such person and for which appraisal has been properly demanded may, in such person s own name, file a petition for appraisal or request from the surviving corporation such statement.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the surviving corporation, then the surviving corporation will be obligated, within twenty days after receiving service of a copy of the petition, to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares of Company Common Stock and with whom agreements as to the value of their shares of Company Common Stock have not been reached. After notice to stockholders who have demanded appraisal, if such notice is ordered by the Delaware Court of Chancery, the Delaware Court of Chancery will conduct a hearing upon the petition and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided by Section 262. The Delaware Court of Chancery may require stockholders who have demanded an appraisal for their shares of Company Common Stock, and who hold shares represented by certificates, to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares of Company Common Stock, the Delaware Court of Chancery will appraise the shares of Company Common Stock, determining their fair value as of the effective time of the Merger after taking into account all relevant factors exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. When the fair value has been determined, the Delaware Court of Chancery will direct

the payment of such value upon surrender by those stockholders of the certificates representing their shares of Company Common Stock. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the Merger through the date of payment of the judgment

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shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time of the Merger and the date of payment of the judgment.

Neither Virgin America nor Alaska Air Group anticipates offering more than the Merger Consideration provided for in the Merger Agreement to any stockholder exercising appraisal rights and they reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of Company Common Stock is less than the per share Merger Consideration. In determining fair value, the court is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, 457 A.2d 701 (Del. 1983), the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor*, Inc., 634 A.2d 345 (Del. 1993), the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

Costs of the appraisal proceeding (which do not include attorneys fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and imposed upon the surviving corporation and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery, as it deems equitable in the circumstances. Upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts used in the appraisal proceeding, to be charged pro rata against the value of all shares of Company Common Stock entitled to appraisal. Any stockholder who demanded appraisal rights will not, after the effective time of the Merger, be entitled to vote shares of Company Common Stock subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares of Company Common Stock, other than with respect to payment as of a record date prior to the effective time of the Merger. If no petition for appraisal is filed within 120 days after the effective time of the Merger, or if the stockholder otherwise fails to perfect his or her appraisal rights, successfully withdraws or loses such holder s right to appraisal, then the right of that stockholder to appraisal will cease and that stockholder s shares of Company Common Stock will be deemed to have been converted at the effective time of the Merger into the right to receive the Merger Consideration (without interest) pursuant to the Merger Agreement. In addition, in the circumstances described above, a stockholder may withdraw his, her or its demand for appraisal in accordance with Section 262 and accept the Merger Consideration offered pursuant to the Merger Agreement.

Failure to comply strictly with all of the procedures set forth in Section 262 will result in the loss of a stockholder s statutory appraisal rights. In view of the complexity of Section 262, Virgin America stockholders who wish to pursue appraisal rights should consult their legal and financial advisors.

**Legal Proceedings**

On April 21, 2016, a putative shareholder class action complaint was filed in the Court of Chancery of the State of Delaware against the Company Board, captioned *Thomas Houston* v. *Donald J. Carty*, et al., Case No. 12235 (Del. Ch.). The complaint alleges, among other things, that the Company s directors breached their

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fiduciary duties by approving the Merger Agreement. The complaint seeks, among other things, either to enjoin the proposed transaction or to rescind it should it be consummated, as well as other equitable relief and damages, including attorneys and experts fees.

We are reviewing the complaint and have not yet formally responded to it, but we believe that the plaintiff s allegations are without merit and we intend to defend against them vigorously. Litigation is inherently uncertain, however, and there can be no assurance regarding the likelihood that our defense of this action will be successful. Additional complaints containing substantially similar allegations may be filed in the future.

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## THE MERGER AGREEMENT

*The following is a summary of the material terms and conditions of the Merger Agreement. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the Merger Agreement, a copy of which is attached as Annex A and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to read the Merger Agreement carefully and in its entirety because it is the legal document that governs the Merger.*

### Explanatory Note Regarding the Merger Agreement

The Merger Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Merger Agreement. Factual disclosures about the Company contained in this proxy statement or in the Company s public reports filed with the SEC may supplement, update or modify the factual disclosures about the Company contained in the Merger Agreement and described in this summary. The representations, warranties and covenants made in the Merger Agreement by the Company, Alaska Air Group and Merger Sub were qualified and subject to important limitations agreed to by the Company, Alaska Air Group and Merger Sub in connection with negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the Merger Agreement may have the right not to close the Merger if the representations and warranties of the other party prove to be untrue, due to a change in circumstance or otherwise, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the SEC, and in some cases were qualified by disclosures that were made by each party to the other, which disclosures are not reflected in the Merger Agreement. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement, may have changed since the date of the Merger Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement. In addition, you should not rely on the covenants in the Merger Agreement as actual limitations on the respective businesses of the Company, Alaska Air Group or Merger Sub, because the parties may take certain actions that are consented to by the appropriate party, which consent may be given without prior notice to the public.

### Structure and Effective Time

The Merger Agreement provides that, subject to the terms and conditions of the Merger Agreement, Merger Sub, a Delaware corporation and a wholly-owned subsidiary of Alaska Air Group, will merge with and into the Company. As a result, the separate corporate existence of Merger Sub will cease and the Company will survive the Merger and continue to exist after the Merger as a wholly-owned subsidiary of Alaska Air Group.

The Merger will take place no later than the second business day after satisfaction or waiver of all conditions described under *Conditions to Completion of Merger* beginning on page 83 of this proxy statement.

The Merger will become effective at the time when the Company, Alaska Air Group and Merger Sub cause to be executed and filed a certificate of merger with the Secretary of State of the State of Delaware in accordance with the relevant provisions of the DGCL, or such later date and time as is agreed upon by the parties and specified in the certificate of merger.

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**Merger Consideration**

The Merger Agreement provides that each share of the Company Common Stock outstanding immediately prior to the effective time of the Merger (other than shares held by a holder who is entitled to demand and has properly demanded appraisal for such shares in accordance with, and who complies in all respects with, Section 262 of the DGCL, a copy of which is attached to this proxy statement as Annex D, treasury shares and shares held by Alaska Air Group, Merger Sub or any of their respective wholly-owned subsidiaries) will be converted into the right to receive the Merger Consideration.

Shares of the Company Common Stock owned by holders entitled to demand and that have properly demanded appraisal for such shares in accordance with, and who have complied in all respects with, Section 262 of the DGCL will be treated as described under *Appraisal Rights* beginning on page 60 of this proxy statement. All shares of the Company Common Stock that are held in the treasury of the Company, or owned of record by Alaska Air Group, Merger Sub or any of their respective wholly-owned subsidiaries, will be cancelled and will cease to exist, with no payment being made with respect thereto.

**Treatment of Virgin America Equity Awards**

*Stock Options.* As of immediately prior to the effective time of the Merger, each unexpired and unexercised Company Option will vest (in the case of a Company Option that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and conditions applicable to the award) and be cancelled and, in exchange therefor, each former holder of any such cancelled Company Option will only be entitled to receive, in consideration of the cancellation of such Company Option and in full settlement therefor, a payment in cash of an amount equal to the Option Payment, subject to all applicable federal, state and local tax withholdings and deductions. If the exercise price of a Company Option is equal to or greater than the Merger Consideration or, in the case of a Company Option that is subject to a performance-based vesting condition, to the extent the applicable performance-based vesting condition has not been satisfied as of immediately prior to the effective time of the Merger and such portion of the Company Option is not required (pursuant to the terms and conditions applicable to the award) to become vested in connection with the Merger, such Company Option will be cancelled without any payment being made in respect thereof.

*Restricted Stock Units.* As of immediately prior to the effective time of the Merger, each outstanding Company RSU will vest (in the case of a Company RSU that is subject to a performance-based vesting condition, vesting will be determined in accordance with the terms and conditions applicable to the award) and become free of any restrictions and will be cancelled in exchange for the right to receive a payment equal to the RSU Payment, subject to all applicable federal, state and local tax withholdings and deductions. If the applicable performance-based vesting condition of any Company RSU has not been satisfied as of immediately prior to the effective time of the Merger and such portion of the Company RSU is not required (pursuant to the terms and conditions applicable to the award) to become vested in connection with the Merger, such Company RSU will be cancelled without any payment being made in respect thereof.

*Restricted Stock Awards.* As of immediately prior to the effective time of the Merger, each outstanding Company RSA will vest (treating for this purpose any performance-based vesting condition to which such Company RSA is subject as having been attained at maximum level), become free of any restrictions and be converted into the right to receive the Merger Consideration, subject to all applicable federal, state and local tax withholdings and deductions.

**Treatment of Virgin America s Employee Stock Purchase Plan**

Any offering period (or similar period during which shares of Company Common Stock may be purchased) that was underway as of April 1, 2016 under the Company ESPP will be the final offering period under the Company ESPP, and no new offering period will begin under the Company ESPP after such date. Any offering period that may have been underway as of April 1, 2016 will be terminated on the earlier of: (i) such period s

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regular expiration date of August 12, 2016, or (ii) such date determined by the Company preceding the effective time of the Merger (the Final Exercise Date ). In the event an offering period is underway as of April 1, 2016 and is terminated immediately prior to the effective time of the Merger, we will make any pro-rata adjustments that may be necessary to reflect such shortened offering period, but otherwise will treat any such shortened offering period as a fully effective and completed offering period for all purposes under the Company ESPP, and will cause each participant s shares purchase right under the Company ESPP (the Company ESPP Rights ) to be exercised as of the Final Exercise Date. No new participants may enroll in the Company ESPP after April 1, 2016 and no current participant in the Company ESPP can increase his or her payroll deductions from those in effect on April 1, 2016.

We will terminate the Company ESPP as of the effective time of the Merger. On the Final Exercise Date, the funds credited as of such date under the Company ESPP within the associated accumulated payroll withholding account for each participant under the Company ESPP will be used to purchase shares of Company Common Stock in accordance with the terms of the Company ESPP, and each share purchased thereunder immediately prior to the effective time of the Merger shall be cancelled at such time and converted into the right to receive the Merger Consideration in accordance with the terms of the Merger Agreement, subject to withholding of taxes. Any accumulated contributions of each participant under the Company ESPP as of immediately prior to the effective time of the Merger will, to the extent not used to purchase Company Common Stock in accordance with the terms and conditions of the Company ESPP, be refunded to such participant as promptly as practicable following the effective time of the Merger (without interest). No further Company ESPP Rights shall be granted or exercised under the Company ESPP after the Final Exercise Date.

**Surrender of Share Certificates or Book-Entry Shares; Payment of Merger Consideration; Lost Certificates**

At or immediately after the effective time of the Merger, Alaska Air Group or Merger Sub will deposit funds with a paying agent selected by Alaska Air Group reasonably acceptable to the Company the amounts equal to the aggregate Merger Consideration to which holders of Company Common Stock will be entitled at the effective time of the Merger, together with the aggregate Option Payments and RSU Payments (except to the extent that any such Option Payments or RSU Payments are to be made through the payroll of the surviving corporation).

As promptly as practicable after the effective time of the Merger (and in any event, within five business days after the effective time of the Merger), the paying agent will mail to each holder of record of a certificate or certificates representing the Company Common Stock or non-certificated Company Common Stock represented by book-entry, in each case, which Company Common Stock were converted into the right to receive the Merger Consideration at the effective time, a letter of transmittal and instructions for surrendering such certificates or book-entry shares in exchange for payment of the Merger Consideration. Each holder of a certificate or certificates representing the Company Common Stock or non-certificated Company Common Stock represented by book-entry immediately prior to the effective time of the Merger (other than shares held by a holder who is entitled to demand and has properly demanded appraisal for such shares in accordance with, and who complies in all respects with, Section 262 of the DGCL, a copy of which is attached to this proxy statement as Annex D, treasury shares and shares held by Alaska Air Group, Merger Sub or any of their respective wholly-owned subsidiaries) will, upon surrender thereof to the paying agent, together with a properly completed letter of transmittal, be entitled to receive the Merger Consideration of $57.00 per share in cash for each share of the Company Common Stock represented by such certificate, payable net to the holder in cash, without interest. The certificates so surrendered will be cancelled.

No interest will be paid or accrue on the cash payable for the benefit of the holders of certificated or book-entry shares. The Merger Consideration will be subject to deduction for any required withholding taxes.

If any certificate representing the Company Common Stock has been lost, stolen or destroyed, the paying agent will pay the Merger Consideration (less any applicable withholding taxes) with respect to each share of the

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Company Common Stock formerly represented by such certificate upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed and, if required by Alaska Air Group or the paying agent, a customary indemnity against any claim that may be made against Alaska Air Group, Merger Sub, the surviving corporation or the paying agent with respect to such certificate.

**Directors and Officers**

The Merger Agreement provides that the directors and officers of Merger Sub at the effective time of the Merger will be the directors and officers of the surviving corporation until successors are duly elected, designated or qualified or until their earlier death, resignation or removal in accordance with the surviving corporation s governing documents.

**Representations and Warranties**

The Merger Agreement contains representations and warranties that Virgin America, on the one hand, and Alaska Air Group and Merger Sub, on the other hand, have made to one another as of specific dates. These representations and warranties have been made for the benefit of the other parties to the Merger Agreement and may be intended not as statements of fact but rather as a way of allocating the risk to one of the parties if those statements prove to be incorrect. In addition, the assertions embodied in the representations and warranties are qualified by information in a confidential disclosure letter provided by Virgin America to Alaska Air Group and Merger Sub in connection with the signing of the Merger Agreement and a confidential disclosure letter provided by Alaska Air Group and Merger Sub to Virgin America in connection with the signing of the Merger Agreement. While Virgin America, Alaska Air Group and Merger Sub do not believe that the disclosure letters contain information required to be publicly disclosed under the applicable securities laws other than information that has already been so disclosed, the disclosure letters do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached Merger Agreement. Accordingly, you should not rely on the representations and warranties as current characterizations of factual information about Virgin America, Alaska Air Group or Merger Sub since they were made as of specific dates, may be intended merely as a risk allocation mechanism between us, Alaska Air Group and Merger Sub and are modified in important ways by the confidential disclosure letters.

Virgin America has made a number of representations and warranties to Alaska Air Group and Merger Sub in the Merger Agreement regarding aspects of our business and other matters pertinent to the Merger. The topics covered by these representations and warranties include the following:

- Virgin America s organization, valid existence, good standing, qualification to do business and similar corporate matters;

- Virgin America s capital structure, the reservation of certain shares for issuance for the exercise of Company Options, Company RSUs, Company RSAs and the Company ESPP, and the absence of encumbrances on Virgin America s equity interests;

- Virgin America s corporate power and authority to enter into and perform its obligations under the Merger Agreement and complete the Merger, the enforceability of the Merger Agreement against Virgin America, and the due execution and delivery of the Merger Agreement;

the authorization and approval of the Merger Agreement, the Merger and the transactions contemplated thereby by the Company Board and the stockholder approval required to complete the Merger;

the absence of violations and breaches of, or conflicts with, Virgin America s governing documents, certain contracts, or any order or law resulting from Virgin America s entry into the Merger Agreement or the completion of the Merger;

the absence of defaults or accelerations of any obligations under certain contracts or creation of any liens on Virgin America s properties or other assets resulting from Virgin America s entry into the Merger Agreement or the completion of the Merger;

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consents, approvals, authorizations, permits and filings required from governmental entities to enter into the Merger Agreement and complete the Merger;

Virgin America s possession of required authorizations and permits necessary to conduct Virgin America s current business; the absence of conflict with, default under or violation of any law applicable to Virgin America and since November 14, 2014, the absence of any violation by Virgin America or its directors, officers or employees of any provision under the U.S. Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and/or any other anticorruption or anti bribery law applicable to Virgin America;

Virgin America s filings with the SEC and compliance with federal securities laws, rules and regulations;

Virgin America s financial reports and the preparation of our financial reports in compliance with our books and records, U.S. generally accepted accounting principles ( GAAP ) and the applicable requirements of the SEC; and the absence of any material changes in the accounting practices or policies applied by Virgin America in the preparation of our financial reports, other than as required by GAAP, SEC rules or applicable law;

the absence of specified undisclosed liabilities;

the absence of the resignation or dismissal of our independent public accountant due to any disagreement with us on matters of accounting principles or practices;

the absence, since January 1, 2015, of any complaints regarding internal accounting controls or violations of laws or duties related to Virgin America s accounting practices;

the maintenance of accounting and disclosure controls and procedures to ensure timely and adequate reporting and compliance with securities laws;

the inapplicability of state anti-takeover laws to the Merger Agreement and the consummation of the proposed transactions;

Virgin America s lack of a stockholder rights plan, poison pill or similar anti-takeover plan;

the ordinary course operation of Virgin America s business since January 1, 2016;

the absence of any events that have had or would reasonably be expected to have a material adverse effect on Virgin America since January 1, 2016;

Virgin America s material benefit plans and their compliance with applicable laws;

Virgin America s compliance in all material respects with all applicable laws respecting labor, employment, immigration, fair employment practices, terms and conditions of employment, workers compensation, occupational safety, plant closings, compensation and benefits, and wages and hours;

the validity of, Virgin America s compliance with, and certain other matters with respect to Virgin America s material contracts;

the absence of any suits, claims, actions, litigations, mediations, hearings, audits, criminal prosecutions, arbitrations or other proceedings pending or, to Virgin America s knowledge, threatened against Virgin America, (i) seeking or alleging monetary damages in excess of $5,000,000 (individually or in the aggregate for related claims), (ii) seeking material non-monetary remedies, (iii) relating to any Virgin America permits before any government entity, or (iv) that could materially impair the consummation of the Merger;

the absence of certain material orders against Virgin America by any governmental entity;

environmental matters;

Virgin America s intellectual property;

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Virgin America s material compliance with tax laws and other tax matters;

insurance matters;

Virgin America s personal property;

Virgin America s owned and leased real estate;

Virgin America s receipt of an opinion from Evercore Group, L.L.C. regarding the fairness, from a financial point of view, of the consideration to be received by holders of the Company Common Stock;

the stockholder vote required in order to approve and adopt the Merger Proposal;

the absence of undisclosed brokers fees or finders fees relating to the transaction;

the absence of certain transactions between Virgin America and its related parties;

Virgin America s owned, leased and/or operated aircraft, including the registration of such aircraft with the applicable governmental entities, the maintenance of such aircraft in compliance with applicable law, contracts related to the purchase or lease of the aircraft or related components of the aircraft and contracts pursuant to which Virgin America has financing commitments with respect to the aircraft;

Virgin America s take-off and landing slots, operating authorizations from applicable governmental entities and other similar designated take-off and landing rights held by Virgin America at any U.S. airport, and Virgin America s compliance in all material respects with all regulations and laws applicable to Virgin America with respect to the foregoing;

the absence of any action or threatened action by any airport or airport authority that would reasonably be expected to materially interfere with the ability of Virgin America to conduct its operations at any airport in substantially the manner currently conducted;

Virgin America s status as a citizen of the United States within the meaning of the Federal Aviation Act and as an air carrier within the meaning of such act and its operation in compliance with such act;

Virgin America s compliance in all material respects with all applicable laws concerning embargoes, economic sanctions or export restrictions, including those administered by governmental entities of the

United States and similar laws of other relevant jurisdiction since November 14, 2014; and

the accuracy of the information supplied in connection with this proxy statement.

Some of Virgin America s representations and warranties are qualified by a material adverse effect standard. Subject to certain exclusions, a material adverse effect means any change, event, circumstance, development, condition, occurrence, state of facts or effect that (i) has had, or would reasonably be expected to have, individually or in the aggregate, a materially adverse effect on the business, condition (financial or otherwise), assets, liabilities or results of operations of Virgin America or (ii) would prevent, or delay beyond January 1, 2017, the consummation of the Merger by Virgin America, except that, none of the following will be deemed in themselves, either alone or in combination, to constitute, and none of the following will be taken into account in determining whether there has been or will be, individually or in the aggregate, a materially adverse effect on the business, condition (financial or otherwise), assets, liabilities or results of operations of Virgin America:

any change generally affecting the global economy, financial markets or political, economic or regulatory conditions or in any geographic region in which Virgin America conducts business;

general financial, credit or capital market conditions, including interest rates or exchange rates, or any changes therein;

any change generally affecting the airline industry, including changes in the general level of yields of or prices of aircraft, aircraft parts or fuel;

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any change proximately caused by the announcement or pendency of the transactions contemplated by the Merger Agreement, including the Merger, including any litigation claims resulting therefrom, and any loss or threatened loss of, or disruption or threatened disruption in, the relationship of Virgin America with its customers, employees, labor unions, financing sources, suppliers, or strategic partners unless otherwise provided by the terms and conditions of the Merger Agreement;

any change proximately caused by Virgin America s compliance with the terms of the Merger Agreement, unless otherwise provided therein, or the taking of any action, or failure to act, to which Alaska Air Group has consented in writing prior to the taking of such action or which resulted from Alaska Air Group withholding its consent under the terms of the Merger Agreement;

acts of war (whether or not declared), the commencement, continuation or escalation of a war, acts of armed hostility, sabotage or terrorism or other international or national calamity or any material worsening of such conditions threatened or existing as of the date of the Merger Agreement;

any hurricane, earthquake, flood or other natural disasters or acts of God;

changes in laws after the date of the Merger Agreement;

changes in GAAP after the date of the Merger Agreement;

any failure by Virgin America to meet any published or internally prepared estimates of revenues, earnings or other economic performance for any period ending on or after the date of the Merger Agreement; or

a decline in the price of the Company Common Stock on NASDAQ or any other market in which such securities are quoted for purchase and sale, except as otherwise provided by the terms and conditions of the Merger Agreement.

Alaska Air Group and Merger Sub have also made a number of representations and warranties to Virgin America regarding various matters pertinent to the Merger. The topics covered by these representations and warranties include the following:

organization, valid existence, good standing, qualification to do business and similar corporate matters;

corporate power and authority to enter into and perform their obligations under the Merger Agreement and complete the Merger, the enforceability of the Merger Agreement against them, and the due execution and delivery of the Merger Agreement;

the absence of violations and breaches of, or conflicts with, their respective governing documents, certain contracts, or any law resulting from the entry into the Merger Agreement or the completion of the Merger;

consents, approvals, authorizations, permits and filings required from governmental entities to enter into the Merger Agreement and complete the Merger;

the absence of any suits, claims, actions, litigations, mediation, hearings, audits, criminal prosecutions, arbitrations or other proceedings pending or threatened against them and the absence of certain orders against them that, individually or in the aggregate, prevent or materially delay, or would reasonably be expected to prevent or materially delay, the consummation of the Merger or performance by Alaska Air Group or Merger Sub of any of their material obligations under the Merger Agreement;

the absence of their ownership of any of Virgin America s and its subsidiaries shares or other equity interests in Virgin America and its subsidiaries;

the availability and sufficiency of funds to complete the Merger;

Merger Sub s formation solely for the purpose of engaging in the transactions contemplated by the Merger Agreement and the absence of any obligations of Merger Sub other than the obligations incurred in connection with the Merger Agreement and the Merger;

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the absence of any agreements, arrangements, or understandings between the directors and officers of Virgin America and Alaska Air Group, Merger Sub, or their respective directors, officers or affiliates that would be required to be disclosed pursuant to the Exchange Act;

the absence of undisclosed brokers fees or finders fees relating to the transaction; and

the accuracy of the information supplied by Alaska Air Group and Merger Sub to be included in this proxy statement.

The representations and warranties of each of the parties to the Merger Agreement will expire at the effective time of the Merger or the termination of the Merger Agreement.

**Conduct of Business Pending the Closing**

Under the Merger Agreement, Virgin America has agreed that, subject to certain exceptions in the Merger Agreement, the disclosure schedule delivered by Virgin America in connection with the Merger Agreement or as required by applicable law, between the date of the Merger Agreement and the effective time of the Merger, unless Alaska Air Group gives its prior written consent, Virgin America will conduct its operations in the ordinary course of business and consistent with past practice and use commercially reasonable efforts to (i) preserve substantially intact its business organization; (ii) keep available the services of its executive officers and key employees; (iii) maintain in effect all Company permits, and (iv) maintain in all material respects, the relationships of Virgin America with any persons with which Virgin America has material business relations.

Subject to certain exceptions set forth in the Merger Agreement, the disclosure letter Virgin America delivered in connection with the Merger Agreement and/or applicable law, unless Alaska Air Group consents in writing (which consent cannot be unreasonably withheld, delayed or conditioned), Virgin America will not, directly or indirectly:

amend or otherwise change its certificate of incorporation or bylaws;

issue, deliver, sell, pledge, dispose of, grant, transfer or otherwise encumber or subject to any lien, or authorize the issuance, sale, pledge, disposition, grant, transfer, or encumbrance of, any shares of capital stock of, or other equity interests in, Virgin America of any class, or securities convertible into, or exchangeable or exercisable for, any shares of such capital stock or other equity interests, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or other equity interests or such convertible or exchangeable securities, or any other ownership interest (including, without limitation, any such interest represented by contract right), of Virgin America, other than (i) the issuance of Company Common Stock upon the vesting of Company RSUs, Company RSAs or the exercise of Company Options outstanding as of the date of the Merger Agreement in accordance with their terms, (ii) distributions of Company Common Stock under the Company ESPP in accordance with its terms as modified by the Merger Agreement or (iii) the issuance of shares of Voting Common Stock upon the conversion of shares of Non-Voting Common Stock in accordance with the governing documents of Virgin America;

sell, pledge, dispose of, transfer, lease, license or sublicense, swap or encumber any material property or assets of the Company (other than (i) non-exclusive grants of licenses in intellectual property rights of the Company and (ii) such actions with respect to airport gates and Company slots for a duration of approximately six months or less, in each case, in the ordinary course of business consistent with past practice), except pursuant to contracts in effect as of the date of the Merger Agreement;

declare, set aside, make or pay any dividend or other distribution (whether payable in cash, stock, property or a combination thereof) with respect to any of its capital stock or enter into any agreement with respect to the voting or registration of its capital stock;

reclassify, combine, split, subdivide or otherwise amend the terms of, or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock, other equity interests or any other securities, or

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authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or other securities;

merge or consolidate, or agree to merge or consolidate, Virgin America with any person or entity or adopt a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, consolidation, restructuring, recapitalization or other reorganization of Virgin America or file a petition in bankruptcy under any provisions of applicable law on behalf of Virgin America or consent to the filing of any bankruptcy petition against Virgin America under any similar applicable law;

acquire (including by merger, consolidation, or acquisition of stock or assets) any interest in any person or entity or any division thereof or any assets thereof, other than (i) the planned purchase of aircraft and associated equipment pursuant to contracts as in effect on the date of the Merger Agreement, (ii) acquisitions of assets (including the purchase of inventory, raw materials, equipment, goods, or other supplies) in the ordinary course of business; and (iii) any other acquisition for consideration that is individually not in excess of $2,000,000 or in the aggregate not in excess of $7,500,000;

enter into any new line of business;

incur or create any indebtedness, cancel any indebtedness owed to Virgin America, or waive, release, grant or transfer any right of material value, in each case other than for the financing of aircraft pursuant to Virgin America s aircraft finance contracts;

make any loans, guarantees or capital contributions to, or investments in, any other person or entity in excess of $1,000,000 in the aggregate;

terminate, cancel, or amend any material contract of Virgin America, or cancel, modify or waive any material rights thereunder, or enter into or amend any contract that, if existing on the date of the Merger Agreement, would be a material contract of Virgin America, in each case, other than in the ordinary course of business consistent with past practice;

make or authorize any capital expenditure in excess of Virgin America s capital expenditure budget, other than (i) capital expenditures that are not, in the aggregate, in excess of $5,000,000, (ii) in connection with the planned purchase or delivery of aircraft and associated equipment pursuant to contracts in force on the date of the Merger Agreement and (iii) any expenditures required for compliance with FAA regulations applicable to Virgin America, including airworthiness directives;

except to the extent required by (i) applicable law or (ii) the existing terms of any Company benefit plan: (A) increase the compensation or benefits payable or to become payable to its directors, officers or employees (except for increases to non-officer employees in the ordinary course of business consistent with past practice that are not material in the aggregate), (B) grant any additional rights to severance or

termination pay to, or enter into any severance agreement with, any director, officer or employee of the Company or establish, adopt, enter into or amend any bonus, profit sharing, thrift, pension, retirement, deferred compensation, termination or severance plan, agreement, trust, fund, policy or other benefit arrangement as to any director, officer or employee of the Company, (C) hire any new service provider other than non-executive employees in the ordinary course of business and on terms consistent with similarly situated service providers or (D) make any material change to the terms and conditions of employment applicable to any group of employees, as reflected in work rules, employee handbooks, policies and procedures, or otherwise, except for the entry or amendment of any collective bargaining agreement;

forgive any loans to service providers of Virgin America or any of their respective affiliates;

make any material change in accounting policies, practices, principles, methods or procedures, other than as required by GAAP or by a governmental entity;

commence, compromise, settle or agree to settle any suits, claims, actions, hearings, arbitrations or other proceedings (including any such proceedings relating to the Merger Agreement or the

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transactions contemplated thereby) other than compromises, settlements or agreements in the ordinary course of business that involve only the payment of monetary damages (net of any payments or proceeds received through insurance) not in excess of $1,000,000 individually or $5,000,000 in the aggregate, in any case without the imposition of equitable relief on, or the admission of wrongdoing by, Virgin America;

make or change any material tax election, settle or compromise any material claim or assessment for taxes, file a material amendment of any tax return, or waive or extend any statute of limitations pertaining to material taxes;

change Virgin America s fiscal year;

write up, write down or write off the book value of any tangible assets, in the aggregate, in excess of $7,500,000, except for depreciation, amortization and impairment in accordance with GAAP consistently applied;

create any subsidiary of Virgin America;

fail to maintain, or allow to lapse, or abandon any domain names material to the marketing and promotion of the Company s business, excluding those not currently in use or only in short-term use by the Company;

take any action, or fail to take any action, which action or failure could result in the loss of any (i) Company slots (excluding temporary returns to the FAA), (ii) airport gates that are leased, subleased, licensed or sublicensed, swapped or otherwise occupied (or for which the Company has the right to occupy) by the Company or (iii) other airport facilities;

enter into any transaction with any stockholder, director, officer or employee of Virgin America that would require disclosure by Virgin America under Item 404 of Regulation S-K; or

authorize or enter into any contract or otherwise make any commitment, in each case to do any of the foregoing.

**No-Shop; Acquisition Proposals; Change in Recommendation**

Upon entry into the Merger Agreement, Virgin America agreed that it will, and will cause its officers, directors, employees and other representatives to immediately cease and cause to be terminated any solicitation, encouragement, discussions or negotiations with any persons or entities that may be ongoing with respect to any Acquisition Proposal (as defined below), or any inquiry, expression of interest, proposal, offer or request for information that would reasonably be expected to lead to an Acquisition Proposal. Virgin America also agreed that it will immediately terminate access by any third party to access to Virgin America data relating to any Acquisition Proposal and instruct each person or entity that has previously executed a confidentiality agreement in connection with such person or entity s consideration of an Acquisition Proposal to return to Virgin America or destroy any non-public information

previously furnished to such person or entity to any person or entity s representatives by or on behalf of Virgin America.

Virgin America also agreed not, directly or indirectly, to: (i) solicit, initiate, seek or knowingly encourage or facilitate or take any action to solicit, initiate or seek or knowingly encourage or facilitate any inquiry, expression of interest, proposal, offer or request for information that constitutes or would reasonably be expected to lead to an Acquisition Proposal, (ii) enter into, participate in, maintain or continue any discussions or negotiations relating to, any Acquisition Proposal, or any inquiry, expression of interest, proposal, offer or request for information that would reasonably be expected to result in an Acquisition Proposal, with any person or entity other than Alaska Air Group or Merger Sub, (iii) furnish to any person or entity other than Alaska Air Group or Merger Sub any non-public information that Virgin America believes or should reasonably expect would be used for the purposes of formulating any Acquisition Proposal, or any inquiry, expression of interest, proposal, offer or request for information that would reasonably be expected to result in an Acquisition Proposal, (iv) enter into

any agreement, letter of intent, memorandum of understanding, agreement in principle or contract providing for or otherwise relating to any Acquisition Proposal (other than an acceptable confidentiality agreement in accordance with the terms of the Merger Agreement) (each, an Alternative Acquisition Agreement), (v) submit any Acquisition Proposal or any matter related thereto to the vote of the Virgin America stockholders or (vi) resolve or agree to do any of the foregoing. However, if Virgin America receives any inquiry, expression of interest, proposal or offer that constitutes or would reasonably be expected to lead to an Acquisition Proposal from any third party, Virgin America may inform such third party that Virgin America is contractually prohibited from engaging in discussions with, or otherwise responding to, such third party in response thereto.

Virgin America must promptly (and in any event within 24 hours) advise Alaska Air Group orally and in writing in the event that the Company receives any Acquisition Proposal or any inquiry, expression of interest, proposal, offer or request for information that would reasonably be expected to result in an Acquisition Proposal, and in connection with such notice, provide to Alaska Air Group the material terms and conditions (including the identity of the third party making any such Acquisition Proposal and copies of any proposed Alternative Acquisition Agreements, including copies of any related financing commitments) received by Virgin America with respect to any such Acquisition Proposal. Virgin America must (i) promptly (and in any event within 24 hours) notify Alaska Air Group of any change to the price of or other material change to the terms of any such Acquisition Proposal (including any determination by the Company Board as further described below, and (ii) provide to Alaska Air Group as soon as practicable (and in any event within 24 hours) after receipt from any third party of any written indication of interest (or amendment thereto) and copies of any proposed Alternative Acquisition Agreement (including any drafts thereof) and any proposed financing commitments related thereto (including drafts thereof).

However, if at any time on or after the date of the Merger Agreement, but prior to the time (but not after) the required stockholder approval to approve and adopt the Merger Proposal is obtained, (i) Virgin America has received a bona fide written Acquisition Proposal from a third party, (ii) such Acquisition Proposal did not result from a breach (other than a *de minimis* breach) of any of the provisions of the Merger Agreement related to acquisition proposals, (iii) the Company Board determines in good faith, after consultation with its financial advisors and outside counsel, that such Acquisition Proposal constitutes or is reasonably likely to lead to a Superior Proposal and (iv) after consultation with its outside counsel, the Company Board determines in good faith that the failure to take such actions would reasonably be expected to be inconsistent with its fiduciary duties to the stockholders of Virgin America under applicable law, then Virgin America may take the following actions: (A) furnish information with respect to the Company to the person or entity making such Acquisition Proposal and/or (B) participate in discussions or negotiations with the person or entity making such Acquisition Proposal regarding such Acquisition Proposal. In such event, prior to furnishing any such information or engaging in such negotiations or discussions, Virgin America must receive from such third party an executed acceptable confidentiality agreement in accordance with the terms and conditions of the Merger Agreement, and Virgin America must provide to Alaska Air Group any information concerning Virgin America provided to such other person or entity that was not previously provided to Alaska Air Group or its representatives substantially currently with such information being provided to such other person or entity. Virgin America will also give Alaska Air Group written notice of such determination promptly after the Company Board makes such determination and in any event prior to furnishing any such information or engaging in such negotiations or discussions.

Subject to the terms and conditions of the Merger Agreement related to Acquisition Proposals, from April 1, 2016 until the earlier of the effective time of the Merger and the termination of the Merger Agreement in accordance with its terms, neither the Company Board nor any committee thereof will (i) withhold, withdraw or qualify (or modify in a manner adverse to Alaska Air Group) (or publicly propose to withhold, withdraw, qualify or so modify) the approval, recommendation or declaration of advisability by the Company Board or any such committee of the Merger Proposal, (ii) approve, recommend, or otherwise declare advisable (or publicly propose to approve, recommend or otherwise

declare advisable) any Acquisition Proposal, (iii) submit any Acquisition Proposal or any matter related thereto to the vote of the Virgin America stockholders or (iv) authorize, commit, resolve or agree to take any such actions (each such action a Change of Company Board Recommendation ).

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However, if (i) Virgin America has received a bona fide written Acquisition Proposal from a third party that is binding and has been irrevocably committed to by such third party in writing and that did not result from a breach of the Merger Agreement (other than a *de minimis* breach) and that the Company Board determines in good faith, after consultation with outside counsel and its financial advisors, constitutes a Superior Proposal, after giving effect to all of the adjustments to the terms and conditions of the Merger Agreement that have been delivered to the Company by Alaska Air Group in writing during the notice period provided pursuant thereto, that are binding and have been irrevocably committed to by Alaska Air Group in writing and (ii) the Company Board determines in good faith, after consultation with its financial advisors and its outside counsel, that a failure to cause Virgin America to enter into an Alternative Acquisition Agreement with respect to such Superior Proposal would reasonably be expected to be inconsistent with its fiduciary duties to the Virgin America stockholders under applicable law, then, prior to the time (but not after) the required stockholder approval for the Merger Proposal is obtained, the Company Board may terminate the Merger Agreement pursuant to its terms and enter into an Alternative Acquisition Agreement with respect to such Superior Proposal. In connection with such termination of the Merger Agreement, the Company would be required to pay Alaska Air Group a termination fee of $78.5 million, and will, prior to effecting such termination, be required to: (A) provide prior written notice to Alaska Air Group, at least four business days in advance, of the Company s intention to take such action with respect to such Superior Proposal, which notice will specify the material terms and conditions of such Superior Proposal (including the identity of the party making such Superior Proposal), together with a copy of the relevant proposed transaction agreements with the party making such Superior Proposal, including any definitive agreement with respect to such Superior Proposal and any related financing commitments; (B) negotiate with Alaska Air Group in good faith (to the extent Alaska Air Group desires to negotiate) to make such adjustments in the terms and conditions of the Merger Agreement so that such Acquisition Proposal ceases to constitute a Superior Proposal; and (C) the Company Board will have considered any adjustments to the Merger Agreement (including a change to the price terms) and any other agreements that may be proposed in writing by Alaska Air Group and will have determined in good faith (after consultation with its financial advisors and its outside counsel) that the Superior Proposal would continue to constitute a Superior Proposal if such proposed changed terms were to be given effect. In the event of any revisions to the price of or other material revisions to the terms of a Superior Proposal, Virgin America will be required to deliver a new written notice to Alaska Air Group and to comply with the requirements of Merger Agreement with respect to such new written notice. However, the notice period for any subsequent notice will be shortened from four business days to three business days.

In the event that prior to the time (but not after) the required stockholder approval for the Merger Proposal is obtained, solely in response to any development or change in circumstances that materially affects the business, assets or operations of Virgin America (other than any development or change in circumstances resulting from a breach of the Merger Agreement by Virgin America) that was not known to, and not reasonably foreseeable by, the Company Board as of April 1, 2016 and becomes known to the Company Board after such date (an Intervening Event ) the Company Board may make a Change of Company Board Recommendation by withholding, withdrawing or qualifying (or modifying in a manner adverse to Alaska Air Group) (or publicly proposing to withhold, withdraw, qualify or so modify) the approval, recommendation or declaration of advisability by the Company Board or any such committee of the Merger Proposal if the Company Board has determined in good faith, after consultation with its outside legal counsel and taking into account the results of any negotiations with Alaska Air Group as provided by the terms and conditions of the Merger Agreement and any offer from Alaska Air Group as provided by the terms and conditions of the Merger Agreement, that the failure to take such action would reasonably be expected to be inconsistent with its fiduciary duties to the Virgin America stockholders under applicable law. However, the Company Board may not withdraw, modify or amend the Company Board recommendation in a manner adverse to Alaska Air Group unless: (i) Virgin America has provided prior written notice to Alaska Air Group, at least four business days in advance of Virgin America s intention to make a Change of Company Board Recommendation, which notice specifies the Company Board s reason for proposing to effect such Change of Company Board Recommendation (including a description of such Intervening Event in reasonable detail); (ii) prior to effecting such Change of Company Board

Recommendation, Virgin America has negotiated with Alaska Air Group in good faith (to the extent Alaska Air Group desires to negotiate) to make such adjustments in the terms and conditions of the Merger Agreement in such a manner that

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would obviate the need for the Company Board to effect such Change of Company Board Recommendation; and (iii) Alaska Air Group has not, during the applicable notice period, made a written, binding and irrevocable (through the expiration of such period) offer to modify the terms and conditions of the Merger Agreement, which is set forth in a definitive written amendment to the Merger Agreement delivered to Virgin America and executed on behalf of Alaska Air Group and Merger Sub, that the Company Board has in good faith determined (after consultation with its outside legal counsel and its financial advisor) would obviate the need for the Company Board to effect such Change of Company Board Recommendation.

For purposes of this proxy statement, an Acquisition Proposal means any offer or proposal concerning any (i) merger, consolidation, reorganization, recapitalization, share exchange, business combination or similar transaction involving Virgin America, (ii) sale, lease or other disposition of 20% or more of Virgin America s assets, (iii) issuance or sale by Virgin America of equity interests representing 20% or more of the voting power of Virgin America or 20% or more of the Company Common Stock, (iv) transaction in which any person or entity will acquire beneficial ownership or the right to acquire beneficial ownership or any group has been formed which beneficially owns or has the right to acquire beneficial ownership of, equity interests representing 20% or more of the voting power of Virgin America or 20% or more of the Company Common Stock, or (v) any combination of the foregoing (in each case, other than the Merger, and irrespective of whether any such transaction is a single or multi-step transaction or series of transactions).

For purposes of this proxy statement, a Superior Proposal means a bona fide written acquisition proposal (except the references therein to 20% will be replaced by 66.7% ) made by a third party that the Company Board has determined in its good faith judgment, after consultation with its outside legal counsel and with its financial advisors, and considering all the terms of the proposal (including, without limitation, the legal, financial and regulatory aspects of such proposal and the conditions for completion of such proposal), would, if consummated, result in a transaction that is more favorable to the Company s stockholders, from a financial point of view, than the Merger (after giving effect to all proposed changed terms of Alaska Air Group as provided by the terms and conditions of the Merger Agreement).

**Stockholder Meetings; Preparing of Proxy Statement**

Virgin America agreed to use its reasonable best efforts to file with the SEC a preliminary proxy statement that complies in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder and other applicable law as soon as practicable following the date of the Merger Agreement (and in any event will use reasonable best efforts to file the preliminary proxy statement no later than 15 business days after the date of the Merger Agreement). Alaska Air Group will promptly provide the information regarding Alaska Air Group and Merger Sub that Virgin America may reasonably request for inclusion in the proxy statement.

Virgin America also agreed to use its reasonable best efforts to respond promptly to any comments from the SEC or the staff of the SEC on the proxy statement. Virgin America also agreed to use its reasonable best efforts to cause the proxy statement to be mailed to its stockholders as promptly as practicable (and in any event within five business days following the later of (i) the resolution of any comments from the SEC or the staff of the SEC with respect to the preliminary proxy statement and (ii) the expiration of the 10 day waiting period provided in Rule 14a-6(a) promulgated under the Exchange Act (such later date, the Clearance Date ). Virgin America agreed to not make any filing of, or amendment or supplement to, or written response to staff comments on, the proxy statement without first providing Alaska Air Group and its counsel a reasonable opportunity to review and comment thereon. Virgin America also agreed to give reasonable consideration in good faith to such comments, and Alaska Air Group agreed that it and its counsel shall provide any comments to the proxy statement as soon as reasonably practicable in order to provide Virgin America and its counsel sufficient opportunity to review and consider such comments in advance of any such filing, amendment or supplement. If at any time prior to the special meeting (or any adjournment or postponement thereof) any information relating to Virgin America or Alaska Air Group, or any of their respective affiliates, directors

or officers, is discovered by Virgin America or

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Alaska Air Group which is required to be set forth in an amendment or supplement to the proxy statement, so that the proxy statement will not include any misstatement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers such information will promptly notify the other party and Virgin America will use its reasonable best efforts to promptly file an appropriate amendment or supplement describing such information with the SEC and, to the extent required by applicable law, disseminate such amendment or supplement to the Virgin America stockholders. Virgin America must also notify Alaska Air Group promptly of the receipt of any comments from the SEC or the staff of the SEC and of any request by the SEC or the staff of the SEC for amendments or supplements to the proxy statement or for additional information and will supply Alaska Air Group with copies of all correspondence between Virgin America or any of its representatives, on the one hand, and the SEC or the staff of the SEC, on the other hand, with respect to the proxy statement.

The Company will also use its reasonable best efforts to duly call, establish a record date for, give notice of, convene and hold the special meeting of its stockholders, for the purpose of voting upon the adoption of the Merger Proposal, so that such special meeting occurs as soon as possible following the Clearance Date, in accordance with applicable law and the Company s governing documents. The Company agrees not to adjourn, postpone, cancel, recess or reschedule the special meeting without the prior written consent of Alaska Air Group unless: (i) if as of the time for which the special meeting is originally scheduled there are insufficient shares of Voting Common Stock present or represented by proxy to constitute a quorum necessary to conduct the business of the special meeting or to the extent that at such time the Company has not received proxies sufficient to obtain the required stockholder approval for the Merger Proposal at the special meeting or (ii) to allow time for the filing and dissemination of, and a sufficient period for evaluation by Virgin America s stockholders of, any supplemental or amended disclosure document to the extent that the Company Board has determined in good faith (after consultation with Virgin America s outside legal counsel) is necessary or required under applicable law. Except to the extent that the Company Board will have effected a Change of Board Recommendation as described in *The Merger Agreement No-Shop; Acquisition Proposals; Change in Recommendation* beginning on page 74 of this proxy statement, Virgin America will use reasonable best efforts to obtain the required stockholder approval for the Merger Proposal and will include in the proxy statement the recommendation of the Company Board. Virgin America also has agreed to submit the Merger Agreement for adoption by its stockholders at the special meeting whether or not a Change of Company Board Recommendation has occurred.

Immediately following the execution of the Merger Agreement, Alaska Air Group has agreed to execute and deliver, in accordance with Section 228 of the DGCL and in its capacity as the sole stockholder of Merger Sub, a written consent adopting the Merger Agreement.

**Employee Matters**

The Merger Agreement provides that, for a period of one year following the effective time of the Merger, Alaska Air Group will:

provide, or will cause to be provided, to each employee of the Company who continues to be employed by Alaska Air Group or Alaska Air Group s subsidiaries (individually, a Company Employee and collectively, Company Employees ) in the same geographic location at which such employee is employed as of the effective time of the Merger who is not at the applicable time covered by a collective bargaining agreement (individually, a Continuing Employee and collectively, the Continuing Employees ) base salary rate, commission, target bonus opportunity and benefits on terms that are at least as favorable in the aggregate as

the corresponding cash compensation opportunities and benefits provided to the Continuing Employees by the Company immediately prior to the effective time of the Merger; the employment terms and conditions of each Company Employee whose employment is covered by a collective bargaining agreement at the applicable time shall be governed by the applicable collective bargaining agreement; and

either (i) continue Virgin America benefit plans with respect to the Continuing Employees, (ii) permit Continuing Employees and, as applicable, their eligible dependents, to participate in the employee

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benefit plans, programs or policies (including any plan intended to qualify within the meaning of Section 401(a) of the Code and any vacation, sick, or personal time-off plans or programs) of Alaska Air Group, or (iii) a combination of clauses (i) and (ii).

In addition, the Merger Agreement provides that for the terms of the respective agreements or arrangements, Alaska Air Group will cause Virgin America or the surviving corporation, as applicable, to honor, in accordance with their terms, the employment, severance and change in control agreements and arrangements that have been disclosed to the Alaska Air Group in accordance with the terms of the Merger Agreement.

To the extent Alaska Air Group elects to have Company Employees and their eligible dependents participate in its employee benefit plans, program or policies following the effective time of the Merger, Alaska Air Group will, and will cause the surviving corporation to, treat, and cause the applicable benefit plans in which Company Employees are entitled to participate to treat (subject to any required approval of the applicable insurance provider), the service of Company Employees with the Company or any of its predecessors to the extent previously recognized by the Company as of the date of the Merger Agreement attributable to any period before the effective time of the Merger as service rendered to Alaska Air Group, the surviving corporation, or any subsidiary of Alaska Air Group for purposes of eligibility to participate, vesting and for other appropriate benefits including the applicability of minimum waiting periods for participation, but excluding benefit accrual (including minimum pension amount), equity incentive plans and eligibility for early retirement under any benefit plan of Alaska Air Group or eligibility for retiree welfare benefit plans or as would otherwise result in a duplication of benefits. In addition, Alaska Air Group will cause any pre-existing conditions or actively at work or similar limitations, eligibility waiting periods, evidence of insurability requirements or required physical examinations under any health or similar plan of Alaska Air Group to be waived with respect to Company Employees and their eligible dependents (subject to any required approval of the applicable insurance provider); provided, however, that with respect to preexisting conditions, such conditions shall be waived to the extent waived under the corresponding plan in which Company Employees participated immediately prior to the date Company Employees and their eligible dependents are transitioned to Alaska Air Group s health or similar plans.

Alaska Air Group will also use commercially reasonable efforts to cause any deductibles paid by Company Employees under any of Virgin America s health plans in the plan year in which Company Employees and their eligible dependents are transitioned to Alaska Air Group s health or similar plans to be credited towards deductibles under the health plans of Alaska Air Group or any subsidiary of Alaska Air Group.

**Indemnification and Insurance**

For a period of six years from and after the effective time of the Merger, Alaska Air Group and the surviving corporation will indemnify and hold harmless all past and present directors and officers of Virgin America to the same extent such persons are indemnified as of the date of the Merger Agreement by Virgin America pursuant to applicable law, Virgin America s Amended and Restated Certificate of Incorporation, Virgin America s Amended and Restated Bylaws and the indemnification agreements in effect on the date of the Merger Agreement with any directors or officers of Virgin America arising out of acts or omissions in their capacity as directors or officers of Virgin America occurring at or prior to the effective time of the Merger. Alaska Air Group and the surviving corporation will advance expenses (including reasonable legal fees and expenses) incurred in the defense of any suit, claim, action, litigation, mediation, hearing, audit, criminal prosecution, arbitration or other proceeding with respect to the matters subject to indemnification pursuant to the Merger Agreement in accordance with the procedures set forth in the governing documents of the Company and the indemnification agreements in effect on the date of the Merger Agreement.

For a period of six years from and after the effective time of the Merger, Alaska Air Group will cause the certificate of incorporation and bylaws of the surviving corporation to contain provisions no less favorable with respect to exculpation and indemnification of directors and officers of Virgin America for periods at or prior to the effective time

of the Merger than are currently set forth in Virgin America s governing documents.

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For a period of six years from and after the effective time of the Merger, the surviving corporation will maintain for the benefit of Virgin America s directors and officers, as of the date of the Merger Agreement and as of the effective time of the Merger, an insurance and indemnification policy that provides coverage for events occurring prior to the effective time of the Merger (the D&O Insurance ) that is substantially equivalent to and in any event not less favorable in the aggregate than Virgin America s existing policy, or, if substantially equivalent insurance coverage is unavailable, the best available coverage.

However, the surviving corporation will not be required to pay an annual premium for the D&O Insurance in excess of 300% of the last annual premium paid prior to the date of the Merger Agreement. Virgin America will have the right to obtain prior to the effective time of the Merger prepaid tail insurance policies on terms and conditions providing at least substantially equivalent benefits as the D&O Insurance currently maintained by Virgin America for the benefit of its directors and officers, which provides such directors and officers with coverage for an aggregate period of six years with respect to claims arising from facts or events that occurred on or before the effective time of the Merger, including in respect of the transactions contemplated by the Merger Agreement. If such prepaid policies have been obtained prior to the effective time of the Merger, Alaska Air Group will cause the surviving corporation to maintain such policies in full force and effect and continue to honor the obligations thereunder.

In the event Alaska Air Group or the surviving corporation (i) consolidates with or merges into any other entity and will not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person or entity, then proper provision will be made so that such continuing or surviving corporation or entity or transferee of such assets, as the case may be, will assume the obligations set forth in the Merger Agreement with respect to indemnification and insurance.

The obligations described in this section will (i) continue, notwithstanding any six-year limitation referred to above, until the final disposition of any suit, action, proceeding or investigation brought or commenced during such six-year period and (ii) not be terminated or modified in such a manner as to adversely affect any indemnitee to whom the provisions of the Merger Agreement relating to insurance and indemnification applies without the consent of such affected indemnitee. The parties expressly agree that the indemnitees to whom the provisions of the Merger Agreement relating to insurance and indemnification apply will be third-party beneficiaries of such provisions of the Merger Agreement.

**Other Covenants**

***Access to Information; Confidentiality***

Except as required pursuant to any confidentiality agreement or similar agreement or arrangement to which Virgin America is a party, and except as would result in the loss or waiver of any attorney-client, work product or other applicable privilege, from entry into the Merger Agreement to the effective time of the Merger, Virgin America agreed to: (i) provide to Alaska Air Group and Merger Sub and their respective representatives reasonable access at reasonable times during normal operating hours upon prior notice to the books and records of Virgin America; and (ii) furnish promptly such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of Virgin America as Alaska Air Group or its representatives may reasonably request. However, any investigation of Alaska Air Group or its representatives will be conducted in such manner as not to interfere unreasonably with the conduct of Virgin America.

***Appropriate Action; Consents; Filings***

Subject to the terms of the Merger Agreement, Virgin America and Alaska Air Group will use their respective reasonable best efforts to (i) take, or cause to be taken, all appropriate action and do, or cause to be done, all things necessary, proper or advisable under applicable law or otherwise to consummate and make effective the transactions contemplated by the Merger Agreement as promptly as practicable and (ii) obtain from

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any governmental entities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained by Alaska Air Group or Virgin America or any of their respective subsidiaries, or to avoid any action or proceeding by any governmental entity (including those in connection with the HSR Act), in connection with the authorization, execution and delivery of the Merger Agreement and the consummation of the transactions contemplated therein, including the Merger. Virgin America and Alaska Air Group will cooperate with each other in connection with (i) determining whether any action by or in respect of, or filing with, any governmental entity is required, in connection with the consummation of the Merger and (ii) seeking any such actions, consents, approvals or waivers or making any such filings. Virgin America and Alaska Air Group will furnish to each other all information required for any application or other filing under the rules and regulations of any applicable law in connection with the transactions contemplated by the Merger Agreement. Virgin America and Alaska Air Group will give (or will cause their respective subsidiaries to give) any notices to third parties, and use, and cause their respective subsidiaries to use, their commercially reasonable efforts to obtain any third-party consents necessary, proper or advisable to consummate the transactions contemplated by the Merger Agreement, or as otherwise required to be disclosed pursuant to the terms of the Merger Agreement. If requested by Alaska Air Group, Virgin America will request and use commercially reasonable efforts to obtain customary payoff letters, lien terminations and instruments of discharge, relating to any indebtedness of Virgin America to be paid off, terminated or discharged at the closing of the Merger.

***Certain Notices***

From and after the date of the Merger Agreement until the effective time of the Merger, each party thereto will promptly notify the other party thereto of: (i) the occurrence, or non-occurrence, of any event that would be likely to cause any condition to the obligations of any party to effect the Merger or any other transaction contemplated by the Merger Agreement not to be satisfied; (ii) the failure of such party to comply with or satisfy any covenant, condition or agreement pursuant to the Merger Agreement which would reasonably be expected to result in any condition to the obligations of any party to effect the Merger or any other transaction contemplated by the Merger Agreement not to be satisfied; (iii) receipt of any written notice to a party from any governmental entity alleging that the consent or approval of such governmental entity is or may be required in connection with the transactions contemplated by the Merger Agreement and such consent could (in the good faith determination of such party) reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by the Merger Agreement, in each case, subject to the terms and conditions of the Merger Agreement; (iv) any suit, claim, action, litigation, mediation, hearing, audit, criminal prosecution, arbitration or other proceeding commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the party that, if pending on April 1, 2016, would have been required to have been disclosed or relate to the consummation of the Merger or any transactions contemplated by the Merger Agreement; or (v) written communication received by the party from any person or entity alleging that the consent, approval, permission or waiver from such person or entity is or may be required in connection with the Merger or transactions contemplated by the Merger Agreement.

***Public Announcements***

Each of Virgin America, Alaska Air Group and Merger Sub agrees that no public release or announcement concerning the transactions contemplated pursuant to the Merger Agreement will be issued by any party without the prior written consent of Virgin America and Alaska Air Group (which consent will not be unreasonably withheld, delayed or conditioned), except as such release or announcement may be required by applicable law or the rules or regulations of any applicable United States securities exchange or governmental entity to which the relevant party is subject, in which case the party required to make the release or announcement will use its commercially reasonable efforts to allow each other party reasonable time to comment on such release or announcement in advance of such issuance.

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***State Takeover Laws***

If any control share acquisition, fair price, business combination or other anti-takeover laws becomes or is deemed to be applicable to Virgin America, Alaska Air Group, Merger Sub or the Merger, including the acquisition of Company Common Stock pursuant thereto, the Support Agreement or any other transaction contemplated by the Merger Agreement, then the Company Board will take all action necessary to render such law inapplicable to the such entities and transactions.

***Alaska Air Group Agreement Concerning Merger Sub***

Alaska Air Group will cause Merger Sub to comply with its obligations under the Merger Agreement.

***Section 16 Matters***

Prior to the effective time of the Merger, the Company Board, or an appropriate committee of non-employee directors thereof, will adopt a resolution consistent with the interpretive guidance of the SEC so that the disposition by any officer or director of Virgin America who is a covered person of Virgin America for purposes of Section 16 of the Exchange Act ( Section 16 ) of Company Common Stock, Company RSUs, Company RSAs or Company Options pursuant to the Merger Agreement and the Merger will be an exempt transaction for purposes of Section 16.

***Stock Exchange Delisting; Deregistration***

Virgin America and Alaska Air Group will cooperate and use their respective reasonable best efforts to cause the delisting of Company Common Stock from NASDAQ and the deregistration of such Company Common Stock as promptly as practicable following the effective time of the Merger in compliance with applicable law.

***Stockholder Litigation***

Virgin America will promptly provide Alaska Air Group with any pleadings and correspondence relating to any suit, claim, action, litigation, mediation, hearing, audit, criminal prosecution, arbitration or other proceeding involving Virgin America or any of its officers or directors relating to the Merger Agreement, the Support Agreement or the transactions contemplated by the Merger Agreement (including derivative claims) and will keep Alaska Air Group reasonably informed regarding the status of any suit, claim, action, litigation, mediation, hearing, audit, criminal prosecution, arbitration or other proceeding. Virgin America will cooperate with, and to the extent reasonably practicable, give Alaska Air Group the opportunity to consult and participate with respect to the defense or settlement of any such suit, claim, action, litigation, mediation, hearing, audit, criminal prosecution, arbitration or other proceeding, and no such settlement will be agreed to without the prior written consent of Alaska Air Group (such consent not to be unreasonably withheld, delayed or conditioned).

***Resignation of Directors***

At the closing of the Merger, Virgin America will deliver to Alaska Air Group evidence reasonably satisfactory to Alaska Air Group of the resignation, effective at the effective time of the Merger, of each director of Virgin America in office as of immediately prior to the effective time of the Merger.

***FIRPTA Certificate***

Not earlier than 30 days prior to the closing date of the Merger, Virgin America will deliver to Alaska Air Group a statement, issued by Virgin America in accordance with Treasury Regulations section 1.1445-2(c)(3) and sworn under penalty of perjury, certifying that Virgin America has not been a U.S. real property holding corporation at any time during the period specified by Treasury Regulations section 1.1445-2(c)(3).

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***Termination of 401(k) Plan***

If requested by Alaska Air Group in writing not later than 10 calendar days prior to the closing date of the Merger, Virgin America agrees to adopt, or cause to be adopted, all necessary corporate resolutions (which shall be subject to Alaska Air Group s reasonable and timely review and approval) to terminate each Virgin America benefit plan that is intended to be qualified under Section 401(a) of the Code which includes a cash or deferred arrangement intended to qualify under Section 401(k) of the Code sponsored or maintained by Virgin America, effective as of no later than one day prior to the effective time of the Merger (but such termination may be contingent upon the closing of the Merger). Virgin America will provide Alaska Air Group with a copy of resolutions duly adopted by the Company Board so terminating any such Virgin America benefit plan.

**Conditions to Completion of Merger**

The respective obligations of each party to consummate the Merger will be subject to the satisfaction or written waiver at or prior to the effective time of the Merger of each of the following conditions:

- The Merger Agreement and the Merger will have been approved by the holders of Company Common Stock representing a majority of the outstanding shares of the Voting Common Stock entitled to vote thereon at a meeting of Virgin America s stockholders;

- The waiting period applicable to the consummation of the Merger under the HSR Act will have expired or been terminated, and any other required governmental approval will have been obtained;

- Any approval or authorization required to be obtained from the FAA and the DOT in connection with the consummation of the Merger shall have been obtained; and

- There will have been no law enacted, entered, adopted, promulgated, enforced or deemed applicable by any governmental entity of competent jurisdiction that is in effect and makes illegal or otherwise prohibits or prevents the consummation of the Merger.

The obligations of Alaska Air Group and Merger Sub to consummate the Merger will be subject to the satisfaction or written waiver at or prior to the effective time of the Merger of each of the following conditions:

- Each representation or warranty of Virgin America regarding (A) Virgin America s organization, valid existence and good standing; (B) (1) Virgin America s power and authority to execute and deliver the Merger Agreement, to perform its obligations under the agreement and to consummate the transactions contemplated by the Merger Agreement and (2) the due authorization of the execution and delivery of the Merger Agreement and the consummation of the transactions contemplated thereby, including the Merger, and the due and valid execution and delivery of the Merger Agreement; (C) the inapplicability of state anti-takeover laws to the Merger Agreement and the consummation of the proposed transactions; (D) the stockholder vote required to adopt the Merger Agreement; and (E) with certain exceptions, the absence of brokerage, finders , advisory or similar fees in connection with the transactions contemplated by the Merger Agreement, will be

true and correct in all material respects as of the closing date of the Merger with the same force and effect as if made on and as of such date, except for any representation or warranty that is expressly made as of a specific date or time (which needs only be true and correct in all respects as of such date or time);

Each representation or warranty of Virgin America regarding (A) the number of Virgin America s authorized and outstanding capital stock; (B) the absence of reserved capital stock other than a certain number reserved for issuance pursuant to certain Company Options, Company RSUs, Company RSAs and the Company ESPP; and (C) with certain exceptions, the absence of other equity interests or rights obligating Virgin America to issue, acquire or sell any securities of Virgin America will be true and correct in all respects (except for inaccuracies that would not, individually or in the aggregate, reasonably be expected to cause the aggregate consideration to be paid by Alaska Air Group and Merger Sub under the Merger Agreement to increase by more than $5,000,000) as of the closing date

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of the Merger with the same force and effect as if made on and as of such date, except for any representation or warranty that is expressly made as of a specific date or time (which needs only be true and correct as of such date or time);

All other representations and warranties of Virgin America contained in the Merger Agreement (without giving effect to any references to any material adverse effect of Virgin America or materiality qualifications and other qualifications based upon the concept of materiality or similar phrases contained therein, other than the representations of Virgin America regarding (A) the absence of the occurrence of certain changes or events since January 1, 2016 until the date of the Merger Agreement; (B) the truth and accuracy of this proxy statement at the date first mailed to Virgin America s stockholders and at the time of any meeting of Virgin America s stockholders to be held in connection with the Merger; or (C) in the term Company Material Contract as such term is defined in the Merger Agreement), will be true and correct in all respects as of the closing date of the Merger with the same force and effect as if made on and as of such date, except for any representation or warranty that is expressly made as of a specific date or time (which needs only be true and correct in all respects as of such date or time), except where the failure of such representations and warranties to be true and correct have not had and would not reasonably be expected to have, individually or in the aggregate with all other such failures to be true or correct, a Company material adverse effect;

Virgin America will have performed and complied in all material respects with the agreements and covenants to be performed or complied with by it under the Merger Agreement;

The receipt by Merger Sub of a certificate executed by an executive officer of Virgin America certifying the satisfaction of the foregoing conditions; and

Since the date of the Merger Agreement, there will not have occurred any change, event, development, condition, occurrence or effect or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on Virgin America.

The obligation of the Company to consummate the Merger will be subject to the satisfaction or (to the extent permitted by applicable law) written waiver at or prior to the effective time of the Merger of each of the following conditions:

Each representation or warranty of Alaska Air Group and Merger Sub contained in the Merger Agreement (without giving effect to any references to any change, event, development, condition, occurrence or effect that would prevent or materially delay, or would prevent or delay beyond the Outside Date, consummation of the Merger by Alaska Air Group or Merger Sub or materiality qualifications and other qualifications based upon the concept of materiality or similar phrases contained therein) will be true and correct in all respects as of the closing date of the Merger with the same force and effect as if made on and as of such date, except for any representation and warranty that is expressly made as of a specific date or time (which needs only be true and correct in all respects as of such date or time), except where the failure of such representations and warranties to be so true and correct has not had and would not reasonably be expected to have, individually or in the aggregate with all other such failures to be true or correct, an effect that would prevent or materially delay, or would prevent or delay beyond the Outside Date, consummation of the

Merger by Alaska Air Group or Merger Sub;

Each of Alaska Air Group and Merger Sub will have performed and complied in all material respects with the agreements and covenants to be performed or complied with by it under the Merger Agreement, or any breach or failure to do so has been cured; and

The receipt by Company of a certificate executed by an executive officer of Merger Sub certifying the satisfaction of the foregoing conditions.

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**Termination of the Merger Agreement**

In each case described below, the Merger Agreement may be terminated and the Merger abandoned by action taken or authorized by the board or boards of directors of the terminating party or parties. The Merger Agreement may be terminated by mutual written consent of Alaska Air Group and the Company at any time prior to the effective time of the Merger. In addition, the Merger Agreement may be terminated by either party if:

- any court of competent jurisdiction or other governmental entity has issued an order or taken any other action permanently restraining, enjoining or otherwise prohibiting the Merger, which order or other action has become final and nonappealable (which order the party seeking to terminate the Merger Agreement has used its reasonable best efforts to resist, resolve or lift, as applicable, subject to the provisions of the Merger Agreement);

- the effective time of the Merger has not occurred on or before the Outside Date; or

- the required stockholder approval is not obtained at the special meeting or any adjournment or postponement of the special meeting.

The Merger Agreement may be terminated by the Company if:

- prior to the stockholder approval, the Company enters into an alternative acquisition agreement with respect to a Superior Proposal in accordance with the provisions in the Merger Agreement; or

- there is (i) an uncured inaccuracy in any representation or warranty or breach of any covenant of Alaska Air Group or Merger Sub that has prevented or materially delayed, or is reasonably likely to prevent or materially delay, the consummation of the Merger or the performance by Alaska Air Group or Merger Sub of any of their material obligations under the Merger Agreement; (ii) the Company has delivered to Alaska Air Group written notice of such inaccuracy or breach; and (iii) such inaccuracy or breach is not capable of cure or, if curable, has not been cured in all material respects prior to the earlier of the Outside Date and 30 days after notice of breach. The Company cannot terminate for this reason if the Company has breached any material covenant in any material respect (which has not been cured in all material respects) or there is an uncured inaccuracy in any of the Company s representations and warranties that has not been cured.

The Merger Agreement may be terminated by Alaska Air Group if:

- at any time prior to the effective time of the Merger, a Triggering Event occurs; or

- there is (i) an uncured inaccuracy in any representation or warranty or breach of any covenant of the Company that would result in the failure of the conditions to the obligation of Alaska Air Group to effect the Merger to be satisfied; (ii) Alaska Air Group has delivered to the Company written notice of such inaccuracy

or breach; and (iii) such inaccuracy or breach is not capable of cure or, if curable, has not been cured in all material respects prior to the earlier of the Outside Date and 30 days after notice of breach. Alaska Air Group cannot terminate for this reason if it or Merger Sub has breached any material covenant in any material respect (which has not been cured in all material respects) or there is an uncured inaccuracy in any of their representations and warranties of Alaska Air Group or Merger Sub contained in the Merger Agreement that has not been cured.

**Effect of Termination**

In the event the Merger Agreement is terminated in accordance with the termination provisions in the Merger Agreement, the Merger Agreement will become void and of no effect, and there will be no liability or obligation of Alaska Air Group, Merger Sub, and Virgin America or their subsidiaries, officers or directors except (i) the confidentiality agreement between Alaska Air Group and Virgin America and certain other provisions of the Merger Agreement, which shall survive the termination of the Merger Agreement and (ii) any liabilities or damages incurred or suffered by a party as a result of the willful and material breach by another party of any of its representations, warranties, covenants or other agreements set forth in the Merger Agreement.

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**Transaction Expenses and Termination Fees**

Each party will generally pay its own fees and expenses in connection with the Merger, whether or not the Merger is completed. However, Virgin America must pay Alaska Air Group a termination fee of $78.5 million if:

Virgin America terminates the Merger Agreement in order to enter into an acquisition agreement with respect to a Superior Proposal;

Alaska Air Group terminates the Merger Agreement in connection with a Triggering Event; or

The Merger Agreement is terminated because (i) the Merger has not been consummated before the Outside Date, (ii) there is an uncured, willful and material breach of Virgin America s covenant with respect to non-solicitation, or (iii) the stockholder approval was not obtained at the special meeting and, in each case, prior to the date of Virgin America s meeting of stockholders to approve the Merger Proposal (or prior to the termination of the Merger Agreement if there has been no stockholder meeting) an alternative acquisition proposal shall have been publicly announced or shall have become publicly known, and at any time on or prior to the first anniversary of such termination, Virgin America enters into a written agreement related to an alternative acquisition proposal, recommends or submits an alternative acquisition proposal to its stockholders for adoption or a transaction in respect of any alternative acquisition proposal is consummated.

**Specific Performance**

The parties to the Merger Agreement have agreed that irreparable damage would occur if any provisions of the Merger Agreement are not performed in accordance with their specific terms or are otherwise breached. The parties agreed that, prior to the valid termination of the Merger Agreement pursuant to the provisions described under *Termination of the Merger Agreement* above, each party is entitled to an injunction or injunctions to prevent or remedy any breaches or threatened breaches of the Merger Agreement and to specifically enforce the terms and provisions of the Merger Agreement and in addition to any other remedy to which they are entitled at law or in equity.

**Amendment; Extension; Waiver**

The parties may amend the Merger Agreement at any time prior to the effective time of the Merger, either before or after the stockholder approval of the Merger Proposal by their written agreement. However, after such approval, no amendment may be made that requires further approval by such stockholders under applicable law unless such further approval is obtained.

Prior to the effective time of the Merger, the parties may, to the extent permitted by applicable laws and under the terms of the Merger Agreement, (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any uncured inaccuracies in the representations and warranties contained in the Merger Agreement made to Virgin America or Alaska Air Group by the other party, and (iii) waive compliance with any of the agreements or conditions for the benefit of the other party under the Merger Agreement. Any agreement by a party to such extension or waiver must be in a writing signed by the applicable party. Any delay in exercising any right under the Merger Agreement does not constitute a waiver of, or estoppel with respect to, such right.

**Assignment**

The Merger Agreement may not be assigned by any party, by operation of law or otherwise, without the prior written consent of the other parties. However, each of Alaska Air Group and Merger Sub may assign any of their respective rights and obligations to any direct or indirect subsidiary of Alaska Air Group prior to the mailing of this proxy statement, subject to the terms and conditions of the Merger Agreement. No such assignment will relieve Alaska Air Group or Merger Sub of its obligations under the Merger Agreement.

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**Governing Law**

The Merger Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to laws that may be applicable under conflicts of laws principles (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

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## THE SUPPORT AGREEMENT

*The following is a summary of the material terms and conditions of the Support Agreement. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the Support Agreement, a copy of which is attached as Annex B and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the Support Agreement that is important to you. We encourage you to read the Support Agreement carefully and in its entirety.*

In connection with the Merger, the Supporting Stockholders entered into the Support Agreement with Alaska Air Group on April 1, 2016, pursuant to which such Supporting Stockholders have agreed to, among other things and subject to certain conditions, vote their shares of Voting Common Stock (i) in favor of the Merger, the approval of the Merger Agreement and the other proposals necessary to consummate the Merger, (ii) in favor of any proposal to adjourn, recess, delay or postpone any meeting of the Company stockholders to a later date (but prior to termination of the Support Agreement), if there are not sufficient votes for the adoption of the Merger Agreement on the date on which such meeting is held, (iii) in favor of any other matter necessary for consummation of the transactions contemplated by the Merger Agreement that is considered at any such meeting of the Company s stockholders; and (iv) against (A) any acquisition proposal, (B) any proposal made in opposition to, made in competition with, or that would reasonably be expected to result in a breach of, the Merger Agreement, the Merger or any other transactions contemplated by the Merger Agreement or (C) any other action that is intended, or would reasonably be expected, to impede, prevent, interfere with, delay, postpone, discourage or adversely affect the Merger or any other transactions contemplated by the Merger Agreement or the Support Agreement.

Except as otherwise provided in the Support Agreement or under the Merger Agreement, stockholders party to the Support Agreement have agreed not to, directly or indirectly, (i) create any lien other than restrictions imposed by applicable law or pursuant to the Support Agreement on any of such stockholder s shares which are subject to the Support Agreement, (ii) transfer, sell, assign, gift or otherwise dispose of (by operation of law (including by merger) or otherwise), either voluntarily or involuntarily, any shares subject to the Support Agreement, beneficial ownership thereof or any other interest therein (collectively, Transfer ), or enter into any contract, option or other understanding or arrangement with respect to any Transfer of the shares subject to the Support Agreement, beneficial ownership thereof or any interest therein, (iii) enter into any swap, hedge, derivative or other arrangement that Transfers to another, in whole or in part, any of the economic consequences of ownership of the shares subject to the Support Agreement, whether settled by delivery of such shares, other securities, in cash or otherwise, (iv) grant or permit the grant of any proxy, power of attorney or other authorization in or with respect to the shares subject to the Support Agreement, (v) deposit or permit the deposit of the shares subject to the Support Agreement into a voting trust or enter into a voting agreement or arrangement with respect to such shares, (vi) enter into any agreement with any person or entity, or take any other action, that violates or conflicts with such stockholder s representations, warranties, covenants and obligations under the Support Agreement or (vii) take any action that would restrict or otherwise affect such stockholder s legal power, authority and right or its ability to comply with and perform its covenants and obligations under the Support Agreement. However, pursuant to the Support Agreement, stockholders party thereto may Transfer such stockholder s shares subject to the Support Agreement (and any interest therein) to any affiliate of such stockholder; provided, that such affiliate agrees to be bound by the terms of the Support Agreement.

In addition, the stockholders which are party to the Support Agreement have agreed not to exercise, and have irrevocably and unconditionally waived, any appraisal rights or dissenter s rights (including under Section 262 of the DGCL) in respect of such stockholder s shares subject to the Support Agreement that may arise with respect to the Merger. The stockholders party to the Support Agreement have also agreed that they will not, directly or indirectly, take any action that the Company would be prohibited from taking under the non-solicitation provisions of the Merger

Agreement, and that they will cease immediately and cause to be terminated all activities, discussions and negotiations that commenced prior to the date of the Support Agreement regarding any proposal that constitutes, or could reasonably be expected to lead to, an acquisition proposal.

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As of the Record Date, the Supporting Stockholders held voting power over approximately % of the outstanding shares of Voting Common Stock. The Support Agreement will terminate automatically, without any notice or other action by any person or entity, upon the earlier of (i) the termination of the Merger Agreement in accordance with its terms, (ii) the effective time of the Merger; and (iii) the entry without the prior written consent of the stockholders into any amendment of the Merger Agreement which results in a decrease in, or change in the composition of, the Merger Consideration.

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## PROPOSAL 2

## AUTHORITY TO ADJOURN THE SPECIAL MEETING

### The Adjournment Proposal

If at the special meeting of stockholders there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement, we intend to move to vote on the Adjournment Proposal. For example, the Company Board may make such a determination if the number of shares of our Voting Common Stock represented and voting in favor of the proposal to adopt the Merger Agreement at the special meeting is insufficient to adopt that proposal under the DGCL, in order to enable the Company to solicit additional proxies in order to obtain approval and adoption of the Merger Agreement by our stockholders. If the Company Board determines that it is necessary, we will ask our stockholders to vote only upon the Adjournment Proposal and not the Merger Proposal.

In this proposal, we are asking you to authorize the holder of any proxy solicited by the Company Board to vote in favor of the Adjournment Proposal. If the stockholders approve the Adjournment Proposal, we could adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from stockholders that have previously voted. Among other things, approval of the Adjournment Proposal could mean that, even if we had received proxies representing a sufficient number of votes against the Merger Proposal to defeat that proposal, we could adjourn the special meeting without a vote on the Merger Proposal and seek to convince the holders of those shares to change their votes to votes in favor of the Merger Proposal.

### Vote Required and Board Recommendation

The proposal to adjourn the special meeting will be approved if the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy and entitled to vote on the subject matter, vote in favor of the proposal, assuming a quorum is present.

**The Company Board recommends that you vote FOR the Adjournment Proposal.**

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## PROPOSAL 3

## COMPENSATION PROPOSAL

### Advisory Vote to Approve the Compensation Proposal

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Rule 14a-21(c) of the Exchange Act, we are seeking non-binding, advisory stockholder approval of the Compensation Proposal, as disclosed in the section entitled *The Merger Interests of Our Directors, Executive Officers and Affiliates in the Merger Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of this proxy statement. The proposal gives the stockholders the opportunity to express their views on the merger-related compensation of the named executive officers. Accordingly, we are requesting stockholders to approve the following resolution, on a non-binding, advisory basis:

**RESOLVED, that the stockholders of Virgin America Inc. approve, on a non-binding, advisory basis, certain compensation that will or may become payable to Virgin America s named executive officers in connection with the Merger, as disclosed pursuant to Item 402(t) of Regulation S-K in *The Merger Interests of Our Directors, Executive Officers and Affiliates in the Merger Quantification of Payments and Benefits to Our Named Executive Officers* beginning on page 54 of Virgin America s proxy statement for the special meeting.**

Because your vote is advisory, it will not be binding upon Virgin America, the Company Board, the Company Board s compensation committee or Alaska Air Group. Further, the underlying plans and arrangements are contractual in nature and not, by their terms, subject to stockholder approval. Accordingly, regardless of the outcome of the advisory vote, if the Merger is consummated, our named executive officers may become eligible to receive the various change-in-control payments in accordance with the terms and conditions applicable to those payments.

The vote on this non-binding, advisory Compensation Proposal is a vote separate and apart from the vote on the Merger Proposal and the Adjournment Proposal. Accordingly, you may vote **FOR** the Merger Proposal and the Adjournment Proposal and vote **AGAINST** or **ABSTAIN** for this Compensation Proposal (and vice versa).

### Vote Required and Board Recommendation

The Compensation Proposal will be approved if the holders of a majority of the votes cast by the shares of Voting Common Stock, present or represented by proxy and entitled to vote on the subject matter, vote in favor of the proposal, assuming a quorum is present.

**The Company Board recommends that you vote FOR the non-binding, advisory Compensation Proposal.**

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## MARKET PRICE

Our Company Common Stock has been traded on NASDAQ under the symbol VA since our initial public offering ( IPO ), on November 14, 2014. As of the Record Date, there were shares of Voting Common Stock outstanding and entitled to vote at the special meeting, held by approximately stockholders of record.

The table below shows, for the periods indicated, the range of high and low sales prices for our Company Common Stock as quoted on NASDAQ since our IPO. Prior to our IPO, there was no public market for our Company Common Stock.

| | High | Low |
|---|---|---|
| **Fourth Quarter of Year ending December 31, 2014 (November 14, 2014 December 31, 2014):** | $ 45.43 | $ 26.50 |
| **Year ending December 31, 2015:** | | |
| First Quarter | $ 43.81 | $ 30.12 |
| Second Quarter | $ 32.36 | $ 27.00 |
| Third Quarter | $ 37.76 | $ 26.74 |
| Fourth Quarter | $ 38.36 | $ 32.37 |
| Year ending December 31, 2016: | | |
| First Quarter | $ 39.18 | $ 26.30 |
| Second Quarter (through April 18, 2016) | $ 55.52 | $ 55.33 |

We have not declared or paid any dividends on our Company Common Stock and we do not anticipate doing so in the foreseeable future.

On March 22, 2016, the last trading date unaffected by rumors related to a possible transaction between us and an acquirer, the closing price per share of our Company Common Stock on NASDAQ was $30.67. On April 1, 2016, the last full trading day before the public announcement of the proposed Merger, the closing price per share of our Company Common Stock on NASDAQ was $38.90. On April 18, 2016, the most recent practicable date prior to the date of this proxy statement, the closing price per share of our Company Common Stock on NASDAQ was $55.37.

Following the Merger, there will be no further market for our Company Common Stock.

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## SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of April 18, 2016, information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our Company Common Stock;
- each named executive officer as set forth in the summary compensation table below;
- each of our directors; and
- all current executive officers and directors as a group.

The number of shares of Company Common Stock beneficially owned by each person or entity is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, a person s or entity s beneficial ownership includes any shares over which he, she or it has sole or shared voting power or investment power as well as any shares that the person or entity has the right to acquire within 60 days of April 18, 2016 through the exercise of any stock option, warrants or other rights or the conversion of convertible securities. Common stock that a person or entity has the right to acquire within 60 days of April 18, 2016 are deemed to be outstanding for computing such person s or entity s percentage ownership and the percentage ownership of any group of which the holder is a member but are not deemed outstanding for computing the percentage ownership of any other person or entity. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the individuals and entities named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable.

We have based our calculations of the percentage of beneficial ownership on 44,577,959 shares of Company Common Stock outstanding as of April 18, 2016, excluding, except where indicated, the 6,852,738 shares of Non-Voting Common Stock outstanding as of April 18, 2016 and excluding any treasury shares. Unless otherwise noted below, the address for each of the named executive officers in the table below is c/o Virgin America Inc., 555 Airport Boulevard, Burlingame, California 94010.

| | Shares of Company Common Stock Beneficially Owned | | | |
|---|---|---|---|---|
| **Name of Beneficial Owner** | **Shares Held** | **Shares Exercisable or to be Acquired Within 60 Days** | **Shares Beneficially Owned** | **Percentage of Beneficial Ownership** |
| **5% and Greater Stockholders:** | | | | |
| Entities affiliated with Cyrus Aviation Holdings, LLC(1) | 10,517,156 | | 10,517,156 | 27.9% |

| | | | | |
|---|---|---|---|---|
| Virgin Group Holdings Limited(2) | 6,894,732 | 3,327,360 | 10,222,092 | 24.9% |
| PAR Investment Partners, L.P.(3) | 1,994,283 | | 1,994,283 | 5.3% |
| **Named Executive Officers and Directors:** | | | | |
| C. David Cush(4) | 385,401 | | 385,401 | 1.0% |
| Peter D. Hunt(5) | 55,676 | 103,324 | 159,000 | * |
| E. Frances Fiorillo(6) | 46,392 | 34,013 | 80,405 | * |
| Stephen A. Forte(7) | 31,448 | 46,234 | 77,682 | * |
| John J. Varley(8) | 24,460 | 80,142 | 104,602 | * |
| Donald J. Carty(9) | 158,821 | 2,664 | 161,485 | * |
| Cyrus F. Freidheim, Jr. | 42,932 | 2,664 | 45,596 | * |
| Stephen C. Freidheim(10) | 10,517,156 | 2,664 | 10,519,820 | 27.9% |
| Evan M. Lovell | | | | |
| Robert A. Nickell(11) | 220,697 | 2,664 | 223,361 | * |
| John R. Rapaport | | 2,664 | 2,664 | * |

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