

2664542

DATE 25 November 2005

LUCA VALOTTA

VIRGIN ACTIVE INVESTMENT HOLDINGS LIMITED

SHARE EXCHANGE AGREEMENT

relating to the acquisition of loan notes issued by
Virgin Active Group Limited

WE HEREBY CERTIFY THAT THIS IS
A TRUE AND EXACT COPY OF THE ORIGINAL
MACFARLANES
10 NORWICH STREET
LONDON EC4A 1BD

Macfarlanes
06/01/06

Macfarlanes
10 Norwich Street
London EC4A 1BD



SHARE EXCHANGE AGREEMENT

DATE 25 November 2005

PARTIES

- 1 **LUCA VALOTTA** of Via del Lago 90, 28053 Castelletto Tichio, Novara, Italy ("the Vendor")
- 2 **VIRGIN ACTIVE INVESTMENT HOLDINGS LIMITED** (registered in England and Wales under number 2664542) whose registered office is at 120 Campden Hill Road, London W8 7AR ("the Purchaser")

AGREEMENT

1 **Definitions, interpretation and third party rights**

- 1.1 In this Agreement, the following words and expressions have the following meanings:-

the Company: Virgin Active Group Limited (registered in England and Wales under number 4349178) whose registered office is at Active House, 21 North Fourth Street, Central Milton Keynes MK9 1HL;

Completion: completion of the sale and purchase of the Sale Loan Notes in accordance with this Agreement;

the Completion Date: the date of this Agreement;

the Consideration Loan Notes: £369,412 in aggregate nominal value of the VAIHL E Loan Notes (as defined in the Shareholders Agreement);

the Consideration Shares: 36,945 C Ordinary Shares of 0.1p each in the capital of the Purchaser;

ITEPA 2003: the Income Tax (Earnings and Pensions) Act 2003;

the Group: the Company and its subsidiary undertakings from time to time, or any of them as the context requires and "Group Company" shall be construed accordingly;

the Parties: the parties to this Agreement;

the Shareholders Agreement: a shareholders agreement dated 4 October 2005 relating to the Purchaser and made between the Purchaser, the Managers (as defined in the Shareholders Agreement) and Virgin Leisure Limited;

the Sale Loan Notes: £369,449 in aggregate value of the VAGL Loan Notes (as defined in the Shareholders Agreement) comprising the entirety of the Vendor's holding of loan notes in the Company;

Subsidiary: shall have the meaning attributed to it in section 736 of the Companies Act 1985; and

the Warranties: the representations and warranties set out in Clause 5.1.

- 1.2 In this Agreement (unless the context requires otherwise) any reference to a statute, statutory provision or subordinate legislation shall be construed as referring to (i) such legislation as amended and in force from time to time and to any legislation which re-enacts, consolidates or enacts in rewritten form (with or without modification) any such legislation and (ii) any former legislation which it re-enacts, consolidates or enacts in rewritten form.
- 1.3 The Parties agree that, subject always to and save as expressly provided in the provisions of this Clause 1.3 and Clause 8.1 (successors to, and assignees of, the Parties):-
- 1.3.1 no term of this Agreement shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person other than the Parties; and
- 1.3.2 notwithstanding that any term of this Agreement may be or become enforceable by a person other than the Parties, the terms of this Agreement or any of them may be varied, amended or modified or this Agreement may be suspended, cancelled or terminated by agreement in writing between the Parties and the exercise of any right of rescission shall not require the consent of any such third party.

2 Sale and purchase

The Vendor shall sell with full title guarantee free from all liens, charges, encumbrances and any other third party rights and the Purchaser shall purchase the Sale Loan Notes with effect from and including the Completion Date to the intent that as from that date all rights and advantages accruing to the Sale Loan Notes shall belong to the Purchaser.

3 Consideration

The consideration for the Sale Loan Notes shall be the allotment and issue by the Purchaser to the Vendor of the Consideration Shares and the issue by the Purchaser to the Vendor of the Consideration Loan Notes.

4 Completion

- 4.1 On the Completion Date:-
- 4.1.1 the Vendor shall deliver to the Purchaser, or procure the delivery to the Purchaser of:
- 4.1.1.1 the original certificate for the Sale Loan Notes or an indemnity in respect of any lost certificate(s) (in a form approved by the Purchaser); and
- 4.1.1.2 any other document reasonably required by the Purchaser to give good title to the Sale Loan Notes or to enable the Purchaser to procure the registration of the Sale Loan Notes in the name of the Purchaser or its nominee(s) or which evidences to the Purchaser's satisfaction the authority of any person executing this Agreement, or any of the documents referred to in it, on

behalf of the Vendor (in each case, in a form approved by the Purchaser);

- 4.1.2 the Purchaser shall allot and issue to the Vendor the Consideration Shares and shall execute and deliver to the Vendor a certificate in respect thereof;
- 4.1.3 the Purchaser shall issue to the Vendor the Consideration Loan Notes and shall deliver to the Vendor a certificate in respect thereof and a certified copy of the instrument constituting the Consideration Loan Notes; and
- 4.1.4 unless otherwise agreed between the Company and the Vendor, the Company (or the relevant employing Group Company) and the Vendor shall jointly elect pursuant to ITEPA 2003 section 431(1) in the form approved by HM Revenue & Customs in relation to the Consideration Loan Notes and the Consideration Shares.
- 4.2 The performance by the Vendor of his obligations under Clause 4.1 shall be a condition precedent to the performance by the Purchaser of its obligations under Clause 4.1 to the intent that, if the Vendor shall fail or shall be unable to perform any of his obligations under Clause 4.1, the Purchaser shall at its option (and without prejudice to any other remedies or rights which it may have against the Vendor in respect of such non-performance) cease to be liable to perform its obligations under Clause 4.1.

5 Warranties

- 5.1 The Vendor represents and warrants to the Purchaser that each of the statements set out in this Clause 5.1 is, and will at Completion be, true and accurate in all respects and is not, and will not be at Completion, misleading:
 - 5.1.1 he has full power to enter into and perform this Agreement and this Agreement constitutes binding obligation of him in accordance with its terms;
 - 5.1.2 the Sale Loan Notes represent the entirety of the Vendor's holding of loan notes in the Company;
 - 5.1.3 the Sale Loan Notes are legally and beneficially owned by him free from all liens, charges, equities, encumbrances or interests of any nature whatsoever, or any agreement, arrangement or obligation to create any of the same, in favour of any other person.
- 5.2 The Warranties shall not in any respect be extinguished or affected by Completion.
- 5.3 The Vendor acknowledges that the Purchaser has entered into this Agreement in reliance on the representation in the terms of the Warranties made by the Vendor with the intention of inducing the Purchaser to enter into this Agreement and that accordingly the Purchaser has been induced by that representation to enter into this Agreement.
- 5.4 The Warranties shall not in any respect be extinguished or affected by Completion and are separate and independent and, unless expressly provided to the contrary, are not limited or restricted by reference to or inference from the terms of any other provision of this Agreement or any other Warranty.

6 **Release by, and authority of, the Vendor**

- 6.1 The Vendor confirms that, save in respect of any accrued but unpaid salary and other contractual emoluments, he has no claim outstanding against the Company or any Subsidiary or against any of the directors, officers or employees of the Company or any Subsidiary and that no agreement or arrangement is outstanding under which the Company or any Subsidiary or any of such persons has or could have any obligation of any kind to him.
- 6.2 To the extent that any such claim or obligation exists or may exist, the Vendor irrevocably and unconditionally waives such claim or obligation and releases the Company and each Subsidiary and any such other persons from any liability whatsoever in respect of such claim or obligation.
- 6.3 In order to secure the interest of the Purchaser in the Sale Loan Notes under this Agreement, with effect from Completion the Vendor irrevocably appoints the Purchaser to be his attorney in his name and on his behalf to exercise all or any of the voting and other rights, powers and privileges attached to the Sale Loan Notes registered in his name.
- 6.4 the Vendor undertakes following Completion not to exercise all or any of the voting and other rights, powers and privileges attached to the Sale Loan Notes registered in his name.

7 **Announcements**

Save as required by law or regulation, the Vendor shall not issue any press release or publish any public document or make any statement or disclosure to any person relating to this Agreement or the matters contained in it, without obtaining the prior written approval of the Purchaser to its contents and the manner and extent of its presentation and publication or disclosure.

8 **Assignment**

- 8.1 Subject to this Clause 8, this Agreement shall be binding upon and enure for the benefit of the assignees of the Parties and, subject to any assignment permitted by this Agreement, any such assignee of any Party shall in its own right be able to enforce any term of this Agreement.
- 8.2 The Vendor and his assignees shall not be entitled to assign their rights or obligations under this Agreement without the prior written consent of the Purchaser.
- 8.3 The Purchaser and its assignees may at any time (i) assign, (ii) transfer, (iii) charge (iv) declare or create a trust or other interest over or (v) deal in any other manner with this Agreement or any of its rights or obligations under it.

9 **Indemnity**

- 9.1 Subject to Clause 9.3, the Vendor hereby covenants to pay to the Company or, at the direction of the Company, to any other company that is associated with the Company from time to time that employs the Vendor or makes any payment or provides any benefit that is treated as income of the Vendor (each, including the

Company, an "employing company") on demand an amount equal to all taxes and social security contributions (including UK income tax and national insurance contributions) and any related penalties or interest for which an employing company is required to account in connection with any of the transactions envisaged by this Agreement.

9.2 If, as a result of the Vendor failing to put any employing company in funds (whether pursuant to the covenant in Clause 9.1 or otherwise) to pay any amount of tax or social security contributions or related interest and penalties in respect of any of the transactions or matters referred to in this Agreement, any amount of such tax, social security contributions, interest and penalties is treated as income of the Vendor for tax purposes, the Vendor shall in addition pay an amount equal to all taxes and social security contributions (including UK income tax and national insurance contributions) and any related penalties and interest for which any employing company is required to account as a result of any amount of such tax, social security contributions and any related penalties and interest being treated an income of the Vendor (whether pursuant to ITEPA 2003 section 222 or otherwise).

9.3 The covenants in Clause 9.1 and Clause 9.2 shall not extend to any secondary Class 1 national insurance contributions.

9.4 If an employing company is liable to tax on any sum paid under this Clause 9, the amount so payable shall be increased by such amount as will ensure that, after payment of the tax liability, the employing company is left with a net sum equal to the sum it would have received had no such tax liability arisen.

10 General

10.1 The Vendor shall do or procure to be done all such further acts and things and execute or procure the execution of all such other documents as the Purchaser may from time to time reasonably require for the purpose of giving the Purchaser the full benefit of the provisions of this Agreement.

10.2 This Agreement and the other documents referred to in it constitute the entire agreement between, and understanding of, the Parties with respect to the subject matter of this Agreement and such documents and supersede any prior written or oral agreement(s) or arrangement(s) between the Parties in relation thereto.

10.3 The Vendor waives any rights of pre-emption conferred on him or held by him either by virtue of the Company's Articles of Association or by express agreement or otherwise over:

10.3.1 the Sale Loan Notes; and

10.3.2 any shares in the capital of the Company.

10.4 Each of the Parties shall pay its own costs and expenses of and incidental to the negotiation, preparation, execution and implementation by it of this Agreement, of each document referred to in it and the sale and purchase of the Sale Loan Notes.

10.5 This Agreement shall, as to any of its provisions remaining to be performed or capable of having or taking effect following Completion, remain in full force and effect notwithstanding Completion.

10.6 If any provision of this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement which shall remain in full force and effect.

11 Governing law and jurisdiction

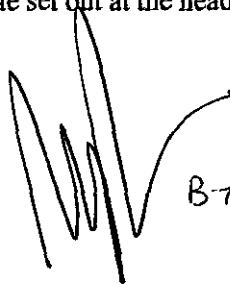
11.1 This Agreement shall be governed by and construed in accordance with the laws of England.

11.2 The Parties submit to the exclusive jurisdiction of the courts of England and Wales as regards any claim, dispute or matter arising out of or relating to this Agreement or any of the documents to be executed pursuant to this Agreement.

Executed as a deed and delivered on the date set out at the head of this Agreement.

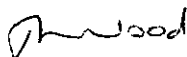
EXECUTED as a deed by
LUCA VALOTTA
in the presence of:-

)
)
)



BY HIS ATTORNEY

Signature:



Name:

RICHARD WOODS

Address:

10 NORWICH ST
LONDON
EC4A

Occupation:

SOLICITOR

EXECUTED as a deed of VIRGIN)
ACTIVE INVESTMENT HOLDINGS)
LIMITED acting by:)

Director

Director/Secretary

