

COMPANIES ACT 1985

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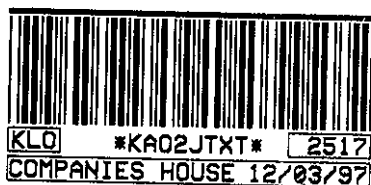
PRIVATE COMPANY LIMITED BY SHARES

NEW
ARTICLES OF ASSOCIATION

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VIRGIN RAIL GROUP LIMITED

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THE COMPANIES ACT 1985
COMPANY LIMITED BY SHARES
NEW

ARTICLES OF ASSOCIATION

(Adopted by Special Resolution passed
6 March, 1997, and which became unconditional on 9 March 1997)

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VIRGIN RAIL GROUP LIMITED

INTRODUCTION

- 1.1 The Regulations contained or incorporated in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended by The Companies (Tables A to F) Amendment Regulations 1985 ("Table A") shall apply to the Company, save insofar as they are varied or excluded by, or are inconsistent with, the following Articles.
- 1.2 In Regulation 1 of Table A, the words "and in Articles of Association adopting the same" shall be inserted after the word "Regulations" in the last paragraph of that Regulation and the sentence "Any reference to any statutory provision shall be deemed to include a reference to each and every statutory amendment, modification, re-enactment and extension thereof for the time being in force" shall be inserted at the end of that Regulation.
- 1.3 Regulations 54, 62, 73 to 77 (inclusive), 80, 82, 89, 94 to 98 (inclusive) and 118 of Table A shall not apply to the Company.

DEFINITIONS

- 2 In these Articles the following words and expressions shall have the following meanings:-

"A" Ordinary Shares: "A" Ordinary Shares of 10 pence each in the capital of the Company;

Acceptable Listing Proposal: a proposal to proceed to a Listing which is made by the financial adviser appointed pursuant to Clause 13.5 of the Subscription and Shareholders Agreement, and in respect of which the following criteria are satisfied:

- (a) the proposal involves the issue of additional shares by the Company sufficient (either alone or when taken together with the existing available cash resources of the Company) to enable the Company to redeem the entirety of the Loan Stock, to the extent not already redeemed, in

accordance with the terms of the Loan Stock Instrument, or involves the financing of such redemption through the net proceeds of the issue of debt securities issued on market terms;

- (b) assuming full exercise of all of the issued Warrants in accordance with the terms of the Warrant Instrument, the proposal is such that the value of the ordinary shares in the Company (calculated by reference to the proposed Listing price, but after taking account of anticipated fees and expenses) arising from exercise of the Warrants and conversion of all the Non Voting Ordinary Shares, "A" Ordinary Shares and "B" Ordinary Shares will be not less than the aggregate of the amount subscribed for Shares, under the terms of the Subscription and Shareholders Agreement and upon exercise of the Warrants (again assuming exercise of the Warrants in full);
- (c) the minimum sum to be raised through the Listing (whether by the issue of new Shares by the Company, the sale of Shares by existing members or a combination of the two) should be not less than £25,000,000; and
- (d) if and to the extent that the proposal anticipates sales of Shares by existing members, members will have the opportunity to sell, but not the obligation to do so, on the basis set out in Clause 15.4 of the Subscription and Shareholders Agreement;

the Board: the Board of Directors of the Company;

"B" Ordinary Shares: "B" Ordinary Shares of 10p each in the capital of the Company;

Business Plan: the financial model entitled "Project Express" initialled by Macfarlanes and Ashurst Morris Crisp for the purposes of identification.

Cash Equivalents: means:-

- (a) Debt securities denominated in Sterling issued by the Government of the United Kingdom where such debt securities have not more than thirty days to final maturity and are not convertible into any other form of security;
- (b) Debt securities denominated in Sterling which have not more than thirty days to final maturity, are not convertible into any other form of security, are rated at least P1 by Moody's Investor Services Inc. or at least A-1 by Standard & Poors Corporation and are not issued or guaranteed by any member of the Group;
- (c) Certificates of deposit denominated in Sterling having not more than thirty days to final maturity issued by a bank incorporated in the United Kingdom approved for the time being for this purpose in writing by the Investor Majority.

Consolidated Net Worth: means for any Quarter Date the consolidated total assets of the Group minus the consolidated total liabilities of the Group as at such date but after deducting or excluding as the case may be:-

- (a) goodwill or other intangible assets of the Group;
- (b) all amounts attributable to minority interests in Subsidiaries or subsidiary undertakings;
- (c) any amount attributable to the writing up of the book value of any assets of any member of the Group above historic cost less accumulated depreciation in respect of such assets where such writing up takes place after 6 January 1997;
- (d) any sum set aside for future taxation
- (e) an amount equal to any subscription monies received by the Group pursuant to any exercise of the Warrants (as defined in the Subscription and Shareholders Agreement);

and after:-

- (f) adding back the amount by which the Consolidated Net Worth has been reduced by the payment of dividends by the Company; and
- (g) adding back any amount by which the Consolidated Net Worth has been decreased as a result of any Exceptional Item which was approved in writing by the Board before incurrence of such item or subsequently ratified by the Board (and deducting any amount by which it has been increased as a result of any Exceptional Item other than any Exceptional Item which was approved in writing by the Board before incurrence of such item or subsequently ratified by the Board).

For the purposes of the foregoing, no items shall be effectively taken into account more than once in this calculation and all items shall be calculated on a consolidated basis and in accordance with accounting principles and practices generally accepted in the UK and consistent with those utilised in the Business Plan and shall be determined from the relevant monthly management accounts delivered pursuant to the Subscription and Shareholders Agreement (and, in relation to the last Quarter Date in any financial year of the Company, the audited consolidated balance sheet of the Group as at such date delivered in accordance with the Subscription and Shareholders Agreement from the time when such accounts are delivered) or, in the event of an independent audit or review required by the Investor Majority pursuant to such agreement, shall be determined by that independent audit or review.

Default: a Default shall have occurred:

- (a) if any payment of interest on the Loan Stock in respect of any period is not paid on the due date and the Company fails to pay the same within three business days of receipt of notice from one or more holders of Loan Stock requiring it to do so;
- (b) if any payment of principal due on the Loan Stock is not paid on the due date;

- (c) if any circumstance has arisen as a result of which an event of default has occurred under the Loan Stock Instrument (and any related grace period under the term of the Loan Stock Instrument has expired), such that immediate repayment of sums outstanding under the Loan Stock may be required;
- (d) if either Franchise Agreement is terminated by OPRAF;
- (e) on the expiry of the period of 30 months from the date of adoption of these Articles, unless within that period a Listing has occurred, or an Acceptable Listing Proposal has been made and the proposed Listing does not proceed due to (i) the objection of one or more of the Original Investors or of their respective Investor Affiliates; or (ii) a refusal by one or more of the Original Investors or of their respective Investor Affiliates holding Shares to co-operate with any action or take any step necessary or reasonably necessary in the context of the Listing; or (iii) a breach or breaches by one or more Investors of the provisions of Clause 15.2 of the Subscription and Shareholders Agreement (which, in the case of an Investor who has entered into a Deed of Adherence under the terms of the Subscription and Shareholders Agreement cannot reasonably be remedied by reliance on the Power of Attorney given pursuant to such Deed of Adherence);
- (f) in the event an Acceptable Listing Proposal has been made the proposed Listing does not proceed due to (i) the objection of one or more of the Virgin Shareholders or any Virgin Shareholders' Affiliate holding Shares; or (ii) a refusal by one or more of the Virgin Shareholders or of the Virgin Shareholders' Affiliates holding Shares to cooperate with any action or take any step necessary or reasonably necessary in the context of the Listing; or (iii) a breach or breaches by one or more of the Virgin Shareholders of the provisions of Clause 15.2 of the Subscription and Shareholders Agreement (which, in the case of a Virgin Shareholder who has entered into a Deed of Adherence under the terms of the Subscription and Shareholders Agreement, cannot reasonably be remedied by reliance on the Power of Attorney given pursuant to such Deed of Adherence);
- (g) if one or more Virgin Shareholders (which term for the purposes of this paragraph (g) shall include any person who was previously a Virgin Shareholder) being in material breach of their obligations, representations or warranties under the terms of the Subscription and Shareholders Agreement (material breach being determined for this purpose as a breach or breaches, the aggregate loss in respect of which may reasonably be anticipated to exceed £1 million) and such breach or breaches is not remedied within 30 days of notice being given by any Original Investor requiring the relevant Virgin Shareholder(s) to remedy the same;
- (h) (i) If Consolidated Net Worth as at any of the Quarter Dates set out below is less than the required amount for such date set out below:-

Quarter Date on or closest to	Required Amount (£ million)
30/06/97	20
30/09/97	20
31/12/97	22.5
31/03/98	25
30/06/98	30
30/09/98	35
31/12/98	40
31/03/99	40
30/06/99	50
30/09/99	55
31/12/99	60
31/03/2000	60

- (ii) If the Minimum Cash Balance as at any of the Quarter Dates set out below is less than the required amount for such date set out below:-

Quarter Date on or closest to	Required Amount (£ million)
30/06/97	40
30/09/97	40
31/12/97	40
31/03/98	40
30/06/98	45
30/09/98	45
31/12/98	45
31/03/99	45
30/06/99	60
30/09/99	60
31/12/99	60
31/03/2000	60

- (i) a further notice (as so termed in the relevant Clause) being served by Virgin Enterprises Limited under Clause 10.4 (c) of the Trade Mark Licence entered into between Virgin Enterprises Limited and the Company dated 19 February 1997 (including for the purposes of this paragraph (i) any successor agreement thereto), or such trade mark licence being

terminated by Virgin Enterprises Limited due to any breach or default on the part of any member of the Group, or such licence being invalid or ineffective to an extent whereby the Group incurs losses, costs, expenses or liabilities in excess of £1 million in aggregate, and such losses, costs, expenses or liabilities are not remedied by one or more Virgin Shareholders (without cost to any member of the Group) within 30 days of notice being given by an Original Investor requiring such remedy;

- (j) the Consultancy Agreement entered into on 19 February 1997 between Virgin Management Limited and the Company being terminated due to a breach or default by any member of the Group or such agreement being invalid or ineffective to an extent whereby the Group incurs material losses, costs, expenses or liabilities, and such losses, costs, expenses or liabilities are not remedied by one or more Virgin Shareholders (without cost to any member of the Group) within 30 days of notice being given by an Original Investor requiring such remedy.

Employee: an individual who is employed by the Company or any of its subsidiaries or an individual whose services are made available to the Company or any of its subsidiaries under the terms of an agreement between the Company or any of its subsidiaries and such individual or any other person (but excluding those persons whose services are provided under the terms of the Consultancy Agreement referred to in paragraph (j) of the definition of "Default") (and "contract of employment" shall be construed accordingly to include such an agreement);

Franchise Agreements: the Franchise Agreement dated 28 November 1996 expressed to be made between The Director of Passenger Rail Franchising (1) the Company (2) and (from 5 January 1997) CrossCountry Trains Limited (3) relating to the services for carriage of passengers by railway provided by CrossCountry Trains Limited and the Franchise Agreement dated 19 February 1997 expressed to be made between The Director of Passenger Rail Franchising (1) the Company (2) and (from 9 March 1997) InterCity West Coast Limited (3) relating to the services for the carriage of passengers by railway to be provided by InterCity West Coast Limited;

Group: the Company and its subsidiary undertakings from time to time, or any of them, as the context admits;

Investor Affiliate: in respect of each Investor, any company which is its subsidiary or holding company (as defined in Section 736 of the Companies Act 1985) of the relevant Investor or a subsidiary of such holding company (together, in relation to that Investor, the "Investor's Group" or, if the Investor is an Original Investor, the "Original Investor's Group")) and for these purposes JP Morgan International Capital Corporation and Sixty Wall Street Fund, LP shall be deemed to be members of the same Original Investors Group;

the Investor Directors: the Directors of the Company from time to time appointed to the Board pursuant to Article 19.1;

Investor Majority: Original Investors holding a majority by value (calculated by valuing holdings of Loan Stock at nominal value and (subject to an appropriate

adjustment being made where there has been a variation in the share capital of the Company) Shares at £1 per Share) of the Non Voting Ordinary Shares, "B" Ordinary Shares and Loan Stock held by Original Investors at the relevant time (and so that, if any Original Investor has transferred Shares and/or Loan Stock to any person or persons pursuant to Clause 9.2.2 of the Subscription and Shareholders Agreement, such Shares and Loan Stock shall be deemed for the purposes of this definition to continue to be held by such Original Investor);

Investors: any holder of Shares who is an Original Investor an Investor Affiliate and any person to whom Shares and/or Loan Stock and/or Warrants are transferred pursuant to Clause 9.2.2 or 9.2.3 of the Subscription and Shareholders Agreement (but excluding, for avoidance of doubt, any Virgin Shareholders);

Listing: the admission of the issued ordinary shares of the Company to the Official List of The Stock Exchange or the grant of permission being given for any of the ordinary shares of the Company to be dealt in on the Alternative Investment Market or (subject to the agreement of an Investor Majority and a Virgin Shareholder Majority) the admission of ordinary shares in the Company to dealings on any other recognised investment exchange, as such term is defined for the purposes of the Financial Services Act 1986;

the Loan Stock: the £25,000,000 unsecured loan stock of the Company constituted by the Loan Stock Instrument;

Loan Stock Instrument: the Instrument constituting the Loan Stock;

Minimum Cash Balance: means as at any Quarter Date the cash-in-hand and at bank and the Cash Equivalents in each case legally and beneficially owned by the Group (including, for the avoidance of doubt, any of such sums deposited as collateral for the performance of obligations of the Group (excluding obligations assumed in breach of the Subscription and Shareholders Agreement) any performance bond issued solely for the bonding of performance obligations of the Group to the extent permitted by the Subscription and Shareholders Agreement, until such collateral is enforced) after:-

- (a) deducting the amount by which the consolidated indebtedness of the Group in respect of bank and other loans and overdrafts exceeds the consolidated indebtedness of the Group in respect of bank and other loans and overdrafts forecast for such date in the Business Plan; and
- (b) deducting any of such cash or Cash Equivalents attributable to borrowings of the Group (other than the Loan Stock) or any delays in payments of creditors of the Group or advance payments by debtors of the Group where such delay or advance is inconsistent with the ordinary course of the Group's trading and its dealings with its debtors and creditors; and
- (c) adding back the total amount of cash dividends paid by the Company to its shareholders; and
- (d) adding back the amount by which such cash and Cash Equivalents have been reduced by Exceptional Items which were approved by the Board in writing prior to incurrence of such items (or which were subsequently

ratified by the Board) and deducting from such cash and Cash Equivalents the amount by which they have been increased by any Exceptional Items other than Exceptional Items which were approved by the Board in writing prior to incurrence of such items (or which were subsequently ratified by the Board); and

- (e) deducting an amount equal to any subscription monies received by the Group pursuant to any exercise of the Warrants (as defined in the Subscription and Shareholders Agreement).

Non Voting Ordinary Shares: Non Voting Ordinary Shares of 10 pence each in the capital of the Company;

OPRAF: the Director of Passenger Rail Franchising;

Original Investors: Banker's Trust International PLC, J P Morgan International Capital Corporation, Sixty Wall Street Fund L.P., TPG Partners L.P., TPG Parallel I L.P., Electra Fleming Private Equity Partners and EF Nominees Limited, and any person who holds Shares pursuant to any transfer made by an Original Investor under Clause 9.2.1 of the Subscription and Shareholders Agreement or under Article 8.1.4, 8.1.6, 8.1.7, 8.1.8 or 8.1.9 or (if the relevant consent so specifies), Article 8.1.2;

Quarter Date: means 31 March, 30 June, 30 September and 31 December in each year (or, where in accordance with the normal accounting practice of the Company as approved by the Investor Majority, the quarterly period ends shortly before or after any such dates, the actual end date);

Sale: a sale of the whole or a substantial part of the business, assets and undertaking of the Group taken as a whole or the completion of an agreement for the purchase of all of the Shares to any person, or to any group of persons acting in concert or connected with each other (to the extent not already owned by the purchaser or persons acting in concert or connected with the purchaser, but save that for this purpose parties to the Subscription and Shareholders Agreement shall not be treated as acting in concert, or connected, with each other by virtue solely of being parties to that agreement);

the Shareholders: the Virgin Shareholders and the Original Investors;

Shares: shares of any class in the capital of the Company;

Subscription and Shareholders Agreement: the Subscription and Shareholders Agreement relating to the Company made between Plough Investments Limited and another (1) Morgan Grenfell Trustee Services (Guernsey) Limited (2) Bankers Trust International PLC and others (3) and the Company (4) and dated 19 February 1997 as the same may be amended from time to time;

the Virgin Directors: the Directors of the Company from time to time appointed to the Board pursuant to Article 19.2;

Virgin Shareholder: any holder of "A" Ordinary Shares from time to time;

Virgin Shareholder Majority: Virgin Shareholders holding a majority (by nominal value) of the issued "A" Ordinary Shares;

Warrants: warrants to subscribe for Non Voting Ordinary Shares created pursuant to the Warrant Instrument, and so that the term "a Warrant unit" shall mean the right, conferred by a Warrant, to subscribe for one Non Voting Ordinary Share;

Warrant Instrument: the Instrument dated the date of adoption of these Articles relating to the right to subscribe for up to 25,000,000 Non Voting Ordinary Shares.

SHARE CAPITAL

- 3 The share capital of the Company at the date of adoption of these Articles is £6,202,630 divided into 14,500,000 "A" Ordinary Shares, 10,000,000 "B" Ordinary Shares and 37,526,300 Non Voting Ordinary Shares.

SHARE RIGHTS

- 4 The "A" Ordinary Shares, "B" Ordinary Shares and Non Voting Ordinary Shares shall have, and be subject to, the following rights and restrictions:-

4.1 Income

Subject to Article 4.5, the "A" Ordinary Shares, "B" Ordinary Shares and Non Voting Ordinary Shares shall rank *pari passu* as regards dividends and other income distributions. No dividend or distribution shall be declared, made or paid in respect of such Shares at any time whilst any amount remains outstanding in respect of the Loan Stock (or for 7 days after the first day on which no such amount is outstanding).

4.2 Capital

On a return of capital on liquidation or otherwise the surplus assets of the Company remaining after payment of its liabilities shall be distributed amongst the holders of "A" Ordinary, "B" Ordinary and Non Voting Ordinary Shares according to the number of such Shares held by them respectively.

4.3 Conversion

- 4.3.1 On a Default or on a Sale, each Non Voting Share held by a Virgin Shareholder will automatically be converted into, and re-designated as, an "A" Ordinary Share. All other Non Voting Ordinary Shares will, on a Default or on a Sale, be automatically converted into, and redesignated as, an equal number of "B" Ordinary Shares.

- 4.3.2 Upon a Listing, each "A" Ordinary Share, "B" Ordinary Share and Non Voting Ordinary Share will automatically be converted into, and redesignated as, an Ordinary Share, having equivalent rights to those attaching to the "A" Ordinary Shares under the terms of these Articles.

4.4 **Voting**

4.4.1 Subject to any special rights or restrictions as to voting attached to any Shares, and subject to Articles 4.4.2 and 4.5, on a show of hands every member holding "A" Ordinary Shares and/or "B" Ordinary Shares who (being an individual) is present in person or (being a corporation) is present by a representative shall have one vote and on a poll every member who is present in person or by a proxy or (being a corporation) by a representative shall have one vote for every "A" Ordinary Share and/or "B" Ordinary Share of which he is the holder.

4.4.2 For so long as any members of the Original Investor Group of either Bankers Trust International PLC or J P Morgan International Capital Corporation are members, their Shares, together with those of any other member of their Original Investor Group, or in respect of which they are entitled to exercise the voting rights, will not entitle either of them to exercise more than 19.9 per cent of the total votes exercisable by all members taken together (or to be treated as having more than 19.9 per cent of the total value of the Original Investors' Loan Stock and Shares when determining an Investor Majority for the purposes of the appointment of a fourth director pursuant to Article 19.1 or, in relation to JP Morgan International Capital Corporation and its Original Investor Group for the purposes of giving Drag Along Notice under Article 9.4) and they will not be permitted to vote on any resolution to alter this restriction in respect of themselves. The Company will not take any action the effect of which would be to increase above 39.9 per cent the percentage of the equity share capital (including shares the subject of Warrants) held or controlled by either such Original Investor Group. This Article 4.4.2 shall not apply in the case of either or both of Bankers Trust International PLC and/or JP Morgan International Capital Corporation or members of their respective Original Investor Groups, if Bankers Trust International PLC or JP Morgan International Capital Corporation (as the case may be) has notified the Company in writing that it is no longer necessary for it to do so in order to ensure that it is in compliance with the United States Bank Holding Company Act or applicable regulations of the Board of Governors of the Federal Reserve System.

4.5 **Restrictions on Share Rights**

4.5.1 If any Share or Shares, or any interest in a Share or Shares, is transferred or disposed of in breach of these Articles or of the Subscription and Shareholders Agreement, until such breach is remedied the Share or Shares in question shall not carry the right to receive dividends or other income distributions and shall not entitle the holder or holders thereof to cast votes at general meetings or at class meetings;

4.5.2 If there is a breach of Clause 10.4 of the Subscription and Shareholders Agreement or a breach of Article 8.2 in respect of any Share or Shares, until such breach is remedied the Share or Shares in question shall not carry the right to receive dividends or other income distributions and shall not entitle the holder or holders thereof to cast votes at general meetings or at any class meetings.

ISSUE OF NEW SHARES

- 5.1 Subject to the provisions of Articles 5.2 to 5.6, the Shares shall be at the disposal of the Board who may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think proper. The Board is generally and unconditionally authorised (for the purposes of Section 80 of the Companies Act 1985) to allot relevant securities (as defined in Section 80(2) of that Act) up to an aggregate nominal amount of £6,202,621, such authority to expire on the first anniversary of the date of adoption of these Articles.
- 5.2 Save in respect of any rights granted or to be granted over, or any allotment of, Shares pursuant to the Subscription and Shareholders Agreement (or the option arrangements provided for therein) or the Warrant Instrument, all Shares which the Company proposes to allot, whether wholly for cash or otherwise, shall first be offered for subscription to the members (as if they were one class) in the proportion (subject to Article 5.3) that the aggregate nominal value of such Shares for the time being held respectively by each such member bears to the total number of Shares in issue (and for such purpose all outstanding Warrants shall be deemed to have been exercised immediately prior to such time in accordance with the conditions of exercise then prevailing). The offer shall be made by notice in writing specifying the number of shares to which the member is entitled and limiting a time (being not less than four weeks) within which the offer if not accepted will be deemed to be declined. Members who accept the offer shall be entitled to indicate that they would accept, on the same terms, Shares (specifying a maximum number) that have not been accepted by other members ("Excess Shares") and any Excess Shares shall be allotted to members who have indicated they would accept Excess Shares. Excess Shares shall be allotted pro rata to the aggregate number of Shares (as if they were one class) held by members accepting Excess Shares providing that no such member shall be allotted more than the maximum number of Excess Shares such member has indicated he is willing to accept.
- 5.3 For the purposes of Article 5.2 any Original Investor which has transferred any Shares and/or Warrants pursuant to Clause 9.2.2 of the Subscription and Shareholders Agreement shall be treated as if it still held such Shares and/or Warrants, and the person registered as the holder of such Shares and/or Warrants shall be treated as if he or it did not hold them.
- 5.4 After the expiration of the offers referred to in Article 5.2, the Board shall be entitled to dispose of any Shares so offered and which are not required to be allotted in accordance with the foregoing provisions in such manner as the Board may think most beneficial to the Company, provided, however that:-
- 5.4.1 Shares shall not be allotted pursuant to this Article 5.4 more than four months after the date on which such Shares were offered pursuant to Article 5.2;
- 5.4.2 Shares shall not be allotted pursuant to this Article 5.4 for a consideration per Share, if in cash, less than the price at which Shares were offered pursuant to Article 5.2, or, if other than in cash, for a consideration per Share of a value (determined by the Board, acting reasonably) less than that price.

- 5.5 If owing to the inequality in the number of new Shares to be issued and the number of Shares held by members entitled to receive the offer of new shares any difficulty shall arise in the apportionment of any such new Shares amongst the holders such difficulties shall in the absence of direction by the Company be determined by the Board.
- 5.6 The provisions of Section 89(1) and Section 90(1) to (6)(inclusive) of the Companies Act 1985 shall not apply to the Company.

VARIATION OF CLASS RIGHTS

- 6 Whenever the capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated either whilst the Company is a going concern, or during or in contemplation of a winding up, with the consent in writing of the holders of three fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of that class, but not otherwise. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company shall apply mutatis mutandis except that:-
- 6.1 the necessary quorum shall be at least two persons holding or representing by proxy one third in nominal amount of the issued shares of the class, but so that at any adjourned meeting of such holders at which such a quorum is not present the holder or holders present shall be a quorum; and
- 6.2 the holders of shares of the class in question shall on a poll have one vote in respect of every share of the class held by them respectively.

TRANSFERS OF SHARES : GENERAL

- 7.1 The Directors shall be required (subject only to Articles 7.2 and 7.3 and Regulation 24 of Table A) to register promptly any transfer of Shares made in accordance with the provisions of Articles 8 to 10 below, but shall not register any transfer of Shares not so made and shall not register a transfer made in contravention of Article 7.2. In its application to the Company Regulation 24(a) of Table A shall be modified such that the Directors may not appoint any place other than the Company's registered office for the lodging of transfers.
- 7.2 No Share, and no interest in any Share, may be transferred or otherwise disposed of in breach of any legal or regulatory requirement to which the Company or any member of its Group is subject, or which would cause the Company or any member of its Group to be in breach of any obligation or undertaking to OPRAF (other than an obligation or undertaking to OPRAF entered into in breach of the terms of the Subscription and Shareholders Agreement), or give rise to a right for OPRAF to terminate the Franchise Agreements. Articles 8 to 11 (inclusive) shall take effect subject to the provisions of this Article 7.2.
- 7.3 The Directors may refuse to register the transfer of a share to a bankrupt, a minor or a person of unsound mind.
- 7.4 For the purpose of these Articles the following shall be deemed (without limit) to be a transfer by a member of Shares:-

- 7.4.1 any direction (by way of renunciation or otherwise) by a member entitled to an allotment issue or transfer of Shares that a Share be allotted or issued or transferred to some person other than himself; and
- 7.4.2 any sale or other disposition (excluding charging) of any legal or equitable interest in a share (including any voting right attached to a Share) whether or not by the registered holder, whether or not for consideration and whether or not effected by an instrument in writing.

PERMITTED TRANSFERS

- 8.1 Subject to the provisions of Article 7, any Shares may at any time be transferred:-
 - 8.1.1 by an Investor to an Investor Affiliate of that Investor;
 - 8.1.2 by any member with the consent of the Shareholders who, at the date of adoption of these Articles, held not less than 85% in nominal value of the "A" Ordinary Shares and "B" Ordinary Shares in issue on that date;
 - 8.1.3 by any member in exercising rights, or complying with obligations, under Article 9;
 - 8.1.4 by any Investor which is a limited partnership or which holds Shares as nominee or trustee for a limited partnership, investment trust or unit trust:
 - 8.1.4.1 to another nominee or trustee for the limited partnership or unit trust;
 - 8.1.4.2 on a distribution in kind under the relevant partnership agreement or trust deed, to the partners of the limited partnership or their nominees or the holders of units in the unit trust or their nominees;
 - 8.1.5 by any member to a nominee or trustee for that member alone, and any nominee or trustee of any person or persons may at any time transfer any Shares to that other person or persons or to another nominee or trustee for that other person or persons PROVIDED THAT no beneficial interest in such Shares passes by reason of such transfer;
 - 8.1.6 by any Investor to any funds or partners in any limited partnership (or any company which is a subsidiary or holding company or subsidiary of any holding company of any such parties) or other entity (or their respective nominees or trustees) which (in any such case) are managed or advised by any entity within the relevant Investor's Group or any entity which holds shares for any employees or former employees of any entity within the relevant Investor's Group ("Investor's Group being construed in the like manner, mutatis mutandis, as "Original Investor's Group");
 - 8.1.7 by an Original Investor which is advised or managed by Electra Fleming Limited (or by a holding company or subsidiary of Electra Fleming Limited), to any other person who is a manager or trustee of such Original Investor, or any holders of units in any such entity or any partner in any limited partnership of which the

general partner is Electra Fleming Limited (or a partnership in which Electra Fleming Limited is a partner) or any employee of any manager or adviser of any such entity;

8.1.8. by TPG Partners LP or TPG Parallel 1 LP to any general or limited partner of such Original Investor or any other person or entity that controls, is controlled by, or is under common control with, any such general or limited partner or by any such person to another such person. For these purposes, "control" shall mean ownership of more than 50% of the equity securities of an entity, or the ownership of a controlling interest of a majority of the general partners of such entity;

8.1.9 by JP Morgan International Capital Corporation to Sixty Wall Street Fund LP or vice versa.

8.2 In the event that:

8.2.1 any Shares are held by any member as the result of any transfer on one or more occasions pursuant to Article 8.1.1 or 8.1.5; and

8.2.2 the holder of the Shares ceases (in the case of Article 8.1.1) to be an Investor Affiliate of the Investor which transferred Shares to it (or, where there is a series of transfers pursuant to Article 8.1.1, of the Investor which made the first transfer in the series) or (in the case of 8.1.5) to hold as nominee or trustee for the original beneficial owner alone),

the holder of the Shares shall be required immediately to transfer the Shares concerned back to such Investor or the original beneficial owner (as applicable).

COMPULSORY TRANSFERS : SALE

9.1 If at any time a Virgin Shareholder Majority and an Investor Majority ("the Specified Members") propose to sell their entire holdings of Shares ("the Specified Shares"), their entire holdings of Warrants ("the Specified Warrants") and (unless the terms of such sale include the repayment in full on completion of the entirety of the Loan Stock in accordance with its terms) their entire holdings of Loan Stock ("the Specified Loan Stock") the Specified Members may make such sale if (and only if) they shall have procured that the proposing purchaser (or a person connected or associated with the proposing purchaser) shall make an offer ("the Offer") to acquire all of the issued Shares (including or excluding the Specified Shares, but excluding any Shares already held by the proposing purchaser or any such connected or associated person) all of the issued Warrants (including or excluding the Specified Warrants, but excluding any Warrants already held by the proposing purchaser or by any such connected or associated person) and (unless to be redeemed in full) all the issued Loan Stock (including or excluding the Specified Loan Stock, but excluding any Loan Stock already held by the proposing purchaser or any such connected or associated person) for the Specified Consideration (as hereafter defined), which offer shall be open for acceptance for not less than 21 days.

9.2 If:

9.2.1 there shall occur a Default within the meaning of sub-paragraph (e) of the definition of that term; and

9.2.2 at any time thereafter Investors comprising an Investor Majority ("the Specified Members") propose to sell their entire holdings of Shares ("the Specified Shares"), Warrants ("the Specified Warrants") and (unless the terms of such sale include the repayment in full on completion of the Loan Stock in accordance with its terms) their entire holdings of Loan Stock ("the Specified Loan Stock"); and

9.2.3 the Specified Members (other than the Virgin Shareholders) shall (after the determination of the Fair Value) have made an offer (capable of being binding on acceptance and being open for acceptance for not less than 21 days) to the Virgin Shareholders to sell or procure to be sold to such person (whether or not a Virgin Shareholder) to whom such an offer can lawfully be made as may be specified in writing by a Virgin Shareholder Majority to the Original Investors (and if no such specification has been made prior to such offer, to each Virgin Shareholder pro rata to their respective shareholdings) the entirety of the Specified Shares, Specified Warrants and Specified Loan Stock, at Fair Value (as defined in Article 9.7 below) and such offer has not been accepted and completed within 14 days following acceptance;

the Specified Members may sell the Specified Shares, the Specified Warrants and Specified Loan Stock if (and only if) they shall have procured that the proposing purchaser (or a person connected or associated with the proposing purchaser) shall make an offer ("the Offer") to acquire all of the issued Shares (including or excluding the Specified Shares, but excluding any Shares already held by the proposing purchaser or any such connected or associated person), all of the issued Warrants (including or excluding the Specified Warrants, but excluding any Warrants already held by the proposing purchaser or by any such connected or associated person) and (unless the same is to be redeemed in full) all the issued Loan Stock (including or excluding the Specified Loan Stock, but excluding any Loan Stock already held by the proposing purchaser or any such connected or associated person) for the Specified Consideration (as hereinafter defined), which offer shall be open for acceptance for not less than 21 days PROVIDED THAT no such sale shall be made by the Specified Members, and no requirement to accept such Offer shall arise, if the Specified Consideration has a value less than the Fair Value.

9.3 If:-

9.3.1 there shall occur a Default; and

9.3.2 at any time thereafter Investors comprising an Investor Majority ("the Specified Members") propose to sell their entire holdings of Shares ("the Specified Shares"), Warrants ("the Specified Warrants") and (unless the terms of such sale include the repayment in full on completion of the Loan Stock in accordance with its terms) their entire holdings of Loan Stock ("the Specified Loan Stock");

the Specified Members may sell the Specified Shares, the Specified Warrants and Specified Loan Stock if (and only if) they shall have procured that the proposing purchaser (or a person connected or associated with the proposing purchaser) shall make an offer ("the Offer") to acquire all of the issued Shares (including or

excluding the Specified Shares, but excluding any Shares already held by the proposing purchaser or any such connected or associated person), all of the issued Warrants (including or excluding the Specified Warrants, but excluding any Warrants already held by the proposing purchaser or by any such connected or associated person) and (unless the same is to be redeemed in full) all the issued Loan Stock (including or excluding the Specified Loan Stock, but excluding any Loan Stock already held by the proposing purchaser or any such connected or associated person) for the Specified Consideration (as hereinafter defined) which offer shall be open for acceptance for not less than 21 days.

9.4 If Article 9.1, 9.2 or 9.3 applies, the Specified Members shall have the right ("the Drag Along Option"), exercisable by the Specified Members giving notice to that effect (the "Drag Along Notice") to the holders of all of the remaining issued Shares, Warrants and Loan Stock requiring them to accept the offer made to them pursuant to Article 9.1, 9.2 or 9.3 (as the case may be). A Drag Along Notice, once given, shall be irrevocable but both the notice and/or obligations under the notice shall lapse if for any reason the transfer of the Specified Shares, the Specified Warrants and the Specified Loan Stock is not completed within 60 days from the service of the Drag Along Notice. Completion of the relevant sale shall take place on the date and at the place at which the sale of the Specified Shares, the Specified Warrants and the Specified Loan Stock shall be completed.

9.5 the "Specified Consideration" shall mean:

9.5.1 (in the case of Shares) a consideration (whether in cash, securities or otherwise or in any combination) per "A" Ordinary Share, "B" Ordinary Share and Non Voting Ordinary Share (being the same consideration per Share in each case) equivalent to that offered by the proposed transferee or transferees for the Specified Shares, together with an amount equal to the relevant proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the Specified Shares which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the consideration paid or payable for the Specified Shares;

9.5.2 (in the case of Loan Stock) a consideration (whether in cash, securities or otherwise or in any combination) per unit of Loan Stock equivalent to that offered by the proposed transferee or transferees for the Specified Loan Stock (if any), together with an amount equal to the proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the Specified Loan Stock which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the consideration paid or payable for the Specified Loan Stock; provided that if there is no Specified Loan Stock, the Specified Consideration for each £1 nominal of Loan Stock shall be £1 in cash plus a sum in cash equal to all accrued unpaid interest.

9.5.3 (in the case of Warrants) a consideration (whether in cash, securities or otherwise or in any combination) per Warrant unit equivalent to that offered by the proposed transferee or transferees for the Specified Warrants (if any), together with an amount equal to the proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the Specified Warrants which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the consideration paid or payable for the Specified Warrants;

provided that if there are no Specified Warrants, the Specified Consideration in respect of a Warrant unit shall be determined by deducting from the amount or value of the Specified Consideration in respect of a Share the exercise price then prevailing in respect of the exercise of a Warrant unit.

9.6 In the event of any disagreement about the calculation of the Specified Consideration, or as to whether the Specified Consideration has a value less than the Fair Value, such disagreement shall be referred to an umpire (acting as expert and not as arbitrator) nominated by the parties concerned (or, in the event of disagreement as to nomination, appointed at the request of any Shareholder by the President for the time being of the Institute of Chartered Accountants in England and Wales or its successors) whose decision shall be final and binding.

9.7 "Fair Value" shall mean:

9.7.1 a value per Share (irrespective of class);

9.7.2 a value per unit of Loan Stock; and/or

9.7.3 a value per Warrant unit;

determined by reference to the market value of the Company as a whole on the relevant date and shall in each case be as certified by such merchant bank or investment bank of international standing as may be agreed between an Investor Majority and a Virgin Shareholder Majority and, in default of agreement within 10 days of receipt of notification of the offer proposed to be made under Article 9.2.3, such merchant bank or investment bank of international standing appointed by the president for the time being of the British Merchant Banking Association which shall be instructed to opine (at the cost of the Company) on the Fair Value(s) within 20 days of being instructed to do so. Such values shall be calculated on the basis of a sale between a willing vendor and a willing purchaser;

9.7.4 on the assumption that each of the Shares has the same value;

9.7.5 assuming that control is being obtained and assuming that on a sale the Shares and Loan Stock, and any Warrants having a value in excess of their then exercise price, will be purchased in one lot by a purchaser contracting on arm's length terms who has no interest in the Company, and no special interest in the Group or its business that would lead him to pay in excess of market value;

9.7.6 assuming that the Group will continue its business as a going concern and having regard to any goodwill attaching to the Group and to the results of the Group prepared in accordance with generally accepted accounting principles in the United Kingdom consistently applied; and

9.7.7 assuming that (i) there will be no change in the terms of business on which any member of the Group contracts with its customers or suppliers, and (ii) that there will be no change in or termination of any contract to which the Group and any Shareholder is a party or of any other material contract of the Group and taking into account the continuing availability to the Group of the "Virgin" brand.

- 9.8 In the event that any member, having accepted an Offer, fails to complete the sale of any of its Shares pursuant to the Offer or otherwise fails to take any action required of it under the terms of such Offer or this Article 9 (including, for the avoidance of doubt, Article 9.4), the Directors (or any of them) may authorise any person to accept the Offer on behalf of the member in question to undertake any action required under the terms of the Offer or this Article 9 on the part of a member in question. The Directors may in particular authorise any person to execute the transfer of any Shares held by a member in favour of the Offeror/purchaser (or its nominee) and the Company may give a good receipt for the consideration for such Shares and may register the Offeror/purchaser (or its nominee) as holder thereof and issue to it certificates for the same. The member in question shall in such case be bound to deliver up its certificate for its Shares to the Company whereupon the member shall be entitled to receive the consideration for such Shares which shall in the meantime be held by the Company on trust for the member, but without interest. After the name of the Offeror/purchaser (or its nominee) has been entered in the register in purported exercise of these powers, the validity of the proceedings shall not be questioned by any person.
- 9.9 If:-
- 9.9.1 an offer is made pursuant to Article 9.2.3 by the Specified Shareholders (which term shall for this purpose have the same meaning as in Article 9.2) to the Virgin Shareholders; and
- 9.9.2 the offer made has been accepted;
- all other holders of Shares, Warrants and Loan Stock (other than the Specified Shareholders and the Virgin Shareholders) shall be required to sell to the same person to whom the Specified Shares, Specified Warrants and Specified Loan Stock are to be sold pursuant to Article 9.2.3 their respective entire holdings of Shares, Warrants and Loan Stock at Fair Value. Completion of such sale shall take place on the date and at the place at which the sale of the Specified Shares, the Specified Warrants and the Specified Loan Stock shall be completed.
- 9.10 In the event of a sale of all of the issued Shares (to the extent not already owned by the purchaser or persons associated or connected with the purchaser) pursuant to this Article 9 then notwithstanding anything to the contrary in the terms and conditions governing such sale the selling members immediately prior to such sale or the Company (as the case may be) shall procure (in so far as lawfully able) that the consideration (whenever received) shall be paid either directly or into a designated trustee account and shall be distributed amongst such selling members in accordance with the terms of this Article 9.
- 9.11 The provisions of this Article 9 shall apply in respect of any Shares which may be issued upon exercise of any options to subscribe for Shares, and accordingly:
- 9.11.1 any offer to be made under Article 9.1, 9.2 or 9.3 shall include an offer for such Shares;
- 9.11.2 the compulsory sale provisions of Article 9.4, 9.8 and 9.9 shall apply (modified to the extent necessary) to such Shares, notwithstanding the fact (if the case) that the

sale of other issued Shares pursuant to those provisions may already have been completed.

COMPULSORY TRANSFERS : EMPLOYEES

- 10.1 Whenever any member of the Company who is an Employee ("the Departing Shareholder") shall for any reason whatsoever cease to be an Employee then the Board may require such Departing Shareholder to sell all or any of his Shares to one or more Employees or other persons (as the Board may decide) at a price per share equal to:-
- 10.1.1 the Employee Fair Value, in circumstances where the Departing Shareholder has ceased to be an Employee due to his death, ill health or permanent disability (evidenced to the satisfaction of the Board), redundancy (within the meaning of section 139 of the Employment Rights Act 1996), retirement (on reaching the age of 65 years or any other age at which he is bound to retire in accordance with the terms of his contract of employment) or dismissal without cause (as determined at the absolute discretion of the Board);
- 10.1.2 the lower of Employee Fair Value and the Departing Shareholder's cost of acquisition of the Shares in question, in any other case.
- For the avoidance of doubt, the provisions of this Article 10 shall apply to any Shares issued to an Employee (or his personal representatives) on the exercise of an option, including Shares issued after he ceases to be an Employee.
- 10.2 In determining the Employee Fair Value the Company may propose to the Departing Shareholder a price which, if accepted by the Departing Shareholder, shall be deemed to be the Employee Fair Value. In the absence of agreement Employee Fair Value shall be determined in accordance with Article 10.3.
- 10.3 Subject to Article 10.2, Employee Fair Value shall be the value per Share as between a willing buyer and a willing seller determined and certified by the Auditors acting at the cost and expense of the Company as experts and not as arbitrators and whose determination shall be final. For the purposes of this sub-Article the Auditors shall be instructed to value the Company as a whole and in particular:
- 10.3.1 to have regard to the rights and restrictions attached to such shares in respect of income, capital and conversion; and
- 10.3.2 to disregard the fact that such shares represent a minority interest.
- 10.4 Regulations 29, 30 and 31 of Table A shall be applied subject to the provision of this Article.
- 10.5 If a Departing Shareholder shall fail to comply with a requirement to sell and/or transfer Shares pursuant to Article 10.1, the provisions of Article 9.8 shall apply *mutatis mutandis*.

GENERAL MEETINGS

- 11 In Regulation 37 of Table A there shall be substituted for the words “eight weeks” the words “twenty-eight days” and after the words “receipt of the requisition” there shall be added the words “and for the avoidance of doubt the requisitionists, or any of them representing more than one half of the total voting rights attached to shares held by all the requisitionists, may, if the Directors shall fail within seven days of receipt of the requisition to give notice of a general meeting for a date not later than twenty-eight days after receipt of the requisition, convene the meeting requisitioned for such date as they may select (subject to compliance with the provisions of the Act regarding the giving of notice of meetings requisitioned by the members, insofar as consistent with the provisions of this Article)”.
- 12 In its application to the Company, the final sentence of Regulation 38 of Table A shall be modified by the insertion of the words “known to be” after the words “to all persons”.
- 13 In its application to the Company, Regulation 50 of Table A shall be modified by the insertion after the word “shall” and before the words “be entitled” of the word “not”.
- 14 The instrument appointing a proxy and any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the Directors may:-
- 14.1 be deposited at the office or at such other place within the United Kingdom as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting not less than 24 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or
- 14.2 be delivered at the meeting or adjourned meeting at which the person named in the instrument proposes to vote to the Chairman or to the Secretary or to any Director; or
- 14.3 in the case of a poll, be delivered at the meeting at which the poll was demanded to the Chairman or to the Secretary or to any Director, or at the time and place at which the poll is held to the Chairman or to the Secretary or to any Director or scrutineer
- and an instrument of proxy which is not deposited or delivered in a manner so permitted shall be invalid.
- 15 A quorum at any general meeting of the Company shall consist of one Original Investor and one Virgin Shareholder present in person or proxy or (being a corporation by duly authorised representative). If a meeting is adjourned under Regulation 41 of Table A because a quorum is not present, at least 7 days notice of the adjourned meeting is given to the members and at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present shall form a quorum, and Regulation 41 of Table A shall be modified accordingly.

ALTERNATE DIRECTORS

- 16 The appointment of an alternate Director by a Virgin Director or an Investor Director shall not require approval by a resolution of the Directors, and in its application to the Company Regulation 65 of table A shall be modified accordingly.

NUMBER OF DIRECTORS

- 17 The number of directors shall be not less than two nor more than six (or, after Default, seven).

APPOINTMENT OF DIRECTORS

- 18.1 In its application to the Company, Regulation 78 of Table A shall be modified by the deletion of the words "... and may also determine the rotation in which any additional Directors are to retire"
- 18.2 In its application to the Company, Regulation 79 of Table A shall be modified by the deletion of the second and third sentences.
- 18.3 In its application to the Company, Regulation 84 of Table A shall be modified by the deletion of the third and final sentences.

NOMINATED DIRECTORS

- 19.1 The Original Investors shall have the right at any time and from time to time to appoint up to three Directors of the Company (increasing to four following a Default) and the following provisions shall have effect:-
- 19.1.1 Any such appointment shall be made by notice in writing to the Company by the Original Investors and the Original Investors may in like manner at any time and from time to time remove from office any Director appointed by them pursuant to this Article and appoint any person in place of any Director so removed or dying or otherwise vacating office;
- 19.1.2 Upon any resolution pursuant to Section 303 of the Act for the removal of any Director appointed by them and for the time being holding office pursuant to this Article, the "B" Ordinary Shares held by the Original Investors shall confer upon the holder(s) thereof the right to an aggregate number of votes which is one vote greater than the number of votes capable of being cast on such resolution by all other members of the Company. Such votes shall be divided between such holders if more than one as nearly as may be in proportion to the number of "B" Ordinary Shares held by them respectively.
- 19.1.3 For so long as they hold shares, Bankers Trust International PLC, JP Morgan International Capital Corporation and (taken together) TPG Partners LP and TPG Parallel 1, LP shall each have the right to appoint one of the Directors of the Company referred to in this Article 19.1 and references to notice in writing given by the Original Investors in sub-paragraph 19.1.1 above shall be deemed to refer to notice in writing given by any such person in respect of their relevant Director. Following a Default, the

right to appoint a fourth Director to be exercised by notice in writing to the Company by an Investor Majority.

19.2 The Virgin Shareholders shall have the right at any time and from time to time to appoint up to three Directors of the Company and the following provisions shall have effect:-

19.2.1 Any such appointment shall be made by notice in writing to the Company by a Virgin Shareholder Majority and a Virgin Shareholder Majority may in like manner at any time and from time to time remove from office any Director appointed by them pursuant to this Article and appoint any person in place of any Director so removed or dying or otherwise vacating office;

19.2.2 Upon any resolution pursuant to Section 303 of the Act for the removal of any Director appointed by them and for the time being holding office pursuant to this Article, the "A" Ordinary Shares held by the Virgin Shareholders shall confer upon the holder(s) thereof the right to an aggregate number of votes which is one vote greater than the number of votes capable of being cast on such resolution by all other members of the Company. Such votes shall be divided between such holders if more than one as nearly as may be in proportion to the number of "A" Ordinary Shares held by them respectively.

19.2.3 The Virgin Shareholders shall have the right at any time and from time to time to nominate one of the Virgin Directors to be the Chairman of the Company. Any such appointment may be made by notice in writing to the Company by a Virgin Shareholder Majority and a Virgin Shareholder Majority may in like manner at any time and from time to time remove from office the Chairman so appointed, and appoint another Virgin Director in his place.

DISQUALIFICATION OF DIRECTORS

20 In its application to the Company, Regulation 81 of Table A shall be modified by the deletion of paragraph(e) and the addition of the following paragraph:

"(e) he is removed from office under the provisions of Article 19;"

DIRECTORS' REMUNERATION

21 Directors' fees may be paid to such Directors and in such amounts as the Board may from time to time determine.

PROCEEDINGS OF DIRECTORS

22 In its application to the Company Regulation 88 of Table A shall be modified by the insertion of the word "not" after the words "the Chairman shall" in the fifth sentence.

23 The quorum for the transaction of the business of the Directors shall be two Virgin Directors and two Investor Directors. In the event that a meeting of the Directors is attended by a Director who is acting as alternate for one or more other Directors, the Director or Directors for whom he is the alternate shall be counted

in the quorum notwithstanding their absence, and if on that basis there is a quorum the meeting may be held notwithstanding the fact (if it is the case) that only one Director is physically present.

If a meeting of the Directors is adjourned because a quorum is not present, and at the adjourned meeting a quorum is not present within 15 minutes, or such other time as the Directors may agree, from the time appointed for the meeting, the meeting shall stand adjourned to the same day in the next week and at the same time and place and, subject to at least 7 days notice of the adjourned meeting having been given to the Directors, the Directors then present shall form a quorum.

- 24.1 In the event that at any meeting of the Directors held prior to a Default there are present more Investor Directors than Virgin Directors, the Virgin Directors shall have enhanced voting rights in respect of any resolutions proposed to the meeting, such that the number of votes exercisable by each Virgin Director shall be determined by dividing the number of Investor Directors present by the number of Virgin Directors present. In the event that at any meeting there are more Virgin Directors present than Investor Directors, the voting rights of the Investor Directors present shall be enhanced in the like manner.
- 24.2 Following a Default, the Investor Directors present at a Meeting of the Board shall have the greater of one vote per Director or, in aggregate one more than the aggregate votes of the Virgin Directors present, such votes to be divided equally between such Investor Directors as are present and voting at the meeting.
- 25.1 Every Director shall have the right to be appointed as non-executive director of each subsidiary of the Company and to be appointed to (i) any committee of sub-committee of or established by the Board (or any committee thereof) and (ii) any committee or sub-committee of or established by the board of directors of any subsidiary.
- 25.2 Electra Fleming Limited shall, for so long as it is a member, be entitled by written notice served on the registered office of the Company to appoint one person to be an observer at all board meetings of the Company and of any subsidiary and by like notice to remove or replace such observer from time to time. Such observer shall be entitled to receive notice of all Directors' meetings.
- 26 Notices of meetings of the Directors shall be given in writing and in its application to the Company Regulation 111 of Table A shall be modified accordingly.
- 27 Any Director who participates in the proceedings of a meeting by means of a communication device (including a telephone) which allows all the other Directors present at such meeting (whether in person or by alternate or by means of such type of communication device) to hear at all times such Director and such Director to hear at all times all other Directors present at such meeting (whether in person or by alternate or by means of such type of communication device) shall be deemed to be present at such meeting and shall be counted when reckoning a quorum.
- 28 A Director may vote at a meeting of the Directors, and form part of a quorum present at that meeting, in relation to any matter in which he has, directly or indirectly, an interest or duty which conflicts or which may conflict with the interests of the Company, provided that he has previously disclosed the nature of

such duty or interest to the Directors. The provisions of Regulation 86 of Table A shall be taken to apply equally to any disclosure to be made under the provisions of this Article.

PRESIDENT

- 29 The Directors may from time to time appoint such person as they may resolve to the honorary position of President of the Company. The President shall not be, or be held out to be, a Director or an officer of the Company.

BORROWING POWERS

- 30 The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

EXECUTION OF DOCUMENTS

- 31 In its application to the Company Regulation 101 of Table A shall be modified by the addition of the following sentence:

“Any instrument expressed to be executed by the Company and signed by two Directors, or by one Director and the Secretary, by the authority of the Directors or of a committee authorised by the Directors shall (to the extent permitted by the Act) have effect as if executed by the seal.”

INDEMNITIES

- 32 Subject to section 310 of the Act:-

- 32.1 Every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation to his office, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 144 or 727 of the Act in which relief is granted to him by the court, and no Director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or otherwise in relation to his office.

- 32.2 The Directors may purchase and maintain insurance for any such Director or other officer against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

GENERAL

- 33 Regulation 112 of Table A shall be modified by the deletion of the last sentence and the substitution of the following sentence: “Any member whose registered address is not

within the United Kingdom shall be entitled to have notice given to him at that address”.

- 34 Any notice sent to any member (or any other person entitled to receive notices under the Articles) by the Company by post to an address within the United Kingdom shall be deemed to have been given with 24 hours, if prepaid as first class, and within 48 hours, if prepaid as second class, after the same shall have been posted. Any such notice sent by post to an address outside the United Kingdom shall be deemed to have been given within 72 hours, if prepaid as airmail. In proving the giving of notice it shall be sufficient to prove that the envelope containing the same was properly addressed, prepaid and posted. Any notice not sent by post but left at a member's registered address shall be deemed to have been given on the day it was so left.
- 35 Regulation 116 Table A shall be modified by the deletion of the words “within the United Kingdom”.

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