

COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

**SPECIAL AND ORDINARY RESOLUTIONS
OF
VIRGIN RAIL GROUP LIMITED**

Passed **13** February 2002



At an extraordinary general meeting of the company, duly convened and held on **13** February 2002, the following resolutions were duly passed as indicated below:

RESOLUTIONS

As a special resolution:


1. **THAT** with effect from the passing of this resolution the regulations contained in the document produced to this meeting and for the purposes of identification signed by the chairman hereof be and are hereby approved and adopted as the Articles of Association of the Company (the "**New Articles**") in substitution for and to the exclusion of all existing Articles of Association of the Company.

As ordinary resolutions:

2. **THAT** with effect from the passing of this resolution:
 - (a) all of the issued A ordinary shares of 10 pence each in the capital of the Company, all of the issued C ordinary shares of 10 pence each in the capital of

the Company and all of the issued D ordinary shares of 10 pence each in the capital of the Company each be and are hereby re-designated as A ordinary shares of 10 pence each having attached to them the rights and restrictions set out in the New Articles; and

- (b) all of the issued B ordinary shares of 10 pence each in the capital of the Company each be and are hereby designated as B ordinary shares of 10 pence each having attached to them the rights and restrictions set out in the New Articles.
3. **THAT** with effect from the passing of this resolution the authorised share capital of the Company be and is hereby increased from £6,170,068 to £10,170,068 by the creation of 11,000,000 new A ordinary shares of 10 pence each and 29,000,000 new B ordinary shares of 10 pence each.
4. **THAT** with effect from the passing of this resolution the directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of that Act) up to an aggregate nominal amount of £4,000,000, such authority to be in addition to and not in substitution for the authority to allot Employee Non-Voting Shares contained in Article 5.1 of the New Articles and otherwise to be in substitution for all other existing authorities to allot relevant securities under Section 80 of that Act and such authority to expire on 11 February 2007.
5. **THAT** subject to the adoption of the New Articles and with effect from the passing of this resolution the directors of the Company be and are hereby authorised pursuant to Article 33 of the New Articles to capitalise sums standing to the credit of the Company's share premium account up to a maximum of £3,327,451 and to apply such sums in paying up 11,000,000 A ordinary shares of 10 pence each to be allotted and issued to Virgin Group Investments Limited and 22,274,510 B ordinary shares of 10 pence each to be allotted and issued to Stagecoach Group plc, such authority to expire at the conclusion of the next annual general meeting of the Company.


.....
Chairman of the Meeting

Company No. 3282548

FIRST ARTICLES
13/02/02
Adopted at EGM held
at 12.40 p.m.

COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

VIRGIN RAIL GROUP LIMITED

(Adopted by Special Resolution passed
on 13 February 2002)

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THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

(Adopted by Special Resolution passed on 13 February 2002)

of

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 in so far 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 46, 54, 62, 73 to 77 (inclusive), 80, 82, 89, 94 to 98 (inclusive), 110 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;
 - the **"Board"** the Board of Directors of the Company;
 - "B Ordinary Shares"** "B" Ordinary Shares of 10 pence each in the capital of the Company;
 - "Director of Passenger Rail Franchising"** that person in whom the rights, obligations and discretions now conferred on the SRA were previously conferred under the terms of the Franchise Agreements;

"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 (and "contract of employment" shall be construed accordingly to include such an agreement);

"Employee Non-Voting Shares" the Employee Non-Voting Ordinary Shares of 10 pence each in the capital of the Company;

"Employee Non-Voting Shareholders" the holders of Employee Non-Voting Shares;

"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, as amended from time to time, 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) West Coast Trains Limited (3) relating to the services for the carriage of passengers by railway to be provided by West Coast Trains Limited, as amended from time to time;

"Group" the Company and each company which is for the time being a subsidiary undertaking of the Company;

"Listing" the admission of the issued ordinary shares of the Company to the Official List of the UK Listing Authority or the grant of permission for any of the ordinary shares of the Company to be dealt in on the Alternative Investment Market or (subject to the agreement of the Stagecoach Shareholders and the Virgin Shareholders) the admission of ordinary shares of the Company to dealings on any other recognised investment exchange, as such term is defined for the purposes of the Financial Services and Markets Act 2000;

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 dated 7 March 1997, as amended on 7 October 1998, on 28 April 2000 and from time to time;

"Rail Regulator" that person appointed under section 1 of the Railways Act 1993 or such other person in whom the powers presently vested in the Rail Regulator under the terms of the operating licences held by West Coast Trains Limited and CrossCountry Trains Limited may from time to time be vested;

"Shareholder Loans" loans made to the Company in accordance with Clause 3 of the Shareholders Agreement;

"Shareholders" the Virgin Shareholders, the Stagecoach Shareholders and the Employee Non-Voting Shareholders;

"Shareholders Agreement" the Shareholders Agreement relating to the Company made between Virgin (1) Stagecoach (2) Plough Investments Limited and Others (3)

and the Company (4) dated 13 February 2002 as amended and adhered to from time to time;

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

"SRA" the Strategic Rail Authority set up under the Transport Act 2000;

"Stagecoach" Stagecoach Group plc (registered number SC100764) whose registered office is at 10 Dunkeld Road, Perth, Perthshire, Scotland PH1 5WA;

"Stagecoach Affiliate" any company which is, from time to time, a subsidiary undertaking of Stagecoach;

"Stagecoach Director" any director of the Company from time to time appointed to the Board pursuant to Article 20.1;

"Stagecoach Shareholders" Stagecoach and any Stagecoach Affiliate holding "B" Ordinary Shares from time to time;

"UK Listing Authority" the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000;

"Virgin" Virgin Group Investments Limited (registered number 175750), a British Virgin Islands company whose registered address is at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands;

"Virgin Director" any director of the Company from time to time appointed to the Board pursuant to Article 20.2;

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

"Virgin Affiliate" any company which is, from time to time, a subsidiary undertaking of Virgin and any of the Virgin Trusts;

"Virgin Trusts":

- (i) Cougar Investments Limited;
- (ii) Plough Investments Limited;
- (iii) Deutsche Bank Trustee Services (Guernsey) Limited in its capacity as trustee of the Mars Trust dated 28 January 1986;
- (iv) Deutsche Bank Trustee Services (Guernsey) Limited in its capacity as trustee of the Jupiter Trust dated 28 January 1996;
- (v) Deutsche Bank Trustee Services (Guernsey) Limited in its capacity as trustee of the Venus Trust dated 29 January 1986;
- (vi) Deutsche Bank Trustee Services (Guernsey) Limited in its capacity as trustee of the Virgo Trust dated 29 January 1985; and
- (vii) Deutsche Bank Trustee Services (Guernsey) Limited in its capacity as trustee of the Libra Trust dated 30 January 1985;

"Voting Shareholders" the holders of "A" Ordinary Shares and the holders of "B" Ordinary Shares; and

"Voting Shares" "A" Ordinary Shares and/or "B" Ordinary Shares as the case may be.

SHARE CAPITAL

3. The share capital of the Company at the date of adoption of these Articles is £10,170,068 divided into 51,000,000 "A" Ordinary Shares, 49,000,000 "B" Ordinary Shares, and 1,700,680 Employee Non-Voting Shares.

SHARE RIGHTS

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

4.1 Income

4.1.1 Subject to the provisions of these Articles, the profits of the Company available for distribution and resolved to be distributed in respect of any financial year shall be distributed among the holders of the Shares. Every dividend shall be distributed to the holders of the Shares pro rata (as nearly as may be) according to the number of the Shares held by them respectively.

4.1.2 No dividend or distribution shall be declared, made or paid in respect of the Shares at any time whilst any amount remains outstanding in respect of the Loan Stock and/or Shareholder Loans.

4.2 Capital

On a return of assets on liquidation or otherwise, the assets of the Company available for distribution among the members shall be applied first in paying to the holders of the Shares a sum equal to the nominal amount of each Share held by them and secondly the balance of such assets (if any) shall be distributed amongst the holders of the Shares, pro rata (as nearly as may be) according to the number of Shares held by them respectively.

4.3 Conversion

Upon a Listing, each Share (whether in issue or forming part of the Company's authorised but unissued share capital) will automatically be converted into, and redesignated as, an ordinary share of 10 pence ("**Ordinary Share**") having equivalent rights to the rights set out in Articles 4.1 and 4.2 and entitling the holder thereof to one vote for every Ordinary Share.

4.4 Voting

4.4.1 Subject to any special rights or restrictions as to voting attached to any Shares, no vote shall be taken on a show of hands and on a poll every holder of a Voting Share who (being an individual) is present in person or by proxy or (being a corporation) is present by proxy or by a duly authorised representative shall have one vote for every Voting Share of which he is the holder.

- 4.4.2 The holders of Employee Non-Voting Shares shall not be entitled to attend, nor to vote at, any general meeting of the Company in respect of the Employee Non-Voting Shares held by them.

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 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 any class meetings.
- 4.5.2 If there is a breach of Clauses 9 or 10 of the Shareholders Agreement or a breach of Article 7.2 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 All unissued 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, provided that no such allotment, grant or disposal may be made without the prior written approval of the holders of a majority (by nominal value) of the "A" Ordinary Shares and of the holders of a majority (by nominal value) of the "B" Ordinary Shares, save for the option arrangements provided for in Clause 11 of the Shareholders Agreement. Subject to the foregoing, the Board is generally and unconditionally authorised (for the purposes of Section 80 of the Act) to allot Employee Non-Voting Shares up to an aggregate nominal amount of £170,068, such authority to expire on the fifth anniversary of the date of adoption of these Articles.
- 5.2 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 (save where there is only one holder of shares of the class in which case the necessary quorum shall be one holder of shares of that 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, 7.3 and 7.4 and Regulation 24 of Table A) to register promptly any transfer of Shares made in accordance with the provisions of Articles 8 to 11 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 the Group is subject, or which would cause the Company or any member of the Group to be in breach of any obligation or undertaking to the SRA or the Rail Regulator (other than an obligation or undertaking to the SRA or the Rail Regulator entered into in breach of the terms of the Shareholders Agreement), or give rise to a right for the SRA to terminate either or both of the Franchise Agreements or give rise to a right for the Rail Regulator to terminate any operating licence held by either of West Coast Trains Limited or CrossCountry Trains Limited or to review the protection from competition afforded to either of those subsidiaries under the Rail Regulator's moderation of competition policy. 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 Stagecoach to a Stagecoach Affiliate and by a Stagecoach Affiliate to Stagecoach or to another Stagecoach Affiliate;
 - 8.1.2 by Virgin to a Virgin Affiliate and by a Virgin Affiliate to Virgin or to another Virgin Affiliate;
 - 8.1.3 by any member with the consent of the holders of at least 85 per cent. in nominal value of the "A" Ordinary Shares and of the holders of at least 85 per

cent. in nominal value of the "B" Ordinary Shares, in each case in issue at the relevant time;

8.1.4 by any member:

(A) pursuant to acceptance of an offer made to that member under the terms of Article 9.10 or Article 10.1; or

(B) in consequence of a requirement to sell Shares pursuant to Article 11;

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.

8.2 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, 8.1.2 or 8.1.5; and

8.2.2 the holder of the Shares ceases (in the case of Article 8.1.1) to be a Stagecoach Affiliate or (in the case of Article 8.1.2) to be a Virgin Affiliate or (in the case of Article 8.1.5) to hold as nominee or trustee for the original beneficial owner alone,

the holder of the Share shall be required immediately (in the case of Article 8.1.1) to transfer the Shares concerned to Stagecoach or another Stagecoach Affiliate, or (in the case of Article 8.1.2) to transfer the Shares concerned to Virgin or another Virgin Affiliate, or (in the case of Article 8.1.5) to transfer the Shares concerned to the original beneficial owner (as applicable).

8.3 Save as set out in this Article 8 and in Article 9 no holder of Shares shall have the right to transfer its Shares (or any interest in them).

RIGHTS OF PRE-EMPTION

9. All of the Virgin Shareholders (acting together) shall have the right to sell all (but not some only) of the "A" Ordinary Shares and all of the Stagecoach Shareholders (acting together) shall have the right to sell all (but not some only) of the "B" Ordinary Shares (in either case, the **"Sale Shares"**) subject to the following restrictions:

9.1 Before transferring or disposing of any Sale Shares, the Stagecoach Shareholders or the Virgin Shareholders as the case may be (the **"Proposing Transferors"**) shall serve a written notice upon the Company (the **"Transfer Notice"**) stating that the Proposing Transferors wish to sell all of the Sale Shares held by them. The Transfer Notice shall specify a price per Sale Share at which the Proposing Transferors wish to offer their Sale Shares for sale (the **"Prescribed Price"**). The Transfer Notice shall constitute the Company as the Proposing Transferors' agent for the sale of the Sale Shares to the Virgin Shareholders (if the Proposing Transferors are the Stagecoach Shareholders) or to the Stagecoach Shareholders (if the Proposing Transferors are the Virgin Shareholders) (the **"Recipients"**). Except as provided in this Article 9, a Transfer Notice once given or deemed to be given shall not be revocable without the

consent of a Virgin Director if the Proposing Transferors are Stagecoach Shareholders, or the consent of a Stagecoach Director if the Proposing Transferors are Virgin Shareholders.

- 9.2 The Sale Shares shall, within 14 days following receipt of the Transfer Notice be offered by the Company to the Recipients, in the proportions which each Recipient's holding of Shares bears to the total number of Shares held by the Recipients, for purchase at the Prescribed Price. All offers shall be made by notice in writing and limit a time (being between thirty and forty-two days, inclusive) within which the offer must be accepted or, in default, will be deemed to have been declined. A copy of such offers shall at the same time be sent by the Company to the Proposing Transferors.
- 9.3 Any Recipient to whom Sale Shares are offered may accept all or some only of the Sale Shares offered to it.
- 9.4 Each Recipient to whom the offer is made shall be invited to indicate whether, if it accepts the number of Sale Shares offered to it pursuant to Article 9.2, it wishes to purchase any Sale Shares offered to other Recipients in the same offer which they decline to accept (such Sale Shares being referred to as "**Excess Shares**") and if so the amount which it wishes to purchase.
- 9.5 If there are any Excess Shares they shall be allocated between the Recipients who have indicated that they wish to purchase Excess Shares. If the number of Excess Shares available is insufficient the Excess Shares shall be allocated between the Recipients seeking to purchase them as follows:
 - 9.5.1 any Recipient who has indicated that it wishes to purchase no more than its proportionate entitlement of Excess Shares (calculated by reference to the proportion which the number of Shares held by that Recipient bears to the total number of Shares held by the Recipients seeking to purchase Excess Shares) shall be allocated all the Excess Shares it sought to purchase; and
 - 9.5.2 any Recipient who has indicated that it wishes to purchase more than its proportionate entitlement shall have the number of Excess Shares applied for scaled down and (if more than one) in proportion to their respective holdings of Shares.
- 9.6 Not later than 7 days following the expiration of the period during which the offer made pursuant to Article 9.2 is open for acceptance (the "**Acceptance Period**") the Company shall give written notice to the Proposing Transferors stating whether or not acceptances have been received for all of the Sale Shares.
- 9.7 In the event that the Proposing Transferors are given notice under Article 9.6 that acceptances have been received for all of the Sale Shares, the Proposing Transferors shall be bound on payment of the Prescribed Price to transfer the Sale Shares to the Recipients who have accepted the offer of Sale Shares pursuant to Article 9.2 (the "**Purchasers**") and each of the Purchasers shall be bound to purchase such Sale Shares allocated to it under the provisions of Articles 9.3 to 9.5 at the Prescribed Price. The sale and purchase shall be completed at the registered office of the Company during normal business hours on the first business day after the expiry of 30 days from the date of service of notice under Article 9.6.

- 9.8 If the Proposing Transferors, after having become bound to transfer any Sale Shares to a Purchaser, shall fail to do so the Directors may authorise any person to execute on behalf of and as attorney for the Proposing Transferors (or any of them) any necessary instruments of transfer and shall register the Purchaser as the holder of the Sale Shares. The Company's receipt of the purchase money shall be a good discharge to the Purchaser, and the Company shall thereafter hold the same on trust for the Proposing Transferors. After the name of the Purchaser 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 Subject to Article 9.10 the Proposing Transferors may transfer all of the Sale Shares to a third party (the "**Third Party**") if the Company shall fail within the Acceptance Period to find a Purchaser or Purchasers for all of the Sale Shares, subject to the following restrictions:
- 9.9.1 the Sale Shares may not be sold after the expiry of three months after the date on which notice is given under Article 9.6;
- 9.9.2 the Sale Shares must be sold on a bona fide sale at a price not being less than the Prescribed Price to the Third Party;
- 9.9.3 any Virgin Director, if the Proposing Transferors are Stagecoach Shareholders, or any Stagecoach Director, if the Proposing Transferors are Virgin Shareholders, may require to be satisfied that the Sale Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the instrument of transfer without any deduction, rebate or allowance whatsoever to the Third Party.
- 9.10 Prior to, and as a condition of, transferring Sale Shares in accordance with Article 9.9 (the "**Proposed Third Party Sale**") to the Third Party, the Proposing Transferors must procure that the Third Party makes a legally binding offer or procures that such an offer is made (the "**Offer**") to acquire all of the Shares and all of the Loan Stock held by the Stagecoach Shareholders or any Stagecoach Affiliate (if the Proposing Transferors are Virgin Shareholders) or all of the Shares held by Virgin Shareholders and all of the Loan Stock held by the Virgin Trusts, the Virgin Shareholders or any Virgin Affiliate (as the case may be) (if the Proposing Transferors are Stagecoach Shareholders) (the "**Non-Transferring Holders**").
- 9.11 The Offer shall be made in writing by the Third Party to the Non-Transferring Holders and shall offer to acquire all (but not some only) of the Non-Transferring Holders' Shares and Loan Stock (if any) within a prescribed period and on a prescribed date being not less than thirty days and not greater than forty-two days of the date of such offer being made. The liabilities of the Non-Transferring Holders under such Offer shall be identical (as nearly as may be practicable) in form and proportionate quantum to the liabilities of the Proposing Transferors under the Proposed Third Party Sale. The consideration payable under the Offer shall be:
- 9.11.1 in the case of Shares, consideration (whether in cash, securities or otherwise or any combination thereof) per Share equal to the consideration payable per Share to the Proposing Transferors; or

- 9.11.2 in the case of Loan Stock, consideration in cash equal to the aggregate nominal value of such Loan Stock together with all accrued but unpaid interest thereon.
- 9.12 Completion of the Proposed Third Party Sale shall take place at the same time as completion of the sale of Non-Transferring Holders' Shares and Loan Stock on the acceptance of the Offer, if such Offer is accepted, provided that the failure of the Non-Transferring Holders (or any of them) to perform any term of the Offer required to be performed by such Non-Transferring Holders (or any of them) on such completion or thereafter shall not prevent or otherwise delay the Proposing Transferors from completing the Proposed Third Party Sale.

COMPULSORY TRANSFERS

10.1 Employee Non-Voting Shareholders

The provisions of this Article 10.1 shall have effect where all of the Virgin Shareholders and the Stagecoach Shareholders agree to sell all of the Shares held by them (a "**Proposed Sale**").

10.1.1 In the event of a Proposed Sale, the Voting Shareholders must procure that an offer is made to the Employee Non-Voting Shareholders to acquire their entire holdings of Employee Non-Voting Shares, which offer complies with the provisions of Article 10.1.2, and the Voting Shareholders shall have the right to require all the Employee Non-Voting Shareholders to accept in full such offer (the "**Drag Along Right**"). The offer may include Employee Non-Voting Shares not in issue at the date on which the offer is made, but which may subsequently be issued (whether on exercise of an outstanding option to subscribe or otherwise).

10.1.2 An offer referred to in Article 10.1.1 shall be:

- (A) open for acceptance for not less than one month following the date of the making of the offer; and
- (B) on terms that for each Employee Non-Voting Share the Employee Non-Voting Shareholder shall be entitled to receive (whether in cash, securities or otherwise or in any combination thereof) consideration equal to the consideration to be paid for each of the Voting Shares and otherwise on the same terms as the Voting Shareholders.

For the avoidance of doubt, if the offer includes any Employee Non-Voting Shares which may be issued after the date of the offer, the consideration for each such Employee Non-Voting Share under the offer shall be the same as the consideration offered for each Employee Non-Voting Share in issue on the date the offer was made, determined in accordance with Article 10.1.2.

10.1.3 The Drag Along Right may be exercised by the Voting Shareholders, serving notice upon the Employee Non-Voting Shareholders at the same time as, or within seven days of, the offer made pursuant to Article 10.1.1 (the "**Drag Along Notice**"). In the event that the Voting Shareholders do not sell all of their Shares not later than the date specified as the date for completion of the sale and purchase of the Employee Non-Voting Shares pursuant to the

acceptance of the offer, the Drag Along Notice shall lapse. In the event that the Voting Shareholders exercise the Drag Along Right, each Employee Non-Voting Shareholder shall be bound to accept the offer and transfer all of the Shares registered in his name and to comply with the obligations assumed by virtue of such acceptance. If the offer includes any Employee Non-Voting Shares which may be issued after the date on which the offer is made, this Article 10.1.3 shall apply (*mutatis mutandis*) in respect of any Employee Non-Voting Shares so issued, save that the Drag Along Notice need not be served within seven days of the offer.

- 10.1.4 In the event that any Employee Non-Voting Shareholder fails to accept the offer made to him pursuant to Article 10.1.1 or, having accepted such offer, fails to complete the sale of any of his Employee Non-Voting Shares pursuant to the offer, or otherwise fails to take any action required of it under the terms of the offer, the Directors (or any of them) may authorise some person to accept the offer on behalf of that Employee Non-Voting Shareholder or undertake any action required under the terms of the offer on his part. The Directors may in particular authorise some person to execute a transfer of any Employee Non-Voting Shares in favour of the offeror (or its nominee) and the Company may give a good receipt for the consideration for such Employee Non-Voting Shares and may register the offeror (or its nominee) as holder thereof and issue to it (or as it may direct) certificates for the same whereupon the offeror (or its nominee) shall be indefeasibly entitled thereto. An Employee Non-Voting Shareholder shall in such case be bound to deliver up its certificate for its Employee Non-Voting Shares to the Company whereupon such Employee Non-Voting Shareholder shall be entitled to receive the consideration for such Employee Non-Voting Shares, which consideration shall in the meantime be held by the Company on trust for such person but without interest.

10.2 Virgin Trusts

The provisions of this Article 10.2 shall impose no obligations, and shall confer no rights, on any shareholder who is not a Virgin Shareholder.

- 10.2.1 If at any time the Virgin Shareholders and the Stagecoach Shareholders propose to sell their entire holdings of Shares and (unless the terms of such sale include the repayment in full on completion of the entirety of the Loan Stock (if any) held by the Stagecoach Shareholders and the Virgin Trusts (or any person to whom the Stagecoach Shareholder or any Virgin Trust has transferred any Loan Stock in accordance with these Articles or the Shareholders Agreement, being a "permitted transferee") in accordance with its terms) their entire holdings (if any) of Loan Stock (the "**Specified Loan Stock**") the Virgin Shareholders 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 Loan Stock held by the Virgin Trusts (and/or any permitted transferee of any Virgin Trusts) for the Specified Consideration (as defined in Article 10.2.3), which offer shall be open for acceptance for not less than 21 days.

- 10.2.2 If Article 10.2.1 applies, the Virgin Shareholders shall have the right (the "**Second Drag Along Right**"), exercisable by the Virgin Shareholders giving notice to that effect (the "**Second Drag Along Notice**") to the Virgin Trusts (and/or any permitted transferee of any Virgin Trust), requiring them to accept the Offer made to them pursuant to Article 10.2.1. A Second 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 Loan Stock is not completed within 60 days from the service of the Second Drag Along Notice. Completion of the sale shall take place on the date and at the place at which the sale of the Specified Loan Stock shall be completed.
- 10.2.3 The "Specified Consideration" for the purposes of Article 10.2.1 shall mean 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 £1.00 nominal of Loan Stock shall be £1.00 in cash plus a sum in cash equal to all accrued unpaid interest.
- 10.2.4 In the event of any disagreement about the calculation of the Specified Consideration, 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 Virgin Shareholder or any of the Virgin Trusts (and/or any permitted transferee of any Virgin Trust) by the President for the time being of the Institute of Chartered Accountants in England and Wales or its successor) whose decision shall be final and binding.
- 10.2.5 In the event that any of the Virgin Trusts (and/or any permitted transferee of any Virgin Trust) fails to accept the Offer made to it pursuant to Article 10.2.1 or, having accepted such Offer, fails to complete the sale of any of its Loan Stock pursuant to the Offer, or otherwise fails to take any action required of it under the terms of the Offer the Directors (or any of them) may authorise some person to accept the Offer on behalf of that Virgin Trust or undertake any action required under the terms of the Offer on its part. The Directors may in particular authorise some person to execute a transfer of any Loan Stock in favour of the offeror (or its nominee) and the Company may give a good receipt for the consideration for such Loan Stock and may register the offeror (or its nominee) as holder thereof and issue to it (or as it may direct) certificates for the same whereupon the offeror (or its nominee) shall be indefeasibly entitled thereto. A Virgin Trust (and/or any permitted transferee of any Virgin Trust) shall in such case be bound to deliver up its certificate for its Loan Stock to the Company whereupon such Virgin Trust (and/or any permitted transferee of any Virgin Trust) shall be entitled to receive the consideration for such Loan Stock which consideration shall in the meantime be held by the Company on trust for such person but without interest.

COMPULSORY TRANSFERS: EMPLOYEES

- 11.1 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:
- 11.1.1 the Employee Fair Value (as determined in accordance with Article 11.2 or 11.3), 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); or
 - 11.1.2 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 11 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.
- 11.2 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 11.3.
- 11.3 Subject to Article 11.2 , Employee Fair Value shall be the value per Share as between a willing buyer and a willing seller determined and certified by the auditors of the Company 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 Article the auditors shall be instructed to value the Company as a whole and in particular:
- 11.3.1 to have regard to the rights and restrictions attached to such shares in respect of income, capital and conversion; and
 - 11.3.2 to disregard the fact that such shares represent a minority interest.
- 11.4 Regulations 29, 30 and 31 of Table A shall be applied subject to the provisions of this Article.
- 11.5 If a Departing Shareholder shall fail to comply with a requirement to sell and/or transfer Shares pursuant to Article 11.1, the provisions of Article 9.8 shall apply mutatis mutandis.

GENERAL MEETINGS

12. 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)".

13. 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".
14. 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".
15. 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:
 - 15.1 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
 - 15.2 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
 - 15.3 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.
16. No business shall be transacted at any general meeting of the Company unless a quorum of members is present at the time when the meeting proceeds to business and remains present during the transaction of business. A quorum at any general meeting of the Company shall consist of two persons entitled to vote provided that at least one such person is a Stagecoach Shareholder and one such person is a 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 3 days notice of the adjourned meeting shall be given to the members and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the member or members present shall form a quorum, and Regulation 41 of Table A shall be modified accordingly.

ALTERNATE DIRECTORS

17. The appointment of an alternate Director by any Virgin Director or any Stagecoach 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

18. The number of Directors shall be not less than two nor more than thirteen.

APPOINTMENT OF DIRECTORS

- 19.1 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".
- 19.2 In its application to the Company, Regulation 79 of Table A shall be modified by the deletion of the second and third sentences.
- 19.3 In its application to the Company, Regulation 84 of Table A shall be modified by the deletion of the third and final sentences.
- 19.4 Subject to Article 18, and the provisions relating to the appointment of certain directors contained in Articles 20.1 and 20.2 and Clause 6.2 of the Shareholders Agreement, the Virgin Shareholders shall have the right at any time and from time to time to appoint one or more Directors of the Company. Any such appointment shall be made by notice in writing to the Company. The Virgin Shareholders 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.

NOMINATED DIRECTORS

- 20.1 The Stagecoach Shareholders shall have the right at any time and from time to time to appoint two Directors of the Company and the following provisions shall have effect:-
- 20.1.1 Any such appointment shall be made by notice in writing to the Company by the Stagecoach Shareholders and the Stagecoach Shareholders 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;
- 20.1.2 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 Shares held by the Stagecoach 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 Shares held by them respectively.
- 20.2 The Virgin Shareholders shall have the right at any time and from time to time to appoint two Directors of the Company and the following provisions shall have effect.
- 20.2.1 Any such appointment shall be made by notice in writing to the Company by the Virgin Shareholders and the Virgin Shareholders 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;

- 20.2.2 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 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 Shares held by them respectively.

DISQUALIFICATION OF DIRECTORS

21. 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 20;"

DIRECTORS' REMUNERATION

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

PROCEEDINGS OF DIRECTORS

23. 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.
24. Subject to Article 25, the quorum for the transaction of the business of the Directors shall be two of which one shall be a Virgin Director and one shall be a Stagecoach Director. Subject to the foregoing, 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.
25. If no Virgin Director is in office, the quorum shall be a Stagecoach Director and one other Director. If no Stagecoach Director is in office, the quorum shall be a Virgin Director and one other Director. If no Virgin Director and no Stagecoach Director is in office, the quorum shall be any two Directors.
26. 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 3 days notice of the adjourned meeting having been given to the Directors, the Directors then present shall form a quorum.
27. Each Virgin Director and each Stagecoach Director shall have the right to be appointed as a non-executive director of each subsidiary of the Company and to be appointed to (i) any committee or 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. Any committee or sub-committee established pursuant to this Article shall consist of at least two Directors of whom one

shall be a Stagecoach Director and one shall be a Virgin Director. The provisions of these Articles with respect to the regulation of meetings of the Board shall apply *mutatis mutandis* to meetings of any committee or sub-committee.

28. 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.
29. 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.
30. 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

31. 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

32. 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.

CAPITALISATION OF PROFITS, ETC

- 33.1 The Directors may with the authority of an ordinary resolution of the Company:
 - 33.1.1 subject as hereinafter provided resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not the same are available for distribution and including profits standing to any reserve) or any sum standing to the credit of the Company's share premium account, merger reserve or capital redemption reserve or any other capital reserve of the Company; and
 - 33.1.2 appropriate the profits or sum resolved to be capitalised to the members in such proportions as the Voting Shareholders determine in the relevant ordinary resolution or (in the absence of such determination) in proportion to the nominal amount of Voting Shares (whether or not fully paid) held by each member respectively, and apply such profits or sum on behalf of such members, either in or towards paying up the amounts, if any, for the time

being unpaid on any shares held by such members respectively, or in paying up in full unissued shares (of any class) or debentures of the Company of a nominal amount equal to such profits or sum, and allot and distribute such shares or debentures credited as fully paid up, to and amongst such members, or as they may direct, in the proportion aforesaid, or partly in one way and partly in the other provided that the share premium account, merger reserve, capital redemption reserve and any other capital reserve and such profits which are not available for distribution may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members credited as fully paid,

and, for the avoidance of doubt, if the authority of any single ordinary resolution so permits, the Directors may do all or any of such things on more than one occasion or from time to time.

33.2 In any such case, the Directors may:

33.2.1 set a record date as at which the members entitled to participate in such distribution will be determined;

33.2.2 resolve that any such distribution shall be, or shall to the extent so resolved be, in lieu of any cash dividend;

33.2.3 where any difficulty arises with regard to any distribution of any capitalised reserve or other sum, settle the matter as they think expedient and in particular make such provision by the issue of fractional certificates (or by ignoring fractions) or by payment in cash or otherwise as the Directors think fit;

33.2.4 authorise any person to enter on behalf of all the members concerned into an agreement with the Company providing for either:

(A) the allotment to them respectively, credited as fully paid up, of any shares or debentures to which they may be entitled upon such capitalisation; or

(B) the payment up by the Company on behalf of such members (by the application thereto of their respective proportions of the profits or reserves resolved to be capitalised) of the amounts or any part of the amounts remaining unpaid on their existing shares;

(any agreement made under such authority being thereupon effective and binding on all such members); and

33.2.5 generally do all acts and things which they consider necessary or expedient to give effect to such ordinary resolution or capitalisation as aforesaid.

EXECUTION OF DOCUMENTS

34. 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

35. Subject to section 310 of the Act:-

- 35.1 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.
- 35.2 The Company 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 or them 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

36. 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".
37. 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 within 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.
38. Regulation 116 of Table A shall be modified by the deletion of the words "within the United Kingdom".