

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

Filing Date: **2007-12-10**
SEC Accession No. **0001193125-07-262353**

([HTML Version](#) on [secdatabase.com](#))

FILER

Argo Group International Holdings, Ltd.

CIK: **1091748** | IRS No.: **980214719** | Fiscal Year End: **1231**
Type: **S-8** | Act: **33** | File No.: **333-147967** | Film No.: **071296249**
SIC: **6361** Title insurance

Mailing Address
110 PITTS BAY ROAD
PEMBROKE D0 HM 08

Business Address
110 PITTS BAY ROAD
PEMBROKE D0 HM 08
4412965858

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

110 Pitts Bay Road
Pembroke HM08
Bermuda
(Address of Principal Executive Offices)

98-0214719
(I.R.S. Employer
Identification No.)

P.O. Box HM 1282
Hamilton HM FX
Bermuda
(Mailing Address)

Argo Group International Holdings, Ltd. 2007 Long-Term Incentive Plan
Argo Group International Holdings, Ltd. 2007 Employee Share Purchase Plan
(Full title of the plans)

Mark E. Watson III
President and Chief Executive Officer
Argo Group International Holdings, Ltd.
110 Pitts Bay Road
Pembroke HM08
Bermuda
Telephone: (441) 296-5858

(Name, address and telephone number, including area code, of agent for service)

Copy to:
R. Scott Falk, P.C.
Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Telephone: (312) 861-2000

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Shares, par value \$1.00 per share	4,500,000 shares (2)	\$38.49 (3)	\$173,205,000 (3)	\$5,318
Common Shares, par value \$1.00 per share	500,000 shares (4)	\$38.49 (3)	\$19,245,000 (3)	\$591
Total	5,000,000 shares		\$192,450,000	\$5,909

- (1) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), this Registration Statement on Form S-8 (the "Registration Statement") shall also cover any additional shares of common stock which become issuable under the above-named plan by reason of any stock dividend, stock split, recapitalization or any other similar transaction effected without the receipt of consideration which results in an increase in the number of our outstanding shares of common stock.
- (2) Represents 4,500,000 shares of common stock issuable pursuant to the Argo Group International Holdings, Ltd. 2007 Long-Term Incentive Plan.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h) and Rule 457(c) under the Securities Act, based upon the average of the high and low prices of the registrant's shares of common stock on December 4, 2007, as quoted on the Nasdaq Global Select Market.
- (4) Represents 500,000 shares of common stock issuable pursuant to the Argo Group International Holdings, Ltd. 2007 Employee Share Purchase Plan.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.*

Item 2. Registrant Information and Employee Plan Annual Information.*

* The documents containing the information specified in Part I will be delivered in accordance with Rule 428(b)(1) under the Securities Act. Such documents are not required to be, and are not, filed with the Securities and Exchange Commission (the "Commission"), either as part of this Registration Statement or as prospectuses or prospectus supplements pursuant to Rule 424 under the Securities Act. These documents, and the documents incorporated by reference in this Registration Statement pursuant to Item 3 of Part II of this Form S-8, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents, which have been filed by Argo Group International Holdings, Ltd., formerly known as PXRE Group Ltd. (the "Company") with the Commission (Commission File No. 001-15259) pursuant to the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are incorporated in this Registration Statement by reference:

(a) The Company's Annual Report on Form 10-K for the fiscal year ended on December 31, 2006, filed with the Commission on March 16, 2007, as amended by Form 10-K/A filed with the Commission on April 23, 2007;

(b) The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007, filed with the Commission on May 9, 2006, the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007, filed with the Commission on August 6, 2007, and the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2007, filed with the Commission on November 9, 2007;

(c) The Company's Current Reports on Form 8-K filed with the Commission on January 3, 2007; February 9, 2007; February 12, 2007; March 15, 2007; March 16, 2007; March 19, 2007; August 8, 2007; August 17, 2007; August 23, 2007; August 29, 2007; October 17, 2007; October 23, 2007; November 5, 2007; November 14, 2007; and November 16, 2007; and

(d) The description of the Company's common stock, par value \$1.00 per share, included on Form 8-A/A filed pursuant to Section 12(b) of the Exchange Act on August 6, 2007, as amended.

All reports and other documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this Registration Statement, but prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The Company is incorporated under the laws of Bermuda.

Under the Company's Bye-Laws, the Company's directors and officers (including any individual appointed to any committee by the Company's Board of Directors) for the time being acting in relation to any of the affairs of

the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them, and their heirs, executors and administrators, shall be indemnified and held harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any monies or effects belonging to the Company shall or may be delivered or deposited for safe custody, or for insufficiency or deficiency of any security upon which any monies of or belonging to the Company shall be deposited or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said individuals.

Under the Company's Bye-Laws, each member of the Company and the Company agree to waive any claim or right of action he or it might have, whether individually or by or in the right of the Company, against any director or officer on account of any action taken by such director or officer, or the failure of such director or officer to take any action, in the performance of his duties, or supposed duties, with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such director or officer.

Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized by the Company's Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, liquidator or trustee to repay such amount unless it shall ultimately be determined that the individual is entitled to be indemnified by the Company as authorized in the Bye-Laws or otherwise pursuant to the laws of Bermuda.

The Company maintains officer and director liability insurance insuring such persons against liabilities incurred in the discharge of their duties and also insuring the Company against its indemnification obligations.

Item 7. Exemption from Registration Claimed. Not applicable.

Item 8. Exhibits. Reference is made to the attached Exhibit Index, which is incorporated by reference herein.

Item 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to the Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Company' s annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan' s annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Bermuda, on December 10, 2007.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.

By:

/s/ Mark E. Watson III

Name: Mark E. Watson III

Title: President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby severally constitutes and appoints Mark E. Watson III with full power of substitution and resubstitution, his or her true and lawful attorney-in fact and agent, with full powers to him to sign for us, in our names and in the capacities indicated below, the Registration Statement on Form S-8 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and any and all amendments to said Registration Statement (including post-effective amendments), granting unto said attorney full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, and hereby ratifying and confirming all that said attorney or his substitute or substitutes shall do or cause to be done by virtue of this Power of Attorney. This power of attorney may be executed in counterparts and all capacities to sign any and all amendments.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities indicated on December 10, 2007.

<u>Signature</u>	<u>Title</u>
<u>/s/ Mark E. Watson III</u> Mark E. Watson III	President, Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Mark W. Haushill</u> Mark W. Haushill	Interim Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ F. Sedgwick Browne</u> F. Sedgwick Browne	Director
<u>/s/ H. Berry Cash</u> H. Berry Cash	Director
<u>/s/ Bradley E. Cooper</u> Bradley E. Cooper	Director

<u>/s/ Hector DeLeon</u> Hector DeLeon	Director
<u>/s/ Allan W. Fulkerson</u> Allan W. Fulkerson	Director
<u>/s/ David Hartoch</u> David Hartoch	Director
<u>/s/ Mural R. Josephson</u> Mural R. Josephson	Director
<u>/s/ Frank Maresh</u> Frank Maresh	Director
<u>/s/ Philip R. McLoughlin</u> Philip R. McLoughlin	Director
<u>/s/ John R. Power, Jr.</u> John R. Power, Jr.	Director
<u>/s/ Fayez S. Sarofim</u> Fayez S. Sarofim	Director
<u>/s/ Gary V. Woods</u> Gary V. Woods	Director

EXHIBIT INDEX

Exhibit Number	Description
4.1	Amended and Restated Memorandum of Association of the Registrant (Exhibit 3.1 to the Registrant' s Current Report on Form 8-K filed with the Commission on August 8, 2007).
4.2	Bye-Laws of the Registrant (Exhibit 3.2 to the Registrant' s Current Report on Form 8-K filed with the Commission on August 8, 2007).
5.1	Opinion of Conyers Dill & Pearman.
23.1	Consent of KPMG LLP.
23.2	Consent of Conyers Dill & Pearman (included in Exhibit 5.1).
24.1	Power of Attorney (set forth on the signature page of this Registration Statement).
99.1	Argo Group International Holdings, Ltd. 2007 Employee Share Purchase Plan.
99.2	Argo Group International Holdings, Ltd. 2007 Long-Term Incentive Plan.

LETTERHEAD OF CONYERS DILL & PEARMAN

December 10, 2007

DIRECT LINE:

441-299- 4902

E-MAIL:

OUR REF: D J Doyle

YOUR REF:

Argo Group International Holdings, Ltd.

110 Pitts Bay Road

Pembroke HM O8

Bermuda

Dear Sirs

Argo Group International Holdings, Ltd. (the "Company")

We have acted as special legal counsel in Bermuda to the Company in connection with a registration statement on form S-8 filed with the Securities and Exchange Commission (the "Commission") on December 10, 2007 (the "Registration Statement", which term does not include any other document or agreement whether or not specifically referred to therein or attached as an exhibit or schedule thereto) relating to the registration under the United States Securities Act of 1933, as amended, (the "Securities Act") of 5,000,000 common shares, par value \$1.00 per share (the "Common Shares"), issuable pursuant to Argo Group International Holdings, Ltd. 2007 Long-Term Incentive Plan and the Argo Group International Holdings, Ltd. 2007 Employee Share Purchase Plan (the "Plans", which term does not include any other document or agreement whether or not specifically referred to therein or attached as an exhibit or schedule thereto).

For the purposes of giving this opinion, we have examined copies of the Registration Statement and the Plans. We have also reviewed the memorandum of association and the bye-laws of the Company, each certified by the Secretary of the Company on the date hereof, copies of minutes of a meeting of the board of directors of the Company held on August 7, 2007 ("Minutes") and such other documents and made such enquires as to questions of law as we have deemed necessary in order to render the opinion set forth below.

We have assumed (a) the genuineness and authenticity of all signatures and the conformity to the originals of all copies (whether or not certified) of all documents examined by us and the authenticity and completeness of the originals from which such copies were taken, (b) that where a document has been examined by us in draft form, it will be or has been executed and/or filed in the form of that draft, and where a number of drafts of a document have been examined by us all changes thereto have been marked or otherwise drawn to our attention, (c) the accuracy and completeness of all factual representations made in the Registration Statement, the Plans and other documents reviewed by us, (d) that the resolutions contained in the Minutes were passed at one or more duly convened, constituted and quorate meetings, or by unanimous written resolutions, remain in full force and effect and have not been rescinded or amended, (e) that there is no provision of the law of any jurisdiction,

other than Bermuda, which would have any implication in relation to the opinions expressed herein, (f) that there is no provision in the Plans or in any award agreement which would have any implication in relation to the opinions expressed herein; (g) that, upon the issue of any Common Shares, the Company will receive consideration for the full issue price thereof which shall be equal to at least the par value thereof, (h) that on the date of issuance of any of the Common Shares the Company will have sufficient authorised but unissued common shares, (i) that on the date of issuance of any award under the Plans, the Company will be able to pay its liabilities as they become due, (j) that the Company' s shares will be listed on an appointed stock exchange, as defined in the Companies Act 1981 and the consent to the issue and free transfer of the Common Shares given by the Bermuda Monetary Authority dated June 1, 2005 will not have been revoked or amended at the time of issuance of any Common Shares.

We express no opinion with respect to the issuance of Shares pursuant to any provision of the Plans that purports to obligate the Company to issue Shares following the commencement of a winding up or liquidation. We have made no investigation of and express no opinion in relation to the laws of any jurisdiction other than Bermuda. This opinion is to be governed by and construed in accordance with the laws of Bermuda and is limited to and is given on the basis of the current law and practice in Bermuda. This opinion is issued solely for the purposes of the filing of the Registration Statement and the issuance of the Common Shares by the Company pursuant to the Plans and is not to be relied upon in respect of any other matter.

On the basis of, and subject to, the foregoing, we are of the opinion that:

1. The Company is duly incorporated and existing under the laws of Bermuda in good standing (meaning solely that it has not failed to make any filing with any Bermuda government authority or to pay any Bermuda government fees or tax which would make it liable to be struck off the Register of Companies and thereby cease to exist under the laws of Bermuda).
2. When issued and paid for in accordance with the terms of the Plans, the Common Shares will be validly issued, fully paid and non-assessable (which term means when used herein that no further sums are required to be paid by the holders thereof in connection with the issue of such shares).

We consent to the filing of this opinion as an exhibit to the Registration Statement. In giving such consent, we do not hereby admit that we are experts within the meaning of Section 11 of the Securities Act or that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

Yours faithfully,
/s/ CONYERS DILL & PEARMAN

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Argo Group International Holdings, Ltd.:

We consent to the use of our reports dated March 16, 2007, with respect to the consolidated balance sheets of PXRE Group Ltd., and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations and comprehensive operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2006, the related consolidated financial statement schedules as of and for the three-year period ended December 31, 2006, management' s assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 and the effectiveness of internal control over financial reporting as of December 31, 2006, incorporated herein by reference.

/s/ KPMG LLP

New York, New York
December 10, 2007

Argo Group International Holdings. Ltd.
2007 Employee Share Purchase Plan

Effective November 14, 2007

CONTENTS

Section 1	Purpose of the Plan	1
Section 2	References, Constructions and Definitions	1
Section 3	Administration of the Plan	3
Section 4	Shares Subject to the Plan	4
Section 5	Offering Periods	4
Section 6	Eligibility	4
Section 7	Payroll Deductions	5
Section 8	Purchase Rights	6
Section 9	Accrual Limitations	10
Section 10	Effective Date and Term of the Plan	10
Section 11	Amendment of the Plan	11
Section 12	General Provisions	11
Schedule A	Companies Participating in the Plan	12

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
2007 EMPLOYEE SHARE PURCHASE PLAN

I. PURPOSE OF THE PLAN

This 2007 Employee Share Purchase Plan is intended to promote the interests of Argo Group International Holdings, Ltd., a Bermuda exempted holding company, by providing eligible employees with the opportunity to acquire a proprietary interest in the Company through participation in a payroll deduction-based employee share purchase plan designed to qualify under Section 423 of the Code.

II. REFERENCES, CONSTRUCTION AND DEFINITIONS

Unless otherwise indicated, all references made in this Plan shall be to articles and sections contained in this Plan. The headings and subheadings have been inserted for convenience of reference only and are to be ignored in construction of the provisions of this Plan. In the construction of this Plan, the singular shall include the plural wherever appropriate.

The following terms (in alphabetical order) shall have the meanings set forth opposite such terms for purposes of this Plan:

- A. **Base Salary** shall mean the regular base salary paid to a Participant by one or more Participating Companies during such individual' s period of participation in one or more offering periods under the Plan. Base Salary shall be calculated before deduction of (A) any income or employment tax withholdings or (B) any contributions made by the Participant to any Code Section 401(k) salary deferral plan or any Code Section 125 cafeteria benefit program now or hereafter established by the Company or any Company Affiliate. However, Base Salary shall not include (i) any overtime payments, bonuses, commissions, profit-sharing distributions or other incentive-type payments received during the Participant' s period of participation or (ii) any contributions made by the Company or any Company Affiliate on the Participant' s behalf to any employee benefit or welfare plan now or hereafter established (other than Code Section 401(k) or Code Section 125 contributions deducted from his or her Base Salary).
- B. **Board** shall mean the Company' s Board of Directors.
- C. **Change in Control** shall be deemed to occur if:
- Any Person, other than (1) the Company or any of its Subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Shares of the Company, is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its Affiliates) representing 35% or more of

the combined voting power of the Company' s then outstanding securities, or 35% or more of the then outstanding Common Shares of the Company, excluding any Person who becomes such a Beneficial Owner in connection with a merger or consolidation of the Company described in below.

There is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, except if: (A) the merger or consolidation would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or (B) the merger or consolidation is effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 50% or more of the combined voting power of the Company' s then outstanding securities;

The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company' s assets, other than a sale or disposition by the Company of all or substantially all of the Company' s assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by the Shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale;

During any period of two consecutive years (the "Period"), individuals who at the beginning of the Period constitute the Board of Directors of the Company and any new director cease for any reason to constitute a majority of the Board of Directors.

- D. **Code** shall mean the United States Internal Revenue Code of 1986, as amended.
- E. **Company** shall mean Argo Group International Holdings, Ltd., a Bermuda exempted holding company, and any corporate successor to all or substantially all of the assets or voting shares of Argo Group International Holdings, Ltd. that shall by appropriate action adopt the Plan.
- F. **Common Share** shall mean the Company' s common shares.
- G. **Company Affiliate** shall mean any parent or subsidiary company of the Company (as determined in accordance with Section 424 of the Code), whether now existing or subsequently established.
- H. **Eligible Employee** shall mean any person who is employed by a Participating Company on a basis under which he or she is regularly expected to render more than twenty (20) hours of service per week for more than five (5) months per calendar year for earnings considered wages under Section 3401(a) of the Code.

- I. **Fair Market Value** The fair market value of a Common Share shall be determined for purposes of the Plan by reference to the closing price on the principal Share exchange on which such shares are then listed or, if such shares are not then listed on an exchange, by reference to the closing price (if a National Market Issue) or the mean between the bid and asked price (if other over-the-counter issue) of a share as supplied by the National Association of Securities Dealers through Nasdaq (or its successor in function), in each case as reported by The Wall Street Journal, for the date with respect to which such term is used (or, if for any reason no such price is available, in such other manner as the Board of Directors or the Committee may deem appropriate to reflect the then fair market value thereof).
- J. **1933 Act** shall mean the United States Securities Act of 1933, as amended.
- K. **Participant** shall mean any Eligible Employee of a Participating Company who is actively participating in the Plan.
- L. **Participating Company** shall mean the Company and such Company Affiliate or Affiliates as may be authorized from time to time by the Board to extend the benefits of the Plan to their Eligible Employees. The Participating Companies in the Plan are listed in attached Schedule A.
- M. **Plan** shall mean the Company's 2007 Employee Share Purchase Plan, as set forth in this document.
- N. **Plan Administrator** shall mean the committee of two (2) or more Board members appointed by the Board to administer the Plan.
- O. **Purchase Date** shall mean the last business day of each Purchase Interval. The initial Purchase Date shall be January 31, 2008.
- P. **Purchase Interval** shall mean each three (3)-month period coincident with (or otherwise occurring within) a particular offering period at the end of which there shall be purchased Common Shares on behalf of each Participant.
- Q. **Quarterly Entry Date** shall mean, for each offering period with more than one Purchase Interval, the first day of each Purchase Interval within that offering period.
- R. **Stock Exchange** shall mean either the American Stock Exchange, NASDAQ or the New York Stock Exchange.

III. ADMINISTRATION OF THE PLAN

The Plan Administrator shall have full authority to interpret and construe any provision of the Plan and to adopt such rules and regulations for administering the Plan as it may deem necessary in order to comply with the requirements of Section 423 of the Code. Decisions of the Plan Administrator shall be final and binding on all parties having an interest in the Plan.

IV. SHARES SUBJECT TO PLAN

- A. The shares purchasable under the Plan shall be shares of authorized but unissued or reacquired Common Shares, including Common Shares purchased on the open market. The number of Common Shares initially reserved for issuance over the term of the Plan shall be limited to 500,000 shares.
- B. Beginning in calendar year 2009, the number of Common Shares available for issuance under the Plan shall automatically increase by an amount equal to 200,000 shares on the first trading day of January of each calendar year.
- C. Should any change be made to the Common Shares by reason of any share split, share dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Shares as a class without the Company's receipt of consideration, appropriate adjustment shall be made to (i) the maximum number and class of securities issuable under the Plan, (ii) the maximum number and class of securities purchasable per Participant on any one Purchase Date, (iii) the maximum number and class of securities purchasable in total by all Participants on any one Purchase Date, (iv) the maximum number and/or class of securities by which the share reserve is to increase automatically each calendar year pursuant to the provisions of Section IV.B and (v) the number and class of securities and the price per share in effect under each outstanding purchase right in order to prevent the dilution or enlargement of benefits thereunder.

V. OFFERING PERIODS

- A. Common Shares shall be offered for purchase under the Plan through a series of successive offering periods until such time as (i) the maximum number of Common Shares available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated.
- B. Each offering period shall be of such duration (not to exceed twenty-four (24) months) as determined by the Plan Administrator prior to the start date of such offering period. Offering periods shall commence at quarterly intervals on the first business day of February, May, August and November each year over the term of the Plan. However, the initial offering period under the Plan shall commence on December 1, 2007.
- C. Each offering period shall consist of a series of one or more successive Purchase Intervals. Purchase Intervals shall begin on the first business day in February, May, August and November each year, and shall end on the last business day of April, July, October and January, respectively. However, the first Purchase Interval in effect under the Plan shall begin on December 1, 2007 and end on January 31, 2008.

VI. ELIGIBILITY

- A. Each individual who is an Eligible Employee on the start date of any offering period under the Plan may enter that offering period on such start date or, if such offering period has more than one Purchase Interval, on any Quarterly Entry Date within that offering period, provided he or she remains an Eligible Employee.

- B. An individual who first becomes an Eligible Employee after the start date of an offering period may enter that offering period on any subsequent Quarterly Entry Date within that offering period on which he or she is an Eligible Employee. However, if the offering period is to have only one Purchase Interval and the individual is not an Eligible Employee on the start date of that offering period, then such individual must wait until the start date of the first offering period thereafter on which he or she is an Eligible Employee in order to enter the Plan.
- C. An Eligible Employee must, in order to participate in the Plan for a particular offering period, complete the enrollment forms prescribed by the Plan Administrator (including a share purchase agreement and a payroll deduction authorization) and file such forms with the Plan Administrator (or its designate) on or before the start date of that offering period. The enrollment forms filed by a Participant for a particular offering period shall continue in effect for each subsequent offering period unless the Participant files new enrollment forms on or before the start date of any subsequent offering period or withdraws from the Plan.
- D. The date an individual enters an offering period shall be designated as his or her Entry Date for purposes of that offering period.

VII. PAYROLL DEDUCTIONS

- A. The payroll deduction authorized by the Participant for purposes of acquiring Common Shares during an offering period may be any multiple of one percent (1%) of the Base Salary paid to the Participant during each Purchase Interval within that offering period, up to a maximum of ten percent (10%). The deduction rate so authorized shall continue in effect throughout the offering period and shall continue from offering period to offering period, except to the extent such rate is changed in accordance with the following guidelines:
 - (i) The Participant may, at any time during the offering period, reduce his or her rate of payroll deduction to become effective as soon as possible after filing the appropriate form with the Plan Administrator. The Participant may not, however, effect more than one (1) such reduction per Purchase Interval.
 - (ii) The Participant may, prior to the commencement of any new Purchase Interval under the Plan, increase the rate of his or her payroll deduction by filing the appropriate form with the Plan Administrator. The new rate (which may not exceed the ten percent (10%) maximum) shall become effective on the start date of the first Purchase Interval following the filing of such form.
- B. Payroll deductions shall begin on the first pay day administratively feasible following the start date of the offering period and shall (unless sooner terminated by the Participant) continue through the pay day ending with or immediately prior to the last day of that offering period. The amounts so collected shall be credited to the Participant's book account under the Plan, but no interest shall be paid on the

balance from time to time outstanding in such account. The amounts collected from the Participant shall not be required to be held in any segregated account or trust fund and may be commingled with the general assets of the Company and used for general corporate purposes.

- C. Payroll deductions shall automatically cease upon the termination of the Participant's purchase right in accordance with the provisions of the Plan.
- D. The Participant's acquisition of Common Shares under the Plan on any Purchase Date shall neither limit nor require the Participant's acquisition of Common Shares on any subsequent Purchase Date, whether within the same or a different offering period.

VIII. PURCHASE RIGHTS

- A. **Grant of Purchase Rights.** A Participant shall be granted a separate purchase right for each offering period in which he or she is enrolled. The purchase right shall be granted on the start date of the offering period and shall provide the Participant with the right to purchase Common Shares, in one or more installments during that offering period, upon the terms set forth below. The Participant shall execute a share purchase agreement embodying such terms and such other provisions (not inconsistent with the Plan) as the Plan Administrator may deem advisable.

Under no circumstances shall purchase rights be granted under the Plan to any Eligible Employee if such individual would, immediately after the grant, own (within the meaning of Section 424(d) of the Code) or hold outstanding options or other rights to purchase, shares possessing five percent (5%) or more of the total combined voting power or value of all classes of shares of the Company or any Company Affiliate.

- B. **Exercise of the Purchase Right.** Each purchase right shall be automatically exercised on each successive Purchase Date within the offering period, and Common Shares shall accordingly be purchased on behalf of each Participant on each such Purchase Date. The purchase shall be effected by applying the Participant's payroll deductions for the Purchase Interval ending on such Purchase Date to the purchase of whole Common Shares at the purchase price in effect for the Participant for that Purchase Date.
- C. **Purchase Price.** The purchase price per share at which Common Shares will be purchased on the Participant's behalf on each Purchase Date within the particular offering period in which he or she is enrolled shall be equal to eighty-five percent (85%) of the *lower* of (i) the Fair Market Value per Common Share on the start date of that offering period or (ii) the Fair Market Value per Common Share on that Purchase Date.
- D. **Number of Purchasable Shares.** The number of Common Shares purchasable by a Participant on each Purchase Date during the particular offering period in which he or she is enrolled shall be the number of whole shares obtained by dividing the amount collected from the Participant through payroll deductions during the Purchase Interval ending with that Purchase Date by the purchase price in effect for the Participant for that Purchase Date. However, the maximum number of Common

Shares purchasable per Participant on any one Purchase Date shall not exceed 1,000 shares, subject to periodic adjustments in the event of certain changes in the Company's capitalization. In addition, the maximum number of Common Shares purchasable in total by all Participants in the Plan on any one Purchase Date shall not exceed 100,000 shares, subject to periodic adjustments in the event of certain changes in the Company's capitalization. However, the Plan Administrator shall have the discretionary authority, exercisable prior to the start of any offering period under the Plan, to increase or decrease the limitations to be in effect for the number of shares purchasable per Participant and in total by all Participants enrolled in that particular offering period on each Purchase Date which occurs during that offering period.

- E. **Excess Payroll Deductions.** Any payroll deductions not applied to the purchase of Common Shares on any Purchase Date because they are not sufficient to purchase a whole Common Share shall be held for the purchase of Common Shares on the next Purchase Date. However, any payroll deductions not applied to the purchase of Common Shares by reason of the limitation on the maximum number of shares purchasable per Participant or in total by all Participants on the Purchase Date shall be promptly refunded.
- F. **Suspension of Payroll Deductions.** If a Participant is, by reason of the accrual limitations in Article VIII, precluded from purchasing additional Common Shares on one or more Purchase Dates during the offering period in which he or she is enrolled, then no further payroll deductions shall be collected from such Participant with respect to those Purchase Dates. The suspension of such deductions shall not terminate the Participant's purchase right for the offering period in which he or she is enrolled, and payroll deductions shall automatically resume on behalf of such Participant once he or she is again able to purchase shares during that offering period in compliance with the accrual limitations of Article IX.
- G. **Withdrawal from Offering Period.** The following provisions shall govern the Participant's withdrawal from an offering period:
- (i) A Participant may withdraw from the offering period in which he or she is enrolled at any time prior to the next scheduled Purchase Date by filing the appropriate form with the Plan Administrator (or its designate), and no further payroll deductions shall be collected from the Participant with respect to that offering period. Any payroll deductions collected during the Purchase Interval in which such withdrawal occurs shall, at the Participant's election, be immediately refunded or held for the purchase of shares on the next Purchase Date as elected by the Participant. If no such election is made at the time of such withdrawal, then the payroll deductions collected from the Participant during the Purchase Interval in which such withdrawal occurs shall be refunded as soon as possible.
 - (ii) The Participant's withdrawal from a particular offering period shall be irrevocable, and the Participant may not subsequently rejoin that offering period at a later date. In order to resume participation in any subsequent offering period, such individual must re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before the start date of that offering period.

H. **Termination of Purchase Right.** The following provisions shall govern the termination of outstanding purchase rights:

- (i) Should the Participant cease to remain an Eligible Employee for any reason (including death, disability or change in status) while his or her purchase right remains outstanding, then that purchase right shall immediately terminate, and all of the Participant's payroll deductions for the Purchase Interval in which the purchase right so terminates shall be immediately refunded.
- (ii) However, should the Participant cease to remain in active service by reason of an approved leave of absence, then the Participant shall have the right, exercisable up until the last business day of the Purchase Interval in which such leave commences, to (a) withdraw all the payroll deductions collected to date on his or her behalf for that Purchase Interval or (b) have such funds held for the purchase of shares on his or her behalf on the next scheduled Purchase Date. In no event, however, shall any further payroll deductions be collected on the Participant's behalf during such leave. Upon the Participant's return to active service (x) within ninety (90) days following the commencement of such leave or (y) prior to the expiration of any longer period for which such Participant's right to reemployment with the Company is guaranteed by statute or contract, his or her payroll deductions under the Plan shall automatically resume at the rate in effect at the time the leave began (whether or not a new offering period may have commenced), unless the Participant withdraws from the Plan prior to his or her return. An individual who returns to active employment following a leave of absence that exceeds in duration the applicable (x) or (y) time period will be treated as a new employee for purposes of subsequent participation in the Plan and must accordingly re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before the start date of any subsequent offering period in which he or she wishes to participate.

I. **Change in Control.** Each outstanding purchase right shall automatically be exercised, immediately prior to the effective date of any Change in Control, by applying the payroll deductions of each Participant for the Purchase Interval in which such Change in Control occurs to the purchase of whole Common Shares at a purchase price per share equal to eighty-five percent (85%) of the lower of (i) the Fair Market Value per Common Share on the start date of the offering period in which the Participant is enrolled at the time such Change in Control occurs or (ii) the Fair Market Value per Common Share immediately prior to the effective date of such Change in Control. However, the applicable limitation on the number of Common Shares purchasable per Participant shall continue to apply to any such purchase, but not the limitation applicable to the maximum number of Common Shares purchasable in total by all Participants on any one Purchase Date.

The Company shall use its best efforts to provide at least ten (10) days' prior written notice of the occurrence of any Change in Control, and Participants shall, following the receipt of such notice, have the right to terminate their outstanding purchase rights prior to the effective date of the Change in Control.

- J. **Proration of Purchase Rights.** Should the total number of Common Shares to be purchased pursuant to outstanding purchase rights on any particular date exceed the number of shares then available for issuance under the Plan, the Plan Administrator shall make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis, and the payroll deductions of each Participant, to the extent in excess of the aggregate purchase price payable for the Common Shares pro-rated to such individual, shall be refunded.
- K. **ESPP Broker Account.** The shares purchased on behalf of each Participant shall be deposited directly into a brokerage account which the Company shall establish for the Participant at a Company-designated brokerage firm. The account will be known as the ESPP Broker Account. The following policies and procedures shall be in place for the shares deposited into the Participant' s ESPP Broker Account until those shares have been held for the requisite period necessary to avoid a disqualifying disposition of the shares under the federal tax laws – the shares must be held in the ESPP Broker Account until the later of the following two periods: (i) the end of the two (2)-year period measured from the start date of the Purchase Period in which the shares were purchased and (ii) the end of the one (1)- year period measured from the actual purchase date of those shares.
- Common Shares purchased under the Plan shall not be transferable (either electronically or in certificate form) from the ESPP Broker Account until the required holding period for those shares is satisfied. Such limitation shall apply both to transfers to different accounts with the same ESPP broker and to transfers to other brokerage firms. Any shares held for the required holding period may be transferred (either electronically or in certificate form) to other accounts or to other brokerage firms.
- The foregoing procedures shall not in any way limit when the Participant may sell his or her shares. Those procedures are designed solely to assure that any sale of shares prior to the satisfaction of the required holding period is made through the ESPP Account. In addition, the Participant may request a share certificate or share transfer from his or her ESPP Broker Account prior to the satisfaction of the required holding period should the Participant wish to make a gift of any shares held in that account. However, shares may not be transferred (either electronically or in certificate form) from the ESPP Broker Account for use as collateral for a loan, unless those shares have been held for the required holding period.
- The foregoing procedures shall apply to all shares purchased by the Participant under the Plan, whether or not the Participant continues in Employee status.
- L. **Assignability.** The purchase right shall be exercisable only by the Participant and shall not be assignable or transferable by the Participant.
- M. **Shareholder Rights.** A Participant shall have no Shareholder rights with respect to the shares subject to his or her outstanding purchase right until the shares are purchased on the Participant' s behalf in accordance with the provisions of the Plan and the Participant has become a holder of record of the purchased shares.

IX. ACCRUAL LIMITATIONS

- A. No Participant shall be entitled to accrue rights to acquire Common Shares pursuant to any purchase right outstanding under this Plan if and to the extent such accrual, when aggregated with (i) rights to purchase Common Shares accrued under any other purchase right granted under this Plan and (ii) similar rights accrued under other employee Share purchase plans (within the meaning of Section 423 of the Code) of the Company or any Company Affiliate, would otherwise permit such Participant to purchase more than Twenty-Five Thousand Dollars (\$25,000.00) worth of Common Shares of the Company or any Company Affiliate (determined on the basis of the Fair Market Value per share on the date or dates such rights are granted) for each calendar year such rights are at any time outstanding.
- B. For purposes of applying such accrual limitations to the purchase rights granted under the Plan, the following provisions shall be in effect:
- (i) The right to acquire Common Shares under each outstanding purchase right shall accrue in a series of installments on each successive Purchase Date during the offering period in which such right remains outstanding.
 - (ii) No right to acquire Common Shares under any outstanding purchase right shall accrue to the extent the Participant has already accrued in the same calendar year the right to acquire Common Shares under one or more other purchase rights at a rate equal to Twenty-Five Thousand Dollars (\$25,000.00) worth of Common Shares (determined on the basis of the Fair Market Value per share on the date or dates of grant) for each calendar year such rights were at any time outstanding.
- C. If by reason of such accrual limitations, any purchase right of a Participant does not accrue for a particular Purchase Interval, then the payroll deductions that the Participant made during that Purchase Interval with respect to such purchase right shall be promptly refunded.
- D. In the event there is any conflict between the provisions of this Article and one or more provisions of the Plan or any instrument issued thereunder, the provisions of this Article shall be controlling.

X. EFFECTIVE DATE AND TERM OF THE PLAN

- A. The Plan was adopted by the Board on August 7, 2007 and shall become effective on November 14, 2007 provided (i) the Plan shall have been approved by the shareholders of the Company at the 2007 Annual Meeting of Shareholders to be held on November 13, 2007; and (ii) the Company shall have complied with all applicable requirements of the 1933 Act (including the registration of the Common Shares issuable under the Plan on a Form S-8 registration statement filed with the Securities and Exchange Commission), all applicable listing requirements of any

Stock exchange (or the Nasdaq National Market, if applicable) on which the Common Shares are listed for trading and all other applicable requirements established by law or regulation. The Plan shall be deemed approved by the shareholders of the Company by the affirmative vote of the holders of a majority of the voting shares of the Company represented and entitled to vote at a duly held meeting at which a quorum is present.

- B. Unless sooner terminated by the Board, the Plan shall terminate upon the earliest of (i) November 14, 2017, (ii) the date on which all shares available for issuance under the Plan shall have been sold pursuant to purchase rights exercised under the Plan or (iii) the date on which all purchase rights are exercised in connection with a Change in Control. No further purchase rights shall be granted or exercised, and no further payroll deductions shall be collected, under the Plan following such termination.

XI. AMENDMENT OF THE PLAN

- A. The Board may alter, amend, suspend or terminate the Plan at any time to become effective immediately following the close of any Purchase Interval and, subject to B, without the approval of the shareholders.
- B. In no event may the Board effect any of the following amendments or revisions to the Plan without the approval of the Company's shareholders: (i) increase the number of Common Shares issuable under the Plan, except for permissible adjustments in the event of certain changes in the Company's capitalization, (ii) alter the purchase price formula so as to reduce the purchase price payable for the Common Shares purchasable under the Plan or (iii) modify the eligibility requirements for participation in the Plan.

XII. GENERAL PROVISIONS

- A. All costs and expenses incurred in the administration of the Plan shall be paid by the Company; however, each Plan Participant shall bear all costs and expenses incurred by such individual in the sale or other disposition of any shares purchased under the Plan.
- B. Nothing in the Plan shall confer upon the Participant any right to continue in the employ of the Company or any Company Affiliate for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Company Affiliate employing such person) or of the Participant, which rights are hereby expressly reserved by each, to terminate such person's employment at any time for any reason, with or without cause.
- C. Except to the extent in connection with other matters of corporate governance and authority (all of which shall be governed by the laws of the Company's jurisdiction of incorporation), the validity, construction, interpretation, administration, and effect of the Plan and any rules, regulations, and actions relating to the Plan will be governed by and construed exclusively in accordance with the internal, substantive laws of the state of Texas, without regard to the conflict of law rules of Texas or any other jurisdiction.

Schedule A**Companies Participating in Employee Share Purchase Plan**

Argo Group International Holdings Limited
Argonaut Management Services, Inc.
Argonaut Insurance Company
Argonaut Great Central Insurance Company
Colony Management Services, Inc.
Peleus Reinsurance Ltd.
Rockwood Casualty Insurance Company
Trident Insurances Services, LLC

Argo Group International Holdings, Ltd.
2007 Long-Term Incentive Plan

Effective November 14, 2007

CONTENTS

Section 1. Purpose	1
Section 2. Definitions	1
Section 3. Administration	4
Section 4. Effective Date and Termination of the Plan	4
Section 5. Shares Subject to the Plan and to Awards	5
Section 6. Eligibility	6
Section 7. Share Options	6
Section 8. Share Appreciation Rights	8
Section 9. Restricted Shares and Restricted Share Units	8
Section 10. Performance Units and Performance Shares	10
Section 11. Other Share-Based Incentives	11
Section 12. Fair Market Value of Common Shares	11
Section 13. Compliance with Section 162(m) of the Code	11
Section 14. Termination of Employment	12
Section 15. Change in Control	13
Section 16. Adjustments Upon Changes in Capitalization	14
Section 17. Compliance with Laws and Regulations	14
Section 18. Withholding	15
Section 19. Amendment of the Plan or Awards	15
Section 20. Miscellaneous Provisions	16
Section 21. Governing Law	16

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
2007 LONG-TERM INCENTIVE PLAN

SECTION 1
PURPOSE

The purpose of the Argo Group International Holdings, Ltd. 2007 Long-Term Incentive Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by (a) motivating superior performance by means of long-term performance-related incentives, (b) encouraging and providing for the acquisition of an ownership interest in the Company by Employees as well as Non-Employee Directors, and (c) enabling the Company to attract and retain qualified and competent persons to serve as members of an outstanding management team and the Board of Directors of the Company upon whose judgment, interest, and performance are required for the successful and sustained operations of the Company.

SECTION 2
DEFINITIONS

Unless the context otherwise indicates, the following definitions shall be applicable for the purpose of the 2007 Long-Term Incentive Plan:

- A. **“Agreement”** or **“Grant Agreement”** shall mean a written agreement setting forth the terms of an Award.
- B. **“Award”** shall mean any Option (which may be designated as a Nonqualified or Incentive Share Option), Share Appreciation Right, Restricted Share, Restricted Share Unit, Performance Unit (which may be paid in either Shares or cash), Performance Share, Dividend Equivalent, or Other Share-Based Incentive Award, in each case granted under this Plan.
- C. **“Beneficial Owner”** shall have the meaning provided in Rule 13d-3 promulgated by the Securities and Exchange Commission under the United States Securities Exchange Act of 1934, or such rule or any successor rule thereto which is in effect from time to time.
- D. **“Beneficiary”** shall mean the person, persons, trust, or trusts designated by a Participant or if no designation has been made, the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive the benefits specified under this Plan in the event of the Participant’s death.
- E. **“Board”** shall mean the Board of Directors of the Company.
- F. **“Code”** means the United States Internal Revenue Code of 1986, as amended from time to time; references to a particular section of the Code include references to regulations and rulings thereunder and to successor provisions.
- G. **“Committee”** shall mean the Compensation Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions. The Committee shall be constituted to comply with the requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission under the United States Securities Exchange Act of 1934, or such rule or any successor rule thereto which is in effect from time to time and Section 162(m) of the Code.

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- H. **“Common Share”** or **“Common Shares”** shall mean the Common Shares of the Company, \$1.00 par value.
- I. **“Company”** shall mean Argo Group International Holdings, Ltd., a Bermuda exempted holding company.
- J. **“Covered Employee”** shall mean an Employee who, as of the date that the value of an Award is recognizable as income, is one of the group of “covered employees,” within the meaning of Section 162(m) of the Code, with respect to the Company and its subsidiaries.
- K. **“Designated Section 162(m) Group”** shall mean that group of persons whom the Committee believes may be Covered Employees with respect to a fiscal year of the Company.
- L. **“Disability”** shall mean a physical or mental impairment sufficient to make a Participant eligible for benefits under the Company’s Long-Term Disability Plan; provided, however, that if payment or settlement of an award subject to Section 409A of the Code is to be accelerated solely as a result of a Participant’s Disability, Disability shall have the meaning set forth in Section 409A of the Code.
- M. **“Dividend Equivalent”** shall mean a right to receive or accrue, to the extent provided under the respective Award, dividends on Restricted Shares and Restricted Share Units which may be paid currently or credited to an account for the Participants, and may be settled in cash and/or Shares.
- N. **“Employee”** shall mean any person employed on a full-time basis by the Company or by a subsidiary that does not have in effect for its personnel any plan similar to the Plan, including officers and employee directors thereof.
- O. **“Grant Date”** shall mean the date on which an Award is granted.
- P. **“Incentive Share Option”** or **“ISO”** shall mean an Option that is intended by the Committee to meet the requirements of Section 422 of the Code or any successor provision.
- Q. **“Non-Employee Director”** or **“Director”** shall mean a member of the Board who is not an employee of the Company or any affiliate or subsidiary of the Company.
- R. **“Nonqualified Share Option”** or **“NQSO”** shall mean an Option granted pursuant to this Plan which does not qualify as an Incentive Share Option.
- S. **“Normal Termination”** shall mean a termination of employment (i) at Retirement, (ii) for permanent and total Disability, (iii) death or (iv) without being terminated for cause.
- T. **“Option”** shall mean the right to purchase Common Shares at a price to be specified and upon terms to be designated by the Committee pursuant to this Plan. An Option shall be designated by the Committee as a Nonqualified Share Option or an Incentive Share Option at the time of grant.
- U. **“Option Price”** shall mean the price at which a Share may be purchased by a Participant pursuant to an Option.

- V. **“Option Term”** shall mean the period beginning on the Grant Date of an Option and ending on the date such Option expires, terminates or is cancelled.
- W. **“Other Share-Based Award”** shall mean a right, granted under Section 11 hereof, that relates to or is valued by reference to Shares or other Awards relating to Shares.
- X. **“Participant”** shall mean an Employee or Non-Employee Director to whom an Award has been granted pursuant to the Plan.
- Y. **“Performance-Based Exception”** shall mean the performance-based exception from the tax deductibility limitations of Section 162(m)(4)(C) of the Code (including the special provisions for Options thereunder).
- Z. **“Performance Measures”** shall mean the performance measures as set forth in Section 13.B of the Plan.
- AA. **“Performance Period”** shall mean the time period during which the performance goals must be met.
- BB. **“Performance Share”** and **“Performance Unit”** shall have the respective meanings set forth in Section 10 of the Plan.
- CC. **“Person”** shall have the meaning given in Section 3(a)(9) of the 1934 Act as modified and used in Sections 13(d) and 14(d) of the 1934 Act.
- DD. **“Personal Representative”** shall mean the person or persons who, upon the disability or incompetence of a Participant, shall have acquired on behalf of the Participant by legal proceeding or otherwise the right to receive the benefits specified in this Plan.
- EE. **“Plan”** shall mean this 2007 Long-Term Incentive Plan.
- FF. **“Restricted Period”** shall mean the period during which Restricted Shares or Restricted Share Units are subject to forfeiture if the conditions set forth in the Agreement are not satisfied.
- GG. **“Restricted Shares”** shall mean those Common Shares issued pursuant to a Restricted Share Award which are subject to the restrictions, terms, and conditions specified by the Committee pursuant to Section 9.
- HH. **“Restricted Share Award”** shall mean an award of Restricted Shares pursuant to Section 9 hereof.
- II. **“Restricted Share Unit”** shall mean a right, granted in accordance with Section 9 of the Plan, to receive a Share, subject to such Restricted Period and/or Performance Period as the Committee shall determine.
- JJ. **“Retirement”** shall mean termination of a Participant’s employment after the Participant’s fifty-fifth (55th) birthday and with at least five full years of service with the Company or one of its subsidiaries.
- KK. **“Share”** shall mean a Common Share.

LL. **“Share Appreciation Right”** or **“SAR”** shall mean the right of the holder to receive, upon exercise thereof, payment of an amount determined by multiplying: (a) any increase in the fair market value of a Common Share at the date of exercise over the price fixed by the Committee at the date of grant, by (b) the number of shares with respect to which the SAR is exercised; provided, however, that at the time of grant, the Committee may establish, in its sole discretion, a maximum amount per share which will be payable upon exercise of a SAR. The amount payable upon exercise may be paid in cash or other property, including without limitation, Common Shares, or any combination thereof as determined by the Committee.

SECTION 3 ADMINISTRATION

The Plan shall be administered by the Committee. In addition to any implied powers and duties that may be needed to carry out the provisions of the Plan, the Committee shall have all of the powers vested in it by the terms of the Plan, including exclusive authority to select the Employees to be granted Awards under the Plan, to determine the type, size, and terms of the Awards to be made to each Employee selected, to determine the time when Awards will be granted, and to prescribe the form of the Agreements embodying Awards made under the Plan. The Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to make any other determinations which it believes necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive.

SECTION 4 EFFECTIVE DATE AND TERMINATION OF THE PLAN

The Plan was adopted by the Board on August 7, 2007 and will become effective as of November 14, 2007 (the “Effective Date”), subject to the approval by the Company’s shareholders. All Awards granted under this Plan are subject to, and may not be exercised or earned before, the approval of this Plan by the shareholders prior to the first anniversary date of the effective date of the plan, by the affirmative vote of the holders of a majority of the outstanding Shares of the Company present, or represented by proxy, and entitled to vote, at a meeting of the Company’s shareholders provided that if such approval by the shareholders of the Company is not forthcoming, all Awards previously granted under this Plan shall be void. The Plan shall remain available for the grant of Awards until the tenth (10th) anniversary of the Effective Date. Notwithstanding the foregoing, the Plan may be terminated at such earlier time as the Board may determine. Termination of the Plan will not affect the rights and obligations of the Participants and the Company arising under Awards theretofore granted and then in effect.

SECTION 5
SHARES SUBJECT TO THE PLAN AND TO AWARDS

A. Aggregate Limits

The aggregate number of Shares issuable pursuant to all Awards under this Plan shall not exceed 4,500,000 shares. The number of Shares available for grant under this Plan and the number of Shares subject to outstanding Awards shall be subject to adjustment as provided in Section 16. The Shares issued pursuant to Awards granted under this Plan may be Shares that are authorized and unissued or Shares that were required by the Company, including Shares purchased in the open market.

- (a) A Share Option or a Share Appreciation Right shall be counted as one Share for purposes of the limit set forth in Section 5 A at the time of grant. A combination of tandem SAR and Share Option, where the exercise of the tandem SAR or Share Option results in the cancellation of the other, shall be counted as one share for purposes of the limit set forth in Section 5 A at the time of grant.
- (b) A Restricted Share, Restricted Share Unit, Performance Unit, Performance Share, or Other Share-Based Incentive award shall be counted as two and three-quarters' shares (2.75) for purposes of the limit set forth in Section 5 A at the time of grant.

B. Issuance of Shares

For purposes of Section 5.A, the aggregate number of Shares issued under this Plan at any time shall equal only the number of Shares actually issued upon exercise or settlement of an Award under this Plan. Notwithstanding the foregoing, Shares subject to an Award under this Plan may not again be made available for issuance under this Plan if such Shares are: (i) Shares that were subject to a Share-settled Share Appreciation Right and were not issued under the net settlement or net exercise of such Share Appreciation Right, (ii) Shares used to pay the exercise price of an Option, (iii) Shares delivered to or withheld by the Company to pay the withholding taxes related an Option or a Share Appreciation Right, or (iv) Shares repurchased on the open market with the proceeds of an Option exercise. Shares subject to Awards that have been canceled, expired, forfeited or otherwise not issued under an Award and Shares subject to Awards settled in cash shall not count as Shares issued under this Plan.

C. Tax Code Limits

The aggregate number of Shares subject to Awards granted under this Plan during any calendar year to any one Participant shall not exceed 300,000, except that in connection with his or her initial service, a new Employee may be granted Awards covering up to an additional 300,000 shares, which number shall be calculated and adjusted pursuant to Section 16 only to the extent that such calculation or adjustment will not affect the status of any Award intended to qualify as "performance based compensation" under Section 162(m) of the Code but which number shall not count any tandem SARs. The maximum amount payable pursuant to that portion of Performance Units or Other Share-Based Incentives granted in any calendar year to any Participant under this Plan that is intended to satisfy the requirements for "performance based compensation" under Section 162(m) of the Code which is payable in cash shall not exceed \$10 million.

SECTION 6
ELIGIBILITY

Any Employee or Non-Employee Director of the Company shall be eligible to participate in the Plan.

SECTION 7
SHARE OPTIONS

A. Option Awards

Options may be granted at any time and from time to time prior to the termination of the Plan as determined by the Committee. No Participant shall have any rights as a Shareholder until said Shares have been issued. Each Option shall be evidenced by an Agreement. Options granted pursuant to the Plan need not be identical but each Option must contain and be subject to the terms and conditions set forth below.

B. Option Price

The Committee will establish the exercise price per Share under each Option, which, in no event will be less than the fair market value of the Shares on the date of Grant (as defined in Section 12); provided, however, that the exercise price per Share with respect to an Option that is granted in connection with a merger or other acquisition as a substitute or replacement award for options held by optionees of the acquired entity may be less than 100% of the market price of the Shares on the date such Option is granted if such exercise price is based on a formula set forth in the terms of the options held by such optionees or in the terms of the agreement providing for such merger or other acquisition. The exercise price of any Option may be paid in Shares, cash, or a combination thereof, as determined by the Committee, including an irrevocable commitment by a broker to pay over such amount from a sale of the Shares issuable under an Option, the delivery of previously owned Shares, and withholding of Shares deliverable upon exercise.

C. No Repricing

Other than in connection with a change in the Company's capitalization (as described in Section 16) the exercise price of an Option may not be reduced. The Company is prohibited from canceling previously awarded Options and regranting them with a lower exercise price.

D. Provisions Applicable to Options

The date on which Options become exercisable shall be determined at the sole discretion of the Committee and set forth in an Agreement.

E. Term of Options

The Committee shall establish the term of each Option, which in no case shall exceed a period of seven (7) years from the Grant Date.

F. Exercise of Options

The aggregate fair market value (determined at the time the options are granted) of the shares covered by Incentive Share Options granted to any one Participant under this Plan or any other Incentive Share Option plan of the Company which may become exercisable for the first time in any one calendar year shall not exceed \$100,000; provided, however, that if the Code or the regulations thereunder shall permit a greater amount of Incentive Share Options to vest in any calendar year, then such higher limit shall be applicable, subject to the provisions of the specific option agreement. Subject to the foregoing, each option granted under this Plan shall be exercisable in such installments during the period prior to its expiration date as the Board of Directors or Committee shall determine; provided that, unless otherwise determined by the Board of Directors or Committee, if the Option holder shall not in any given installment period purchase all of the Shares which the Option holder is entitled to purchase in such installment period, then the Option holder's right to purchase any Shares not purchased in such installment period shall continue until the expiration date or sooner termination of the Option holder's Option.

G. Incentive Share Options

Notwithstanding anything to the contrary in this Section 7, in the case of the grant of an Option intending to qualify as an Incentive Share Option: (i) if the Participant owns Shares possessing more than 10 percent of the combined voting power of all classes of Shares of the Company (a "10% Shareholder"), the exercise price of such Option must be at least 110 percent of the fair market value of the Shares on the Grant Date and the Option must expire within a period of not more than five (5) years from the Grant Date, (ii) the Committee shall establish the term of each Option, which in no case shall exceed a period of ten (10) years from the Grant Date; and (iii) termination of employment will occur when the person to whom an Award was granted ceases to be an employee (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company and its subsidiaries. Notwithstanding anything in this Section 7 to the contrary, Options designated as Incentive Share Options shall not be eligible for treatment under the Code as Incentive Share Options (and will be deemed to be Nonqualified Share Options) to the extent that either (a) the aggregate fair market value of Shares (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any subsidiary) exceeds \$100,000, taking Options into account in the order in which they were granted, or (b) such Options otherwise remain exercisable but are not exercised within three (3) months of termination of employment (or such other period of time provided in Section 422 of the Code).

H. Restorative Options

This paragraph applies to Options granted pursuant to the Plan with an unexpired term of six months or more.

A "Restorative Option" shall be granted to any Participant exercising all or a portion of an Option described above who elects to remit Shares owned by the Participant for not less than six months as of the date of exercise as part of the purchase price or in payment of withholding taxes due on exercise. Upon delivering Shares as described above, the Participant shall receive an Option to purchase additional Shares ("Restorative Option") in an amount equal to the number of Shares being surrendered at a purchase price determined under Section 12 to be equal to the fair market value of the Company's Common Shares as of the date the underlying Option is exercised. No action of the Committee or the Board shall be required in connection with such grant. The Restorative Option shall contain terms identical to those of the Option being exercised except as follows:

- (a) The Restorative Option shall have a duration equal to the unexpired term of the Option being exercised;

- (b) The Restorative Option shall omit any vesting conditions based on performance already satisfied as of the date of exercise; and
- (c) Subject only to any remaining performance based vesting conditions, the Restorative Option shall become fully vested six months after the date granted.

Pursuant to the Plan and Options granted pursuant to the Plan, no Options can be granted with any Restorative Options rights under the terms of this Plan until January 1, 2010.

SECTION 8 SHARE APPRECIATION RIGHTS

Share Appreciation Rights may be granted to Participants from time to time either in tandem with or as a component of other Awards granted under the Plan (“tandem SARs”) or not in conjunction with other Awards (“freestanding SARs”) and may, but need not, relate to a specific Option granted under Section 7. The provisions of Share Appreciation Rights need not be the same with respect to each grant or each recipient. Any Share Appreciation Right granted in tandem with an Award may be granted at the same time such Award is granted or at any time thereafter before exercise or expiration of such Award. All freestanding SARs shall be granted subject to the same terms and conditions applicable to Options as set forth in Section 7 and all tandem SARs shall have the same exercise price, vesting, exercisability, forfeiture and termination provisions as the Award to which they relate. Subject to the provisions of Section 7 and the immediately preceding sentence, the Committee may impose such other conditions or restrictions on any Share Appreciation Right as it shall deem appropriate. Share Appreciation Rights may be settled in Shares, cash or a combination thereof, as determined by the Committee and set forth in the applicable Agreement. Other than in connection with a change in the Company’s capitalization (as described in Section 16) the exercise price of Share Appreciation Rights may not be reduced without shareholder approval (including canceling previously awarded Share Appreciation Rights and regranting them with a lower exercise price).

SECTION 9 RESTRICTED SHARE AND RESTRICTED SHARE UNITS

A. Grants of Awards

Restricted Share and Restricted Share Units may be granted at any time and from time to time prior to the termination of the Plan as determined by the Committee. A Restricted Share is an Award or issuance of Shares the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to such conditions (including continued employment and/or performance conditions) and terms as the Committee deems appropriate. Restricted Share Units are Awards denominated in units of Shares under which the issuance of Shares is subject to such conditions (including continued employment and/or performance conditions) and terms as the Committee deems appropriate. Each grant of Restricted Share or Restricted Share Units shall be evidenced by an Agreement. Unless determined otherwise by the Committee, each Restricted Share Unit will be equal to one Share and will entitle a Participant to either the issuance of Shares or payment of an amount of cash determined with reference to the value of Shares. To the extent determined by the Committee, Restricted Share and Restricted Share Units may be satisfied or settled in Shares, cash or a combination thereof. Restricted Share and Restricted Share Units granted pursuant to the Plan need not be identical but each grant of Restricted Share and Restricted Share Units must contain and be subject to the terms and conditions set forth below.

B. Contents of Agreement

Each Agreement shall contain provisions regarding (i) the number of Restricted Shares or Restricted Share Units subject to such Award or a formula for determining such number, (ii) the purchase price of the Restricted Shares and the means of payment, if any, (iii) the Performance Measures, if any, and the level of achievement versus these Performance Measures that shall determine the number of Restricted Shares or Restricted Share Units granted, issued, retainable, and/or vested, (iv) such terms and conditions on the grant, issuance, vesting, and/or forfeiture of the Restricted Shares or Restricted Share Units as may be determined from time to time by the Committee, (v) the term of the performance period, if any, as to which performance will be measured for determining the number of such Restricted Shares or Restricted Share Units, and (vi) restrictions on the transferability of the Restricted Shares or Restricted Share Units. Restricted Shares issued under a Restricted Share Award may be issued in the name of the Participant and held by the Participant or held by the Company, in each case as the Committee may provide.

C. Vesting and Performance Criteria

The grant, issuance, retention, vesting, and/or settlement of shares of Restricted Share and Restricted Share Units will occur when and in such installments as the Committee determines or under criteria the Committee establishes, which may include Performance Measures. The grant, issuance, retention, vesting and/or settlement of Shares under any such Award that is based on Performance Measures and level of achievement versus such criteria will be subject to a performance period of not less than six months. Notwithstanding anything in this Plan to the contrary, the Performance Measures for any Restricted Share or Restricted Share Unit that is intended to satisfy the requirements for "Performance-Based Exception" under Section 162(m) of the Code will be a measure based on one or more Performance Measures selected by the Committee and specified when the Award is granted.

D. Discretionary Adjustments and Limits

Subject to the limits imposed under Section 162(m) of the Code for Awards that are intended to qualify as "Performance-Based Exception," notwithstanding the satisfaction of any performance goals, the number of Shares granted, issued, retainable and/or vested under an Award of Restricted Share or Restricted Share units on account of either financial performance or personal performance evaluations may, to the extent specified in the Agreement, be reduced by the Committee on the basis of such further considerations as the Committee shall determine.

E. Privileges of Ownership

At the discretion of the Committee, Restricted Share and Restricted Share Units granted pursuant to the Plan may provide Participants with the right to receive Dividends or Dividend Equivalents, which may be paid currently or credited to an account for the Participants, and may be settled in cash and/or Shares, as determined by the Committee in its sole discretion, subject in each case to such terms and conditions as the Committee shall establish.

Unless otherwise determined by the Committee and set forth in a Participant's Agreement, to the extent permitted or required by applicable laws, Participants who are granted Restricted Share may exercise full voting rights with respect to those Shares during the Restricted Period.

No person entitled to exercise any Option, Share Appreciation Right or to receive Restricted Shares granted under the Plan shall have any of the rights or privileges of a shareholder of the Company in respect of any shares issuable upon exercise of such Option or Share Appreciation Right until certificates representing such Shares shall have been issued and delivered. In the case of Awards consisting of Restricted Share grants, at the discretion of the Committee, the Company may defer the issuance and delivery of such certificates until the shares subject to such Restricted Share grants have vested and been earned. Shares subject to Awards shall not be issued and delivered unless and until there shall have been full compliance with all applicable requirements of the Securities Act of 1933 (whether by registration or satisfaction of exemption conditions), all applicable listing requirements of any national securities exchange on which shares of the same class are then listed and any other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery.

SECTION 10

PERFORMANCE UNITS AND PERFORMANCE SHARES

A. Grants of Awards

Performance Units and Performance Shares may be granted at any time and from time to time prior to the termination of the Plan as determined by the Committee.

B. Values/Performance Measures

The Committee shall set Performance Measures in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units or Performance Shares that will be paid to the Participant. With respect to Covered Employees and to the extent the Committee deems it appropriate to comply with Section 162(m) of the Code, the performance goals shall be objective Performance Measures satisfying the requirements for the Performance-Based Exception, and shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations.

(a) Performance Unit. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant.

(b) Performance Share. Each Performance Share shall have an initial value equal to the fair market value of a Share at the close of business on the Grant Date.

C. Earning of Performance Units and Performance Shares

After the applicable Performance Period has ended, the Participant who holds Performance Units or Performance Shares shall be entitled to payment based on the level of achievement of performance goals set by the Committee. If a Performance Unit or Performance Share Award is intended to comply with the Performance-Based Exception, the Committee shall certify the level of achievement of the performance goals in writing before the Award is settled. At the discretion of the Committee, the settlement of Performance Units or Performance Shares may be in cash, Shares of equivalent value, or in some combination thereof, as set forth in the Award Agreement.

SECTION 11
OTHER SHARE-BASED INCENTIVES

The Committee is authorized, subject to limitations under applicable law, to grant such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares. Except as provided by the Committee, Shares delivered pursuant to a purchase right granted under this Section 11 shall be purchased for such consideration, paid for by such methods and in such forms, including cash, Shares, outstanding Awards or other property, as the Committee shall determine.

SECTION 12
FAIR MARKET VALUE OF COMMON SHARES

The fair market value of a Common Share shall be determined for purposes of the Plan by reference to the closing price on the principal Share exchange on which such shares are then listed or, if such shares are not then listed on an exchange, by reference to the closing price (if a National Market Issue) or the mean between the bid and asked price (if other over-the-counter issue) of a share as supplied by the National Association of Securities Dealers through Nasdaq (or its successor in function), in each case as reported by The Wall Street Journal, for the date on which the Award is granted or exercised, or if such date is not a business day, for the business day immediately preceding such date (or, if for any reason no such price is available, in such other manner as the Committee may deem appropriate to reflect the then fair market value thereof).

SECTION 13
COMPLIANCE WITH SECTION 162(m) OF THE CODE

A. Section 162(m) Compliance

All Awards granted to persons in the Designated Section 162(m) Group may comply with the requirements of the Performance-Based Exception; provided that to the extent Section 162(m) of the Code requires periodic shareholder approval of Performance Measures, such approval shall not be required for the continuation of the Plan or as a condition to grant any Award hereunder after such approval is required. In addition, in the event that changes are made to Section 162(m) of the Code to permit flexibility with respect to any Award or Awards available under the Plan, the Committee may, subject to this Section 13.A, make any adjustments to such Awards as it deems appropriate. The authority to specify which Awards are to be granted in compliance with Section 162(m) and subject to the Performance-Based Exception rests with the Committee.

B. Performance-Based Exception

Unless and until the Committee proposes for shareholder vote and shareholders approve a change in the general Performance Measures set forth in this Section 13, for Awards (other than Options) designed to qualify for the Performance-Based Exception, the Performance Measure(s) shall be chosen from among the following:

- (a) Operating income/profit;
- (b) Underwriting income/profit;
- (c) Profitability ratios, such as combined ratio, loss ratio, and expense ratio;
- (d) Earnings (either in aggregate or on a per-share basis);
- (e) Net income;

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- (f) Cash flow;
 - (g) Shareholder returns including return on assets, investment, invested capital, and equity (including income applicable to common shareholders or other class of shareholders);
 - (h) Return measures (including return on assets, equity, or invested capital);
 - (i) Earnings before or after either, or any combination of, interest, taxes, depreciation, or amortization (EBITDA);
 - (j) Gross revenues;
 - (k) Share price (including growth measures and total shareholder return or attainment by the shares of a specified value for a specified period of time);
 - (l) Reduction in expense levels in each case, where applicable, determined either on a Company-wide basis or in respect of any one or more subsidiaries or business units thereof;
 - (m) Economic value;
 - (n) Market share;
 - (o) Annual net income to common share;
 - (p) Earnings per share;
 - (q) Annual cash flow provided by operations;
 - (r) Changes in annual revenue;
 - (s) Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration or business expansion goals, objectively identified project milestones, volume levels, cost targets, and goals relating to acquisitions or divestitures; or
 - (t) Operational performance measures.

The Performance Measure(s) may be measured either at the corporate, subsidiary or business unit levels or combination thereof. For the Performance Measures listed above, the Committee, on the grant date of an Award may designate whether a particular Performance Measure is to be measured on a pre-tax basis or post-tax basis and on a trade basis or financial basis. Further, the Committee may select any one or more of the Performance Measures applicable to a Participant and Performance Measure(s) may differ from Awards from one Participant to the next.

The Committee shall have the discretion to adjust the determination of the degree of attainment of the pre-established performance goals; provided that Awards which are designed to qualify for the Performance-Based Exception may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward). The Committee may not delegate any responsibility with respect to Awards intended to qualify for the Performance-Based Exception. All determinations by the Committee as to the achievement of the Performance Measure(s) shall be in writing prior to payment of the Award.

SECTION 14 TERMINATION OF EMPLOYMENT

Unless otherwise determined by the Committee at the time of grant, in the event an Employee's employment is terminated by reason of Normal Termination, any Options granted to such Employee which are then vested and outstanding may be exercised by the Employee's Beneficiary or the Employee's legal representative at any time prior to the expiration date of the term of the Options or within twelve (12) months following the Employee's termination of employment, whichever period is shorter, and any shares of Restricted Share then outstanding shall be prorated for all restricted periods then in effect based on the number of months of actual participation.

Unless otherwise determined by the Committee at the time of grant, in the event the employment of the Employee shall terminate for any reason other than Normal Termination, any Options granted to such Employee which are then outstanding shall be canceled on the termination date and Restricted Shares then outstanding as to which the Restricted Period has not lapsed shall be forfeited.

Unless otherwise determined by the Committee at the time of grant, in the event the employment of the Participant shall terminate for any reason, any Options granted to such Employee which are then unvested and outstanding shall be canceled on the termination date.

Except as set forth above in this Section 14, the treatment of any Award upon termination of employment shall be determined by the Committee at the time of grant.

A change in employment from the Company or one Subsidiary to another Subsidiary of the Company shall not be considered a termination.

SECTION 15 CHANGE IN CONTROL

Unless the Committee shall otherwise determine, notwithstanding any other provision of this Plan or an Agreement to the contrary, upon a Change in Control, as defined below, all outstanding Awards shall vest, become immediately exercisable or payable or have all restrictions lifted as may apply to the type of Award.

A "Change in Control" shall be deemed to have occurred if:

Any Person, other than (1) the Company or any of its Subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Share of the Company, is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its Affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities, or 35% or more of the then outstanding common Share of the Company, excluding any Person who becomes such a Beneficial Owner in connection with a merger or consolidation of the Company described in below.

There is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, except if: (A) the merger or consolidation would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or (B) the merger or consolidation is effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 50% or more of the combined voting power of the Company's then outstanding securities;

The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by the Shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale;

During any period of two consecutive years (the "Period"), individuals who at the beginning of the Period constitute the Board of Directors of the Company and any new director cease for any reason to constitute a majority of the Board of Directors.

SECTION 16 ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of any change in the Common Share by reason of any share split, share dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange of shares, split-up, spin-off, share purchase, liquidation or other similar change in capitalization affecting or involving the Common Shares, or any distribution to common shareholders other than regular cash dividends, the Committee shall make such substitution or adjustment, if any, as it deems equitable, as to the number or kind of shares that may be issued under the Plan pursuant to Section 5 and the number or kind of shares subject to, or the price per share under or terms of any outstanding Award. The amount and form of the substitution or adjustment shall be determined by the Committee and any such substitution or adjustment shall be conclusive and binding on all parties for all purposes of the Plan.

SECTION 17 COMPLIANCE WITH LAWS AND REGULATIONS

This Plan, the grant, issuance, vesting, exercise and settlement of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable foreign, federal, state and local laws, rules and regulations, Share exchange rules and regulations, and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such shares under any foreign, federal, state or local law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. To the extent the Company is unable to or the Committee deems it infeasible to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, the Company and its Subsidiaries shall be relieved of any liability with respect to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained. No Option shall be exercisable and no Shares shall be issued and/or transferable under any other Award unless a registration statement with respect to the Shares underlying such Option is effective and current or the Company has determined that such registration is unnecessary.

In the event an Award is granted to or held by a Participant who is employed or providing services outside the United States, the Committee may, in its sole discretion, modify the provisions of the Plan or of such Award as they pertain to such individual to comply with applicable foreign law or to recognize differences in local law, currency or tax policy. The Committee may also impose conditions on the grant, issuance, exercise, vesting, settlement or retention of Awards in order to comply with such foreign law and/or to minimize the Company's obligations with respect to tax equalization for Employees employed outside their home country.

SECTION 18
WITHHOLDING

To the extent required by applicable United States or other federal, state, local or foreign law, a Participant shall be required to satisfy, in a manner satisfactory to the Company, any withholding tax obligations that arise by reason of an Option exercise, disposition of Shares issued under an Incentive Share Option, the vesting of or settlement of an Award, an election pursuant to Section 83(b) of the Code or otherwise with respect to an Award. The Company and its Subsidiaries shall not be required to issue Shares, make any payment or to recognize the transfer or disposition of Shares until such obligations are satisfied. The Committee may provide for or permit the minimum statutory withholding obligations to be satisfied through the mandatory or elective sale of Shares and/or by having the Company withhold a portion of the Shares that otherwise would be issued to him or her upon exercise of the Option or the vesting or settlement of an Award, or by tendering Shares previously acquired.

SECTION 19
AMENDMENT OF THE PLAN OR AWARDS

The Board may amend, alter or discontinue this Plan and the Committee may amend, or alter any agreement or other document evidencing an Award made under this Plan but, except as provided pursuant to the provisions of Section 16, no such amendment shall, without the approval of the shareholders of the Company:

- (a) increase the maximum number of Shares for which Awards may be granted under this Plan;
- (b) reduce the price at which Options may be granted below the price provided for in Section 7;
- (c) reduce the exercise price of outstanding Options;
- (d) extend the term of this Plan;
- (e) change the class of persons eligible to be Participants;
- (f) otherwise amend the Plan in any manner requiring shareholder approval by law or under the NASDAQ listing requirements; or
- (g) increase the individual maximum limits in Section 5.

No amendment or alteration to the Plan or an Award or Agreement shall be made which would impair the rights of the holder of an Award, without such holder's consent, provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any Change in Control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation or to meet the requirements of, or avoid adverse financial accounting consequences under, any accounting standard.

SECTION 20
MISCELLANEOUS PROVISIONS

- (a) No Participant or other person shall have any claim or right to be granted an Award under the Plan and no Award shall confer any right to continued employment.
- (b) A Participant in the Plan may not assign or transfer his or her rights and interest under the Plan or any Award in whole or in part, either directly or by operation of law or otherwise (except in the event of death, to the Beneficiaries or by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any participant in the Plan or in any Award shall be subject to any obligation or liability of such individual; provided, however, that if permitted by the Compensation Committee in its sole discretion, an Award may be transferred to the employer of a Non-Employee Director if such Non-Employee Director is required to transfer any compensation received as a Non-Employee Director to his or her employer.
- (c) The expense of the Plan shall be borne by the Company.
- (d) Awards granted under the Plan shall be binding upon the Company, its successors and assigns.
- (e) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval of any such additional arrangement is required.
- (f) The Board intends that, except as may be otherwise determined by the Committee, any Awards under the Plan satisfy the requirements of Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A") to avoid the imposition of any taxes, including additional income taxes, thereunder. If the Committee determines that an Award, Agreement, payment distribution, deferral election, transaction or any other action or arrangement contemplated by the provisions of the Plan would, if undertaken, cause a Participant to become subject to Section 409A, unless the Committee expressly determines otherwise, such Award, Agreement, payment distribution, deferral election, transaction or other action or arrangement shall not be undertaken and the related provision of the Plan and/or Award Agreement will be deemed modified, or, if necessary, rescinded in order to comply with the requirements of Section 409A which is to be paid out when vested, such payment shall be made as soon as administratively feasible after the Award became vested, but in no event shall such payment be made later than 2 1/2 months after the end of the calendar year in which the Award became vested unless otherwise permitted under the exemption provisions of Section 409A.

SECTION 21
GOVERNING LAW

Except to the extent in connection with other matters of corporate governance and authority (all of which shall be governed by the laws of the Company's jurisdiction of incorporation), the validity, construction, interpretation, administration, and effect of the Plan and any rules, regulations, and actions relating to the Plan will be governed by and construed exclusively in accordance with the internal, substantive laws of the state of Texas, without regard to the conflict of law rules of Texas or any other jurisdiction.