

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

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

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FILER

ARM HOLDINGS PLC

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SIC: **3674** Semiconductors & related devices

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

FORM S-8
REGISTRATION STATEMENT
Under
The Securities Act of 1933

ARM Holdings plc

(Exact Name of Registrant as Specified in Its Charter)

England and Wales
(State or Other Jurisdiction of
Incorporation or Organization)

Not Applicable
(I.R.S. Employer
Identification No.)

110 Fulbourn Road
Cambridge CB1 9NJ, United Kingdom
(Address, Including Zip Code, of Registrant's Principal Executive Offices)

ARM Holdings plc Employee Equity Plan
ARM Holdings plc Deferred Annual Bonus Plan
ARM Holdings plc U.S. Employee Stock Purchase Plan
(Full Title of the Plans)

ARM, Inc.
141 Caspian Court
Sunnyvale, California 94089
(408) 734-5600
(Name, Address and Telephone Number, Including Area Code, of Agent For Service)

copies to:

Thomas J. Reid, Esq.
Davis Polk & Wardwell
99 Gresham Street
London EC2V 7NG, United Kingdom

(011) (44) (0) 207 418 1300
Fax (011) (44) (0) 207 418 1400

CALCULATION OF REGISTRATION FEE

Title of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
Ordinary Shares of 0.05p each par value	70,000,000	\$2.52	\$176,400,000	\$18,875

- (1) Represents the aggregate number of shares authorized for issuance under the ARM Holdings plc Employee Equity Plan, ARM Holdings plc Deferred Annual Bonus Plan and ARM Holdings plc U.S. Employee Stock Purchase Plan (collectively, the “Plans”).
- (2) Computed solely for the purpose of calculating the registration fee pursuant to Rule 457(h) under the Securities Act on the basis of the average high and low sale price of the securities being registered hereby on the London Stock Exchange on May 2, 2006, translated at the Noon Buying Rate.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference

This Registration Statement incorporates herein by reference the following documents which have been filed with the Securities and Exchange Commission (the "Commission") by the Registrant:

- (a) The Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed on June 26, 2005.
- (b) All other reports filed by the Registrant pursuant to Sections 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the Annual Report on Form 20-F referred to in Item 3(a) above.
- (c) The description of the Company's American Depositary Shares evidenced by American Depositary Receipts, each representing three Ordinary Shares, and Ordinary Shares contained in the Company's Registration Statement on Form 8A dated March 27, 1998, filed under the Exchange Act, including any amendment thereto or report filed for the purpose of updating such description.

All other documents filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subsequent to the date of this Registration Statement and prior to the filing of a post-effective amendment to this Registration Statement which indicates that all securities offered have been sold or which de-registers all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents.

Item 4. Description of Securities

Not Applicable.

Item 5. Interests of Named Experts and Counsel

Not Applicable.

Item 6. Indemnification of Directors and Officers

Article 139 of ARM's articles of association provides:

"139. Indemnity

139.1 Subject to the provisions of and so far as may be consistent with the Statutes including the U.K. Companies Act 1985, the Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting the Company, every Director, Secretary or other officer of the Company shall be indemnified by the Company out of its own funds against and/or exempted by the Company from all costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office including (without prejudice to the generality of the foregoing) any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favor (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court.



139.2 Without prejudice to paragraph 139.1 the Directors shall have the power to purchase and maintain insurance for or for the benefit of any person who is or was at any time a Director or officer of any Relevant Company (as defined in paragraph 139.3 of this Article) or who is or was at any time a trustee of any pension fund or employees' share scheme in which employees of any Relevant Company are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by any such person in respect of any act or omission in the actual or purported execution and/or discharge of his duties and/or in the exercise or purported exercise of his powers and/or otherwise in relation to his duties, powers or offices in relation to any Relevant Company, or any such pension fund or employees' share scheme.

139.3 For the purpose of paragraph 139.2 "**Relevant Company**" shall mean the Company, any holding company of the Company or any other body, whether or not incorporated, in which the Company or such holding company or any of the predecessors of the Company or of such holding company has or had any interest whether direct or indirect or which is in any way allied to or associated with the Company, or any subsidiary undertaking of the Company or of such other body."

Sections 309A and 309B of the U.K. Companies Act 1985 (as inserted by Section 19 of the Companies (Audit, Investigations and Community Enterprise) Act 2004) provide as follows:

"309A. Provisions protecting directors from liability

- (1) This section applies in relation to any liability attaching to a director of a company in connection with any negligence, default, breach of duty or breach of trust by him in relation to the company.
- (2) Any provision which purports to exempt (to any extent) a director of a company from any liability within subsection (1) is void.
- (3) Any provision by which a company directly or indirectly provides (to any extent) an indemnity for a director of
 - (a) the company, or
 - (b) an associated company,

against any liability within subsection (1) is void.

This is subject to subsections (4) and (5).

- (4) Subsection (3) does not apply to a qualifying third party indemnity provision (see section 309B(1)).
- (5) Subsection (3) does not prevent a company from purchasing and maintaining for a director of
 - (a) the company, or
 - (b) an associated company

insurance against any liability within subsection (1).

- (6) In this section

'associated company', in relation to a company ('C'), means a company which is C' s subsidiary, or C' s holding company or a subsidiary of C' s holding company;

'provision' means a provision of any nature, whether or not it is contained in a company' s articles or in any contract with a company."

“309B. Qualifying third party indemnity provisions

- (1) For the purposes of section 309A(4) a provision is a qualifying third party indemnity provision if it is a provision such as is mentioned in section 309A(3) in relation to which conditions A to C below are satisfied.
- (2) Condition A is that the provision does not provide any indemnity against any liability incurred by the director
 - (a) to the company, or
 - (b) to any associated company.
- (3) Condition B is that the provision does not provide any indemnity against any liability incurred by the director to pay
 - (a) a fine imposed in criminal proceedings, or
 - (b) a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising).
- (4) Condition C is that the provision does not provide any indemnity against any liability incurred by the director
 - (a) in defending any criminal proceedings in which he is convicted, or
 - (b) in defending any civil proceedings brought by the company, or an associated company, in which judgment is given against him, or
 - (c) in connection with any application under any of the following provisions in which the court refuses to grant him relief, namely
 - i. section 144(3) or (4) (acquisition of shares by innocent nominee), or
 - ii. section 727 (general power to grant relief in case of honest and reasonable conduct).
- (5) In paragraph (a), (b) or (c) of subsection (4) the reference to any such conviction, judgment or refusal of relief is a reference to one that has become final.
- (6) For the purposes of subsection (5) a conviction, judgment or refusal of relief becomes final
 - (a) if not appealed against, at the end of the period for bringing an appeal, or
 - (b) if appealed against, at the time when the appeal (or any further appeal) is disposed of.
- (7) An appeal is disposed of
 - (a) if it is determined and the period for bringing any further appeal has ended, or
 - (b) if it is abandoned or otherwise ceases to have effect.
- (8) In this section ‘associated company’ and ‘provision’ have the same meaning as in section 309A.”

Section 310 of the U.K. Companies Act 1985 (as amended by Section 137 of the U.K. Companies Act 1989 and Section 19 of the Companies (Audit, Investigations and Community Enterprise) Act 2004) provides as follows:

“310. Provisions exempting officers and auditors from liability

- (1) This section applies to any provision, whether contained in a company’ s articles or in any contract with the company or otherwise, for exempting any person (whether an officer or not) employed by the company as auditor from, or indemnifying him against, any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company.
- (2) Except as provided by the following subsection, any such provision is void.
- (3) This section does not prevent a company
 - (a) from purchasing and maintaining for any such auditor insurance against any such liability, or
 - (b) from indemnifying any such auditor against any liability incurred by him
 - i. in defending any proceedings (whether civil or criminal) in which judgment is given in his favor or he is acquitted, or
 - ii. in connection with any application under section 727 (general power to grant relief in case of honest and reasonable conduct) in which relief is granted to him by the court.”

Section 337A of the U.K. Companies Act 1985 (as inserted by Section 20 of the Companies (Audit, Investigations and Community Enterprise) Act 2004) provides as follows:

“337A. Funding of director’ s expenditure on defending proceedings

- (1) A company is not prohibited by section 330 from doing anything to provide a director with funds to meet expenditure incurred or to be incurred by him
 - (a) in defending any criminal or civil proceedings, or
 - (b) in connection with any application under any of the provisions mentioned in subsection (2).
- (2) The provisions are
 - (a) section 144(3) and (4) (acquisition of shares by innocent nominee), and
 - (b) section 727 (general power to grant relief in case of honest and reasonable conduct).
- (3) Nor does section 330 prohibit a company from doing anything to enable a director to avoid incurring such expenditure.
- (4) Subsections (1) and (3) only apply to a loan or other thing done as mentioned in those subsections if the terms on which it is made or done will result in the loan falling to be repaid, or any liability of the company under any transaction connected with the thing in question falling to be discharged, not later than
 - (a) in the event of the director being convicted in the proceedings, the date when the conviction becomes final,
 - (b) in the event of judgment being given against him in the proceedings, the date when the judgment becomes final, or

(c) in the event of the court refusing to grant him relief on the application, the date when the refusal of

relief becomes final.

- (5) For the purposes of subsection (4) a conviction, judgment or refusal of relief becomes final
 - (a) if not appealed against, at the end of the period for bringing an appeal, or
 - (b) if appealed against, at the time when the appeal (or any further appeal) is disposed of.
- (6) An appeal is disposed of
 - (a) if it is determined and the period for bringing any further appeal has ended, or
 - (b) if it is abandoned or otherwise ceases to have effect.”

Section 727 of the U.K. Companies Act 1985 provides as follows:

“727. Power of court to grant relief in certain cases:

- (1) If in any proceedings for negligence, default, breach of duty or breach of trust against an officer of a company or a person employed by a company as auditor (whether he is or is not an officer of the company) it appears to the court hearing the case that that officer or person is or may be liable in respect of the negligence, default, breach of duty or breach of trust, but that he has acted honestly and reasonably, and that having regard to all the circumstances of the case (including those connected with his appointment) he ought fairly to be excused for the negligence, default, breach of duty or breach of trust, that court may relieve him, either wholly or partly, from his liability on such terms as it thinks fit.
- (2) If any such officer or person as above-mentioned has reason to apprehend that any claim will or might be made against him in respect of any negligence, default, breach of duty or breach of trust, he may apply to the court for relief; and the court on the application has the same power to relieve him as under this section it would have had if it had been a court before which proceedings against that person for negligence, default, breach of duty or breach of trust had been brought.
- (3) Where a case to which subsection (1) applies is being tried by a judge with a jury, the judge, after hearing the evidence, may, if he is satisfied that the defendant or defender ought in pursuance of that subsection to be relieved either in whole or in part from the liability sought to be enforced against him, withdraw the case in whole or in part from the jury and forthwith direct judgment to be entered for the defendant or defender on such terms as to costs or otherwise as the judge may think proper.”

ARM maintains directors’ and officers’ insurance coverage, which, subject to policy terms and limitations will include coverage to reimburse ARM for amounts that it may be required or permitted by law to pay directors or officers of ARM. In addition, ARM has entered into indemnification agreements with its directors and certain officers pursuant to which ARM has agreed to indemnify each such individual for all liabilities they incur as a consequence of their agreement to be appointed as directors or officers of ARM or as a result of the discharge of their duties or exercise of their powers related to their agreement to be appointed as directors or officers of ARM.

Item 7. Exemption From Registration Claimed

Not Applicable.

Item 8. Exhibits

Exhibit No.	Description
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5.1 Opinion of Linklaters.

23.1 Consent of Linklaters (Included in Exhibit 5.1).

- 23.2 Consent of PricewaterhouseCoopers LLP, Cambridge, United Kingdom.
- 24.1 Powers of Attorney (included on signature page hereto).
- 99.1 ARM Holdings plc Employee Equity Plan.
- 99.2 ARM Holdings plc Deferred Annual Bonus Plan.
- 99.3 ARM Holdings plc U.S. Employee Stock Purchase Plan.

Item 9. Undertakings

The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement 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.

(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.

(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.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant'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 therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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 of 1933, as amended, 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 the city of Cambridge in the United Kingdom on May 8, 2006.

ARM HOLDINGS PLC

By: /s/ Warren East

Name: Warren East

Title: Chief Executive Officer

POWER OF ATTORNEY

Each of the undersigned hereby constitutes and appoints Warren East, Tim Score and Patricia Alsop as his true and lawful attorneys-in-fact, each with power of substitution, in his name, place and stead, in any and all capacities, to sign any or all amendments, including post-effective amendments, and supplements to this Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Warren East _____ Warren East	Chief Executive Officer and Director	May 8, 2006
/s/ Sir Robin Saxby _____ Sir Robin Saxby	Chairman	May 8, 2006
/s/ Tim Score _____ Tim Score	Chief Financial Officer and Director	May 8, 2006
/s/ Tudor Brown _____ Tudor Brown	Chief Operating Officer and Director	May 8, 2006
/s/ Mike Inglis _____ Mike Inglis	Executive Vice President, Marketing and Director	May 8, 2006
/s/ Mike Muller _____ Mike Muller	Chief Technology Officer and Director	

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ /s/ Simon Segars Simon Segars	Director	May 8, 2006
_____ /s/ Peter Cawdron Peter Cawdron	Director	May 8, 2006
_____ /s/ Doug Dunn Doug Dunn	Director	May 8, 2006
_____ /s/ Jeremy Scudamore Jeremy Scudamore	Director	May 8, 2006
_____ /s/ John Scarisbrick John Scarisbrick	Director	May 8, 2006
_____ /s/ Lucio L. Lanza Lucio L. Lanza	Director	May 8, 2006
_____ /s/ Mark R. Templeton Mark R. Templeton	Director	May 8, 2006
_____ /s/ Philip Rowley Philip Rowley	Director	May 8, 2006

Authorized Representative in the United States: ARM, Inc.

By: /s/ Warren East

May 8, 2006

Name: Warren East

Title: Director

EXHIBIT INDEX

Exhibit No.	Description
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99.1	ARM Holdings plc Employee Equity Plan.
99.2	ARM Holdings plc Deferred Annual Bonus Plan.
99.3	ARM Holdings plc U.S. Employee Stock Purchase Plan.

One Silk Street
London EC2Y 8HQ
Telephone (44-20) 7456 2000
Facsimile (44-20) 7456 2222
DX Box Number 10 CDE

Linklaters

The Board of Directors
ARM Holdings plc
90 Foulbourn Road
Cambridge
CB1 4NJ

4 May 2006

Our Ref 01/145/G Rowlands-Hempel

Dear Sirs

ARM Holdings plc (the "Company") - Ordinary Shares

1 This opinion is furnished to you in connection with the Registration Statement on Form S-8 (the "**Registration Statement**"), relating to the registration of 70,000,000 ordinary shares of 0.05 pence each of the Company (the "**Ordinary Shares**") which may have been or may in the future be issued upon the exercise of stock options and the vesting of share awards which may be granted under the ARM Holdings plc Deferred Annual Bonus Plan, the ARM Holdings plc Employee Equity Plan and the ARM Holdings plc US Employee Stock Purchase Plan (collectively the "**Plans**").

2 We have acted as advisers on matters of English law to the Company in connection with the Plans and have taken instructions solely from the Company.

3 This opinion is limited to English law as currently applied by the English courts, and applies only to the extent that the matters referred to in this opinion are governed by English law and is given on the basis that it will be governed by and construed in accordance with English law. We express no opinion on matters of United States federal or state law.

In this opinion "English law" includes statutes of general applicability in the United Kingdom.

4 For the purposes of this opinion, we have examined and relied on copies of such corporate records and other documents and reviewed such matters of law as we have deemed necessary or appropriate for the purposes of this opinion. We have assumed that:

- (i) all documents furnished to us as originals are authentic and complete;
- (ii) all documents furnished to us as copies conform to the original documents of which they are copies;
- (iii) there are no provisions of United States federal or state law which would affect this opinion; and

This communication is confidential and may be privileged or otherwise protected by work product immunity.

A list of the names of the partners and their professional qualifications is open to inspection at the above office. The partners are solicitors, registered foreign lawyers or European lawyers. The firm is regulated by the Law Society.

Please refer to www.linklaters.com/regulation for important information on the regulatory position of the firm.

all parties other than the Company have all the requisite capacity powers and authorities and have taken all
(iv) necessary corporate or other action have duly authorised, executed and delivered any documents and will do all such further acts as are necessary in respect of the creation of the Ordinary Shares.

5 We express no opinion on:

- (i) the power or authority of any party other than the Company to execute documents in connection with the creation of the Ordinary Shares; and
- (ii) whether such documents constitute a legal, valid and binding document of each party thereto other than the Company.

6 Save as is mentioned in this opinion, but subject to any matters not disclosed to us, we are of the opinion that:

- (i) the Company has been duly incorporated in England and Wales under the Companies Act 1985 as a public company;
- (ii) all necessary corporate action on the part of the Company has been taken to authorise the grant of the options and making of awards under the Plans and the issue of Ordinary Shares to which the Registration Statement relates;
- (iii) when Ordinary Shares are issued under the Plans and delivered against payment of an amount at least equal to their nominal value, such Ordinary Shares will be validly issued and fully paid up; and
- (iv) no further contributions in respect of Ordinary Shares issued or to be issued as contemplated in the Registration Statement will be required to be made to the Company by the holders of them, by reason solely of their being such holders.

7 This opinion is given as at the date set out above. We express no opinion as to the effect that any future event, or any act of the Company may have on the matters referred to in this opinion.

8 This opinion is addressed to you solely for use in connection with the filing of the Registration Statement. It is not to be transmitted to anyone else or quoted or referred to in any public document or filed with anyone without our express consent. This opinion is strictly limited to matters dealt with in this opinion and does not extend to and is not to be read as extending by implication to any other matter.

9 We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required within Section 7 of the Securities Act of 1933 or the rules and regulations of the Securities and Exchange Commission thereunder.

Yours faithfully

/s/ Linklaters
Linklaters

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated March 4, 2005 relating to the financial statements, which appears in ARM Holdings plc's Annual Report on Form 20-F for the year ended December 31, 2004.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Cambridge, UK

May 4, 2006

ARM Holdings Plc

EMPLOYEE EQUITY PLAN

Date adopted by the Company: 25 April 2006

**KPMG LLP
1 Puddle Dock
London
EC4V 3PD**

RULES OF THE ARM HOLDINGS PLC EMPLOYEE EQUITY PLAN

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PART A - DEFINITIONS AND INTERPRETATION

1 In these Rules, unless the context otherwise requires, the following words and expressions shall have, where the context so admits, the following meanings and shall apply where necessary to all relevant Parts of the Rules:

“ABI”	the Association of British Insurers;
“Adoption Date”	the date on which the Plan is adopted by an ordinary resolution of the Company;
“Announcement Date”	the date on which the Company announces its results to the London Stock Exchange for any period;
“Associated Company”	a company is to be treated as another company’ s associated company if at that time one of the two has Control of the other, or both are under the Control of the same person or persons;
“Award”	an award under the Plan which may consist of any or a combination of any of: (a) a Share Award; (b) a Phantom Share Award; (c) a Market Value Share Option; (d) a Stock Appreciation Right; (e) a Nominal Cost Option; (f) a Linked Option;
“Board”	the Board of the Company (or a duly constituted committee thereof) at which a quorum is present;
“the Company”	ARM Holdings Plc Registration Number 2548782 or, save for Rules 1, 2, 4, 7 and 11.3, such company as shall be at any time the “Acquiring Company” as defined in Rule 10.8;
“Control”	in relation to a body corporate (“the Body Corporate”) the power of a person which is a member of that body corporate to secure: (a) by the holding of shares or the possession of voting power in or in relation to the Body Corporate or any other body corporate; or

- (b) by virtue of its right to appoint or remove a majority of the board of directors of that Body Corporate; or
- (c) by virtue of any power conferred by the certificate of incorporation, articles of association, bye laws, membership agreement or other document regulating the Body Corporate or any other body corporate

that the affairs of the Body Corporate are conducted in accordance with the wishes of that person;

“Date of Grant”

the date on which an Award is granted to an Eligible Employee;

“Director”

any person occupying the office of director of the Company, by whatever name called;

“Eligible Employee”

an employee (whether contracted to work-full time or part-time) of any Group Company, including any Director other than a non-executive Director;

“Exercise Price”

the amount in pounds sterling (or such other currency as the Share Schemes Committee shall determine at the Date of Grant) which a Participant shall pay to acquire a Share on the exercise of an Option being (subject to Rules 2.6, 4.6 and 9):

- (a) in the case of a Market Value Share Option or a Linked Option an amount which is not less than the Market Value of a Share on the Date of Grant (or the nominal value of a Share if greater);
- (b) in the case of a Stock Appreciation Right an amount which is not less than the Market Value of a Share on the Date of Grant but for the avoidance of any doubt shall be a notional exercise price and will not be payable on exercise; or
- (c) in the case of a Nominal Cost Option, one pound sterling (or other currency equivalent) in aggregate to acquire all of the Shares over which the Nominal Cost Option is exercised on each occasion of exercise or such lower amount (which may be zero) as the Share Schemes Committee may determine at the Date of Grant;

“Form of Renunciation”	the form of renunciation in the form agreed by the Share Schemes Committee from time to time;
“Grant Period”	the period of 42 days commencing on any one of the following: <ul style="list-style-type: none"> (a) the Adoption Date; (b) an Announcement Date; (c) if the Share Schemes Committee so resolves, a day on which exceptional circumstances exist which justify the grant of Awards; (d) any day on which changes to the law affecting such Awards are announced, effected or made; or (e) if the grantor cannot grant Awards under (a) to (d) above due to restrictions imposed by statute, order, regulation, government direction or the Model Code, within 42 days of the lifting of such restrictions;
“Group”	the Company and its Subsidiaries, and the phrase “Group Company” shall be construed accordingly;
“Group Employee”	an employee of any Group Company;
“Letter of Grant”	the letter or other communication (which may include electronic communication) in such form agreed by the Share Schemes Committee from time to time;
“Linked Bonus”	the gross bonus payable to a Participant on exercise, where a Linked Option is granted in conjunction with the payment of such a Linked Bonus, being an amount not greater than the Exercise Price multiplied by the number of Shares over which the Linked Option is being exercised;
“Linked Option”	an option which is granted in conjunction with a Linked Bonus;
“London Stock Exchange”	London Stock Exchange plc or any successor body carrying on the business of London Stock Exchange plc;
“Market Value”	on any day, the closing middle market quotation of a Share as derived from the Daily Official List of the London Stock Exchange on the dealing day immediately preceding that day or, if the Share Schemes Committee so

determines, the average of the closing middle market quotations on a number of dealing days, not to exceed five, immediately preceding that day;

“Market Value Option”

an Option granted with an Exercise Price per Share (“Market Value Share Option”) or Stock Appreciation Right (as the context requires) granted with a notional exercise price which in either case is not less than the Market Value of a Share at the Date of Grant (and, in the case of an Option to subscribe, not less than the nominal value of a Share), but not including a Linked Option;

“Model Code”

the Model Code for transactions in securities by directors issued from time to time by the UK Listing Authority from time to time and/or such other code governing the conduct of dealings in securities by the Directors of the Company which the Company may adopt from time to time in addition to or replacement of such publication;

“New Award”

an award over shares in the Acquiring Company (as defined in Rule 10.8) granted in consideration of the Release of a Subsisting Award and which shall satisfy the following conditions:

- (a) that it is a right or contingent right to acquire such number of shares in the Acquiring Company as has on the acquisition of the New Award an aggregate Market Value equal to the aggregate Market Value of the Shares subject to the Subsisting Award on its Release; and
- (b) that in the case of an Award which is an Option, it has an Exercise Price per Share such that the aggregate price payable (or notional exercise price) on the complete exercise equals the aggregate price (or notional exercise price) which would have been payable on complete exercise of the Subsisting Option;

“NIC”

class 1 National Insurance Contributions arising in the UK or any social security, social taxes, social insurance or other comparable liabilities arising in any other country;

“NIC Election”

an election in the form envisaged in paragraph 3(B)(1) of Schedule 1 to the Social Security Contribution and Benefits Act 1992 as a result of which the secondary (employer’ s) NIC liability in respect of the exercise of an Option or the Vesting or Release (as the case may be) of an Award (other than an Option) becomes the Participant’ s

	liability;
“Nominal Cost Option”	an Option whereby the aggregate price payable for the acquisition of the Shares on any exercise of that Option may be one pound sterling (or other currency equivalent) or may be zero;
“Notice of Exercise”	the notice of exercise in the form agreed by the Share Schemes Committee from time to time;
“Official List”	the Official List of the UK Listing Authority for the purposes of section 74 of the Financial Services and Markets Act 2000;
“Option”	an Award made in the form of a right to acquire Shares or, in the case of a Stock Appreciation Right, cash or Shares granted or to be granted pursuant to Rules 2.4, 2.6, 4.1 or 4.6 and the term “Option” shall be construed to mean a “Market Value Option” or, save in relation to Part B, a “Linked Option” or a “Nominal Cost Option” or such combination of them as the context requires;
“Other Plan”	any plan (other than this Plan) including any option plan which provides for the subscription of Shares by or on behalf of employees of the Group;
“Participant”	an Eligible Employee who has been granted and remains entitled to a Subsisting Award or (where the context admits) his legal Personal Representative(s);
“Performance Condition”	a condition imposed by the Share Schemes Committee whereby an Option or Share Award may be granted on terms that it shall not Vest or be Released (as the case may be) until and to the extent that such condition has been satisfied;
“Performance Period”	in respect of any Award, the period over which a Performance Condition shall be measured to determine whether Awards shall Vest or be Released (as the case may be);
“Personal Representative”	the person or persons appointed to administer a deceased person’s estate, or any equivalent under the applicable law, including the Participant’s spouse or descendents or forebears, where the context so requires;
“Phantom Share Award”	a Share Award which, at its Date of Grant, is specified as a contingent right to receive a cash sum equal to the Market Value of a Share on the date the Participant becomes

	unconditionally entitled to the cash sum multiplied by the number of Vested Shares subject to the Phantom Share Award;
“Plan”	the ARM Holdings plc Employee Equity Plan constituted and governed by the Rules with and subject to any amendments thereto properly effected;
“Redundancy”	the cessation of office or employment by reason of: <ul style="list-style-type: none"> (a) the cessation or intended cessation by an employing company of the business in which the relevant individual was employed; or (b) the cessation or reduction in the requirements of an employing company for employees to carry out work of a particular kind (including carrying out work in a particular location);
“Release Date”	subject to Rules 5 and 10, in respect of a Share Award which is made subject to Restrictions, the date or dates on which those Restrictions end and the expressions “Release” and “Released” shall have a corresponding meaning, provided that if the Release Date of any such Share Award would otherwise fall within a close period or a period when a Participant is prohibited by the Model Code, statute, order or regulation from dealing in Shares or rights over or interests in Shares, the Release Date shall be the day following the end of such close or other period provided that if a Participant has been continuously so prohibited for a period of [90] days following the date the Restrictions end, the Release Date shall be the first day after that [90] day period which does not fall within a close period as defined in the Model Code;
“Remuneration Committee”	a duly constituted committee of the Board delegated with authority to consider the remuneration of directors and senior employees of the Company in accordance with any prevailing code of practice operated by companies whose shares have been admitted to the Official List;
“Restricted Shares”	an Award of Shares which is subject to Restrictions;
“Restrictions”	the conditions that shall apply to Restricted Shares, such that the Participant shall have beneficial ownership of the Shares which comprise that Award from the Date of Grant, but shall irrevocably agree not to sell, transfer or otherwise dispose of the Shares until the applicable Release Date;

“Retirement”	cessation of a Participant’ s employment or office with a Group Company by reason of retirement with the agreement of the Share Schemes Committee;
“Rules”	the rules of this Plan as the same may be amended from time to time and "Rule” shall be construed accordingly;
“Senior Employees”	at any intended Date of Grant, any executive director of a Group Company and those senior employees of the Group who are not directors but who are, in the opinion of the Share Schemes Committee, closely involved in the management and administration of the Group as a whole;
“Share”	an Ordinary Share in the capital of the Company which is, was or will be fully paid on issue;
“Share Award”	an Award under Part C of this Plan made in such form specified in Rule 4.1 as the Share Schemes Committee shall specify at the Date of Grant;
“Share Schemes Committee”	a duly authorised committee delegated by the Board with the authority to grant Awards under and deal with the administration of this Plan;
“Stock Appreciation Right”	an Award as specified at the Date of Grant as a right to receive a cash sum (“the Cash Equivalent”) or a number of Shares (“the Share Equivalent”) equivalent in either case to the growth in value of a Share between the Date of Grant and the date of exercise, multiplied by the number of Shares subject to the Stock Appreciation Right;
“Subsidiary”	a company or other body corporate in which the Company holds a majority of the voting rights or a majority of the economic interest and which is under the Control of the Company;
“Subsisting Award”	a Share Award or Option (in which case the term “Subsisting Option” shall have a corresponding meaning as required) which has been granted and which has not been surrendered, renounced, or, in the case of a Share Award (other than an Option), Vested or Released (as the case may be), or in the case of an Option, Vested and exercised in full nor in either case otherwise lapsed;
“Tax Liability”	a liability to account for any tax, primary (employee’ s) NIC, or other levy in respect of an Award by the Company or other Group Company (the “Relevant Company”), whether by reason of the grant, Vesting, Release or exercise of an Award or the sale of acquired Shares;

“Treasury Shares”	shares in the Company as defined in section 162A Companies Act 1985 as inserted by the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003;
“Trust”	any employee share ownership trust which has been or may be established from time to time by the Company or any other Group Company to operate in conjunction with this Plan;
“Trustee”	the trustee or trustees for the time being of the Trust;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 and in the exercise of its functions in respect of admission to the Official List;
“Vesting Date”	subject to Rules 3, 5 and 10, in respect of an Award, other than Restricted Shares, the date or dates on which a Participant becomes unconditionally entitled to: <ul style="list-style-type: none"> (a) exercise an Option; and /or (b) a beneficial interest in Shares (or, in the case of a Phantom Share Award, an amount of cash) subject to a Share Award (other than an Option) <p>and the expression “Vesting”, “Vest and “Vested” and related terms shall have a corresponding meaning.</p>

1.2 In these Rules, except insofar as the context otherwise requires:

- (i) words denoting the singular shall include the plural and vice versa;
- (ii) words importing a gender shall include every gender and references to a person shall include bodies corporate and unincorporated and vice versa;
- (iii) references to any enactment shall be construed as a reference to that enactment as from time to time amended, modified, extended or re-enacted and shall include any orders, regulations, instruments or other sub-ordinate legislation made under the relevant enactment; and
- (iv) headings and captions are provided for reference only and shall not be considered as part of the Plan

1.3 The Plan is an employees’ share scheme within section 743 Companies Act 1985.

PART B - OPTIONS

2 GRANT OF MARKET VALUE OPTIONS

- 2.1 For the purposes of this Part B, references to the term Option shall mean only Market Value Options.
- 2.2 Subject to Rule 12.4 and to the limits set out in Rule 7, the Share Schemes Committee may at any time during a Grant Period (after obtaining the consent of the Remuneration Committee in respect of Eligible Employees who are Senior Employees) recommend the grant of an Option to such employees as are Eligible Employees at the date of such recommendation and at the relevant Date of Grant (and not then under notice of termination of employment whether given or received) and are selected to receive an Option, upon the terms set out in the Plan and upon the condition of satisfying such Performance Condition(s), if any, as the Share Schemes Committee may specify not later than the Date of Grant.
- 2.3 A Market Value Share Option may be granted subject to a condition that the Participant is required to:
- (i) agree to bear the cost of all or part of the secondary NIC, if any, which arises in respect of the exercise of the Market Value Share Option; and/or
 - (ii) enter into an NIC Election; or
 - (iii) accept that an NIC Election that has already been entered into will apply to the Market Value Share Option being granted

in which case any secondary NIC due on the exercise of the Market Value Share Option shall be payable by or recoverable from that Participant in accordance with Rule 8.6 provided that the Share Schemes Committee may in its discretion at any time or times release the Participant from his liability or reduce his liability hereunder provided that where an NIC Election has been entered into between the relevant Group Company and that Participant any amendment to that election to reduce the Participant's liability will require prior approval of Her Majesty's Revenue and Customs.

Where a Market Value Share Option is granted subject to (ii) or (iii) above and at the date of exercise no valid NIC Election is in place then the Market Value Share Option shall be deemed to have been granted subject to (i) above.

- 2.4 Options shall be granted by the Company (or the Trustee where appropriate) by resolution, deed or in such manner as shall be considered appropriate in order to effect such grant. A Letter of Grant evidencing the grant shall be despatched as soon as practicable after the Date of Grant to each Participant.
- 2.5 The Letter of Grant shall specify:
- (a) the Date of Grant;

- (b) the number of Shares subject to the Option;
- (c) the Exercise Price (or as the case may be, notional exercise price);
- (d) the date or dates mentioned in Rule 3.4(i);
- (e) the Performance Condition (if any) and the applicable Performance Period;
- (f) whether the Participant is a Senior Employee;
- (g) whether the Option is a Market Value Share Option or a Stock Appreciation Right and in the case of the latter whether it is to be settled in cash or Shares.

2.6 Where the circumstances in Rule 10.8 apply, New Awards may be granted in consideration for the release of Subsisting Awards granted under the Plan. Such New Awards are deemed to be equivalent to the old Options and to have been granted within the terms of this Plan.

2.7 An Option may be renounced in whole or in part by a Participant by completing and returning the appropriate Form of Renunciation to the Company (or at its direction) within 30 days of the Date of Grant (or such other period specified at the Date of Grant), in which case the Option shall for all purposes be taken as never having been granted.

2.8 No Option may be transferred, assigned or charged and any purported transfer, assignment or charge shall be void ab initio. Each Letter of Grant shall carry a statement to this effect. This Rule 2.8 shall not prevent the Option of a deceased Participant being exercised by his Personal Representative(s) within the terms of these Rules.

3 EXERCISE OF MARKET VALUE OPTIONS

3.1 The exercise of any Option granted under this Part B shall be effected in the form and manner prescribed by the Share Schemes Committee and, unless the Share Schemes Committee determines otherwise, any Notice of Exercise shall take effect only when received by the Company together, in respect of Market Value Share Options only, with the relevant exercise monies or an agreement to provide such monies pursuant to arrangements acceptable to the Company.

3.2 If an Option has been granted subject to a Performance Condition it shall only Vest and be exercisable in accordance with and to the extent permitted under the Performance Condition over the applicable Performance Period. The Share Schemes Committee will, as soon as practicable after the end of the Performance Period, send to Participants details of the extent to which (if at all) Options shall be exercisable.

3.3 No fraction of a Share shall be included in any Vested Option.

3.4 Subject to each of the succeeding rules of this Rule 3, an Option may be exercised by the Participant or, if deceased, by his personal representative at the time of or any time



following the occurrence of the earliest of the following events:

- (i) the date or dates specified by the Company (or Trustee where appropriate) at the Date of Grant and stated in the Letter of Grant;
- (ii) upon a Participant ceasing to be an employee of a Group Company or Director by reason of:
 - (a) death;
 - (b) injury or disability, evidenced to the satisfaction of the Share Schemes Committee;
 - (c) Redundancy;
 - (d) Retirement;
 - (e) a Participant' s employment being in a company which ceases to be a Group Company;
 - (f) a Participant' s contract of employment relating to a business or part of a business being transferred to a person which is not a Group Company; and
 - (g) for any other reason (save for dismissal for cause) as determined in writing by the Share Schemes Committee in its absolute discretion within 30 days of cessation;

PROVIDED that the Performance Condition (if any) has been satisfied at the date of cessation. In ascertaining whether any Performance Condition is satisfied at the date of cessation, the performance shall be measured over the period from the first day of the Performance Period to the date of cessation or to such other date as specified by the Share Schemes Committee (“the Shortened Performance Period”). In reaching its opinion the Shares Schemes Committee shall take account of the length of the Shortened Performance Period, the performance of the Company over the Shortened Performance Period and where the Share Schemes Committee considers that the Performance Condition has ceased to be appropriate it may amend, relax or waive the Performance Condition provided that in the reasonable opinion of the Share Schemes Committee the varied Performance Condition is materially no more difficult to satisfy than when originally imposed; and

- (iii) upon an event giving a right of exercise in accordance with the provisions of Rule 10.

3.5 If a Participant gives or is given notice to terminate his employment or office such that he will no longer be a Group Employee or Director for a reason other than death, injury, disability, Redundancy, Retirement or the sale of the business or company in which the Participant has been employed to a person who is not a Group Company, his Option will not be exercisable until such day (if any) as the Share Schemes Committee so

permits prior to the lapse of the Option.

3.6 An Option shall lapse and become thereafter incapable of exercise on the earliest of the following events:

- (i) the seventh anniversary of the Date of Grant or such earlier date specified by the Share Schemes Committee and stated in the Letter of Grant;
- (ii) if a Participant ceases to be a Group Employee or Director by reason of death, twelve months following the date of death;
- (iii) if a Participant ceases to be a Group Employee or Director for any of the reasons set out in Rules 3.4(ii)(b) to 3.4(ii)(f), six months following such cessation;
- (iv) if a Participant ceases to be a Group Employee or Director by reason of dismissal for cause, on the date of cessation (and for this purpose a statement by the Share Schemes Committee that the Participant has been dismissed for cause shall be conclusive);
- (v) if a Participant ceases to be a Group Employee or Director for a reason not specified in Rules 3.4(ii)(a) to (f), 35 days following such cessation unless the Share Schemes Committee has exercised its discretion in accordance with Rule 3.4(ii)(g) in which case the Options shall lapse at the end of the period specified by the Share Schemes Committee provided that the period so specified shall end not later than six months following the date of cessation;
- (vi) on the date of lapse determined in accordance with Rule 10;
- (vii) in respect of any part of an Option, the date (being a date not later than 90 days after the end of the Performance Period) when the Share Schemes Committee has determined that the Performance Condition (if any) has not been met in respect of that part or proportion of the Option;
- (viii) the Participant being adjudicated bankrupt; and
- (ix) the surrender of the Option by the Participant.

3.7 Subject to Rules 8.5, 8.6 and 3.9, within 30 days after an Option has been exercised by any Participant, the Company shall:

- (i) allot to him or, as appropriate, procure the transfer to him of the number of Shares in respect of which the Option has been exercised or the Share Equivalent computed by reference to the Market Value of a Share on the date of exercise (or, if such transfer or allotment in such period would be prohibited by the Model Code, at the earliest practicable time after such prohibition has lifted); or
- (ii) in the case of a Stock Appreciation Right, which according to its terms is to be

settled in cash, pay to the Participant the Cash Equivalent as soon as practicable after the date of exercise thereof.

- 3.8 Subject to Rules 8.5 and 8.6, the Company may, in lieu of allotting or transferring Shares in accordance with this Rule 3, make arrangements to facilitate cashless exercise.
- 3.9 Subject to Rules 8.5 and 8.6, instead of allotting or transferring Shares pursuant to Rule 3.7 the Company may determine that on exercise of a Market Value Share Option, Shares shall be allotted to the Participant or, as appropriate, procure the transfer to him, in both cases of such number of Shares whose Market Value on the date the Option has been exercised is as far as possible equal to but not in excess of the difference between the aggregate Market Value on the date the Option has been exercised of the number of Shares in respect of which the Option has been exercised and the aggregate Exercise Price to acquire that number of Shares on exercise of the Option. Where the Company determines that Shares shall be allotted or transferred pursuant to this Rule 3.9 the Participant will not be required to pay the Exercise Price in respect of the number of Shares in respect of which the Option has been exercised. The Company shall allot to the Participant or, as appropriate, procure the transfer to him of the Shares pursuant to this Rule 3.9 within 30 days after an Option has been exercised (or, if such transfer or allotment in such period would be prohibited by the Model Code, at the earliest practicable time after such prohibition has lifted).
- 3.10 All Shares allotted or issued under this Plan pursuant to the exercise of Options shall rank equally in all respects with the shares of the same class then in issue except for any rights attaching to such shares by reference to a record date prior to the date of the allotment or issue.
- 3.11 For so long as the Shares in the Company are admitted to dealings on the Official List of the London Stock Exchange plc or any other stock exchange, the Company shall apply for Shares in respect of which an Option has been exercised to be admitted to dealing, if they were not so admitted already.

PART C - SHARE AWARDS

4 GRANT OF SHARE AWARDS

- 4.1 Subject to Rule 12.4 and to the limits set out in Rule 7 and to the recommendation of the Share Schemes Committee (after obtaining the consent of the Remuneration Committee in respect of Eligible Employees who are Senior Employees), the Company (or the Trustee where appropriate), may make Share Awards to Eligible Employees at the relevant Date of Grant (and not then under notice of termination of employment whether given or received) in accordance with the terms of these Rules. A Share Award may comprise:
- (a) a conditional right to receive Shares for no payment;
 - (b) an award of Restricted Shares;

- (c) the grant of a Nominal Cost Option;
- (d) the grant of a Linked Option;
- (e) the grant of a Phantom Share Award; or
- (f) such other form of Share Award as the Share Schemes Committee considers appropriate or desirable provided that such Awards are not economically materially different from the Awards specified in 4.1(a) to 4.1(e).

4.2 A Share Award may be granted subject to a condition that the Participant is required to:

- (i) bear the cost of all or part of the secondary NIC, if any, which arises in respect of the Vesting, Release or exercise (as the case may be) of the Share Award; and/or
- (ii) enter into an NIC Election; or
- (iii) accept that an NIC Election that has already been entered into will apply to the Share Award being granted

in which case any secondary NIC due on the Vesting, Release or exercise of the Share Award shall be payable by or recoverable from that Participant in accordance with Rule 8.6 provided that the Share Schemes Committee may in its discretion at any time or times release the Participant from his liability or reduce his liability hereunder provided that where an NIC Election has been entered into between the relevant Group Company and that Participant any amendment to that election to reduce the Participant's liability will require prior approval of Her Majesty's Revenue and Customs.

Where a Share Award is granted subject to (ii) or (iii) above and at the date of Vesting, Release or exercise (as the case may be) no valid NIC Election is in place then the Share Award shall be deemed to have been granted subject to (i) above; and/or

- (iv) enter into an election under Section 431(1) or 431(2) Income Tax (Earnings and Pensions) Act 2003 and/or an election under Section 83(b) of the United States Inland Revenue Code (or any other election or procedure having a similar effect under the law of any jurisdiction); and/or
- (v) enter into an agreement with the grantor of the Share Award whereby he agrees not to sell, transfer, assign, charge or otherwise dispose of or fetter the Shares subject to the Share Award until the Release Date.

4.3 The Share Schemes Committee may exercise its discretion where it considers that it is necessary or desirable to do so, to provide that such Eligible Employees so designated by the Share Schemes Committee at the Date of Grant shall receive a Phantom Share Award on substantially the same terms as Share Awards (save that there shall be no entitlement to receive Shares) and subject to such modifications as considered appropriate by the Share Schemes Committee.

- 4.4 Share Awards shall be granted by the Company (or the Trustee) by resolution, deed or in such manner as shall be considered appropriate. A Letter of Grant evidencing the Award shall be despatched as soon as practicable after the Date of Grant to each Participant.
- 4.5 The Letter of Grant shall specify:
- (a) the Date of Grant;
 - (b) the number of Shares subject to the Award;
 - (c) the form of the Award;
 - (d) the date or dates mentioned in Rule 5.4(i);
 - (e) the Performance Condition (if any) and the applicable Performance Period;
 - (f) in the case of an Award other than Restricted Shares, the Vesting Date;
 - (g) if the Award is in the form of a Nominal Cost Option or a Linked Option granted in conjunction with a Linked Bonus, a statement to that effect and, in the case of a Nominal Cost Option, the amount (if any) of the exercise price;
 - (h) in the case of Restricted Shares:
 - (i) the Release Date;
 - (ii) whether the Participant has the right to receive dividends on the Restricted Shares and if so on what terms;
 - (iii) whether the Participant has the right prior to the Release Date to direct the Trustee in respect of voting on the Restricted Shares;
 - (i) whether the Participant has any beneficial or legal ownership of the Shares subject to the Share Award prior to the Release Date or Vesting Date;
 - (j) any other conditions or terms which the Award is subject to; and
 - (k) whether the Participant is a Senior Employee.
- 4.6 Where the circumstances in Rule 10.8 apply, New Awards may be granted in consideration for the release of Subsisting Awards granted under the Plan. Such New Awards are deemed to be equivalent to the old Awards and to have been granted within the terms of this Plan.
- 4.7 A Share Award may be renounced in whole or in part by a Participant by completing and returning the appropriate Form of Renunciation to the Company or at its direction within 30 days of the Date of Grant, or such other period specified at the Date of Grant,



in which case the Share Award shall for all purposes be taken as never having been granted.

- 4.8 No Share Award may be transferred, assigned or charged and any purported transfer, assignment or charge shall be void ab initio. The Letter of Grant shall carry a statement to this effect. Rule 4.8 shall not prevent the transfer of Shares subject to a Share Award to a Participant's Personal Representatives within the terms of these Rules.

5 VESTING AND RELEASE OF SHARE AWARDS

- 5.1 If a Share Award has been granted subject to a Performance Condition it shall only Vest or be Released (as the case may be) in accordance with and to the extent permitted under the Performance Condition over the applicable Performance Period. The Share Schemes Committee will, as soon as practicable after the end of the Performance Period, send to Participants details of the extent to which (if at all) the Share Award shall Vest or be Released (as the case may be).
- 5.2 No fraction of a Share shall be included in any Award which has Vested or been Released.
- 5.3 Subject to Rule 6.3(f), on the exercise of a Linked Option the succeeding provisions of this Rule 5.3 shall apply:
- (a) on the exercise of the Linked Option in whole, and provided either the Performance Condition is at that time satisfied in full or no Performance Condition was imposed on grant of the Linked Option, the Company shall, subject to Rule 5.3(c), make or procure the making of a payment equal to an amount in pounds sterling calculated by multiplying the number of Shares over which the Linked Option is exercisable by the Exercise Price per Share;
 - (b) on the exercise of the Linked Option in part only (whether because the Performance Condition is only partially met or where the Performance Condition is met in full or no Performance Condition was imposed on grant of the Linked Option but the Option is exercised in part only), the Company shall, subject to Rule 5.3(c), make or procure the making of a payment equal to an amount in pounds sterling calculated by multiplying the number of Shares over which the Linked Option is exercised by the Exercise Price per Share;
 - (c) if the Performance Condition is met in whole or in part or no Performance Condition was imposed on grant of the Share Award but at the time that the Linked Option first becomes exercisable, the Market Value of a Share is lower than the Exercise Price, the Linked Option will lapse in accordance with Rule 6.3(e) in which case the Company shall transfer or procure the transfer to the Participant as soon as reasonably practicable (subject to all deductions as may be required by law for the payment of any Tax Liability) such number of Shares as is equal to an amount calculated by multiplying the number of Shares over which the Linked Option would have been exercisable but for its lapse under Rule 6.3(e) by the Market Value of a Share on the date on which the Linked Option would otherwise have first become exercisable.

5.4 Any Share Award shall Vest or be Released (as the case may be) at the time of or any time following the occurrence of the earliest of the following events:

- (i) the date or dates specified by the Company (or Trustee where appropriate) at the Date of Grant and stated in the Letter of Grant;
- (ii) upon a Participant ceasing to be an employee of a Group Company or Director by reason of:
 - (a) death;
 - (b) injury or disability, evidenced to the satisfaction of the Share Schemes Committee;
 - (c) Redundancy;
 - (d) Retirement;
 - (e) a Participant' s employment being in a company which ceases to be a Group Company;
 - (f) a Participant' s contract of employment relating to a business or part of a business being transferred to a person which is not a Group Company; and
 - (g) for any other reason (save for dismissal for cause) as determined by the Share Schemes Committee in its absolute discretion within 30 days of cessation; and

PROVIDED that the Performance Condition (if any) has been satisfied at the date of cessation. In ascertaining whether any Performance Condition is satisfied at the date of cessation, the performance shall be measured over the period from the first day of the Performance Period to the date of cessation or to such other date as specified by the Share Schemes Committee ("the Shortened Performance Period"). In reaching its opinion the Shares Schemes Committee shall take account of the length of the Shortened Performance Period, the performance of the Company over the Shortened Performance Period and where the Share Schemes Committee considers that the Performance Condition has ceased to be appropriate it may amend, relax or waive the Performance Condition provided that in the reasonable opinion of the Share Schemes Committee the varied Performance Condition is materially no more difficult to satisfy than when originally imposed; and

- (iii) upon an event in accordance with the provisions of Rule 10.

6 DELIVERY OF SHARES

- 6.1 The delivery of Shares subject to a Share Award or such other Award made within the terms of Rule 5 shall be effected in such form and manner as the Share Schemes Committee from time to time prescribe.
- 6.2 Subject to the succeeding sections of this Rule 6 and Rule 10, Shares subject to a Share Award granted under the Plan will not be transferred or allotted and issued to a Participant prior to the Release Date or Vesting Date (as appropriate).
- 6.3 A Share Award (or as the case may be part of a Share Award) shall lapse on the earliest of the following dates:
- (a) the surrender of the Share Award by the Participant;
 - (b) if a Participant ceases to be a Group Employee or Director for a reason not specified in Rules 5.4(ii)(a) to 5.4(ii)(f), 35 days following such cessation but so that the Share Award shall not Vest or be Released following the cessation of employment except for the Share Schemes Committee exercising their discretion to allow a Share Award to Vest or be Released pursuant to Rule 5.4(ii)(g);
 - (c) the date of lapse determined in accordance with Rule 10;
 - (d) in respect of any part of a Share Award, the date (being a date not later than 90 days after the end of the Performance Period) when the Share Schemes Committee has determined that the Performance Condition (if any) has not been met in respect of that part or proportion of the Share Award;
 - (e) in the case of a Linked Option, on the day it would otherwise first be exercisable if the Exercise Price is higher than Market Value on that day; and
 - (f) in the case of a Nominal Cost Option or a Linked Option 90 days after the Vesting Date.
- 6.4 Subject to Rules 8.5 and 8.6, on the Release Date for Restricted Shares, the exercise of a Nominal Cost Option or Linked Option or the Vesting of other Awards under this Part C:
- (i) the number of Shares subject thereto which have been Released or acquired on exercise or Vesting (as the case may be) shall be transferred or allotted and issued fully paid to or as directed by the Participant within 30 days of the Release Date, exercise date or Vesting Date (as appropriate) or if such transfer or allotment in such period would be prohibited by the Model Code at the earliest practicable time after such prohibition has lifted. The Company and/or the Trustee shall arrange for the delivery of a definitive share certificate or other evidence of title in respect thereof; or
 - (ii) in the case of a Phantom Share Award pay to the Participant the amount of

cash due under the Phantom Share Award as soon as practicable after the Vesting Date.

- 6.5 Where a Linked Bonus is payable in accordance with Rule 5.3, the Company shall, as soon as reasonably practicable, pay or procure the payment of such an amount to the Participant or where necessary, hold such amount as payment towards the aggregate Exercise Price which the Participant will need to pay on the exercise of the Linked Option, subject to such deductions as may be required by law for the payment of any Tax Liability.
- 6.6 The exercise of a Nominal Cost Option or Linked Option under this Part C shall be effected in the form and manner prescribed by the Share Schemes Committee and, unless the Share Schemes Committee determines otherwise, any Notice of Exercise shall take effect only when received by the Company together with the relevant exercise monies (if any) or an agreement to provide such monies pursuant to arrangements acceptable to the Company.
- 6.7 Save for any rights determined by reference to a record date preceding the date of allotment or transfer, Shares acquired under a Share Award shall rank pari passu with other shares of the same class as Shares then in issue.
- 6.8 For so long as the Shares in the Company are admitted to dealing on the Official List of the London Stock Exchange plc or any other stock exchange, the Company shall apply for Shares in respect of Share Award which has been exercised (in the case of a Nominal Cost Option or a Linked Option), Released (in the case of Restricted Shares) or Vested (in the case of other Share Awards) to be admitted to dealing, if they were not so admitted already.

PART D - RULES APPLYING TO BOTH OPTIONS AND SHARE AWARDS

7 PLAN LIMITS

- 7.1 Awards (whether in the form of Options or a Share Award) may be granted pursuant to these Rules provided that such Awards shall be limited and take effect so that the grant does not result in the aggregate of:
 - (a) the number of Shares which remain issuable (and when it is a best practice requirement of the ABI, the number of Treasury Shares that remain reissuable) pursuant to Subsisting Awards granted under the Plan within the preceding five years;
 - (b) the number of Shares which have been issued (and when it is a best practice requirement of the ABI, the number of Treasury Shares that have been reissued) pursuant to Awards granted under the Plan within the preceding five years; and
 - (c) the number of Shares which have been issued (and when it is a best practice requirement of the ABI, the number of Treasury Shares that have been

reissued) or which remain issuable or reissuable accordingly (as the case may be) pursuant to rights granted under any Other Plan within the preceding five years,

exceeding ten per cent (10%) of the Shares in issue on the last Dealing Day before the Date of Grant. The Board may adjust the aggregate number of Shares in each case to reflect any subsequent variation of Share capital of the Company in such manner as is fair and reasonable. For the purposes of this Rule 7 Shares issued to the Trustee in connection with specific Awards under the Plan shall count as Shares issued or issued under the Plan.

8 CASH EQUIVALENT AND TAX LIABILITY

- 8.1 Where an Option has been exercised by any Participant or a Share Award (other than an Option) has Vested or been Released (as the case may be) in respect of any number of Shares and those Shares have not yet been allotted or transferred to him, the Share Schemes Committee may, where the jurisdiction of the Participant is such that the allotment or transfer of Shares would or might be unlawful or might (in the opinion of the Share Schemes Committee) give rise to a material disadvantage to the Participant or the Company, determine that either:
- (a) the Company or the Trust, as the case may be, shall procure the sale on behalf of the Participant of the Shares and pay to the Participant the net proceeds of sale; or
 - (b) exceptionally, in substitution for his right to acquire such number of Shares, the Participant shall be paid a sum equal to the cash equivalent of that number of Shares.
- 8.2 For the purposes of Rule 8.1(b), the cash equivalent of any Award is the amount, if any, by which the middle market quotation of the Shares on the dealing day immediately preceding the date of Vesting, Release or exercise (as the case may be), exceeds the amount payable (if any) for the Shares (being, in the case of an Option, the Exercise Price of the Option).
- 8.3 As soon as reasonably practicable after a determination has been made under Rule 8.1(b) that a Participant shall be paid a cash equivalent in substitution for his right to acquire Shares:
- 8.3.1 the Company shall pay to him or procure the payment to him of that sum in cash; and
 - 8.3.2 if he has already paid the Company for those Shares, the Company shall return to him the amount so paid by him.
- 8.4 There shall be made from any payment under this Rule 8 such deductions as may be required by law on account of any Tax Liability.
- 8.5 Where, on the grant or exercise of an Option or the grant, Vesting or Release of a Share Award (other than an Option) or the Sale of Shares any Group Company is obliged to

account for any Tax Liability, the Participant will bear the amount of the Tax Liability. The relevant Group Company shall require the Participant to make arrangements to its satisfaction to reimburse it for the Tax Liability. If no such arrangements are made the Participant by participating in the Plan shall be deemed to have granted the Company an irrevocable authority to sell or procure the sale on his behalf of such number of shares as is required to realise net proceeds equal to the Tax Liability.

- 8.6 Where, on the exercise of a Option or the Vesting or Release of a Share Award (other than an Option) the Participant was required under Rules 2.3 or 4.2 to either bear the cost of all or part of the secondary NIC and/or to enter into an NIC Election, the Participant shall make arrangements to the satisfaction of the Relevant Company to reimburse it for the relevant secondary NIC. If no such arrangements are made the Participant by participating in the Plan shall be deemed to have granted the Company an irrevocable authority to sell or procure the sale on his behalf of such number of shares as is required to realise net proceeds equal to the cost of the secondary NIC that is required to be borne by the Participant or the subject of the NIC Election.

9 VARIATION OF SHARE CAPITAL

- 9.1 In the event of any variation of the Share capital of the Company (including but without prejudice to the generality of the preceding words, any capitalisation, rights issue, open offer, consolidation, sub-division, reduction of capital and/or in the event of a special dividend or distribution in specie (including a demerger in the form of a distribution in specie) or other demerger in whatever form) the Share Schemes Committee may make such adjustments as it considers appropriate under Rule 9.2.

- 9.2 An adjustment may be to one or more of the following:

- (a) the number of Shares subject to any Subsisting Award;
- (b) the Exercise Price at which the Shares may be acquired on the exercise of any Subsisting Option;
- (c) where an Award has Vested or Released or an Option has been exercised but no Shares have been allotted or transferred pursuant to such Vesting, Release, or exercise, the number of Shares which may be so allotted or transferred and the price at which they may be acquired

PROVIDED that in the case of a rights issue:

- 9.2.1 where a Share Award is in the form of Restricted Shares, the Participant may be invited to provide funds of his own to the Trustee or the Company to enable the take up of the rights and to the extent that he does not do so, he will be deemed to have given an irrevocable authority to sell sufficient rights nil paid at such time as the Trustee, or the Company, shall, in its discretion, determine to enable the take up with the net proceeds of sale the balance of the entitlement in respect of that Share Award. In the event that Shares are taken up the Share Schemes Committee shall specify whether such acquired Shares are subject to like terms and conditions (including where relevant a forfeiture risk) as the Shares the subject of the award of Restricted Shares from which such taken

up Shares derived; and

- 9.2.2 where a Share Award is in the form of a contingent Share Award the Trustee shall (to the extent that the Trustee holds Shares) sell sufficient rights nil paid, at such time as the Trustee shall, in its discretion, determine to enable the Trustee to take up with the net proceeds of sale the balance of the entitlement in respect of that Award.

To the extent the Trustee does not hold such Shares, the Company shall make such adjustments in respect of such a contingent Share Award as the Share Schemes Committee considers appropriate.

- 9.3 An adjustment under this Rule 9 may only have the effect of reducing the price at which the Shares may be subscribed for on the exercise of a Market Value Share Option or a Linked Option to less than their nominal value provided the Board shall take such lawful actions as may be required (including the capitalisation of reserves) in order to permit or procure that such Options may be exercised.
- 9.4 Any adjustment under this Rule 9 shall be deemed to be effective from the record date at which the respective variation applied to other shares of the same class as the Shares.
- 9.5 The Share Schemes Committee shall take such steps as it considers necessary to notify Participants of any adjustment made under this Rule 9.

10 TRADE SALES, RECONSTRUCTIONS & LIQUIDATIONS

- 10.1 Subject to Rule 10.7 on the occurrence of a Relevant Event (as defined in Rule 10.7):
- a) the Performance Condition(s) (if any) in relation to Awards held by Participants who are not Senior Employees shall be deemed to be satisfied in full and such Awards together with any Awards which are not subject to Performance Conditions shall Vest and/or be Released (as appropriate) in accordance with this Rule 10;
 - b) the Performance Condition(s) attributable to any Awards held by Senior Employees shall, subject to Rule 10.2, Vest and/or be Released in accordance with this Rule 10 to the extent that any Performance Condition has been satisfied to the date of the Relevant Event and shall lapse as to the balance and all references to Awards and related terms in the remainder of this Rule 10 other than Rule 10.7 shall be references to the unexpired balance of such Awards.
- 10.2 The Remuneration Committee shall determine the extent to which the relevant Performance Conditions have been satisfied over the period ("the Shortened Performance Period") from the first day of the Performance Period to the date of the Relevant Event in the manner specified in the Performance Condition or, if this is not specified in the Performance Condition, in such manner as it considers to be reasonable having regard to its assessment of performance over the Shortened Performance Period and the Remuneration Committee may also in its discretion determine the extent (if any) to which there should be a reduction or further reduction on a time apportionment

basis to the number of Shares which are to Vest or be Released having regard to the length of the Shortened Performance Period as compared to the original Performance Period.

10.3 If any person obtains Control of the Company as a result of making:

- (a) an offer (whether a general offer or not) to acquire the whole of the issued Share capital of the Company (other than that which is already owned by him) which is unconditional or which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company; or
- (b) an offer (whether a general offer or not) to acquire all the Shares (other than Shares which are already owned by him) in the Company which are of the same class as Shares subject to a Subsisting Award

then, subject to Rule 10.8, the Share Schemes Committee shall notify all Participants as soon as is practicable of the offer and:

10.3.1 Subsisting Options may be exercised from 21 days after the date of the receipt of that notification up to the expiry of a period ending on the earlier of:

- (aa) six months from the time when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied; and
- (bb) 30 days after the date of service of a notice to minority shareholders that a person has become bound or entitled to acquire Shares in the Company under any statute or order governing company reconstructions, liquidations or amalgamations and that he intends to exercise his rights under such legislation,

To the extent that any Subsisting Option is unexercised or has not been exchanged for a New Option in accordance with Rule 10.8.1 at the end of such period it shall thereupon lapse; and

10.3.2 all Shares subject to Subsisting Awards (other than Options) shall be transferred to the Participants.

10.4 If under any statute or order governing company reconstructions, liquidations or amalgamations it is proposed that the relevant legal authority (“the Court”) sanctions a compromise or arrangement in relation to the Company or likely to apply to Shares in the Company, then the Company shall give notice thereof to all Participants and the Trustee at the same time as it sends notices to members of the Company calling the meeting to consider such a compromise or arrangement and, subject to Rules 10.1, 10.2 and 10.8 the following shall apply:

- (a) all Subsisting Options may be exercised from the date of the notice up to the expiry of a period of six months after the date the Court sanctions such compromise or arrangement. The exercise of an Option under this Rule 10.4(a) shall be conditional on the compromise or arrangement being sanctioned by the

Court and becoming effective. To the extent that any Subsisting Option remains unexercised or has not been exchanged for a New Option in accordance with Rule 10.8 at the end of such period it shall thereupon lapse; and

- (b) all Shares subject to Subsisting Awards (other than Options) shall be transferred to the Participants as soon as practicable on or following sanction by the Court.

10.5 If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company then:

- (a) all Subsisting Options may be exercised in whole or in part at the date notice of the resolution is served (but so that an exercise hereunder shall be conditional upon such resolution being passed) and at any time thereafter until the resolution is duly passed or defeated or the general meeting is concluded or adjourned, whichever shall first occur. Immediately after any such resolution is passed any Subsisting Options shall, to the extent that they are unexercised, thereupon lapse; and
- (b) all Shares subject to a Subsisting Award (other than Options) shall be transferred to the Participant upon such resolution being passed.

10.6 If any person becomes bound or entitled to acquire Shares in the Company under any statute or order governing company reconstructions, liquidations or amalgamations and serves notice of his intention to exercise such rights, then all Subsisting Awards (Options and Share Awards) shall lapse and be forfeited as from the date falling 30 days following such notice.

10.7 Notwithstanding Rules 10.1, 10.3 and 10.4 if, following the date of a Relevant Event (being the date of the offer or the date the Court sanctions the compromise or arrangement), the Share Schemes Committee procures that all Subsisting Awards (including any Subsisting Awards which have not Vested or been Released (as the case may be) at the date of that Relevant Event) can be exchanged pursuant to Rule 10.8, the Share Schemes Committee may, in its discretion, determine that no Award shall be Vested, Released or lapsed as a result of Rule 10.1; and:

- (a) Subsisting Options do not become exercisable and Shares subject to Subsisting Share Awards (other than Options) do not become transferable as a result of the Relevant Event and any Subsisting Option which is already exercisable ceases to be exercisable as from the date of the Relevant Event; and
- (b) that all Subsisting Awards shall be released in consideration of the Grant of a New Award in accordance with Rules 10.8 and 10.9. Any Performance Conditions which applied to a Subsisting Award will apply to the related New Award subject to such adjustments as the Remuneration Committee considers reasonable to take account of the circumstances and affect of the Relevant Event and the exchange of Awards.

PROVIDED that if the Company which is the Acquiring Company in respect of the Relevant Event fails to grant or to make a binding contractual commitment to grant the New Awards pursuant to Rule 10.8 within 40 days after the Relevant Event such resolution of the Share Schemes Committee will cease to be effective and all Subsisting Options will be exercisable and Shares subject to Subsisting Share Awards (other than Options) shall be transferred pursuant to Rule 10.3 or 10.4 (as the case may be) as if such Rule 10.7 determination had not been made.

- 10.8 If, as a result of the events specified in Rules 10.3 or 10.4, the Share Schemes Committee has required the release of a Subsisting Award in consideration of the grant of a New Award or a company has obtained Control of the Company, the Participant may and, in the case of a Share Schemes Committee resolution under Rule 10.7 shall, if that other company (“the Acquiring Company”) so agrees, release any Subsisting Award (including any Subsisting Awards which are the subject of a Rule 10.7 determination) he holds in consideration of the grant of a New Award by the Acquiring Company, and the following shall apply:
- 10.8.1 a New Award shall be evidenced by an appropriate letter which shall import the relevant provisions of these Rules;
- 10.8.2 a New Award shall, for all other purposes of this Plan, be treated as having been acquired at the same original time as the corresponding released Award.
- 10.9 For the purpose of any application of the provisions of this Plan following a release of a Subsisting Award and the grant of a New Award all the Rules of this Plan shall apply mutatis mutandis to such New Award subject only to such amendments as the Share Schemes Committee shall consider are necessary or appropriate to reflect the change in identity of the Company over whose shares the New Award subsists and similar consequential changes (including, where appropriate, the adjustment of the Performance Condition). For the avoidance of doubt, a Participant’s New Award shall have the same Vested or unvested status immediately following the release and new grant as the corresponding Awards released by that Participant and any Restrictions to which the Award was subject will continue to apply.
- 10.10 For the purpose of this Rule 10 other than Rule 10.8 a person shall be deemed to have obtained Control of a company if he and others acting in concert with him have together obtained Control of it.
- 10.11 The exercise of an Option or the transfer of Shares subject to a Share Award pursuant to the preceding provisions of this Rule 10 shall be subject to the provisions of Rules 3 and 8.
- 10.12 A New Award shall not be exercisable or transferable by virtue of the event on which it was granted.

11 ADMINISTRATION AND AMENDMENT

11.1 The Plan shall be administered by the Share Schemes Committee whose decision on any matter relating to the Plan shall be final.

11.2 Participants shall not be entitled to:

- (a) receive copies of accounts, circulars or notices sent to holders of Shares;
- (b) exercise voting rights (except in the case of: Restricted Shares and where the Share Schemes Committee or, where required, the Trustee, has consented; and/or where a Participant' s Award is on terms that he is entitled to vote such Shares;
- (c) receive dividends (except where: the Share Schemes Committee or where required, the Trustee, has consented; and/or where a Participant' s Award is on terms that he is entitled to dividends thereon within Rule 4.5(h);

in respect of Shares which have not yet been issued or transferred to such Participants in accordance with these Rules.

11.3.1 The Share Schemes Committee may from time to time amend these Rules provided that:

- (a) subject to 11.3.2, no amendment shall be effective which would materially prejudice the interests of Participants in relation to Awards already granted to them unless such prior consent or sanction of Participants is obtained as would be required under the provisions for the alteration of class rights contained in the Articles of Association of the Company for the time being if the Shares to be allotted or transferred in respect of Subsisting Awards constituted a separate but single class of shares and such Shares were entitled to such right;
- (b) the provisions relating to:
 - (i) Eligible Employees;
 - (ii) the limits contained in Rule 7; and
 - (iii) the basis for determining a Participant' s entitlement under the Plan, the terms of such entitlement and the provisions for the adjustment of the same under the terms of Rule 9;

cannot be altered to the advantage of Participants without the prior approval of the Company in general meeting (except for minor amendments to benefit the administration of the Plan to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants, or the Company or any Group Company).

11.3.2 Notwithstanding Rule 11.3.1 the Share Schemes Committee shall have authority to

amend the terms of any Award without the consent of the Participant in any manner whatsoever to the extent that it deems it necessary or desirable to procure or attempt to procure (in compliance with the United States Internal Revenue Code ("the Code")) that his Award is not and/or does not become subject to any additional excise tax, interest and/or penalties under Section 409A of the Code.

- 11.3.3 If any provision of the Plan and/or the terms of any Award or prospective Award granted or proposed to be granted to a Participant or proposed Participant who is subject to taxation under the Code or is likely to become so would or might contravene any regulations or Treasury guidance promulgated under or in relation to Section 409A, or would or might cause such Award or prospective Award to be subject to the additional excise tax, interest and/or penalties under Section 409A of the Code, such provisions of the Plan applicable to the affected Award and/or the terms of a Subsisting Award and/or the terms of a prospective Award which it is considered may be or may become subject to taxation under the Code shall be automatically modified (in the case of a Subsisting Award) or modified in order in either case to maintain to the maximum extent practicable, the original intention of the Plan and/or the terms of the Subsisting or other Award without violating the provisions of Section 409A of the Code PROVIDED first, that such modifications would not themselves cause a breach of the Code and secondly that the terms of the Plan and/or the relevant Award will not, as a result be materially more advantageous to the affected Participant or potential Participant than other Awards under the Plan.
- 11.4 The Board may, subject to Rule 11.3, create sub-plans to this Plan in which it may make such amendments to the Rules as it considers necessary or desirable to operate the Plan in any jurisdictions in which Eligible Employees are situated and may implement such sub-plans in the form of schedules to the Plan applicable to the specified jurisdiction and in particular the Board is hereby authorised to implement such sub-plans which may provide for additional terms and conditions (including holding periods imposed on Shares) provided such additional terms and conditions are not to the material advantage of the Participants of such sub-plans as opposed to the other Participants. For the avoidance of doubt, the Board is authorised to adopt a sub- plan or sub plans for Eligible Employees situated in France which satisfies the requirements for a French qualified option plan or qualified free share plan or for Eligible Employees situated in the United States or who are subject to tax in the United States which satisfies the requirements for a qualified incentive stock option plan under section 422 of the Code provided in either case that the terms and conditions of such sub-plan(s) and awards thereunder are not materially different to the terms and conditions of this Plan.
- 11.5 The Share Schemes Committee may, in its discretion, delegate any or all administrative functions in relation to the administration and operation of the Plan as it considers desirable to a sub-committee which may include non-Board members or to a nominated individual member of the Share Schemes Committee.
- 11.6 The cost of establishing and operating the Plan shall be borne by the Group Companies which employ the Participants in such proportions as the Share Schemes Committee shall determine.

- 11.7 Any notice or other communication under or in connection with the Plan may be given by the Company or the Trustee (or an agent of one of them) either personally or by post or fax or e-mail or intranet, and to the Company or the Trustee, in a form previously determined as being acceptable to the Share Schemes Committee, either personally or by post or fax or e-mail or intranet to the Secretary of the Company or the Trustee. Items sent by post shall be pre-paid and shall in the case of notices or communications to the Company or the Trustee be treated as received on the day actually received by the Company or the Trustee and in the case of notices from the Company or the Trustee shall be deemed to have been received 48 hours after posting. A requirement under these Rules for the making of any payment may be discharged by the electronic transmission of an authorisation to charge any account or credit card.
- 11.8 The Share Schemes Committee may determine at any time that no further Awards be granted and may from time to time modify or at any time suspend or terminate the Plan (but without prejudice to Awards already granted).
- 11.9 Any limitations in the Trust in relation to the number of Shares which may be made available in respect of any employees' share scheme adopted by the Company shall apply to the Plan and it is acknowledged that the Trustee may not hold at any one time such number of Shares as would exceed 5% of the Company' s issued ordinary share capital.
- 11.10 By accepting any benefit or potential benefit in respect of an Award, a Participant agrees to the holding of information about him by the Company and he authorises the Company and its agents and advisers to use such information for all purposes relating to the operation of this Plan including (without limitation) making information available to Her Majesty' s Revenue & Customs (or overseas tax authority) or to any other person as the Company considers reasonable. By accepting any benefit or potential benefit in respect of an Award, a Participant further agrees that agents of the Company, wherever located, may process data concerning his participation in this Plan and, where necessary, transmit it outside of the United Kingdom.

12 MISCELLANEOUS

- 12.1 The rights and obligations of any individual under the terms of his office or employment with any Group Company shall not, except as specifically provided under the Plan, be affected by his participation in the Plan or any right which he may have to participate therein, and an individual who participates in the Plan shall waive any and all rights to compensation or damages in consequence of the termination of his office or employment (whether lawful or not) for any reason whatsoever insofar as those rights arise or may arise from his ceasing to have rights under the Plan as a result of such termination.
- 12.2 The existence of Awards (whether Share Awards or Options) shall not affect in any way (save for any adjustments required by these Rules) the right or power of the Company or its shareholders to make or authorise any or all adjustments, recapitalisation, reorganisations, reductions of capital, purchase or redemption of its own Shares or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred

or prior preference stock ahead of or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

- 12.3 Neither the grant of an Award nor any benefit which may accrue to a Participant in respect of an Award shall form part of that Participant's pensionable remuneration for the purposes of any pension scheme or similar arrangement which may be operated by any Group Company.
- 12.4 Awards may be granted at any time during a Grant Period unless the making of an Award would be prohibited by legislation or the Model Code. If such a prohibition prevents the making of an Award which might otherwise have been made during a Grant Period, the Award shall be granted immediately upon the prohibition ceasing.
- 12.5 The Plan shall terminate on the tenth anniversary of its adoption or at any earlier time by the passing of a resolution by the Board or the Company in general meeting. Termination of the Plan shall be without prejudice to the subsisting rights of Participants.
- 12.6 This Plan and all Awards granted under it shall be governed by and construed in accordance with the laws of England and Wales.

ARM Holdings plc

DEFERRED ANNUAL BONUS PLAN

Adopted by the shareholders in general meeting on 25 April 2006

KPMG LLP
1 Puddle Dock
London
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RULES OF THE
ARM HOLDINGS PLC
DEFERRED ANNUAL BONUS PLAN

1. PURPOSE OF THE PLAN

This Plan has been introduced to further align the interests of members of the executive Board and senior management of the Company and other Group Companies with those of shareholders by enabling executive directors and senior management to acquire Deferred Shares and to share in the benefit of Matching Shares in the event of superior financial performance by the Company.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In this Plan, the following words and expressions shall have the following meanings:

“ABI”	The Association of British Insurers.
“Award”	An award of Deferred Shares and Matching Shares subject to terms set out in the Plan.
“Award Letter”	A letter or other communication (which may include electronic communication) in such form agreed by the Committee from time to time.
“Board”	The board of directors for the time being of the Company or a duly authorised committee thereof.
“Bonus”	The gross amount (before tax and primary (employee’ s) NIC) of any annual bonus to which a Participant may (but has not yet) become entitled in respect of a Bonus Year, a percentage

of which shall be subject to mandatory deferral into Deferred Shares under this Plan.

“Bonus Year”	The financial year to which an annual bonus relates.
“Business Day”	Any business day on which the London Stock Exchange is open for trading.
“Committee”	The Remuneration Committee of the Board for the time being.
“Company”	ARM Holdings plc, registration number 2548782 or in relation to New Awards granted pursuant to rule 6.2.2 save for the purposes of rules 3.2, 3.3 and 9.1 the Company over whose shares a New Award has been granted.
“Control”	The meaning given by Section 840 of the Taxes Act.
“Daily Official List”	The register of listed securities and the prices of transactions published by the London Stock Exchange.
“Deferred Share”	A Share awarded under rule 4 and subject to the terms of the Plan.
“Eligible Employee”	Any person who is an employee or a director of a Group Company who, in the case of a director, devotes substantially all of his working time to the Group, and in either case is eligible to receive a Bonus in respect of the relevant Bonus Year.
“Grantor”	The Committee, or the Board, or the Trustee acting on the recommendation of, or with the consent of, the Committee, as the case may be.

“Grant Period”	The period referred to in rule 3.1 of the Plan.
“Group”	The Company and its Subsidiaries from time to time and “Group Company” shall be construed accordingly.
“ITEPA”	The Income Taxes (Employment and Pensions) Act 2003.
“Listing Rules”	The listing rules of the UK Listing Authority as amended from time to time.
“London Stock Exchange”	London Stock Exchange plc or any successor body carrying on the business of London Stock Exchange plc.
“Market Value”	In relation to a Share on any day, the closing middle market quotation (as derived from the Daily Official List) for a Share on the immediately preceding Business Day.
“Matching Share”	A Share awarded under rule 5 and subject to the terms of the Plan.
“Model Code”	Any code for transactions in securities by directors or employees issued and in force from time to time under the Listing Rules of the UK Listing Authority and/or any code adopted by the Board in addition to or replacement of such code.
“New Award”	An award over shares granted in consideration for the release of a Subsisting Award.
‘NIC’	Class 1 National Insurance Contributions arising in the UK or any social security, social taxes, social insurance or other comparable liabilities

arising in any other country.

“NIC Election”

An election in the form envisaged in Paragraph 3(B)(1) of Schedule 1 to the Social Security Contribution and Benefits Act 1992 as a result of which the secondary (employer’ s) NIC liability in respect of the Vesting of the Award becomes the Participant’ s liability.

“Official List”

The Official List of the UK Listing Authority for the purposes of section 74 of the Financial Services and Markets Act 2000.

“Participant”

Any Eligible Employee who receives an Award under the Plan.

“Plan”

The ARM Holdings plc Deferred Annual Bonus Plan.

“Plan Year”

The financial year immediately following the relevant Bonus Year.

“Redundancy”

The cessation of office or employment by reason of:

- (a) cessation or intended cessation by an employing company of the business in which the relevant individual was employed; or
- (b) the cessation or reduction in the requirements of an employing company for employees to carry out work of a particular kind (including carrying out work in a particular location).

“Retirement”	Cessation of a Participant’ s employment or office with a Group Company by reason of retirement with the agreement of the Committee.
“Share”	A fully paid ordinary share in the capital of the Company.
“Subsidiary”	The meaning given by Section 736 of the Companies Act 1985.
‘ ‘Subsisting Award’ ’	An Award which has been granted and which has not been surrendered, renounced or lapsed and has not Vested.
“Tax Liability”	A liability to account for any tax, primary (employee’ s) NIC, or other levy in respect of an Award by the Company or other Group Company (the “Relevant Company”), whether by reason of the grant or Vesting of an Award.
“Taxes Act”	The Income and Corporation Taxes Act 1988.
‘ ‘Treasury Shares’ ’	Shares in the Company as defined in section 162A Companies Act 1985 as inserted by the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.
“Trustee”	The trustee or trustees for the time being of any employee benefit trust established for the benefit of all or substantially all of the Eligible Employees.
“Vest”	In the case of Deferred Shares, the meaning given by rule 4.3.1 and, in the case of Matching Shares, the meaning given by rule 5.2.3 or rule 5.2.4 (as the case may be) and the expression “Vesting”

and “Vested” and related terms shall have a corresponding meaning.

“Vesting Date”

The date on which an Award Vests, as specified in the Award Letter but subject to rule 4.5.2 or rule 5.5.2 (as appropriate).

“Vesting Period”

The period from the date on which an Award is granted to the Vesting Date.

“UK Listing Authority”

The Financial Services Authority acting in its capacity as a competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 and in the exercise of its functions in respect of admission to the Official List.

2.2 Interpretation

- 2.2.1 Headings are for convenience only and do not affect interpretation. Where the context so admits or requires words importing the singular shall include the plural and *vice versa* and words importing the masculine shall include the feminine.
- 2.2.2 A reference to a person includes a body corporate, an unincorporated body or other entity and *vice versa*.
- 2.2.3 A reference to a rule is to a rule of the Plan and a reference to any legislation, agreements or documents is to that legislation as modified or re-enacted and to that agreement or document as amended, novated, supplemented, varied or replaced from time to time, except as prohibited by the Plan.

3. GRANT OF AWARDS AND PLAN LIMITS

3.1 Grant Period

The Grantor may grant Awards during a Grant Period, being the 42 days starting on:

- a) the date on which the Plan was adopted;
- b) the announcement of the Company' s results to the London Stock Exchange for any period;
- c) any day on which the Committee resolves that exceptional circumstances exist which justify the grant of Awards;
- d) any day on which changes to the law affecting such Awards are announced, effected or made; or
- e) if the Grantor cannot grant Awards under (a) to (d) above due to restrictions imposed by statute, order, regulation, government direction, or the Model Code, within 42 days of the lifting of such restrictions.

3.2 Grant of Awards

The Grantor, acting with the consent of the Committee where the Grantor is not the Committee, may select any number of Eligible Employees to participate in the Plan, determine the percentage of an Eligible Employee' s Bonus which shall be subject to mandatory deferral in accordance with rule 4.2, determine the performance criteria relating to the corresponding Matching Shares and make Awards to them provided that they are Eligible Employees at the relevant date of Award and not then under notice of termination of employment whether given or received. The grant of such Awards shall be made or evidenced by Award Letters which the Grantor may from time to time in its absolute discretion issue, or cause to be issued, to Eligible Employees.

The Award Letter shall be in such form as the Committee determines from time to time and shall include the following information:

- a) the date of Award;
- b) the name of the Eligible Employee to whom the Award is made;
- c) the number of Deferred Shares under the Award;
- d) the number of Matching Shares under the Award;
- e) details of the performance criteria that apply to the Vesting of the Matching Shares;
- f) the Vesting Period for the Award being, subject to the rules of the Plan, normally the period of three years from the date of Award and in any event a period ending not earlier than the third anniversary of the beginning of the relevant Plan Year.

3.3 **Plan limits**

The aggregate of the number of Shares that may be issued (and when it is a best practice requirement of the ABI, the number of Treasury Shares that may be reissued under the Plan) pursuant to any proposed Awards on any day must not exceed 10% of the issued ordinary share capital of the Company on the last Business Day before the date of Award, when added to the total number of Shares which have been issued (and when it is a best practice requirement of the ABI, Treasury Shares which have been reissued) in the previous five years under the Plan and any other employee share scheme operated by the Company or which remain issuable or reissuable accordingly under Awards made under the Plan and awards (including options) granted under any other employee share schemes operated by the Company made in the previous five years. For the purpose of this rule 3.3, Shares issued to the Trustee in connection with specific Awards under the Plan shall count as Shares issued or issuable under the Plan.

4. DEFERRED SHARES

4.1 Award of Deferred Shares

- 4.1.1 The Grantor may grant to a Participant an Award over such number of Deferred Shares as is determined in accordance with rule 4.2. Deferred Shares will be awarded on a date determined by the Grantor which will be during a Grant Period.
- 4.1.2 The award of Deferred Shares will take the form of a conditional right to receive Shares on the Vesting Date or such other form of Award as the Committee considers appropriate or desirable provided that such Award of Deferred Shares is not economically materially different from a conditional right to receive Shares.

4.2 Number of Deferred Shares

The number of Deferred Shares awarded to a Participant will be calculated as a percentage, being such percentage, subject to mandatory deferral into Deferred Shares under this Plan, as the Grantor may determine, of Bonus relating to the relevant Bonus Year, subject to a maximum of 100%, divided by the Market Value of a Share on the last Business Day preceding the date of Award, or if the Committee so determines, the average Market Value of a Share on a number of Business Days, not to exceed five, immediately preceding that date.

4.3 Vesting of Deferred Shares

- 4.3.1 The Deferred Shares subject to the Award shall cease to be subject to the provisions of rule 4.4 on the Vesting Date, whereupon the Shares subject to the Award shall forthwith be released to the Participant.

4.3.2 In respect of Awards where the Grantor is the Trustee, the Trustee shall retain or have the right to acquire sufficient Shares to satisfy the right to receive Shares on Vesting.

4.4 **Leaver provisions**

4.4.1 Subject to rule 11.4.2, where a Participant ceases to be an employee or officer of a Group Company prior to the Vesting Date for any reason except in the circumstances set out in rule 4.4.2, the Company or Trustee (as applicable) will deliver the Shares subject to the Deferred Share Award to him as soon as practicably possible after the date of cessation of employment or office.

4.4.2 Where a Participant ceases to be an employee or officer of a Group Company prior to the Vesting Date as a result of dismissal for gross misconduct, as determined by the Committee, he will immediately forfeit his Award of Deferred Shares unless the Committee, in its absolute discretion, determines otherwise.

4.5 **Other provisions applying to Deferred Shares**

4.5.1 No transfer or other transaction in relation to Deferred Shares will take effect if it is not in accordance with the Model Code.

4.5.2 Where the Vesting Date would otherwise fall on a date within a close period within the meaning of the Model Code, the Vesting Date shall not fall on such date but shall instead fall on the first day after the expiry of the relevant close period.

4.5.3 Where the number of Deferred Shares to be awarded is not a whole number, the number will be rounded down to the next whole number.

4.5.4 Except on the death of a Participant, Deferred Shares may not be transferred, assigned or novated except with the prior approval of the Committee.

4.5.5 During the Vesting Period a Participant shall have no right to instruct the Company or the Trustee (as applicable) to vote on the Deferred Shares held on

his behalf and will not be entitled to receive any dividends or dividend equivalent payments which are paid in respect of his Deferred Shares.

5. MATCHING SHARES

5.1 Grant of Matching Shares

5.1.1 The Grantor may award to a Participant Matching Shares according to such ratio as the Grantor may in its absolute discretion determine prior to the date of Award provided that the ratio shall not exceed two Matching Shares for each Deferred Share granted in accordance with rule 4. A Participant will not be required to pay anything for the grant of Matching Shares. Matching Shares will be awarded on the same date that the Deferred Shares to which they relate are awarded.

5.1.2 The award of Matching Shares may take the form of:

- a) an immediate transfer of a beneficial interest in such Shares (subject to the Matching Share restrictions and provisions for forfeiture contained in the Plan); or
- b) a conditional right to receive Shares on the Vesting Date or such other form of Award as the Committee considers appropriate or desirable provided that such Award of Matching Shares is not economically materially different from a conditional right to receive Shares.

5.2 Vesting of Matching Shares

5.2.1 Subject to the achievement of the performance criteria determined by the Committee, Matching Shares will Vest on the Vesting Date. To the extent that the Matching Shares do not Vest under this rule 5.2.1 or in accordance with rule 5.4 or rule 6, the Participant will forfeit his Matching Shares immediately.

5.2.2 The performance criteria, which must be based on objective conditions, imposed under rule 5.2.1 shall be:

- (a) set out in the Award Letter or in a schedule referred to in the Award Letter;

- (b) such, that the Vesting of Matching Shares after the fulfilment or attainment of such objective conditions shall not be dependent upon the further discretion of any person; and
- (c) not capable of amendment or waiver unless events happen which cause the Committee to consider that the performance criteria have ceased to be a fair measure of performance whereupon the Committee may at any time amend, relax or waive the performance criteria provided that in the reasonable opinion of the Committee the varied performance criteria are materially no more or less difficult to satisfy than when originally imposed or last amended as the case may be.

5.2.3 Where the award of Matching Shares falls within rule 5.1.2 a), the Matching Shares subject to the Award shall cease to be subject to the provisions of rule 5.4 on the Vesting Date, whereupon the Participant shall be entitled to call for the transfer to him of his Matching Shares.

5.2.4 Where the award of Matching Shares falls within rule 5.1.2 b), the Matching Shares subject to the Award shall cease to be subject to the provisions of rule 5.4 on the Vesting Date, whereupon the the Shares shall forthwith be released and transferred to the Participant.

5.2.5 Where the award of Matching Shares falls within rule 5.1.2 a), the Matching Shares will be held by the Company or Trustee (as applicable) on behalf of the Participant during the Vesting Period or (as the case may be) until the forfeiture prior to the Vesting Date of those Matching Shares.

5.2.6 In respect of Awards where the Grantor is the Trustee and the award of Matching Shares falls within rule 5.1.2 b), the Trustee shall retain or have the right to acquire sufficient Shares to satisfy the right to receive Shares on Vesting.

5.3 **Rights attaching to Matching Shares**

During the Vesting Period a Participant shall have no right to instruct the Company or the Trustee (as applicable) to vote on the Matching Shares held

on his behalf and will not be entitled to receive any dividends or dividend equivalent payments which are paid in respect of his Matching Shares.

5.4 **Leaver provisions**

5.4.1 Where a Participant ceases to be an employee or officer of a Group Company prior to the Vesting Date for any reason except as set out in rule 5.4.2, he will forfeit his Matching Shares immediately on the date of cessation of employment or office, unless the Committee, in its absolute discretion, determines otherwise.

5.4.2 Where a Participant ceases to be an employee or officer of a Group Company prior to the Vesting Date by reason of:

- a) death;
- b) serious injury, disability or illness, as determined by the Committee;
- c) Retirement;
- d) Redundancy;
- e) a Participant' s employment or office being in a company which ceases to be a Group Company; or
- f) the Participant' s contract of employment relating to a business or part of a business being transferred to a company which is not a Group Company,

his Matching Shares will Vest pro-rata to the length of time that has elapsed between the date of Award and the date of cessation of employment or office as compared to the Vesting Period specified in the relevant Award Letter pursuant to rule 3.2(f), and to the extent that the performance criteria relating to the Matching Shares is met at the date of cessation of employment or office, as determined by the Committee in its absolute discretion.

5.5 Other provisions applying to Matching Shares

- 5.5.1 No transfer or other transaction in relation to Matching Shares will take effect if it is not in accordance with the Model Code.
- 5.5.2 Where the Vesting Date would otherwise fall on a date within a close period within the meaning of the Model Code, the Vesting Date shall not fall on such date but shall instead fall on the first day after the expiry of the relevant close period.
- 5.5.3 Where the number of Matching Shares to be awarded is not a whole number, the number will be rounded down to the next whole number.
- 5.5.4 Except on the death of a Participant, Matching Shares may not be transferred, assigned or novated except with the prior approval of the Committee.

6. TAKEOVER, RECONSTRUCTION AND WINDING UP

6.1 Control Events

The following events shall be Control Events:

- 6.1.1 A person (or a group of persons acting in concert) obtaining Control of the Company as a result of making an offer (whether a general offer or not) to acquire Shares (other than that which is already owned by him) which is either unconditional or is made on a condition such that if it is satisfied the person making the offer will have Control of the Company;
- 6.1.2 A court sanctioning a compromise or arrangement for the purposes of or in connection with a scheme in relation to the Company or likely to apply to Shares under Section 425 of the Companies Act 1985;
- 6.1.3 A person becoming bound or entitled to acquire Shares under Sections 428 to 430F (inclusive) of the Companies Act 1985; or
- 6.1.4 The Company passing a resolution for voluntary winding up or an order being made for the compulsory winding up of the Company.

6.2 Control Event occurring prior to the Vesting Date

6.2.1 Subject to rule 6.2.2 upon a Control Event occurring prior to the Vesting Date:

- a) all Deferred Shares will Vest immediately; and
- b) Matching Shares will Vest pro rata to the length of time that has elapsed between the date of Award and the date of the Control Event as compared to the Vesting Period specified in the relevant Award Letter pursuant to rule 3.2(f), and to the extent that any performance criteria have been met at the date of the Control Event as determined by the Committee in its absolute discretion.

6.2.2 If as a result of the events specified in rules 6.1.1 or 6.1.2 a company will obtain Control of the Company, or a company will become bound or entitled as mentioned in rule 6.1.3, then notwithstanding rule 6.2.1 the Committee may in its discretion resolve that an Award will not Vest as a result of the operation of rule 6.2.1.

However, this rule 6.2.2 applies only where an offer is made with the agreement of that company for the grant of New Awards in consideration of the release of all Subsisting Awards. Such an offer must have been made before the end of the period ending:

- (a) 30 days following the date of change of Control referred to in rule 6.1.1;
- (b) 30 days following the court sanctioning a compromise or arrangement referred to in rule 6.1.2; or
- (c) 21 days following the first day of the period during which a person is bound or entitled to acquire Shares referred to in rule 6.1.3.

If no exchange offer is made within the periods so defined, rule 6.2.1 shall continue to apply.

A New Award issued in consideration of the release of an Award shall be evidenced by an appropriate letter which shall import the relevant provisions of these rules. Such New Award is deemed to be equivalent to the Subsisting

Award and to have been granted with the terms of this Plan.

A New Award shall, for all other purposes of this Plan, be treated as having been acquired at the same time as the corresponding released Award. The performance criteria shall continue to apply to the corresponding New Award subject to such amendments as the Committee may consider necessary pursuant to rule 5.2.2(c).

7. VARIATION OF SHARE CAPITAL

7.1 Variation of Capital

If there is a variation of the share capital of the Company including but without prejudice to the generality of the preceding words a capitalisation, rights issue, open offer, sub-division, consolidation, reduction of share capital, a special dividend, a demerger (in whatever form) or other distribution in specie, the Committee may make such adjustments as it considers appropriate under rule 7.2.

7.2 Adjustments

An adjustment made under this rule 7.2 will be to one or more of the following:

- a) the number of Shares subject to any Award; and
- b) where the Deferred Shares or Matching Shares have Vested but no Shares have been issued or transferred, the number of Shares which may be issued or transferred.

7.3 Notice of Variation

As soon as reasonably practicable after making any adjustment under rule 7.2 the Committee will give notice in writing of the adjustment to any Participant affected by it.

8. ADMINISTRATION

- 8.1 The Plan will be administered by the Committee. The Committee will have power to delegate the exercise of its powers or discretions arising under the Plan to any one or more persons (including, but not restricted to, a sub-committee of the Committee) for such period and on such conditions as the Committee may determine.
- 8.2 The Committee may at any time appoint or engage specialist service providers for the operation and administration of the Plan.
- 8.3 The Committee will ensure a complete register of Participants is maintained to facilitate efficient management and administration and to comply with regulatory reporting requirements.
- 8.4 The Plan may be administered in conjunction with an employee benefit trust.
- 8.5 Where the Committee is required to make a determination or is entitled to exercise discretion in respect of the Plan, that determination or discretion shall be exercised reasonably and in good faith.

9. ALTERATION

- 9.1 The Board, on the advice of the Committee and subject to rules 9.4.1, 11.1 and 11.2, may at any time and from time to time alter the Plan by resolution provided that:
- (a) subject to rules 9.2 and 9.3, no amendment shall be effective which would materially prejudice the interests of Participants in relation to Awards already granted to them unless such prior consent or sanction of Participants is obtained as would be required under the provisions for the alteration of class rights contained in the Articles of Association of the Company for the time being if the Shares to be allotted or transferred in respect of Subsisting Awards constituted a separate but single class of shares and such Shares were entitled to such right;
 - (b) the provisions relating to:
 - a. the definition of Eligible Employee;

- b. the limitations on the number of Shares which may be issued under the Plan;
- c. any limit on benefits or any category of benefit that may be granted under the Plan to any one Participant;
- d. any rights attaching to Deferred Shares or Matching Shares;
- e. the rights of holders of Deferred Shares or Matching Shares in the event of a capitalisation issue, rights issue, open offer, sub-division or consolidation of shares or reduction or any other variation of capital of the Company; or
- f. the terms of this rule 9.1(b); and/or
- g. the directors of the Company participating in the Plan,

cannot be altered to the advantage of Participants without prior approval of the members of the Company by ordinary resolution.

9.2 Notwithstanding rule 9.1(a) the Committee shall have authority to amend the terms of any Award without the consent of the Participant in any manner whatsoever to the extent that it deems it necessary or desirable to procure or attempt to procure (in compliance with the United States Internal Revenue Code ("the Code")) that his Award is not and/or does not become subject to any additional excise tax, interest and/or penalties under Section 409A of the Code.

9.3 If any provision of the Plan and/or the terms of an Award or prospective Award granted or proposed to be granted to a Participant or proposed Participant who is subject to taxation under the Code or is likely to become so would or might contravene any regulations or Treasury guidance promulgated under or in relation to Section 409A, or would or might cause such Award or prospective Award to be subject to the additional excise tax, interest and/or penalties under Section 409A of the Code, such provisions of the Plan applicable to the affected Award and/or the terms of a Subsisting Award and/or the terms of a prospective Award which it is considered may be or may

become subject to taxation under the Code shall be automatically modified (in the case of a Subsisting Award) or modified in order in either case to maintain to the maximum extent practicable, the original intention of the Plan and/or the terms of the Subsisting or other Award without violating the provisions of Section 409A of the Code PROVIDED first, that such modifications would not themselves cause a breach of the Code and secondly that the terms of the Plan and/or the relevant Award will not, as a result be materially more advantageous to the affected Participant or potential Participant than other Awards under the Plan.

9.4 **Minor alterations and subplans**

- 9.4.1 Rule 9.1(b) will not apply to any minor alteration to the benefit of the administration of the Plan or any alteration to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Company.
- 9.4.2 The Board may, subject to rule 9.1(b), create sub-plans to the Plan which may make such amendments to the rules as it considers necessary or desirable to operate the Plan in any jurisdictions in which Eligible Employees are situated and may implement such sub-plans in the form of schedules to the Plan applicable to the specified jurisdiction and in particular the Board is hereby authorised to implement such sub-plans which may provide for additional terms and conditions (including holding periods imposed on Shares) provided such additional terms and conditions are not to the material advantage of the Participants of such sub-plans as opposed to the other Participants. For the avoidance of doubt, the Board is authorised to adopt a sub-plan or sub-plans for Eligible Employees situated in France, which satisfies the requirements for a French qualified free share plan, provided that the terms and conditions of such sub-plan(s) and awards thereunder are not materially different to the terms and conditions of this Plan.

9.5 Listing Rules

Any amendment to the Plan is subject to any restrictions or procedural requirements relating to the amendment of the rules of an employee incentive plan imposed by the Listing Rules.

10 LEGAL ENTITLEMENT

10.1 Ranking and listing

10.1.1 All Shares issued or transferred to a Participant under this Plan, will, from the date of issue or transfer, rank equally with all other issued Shares. If necessary, the Company will apply for official quotation of these Shares on the stock exchange on which Shares are listed.

10.1.2 The Company shall procure as far as it is able that the Shares forming part of an Award are listed on any stock exchange on which Shares are listed.

10.2 Rights of Participants

Subject to rule 4.4, nothing in this Plan or relating to participation in this Plan:

- a) confers on any Eligible Employee or Participant the right to continue as an employee or officer of any Group Company;
- b) confers on any employee the right to become or remain an Eligible Employee or Participant under the Plan;
- c) will be taken into account in determining a Participant's salary or remuneration for the purposes of superannuation or other pension arrangements;
- d) affects the rights and obligations of any Eligible Employee or Participant under the terms of his office or employment with a Group Company;
- e) affects any rights which a Group Company may have to terminate the employment or office of an Eligible Employee or Participant or will be

taken into account in determining an Eligible Employee' s or Participant' s termination or severance pay;

- f) may be used to increase damages in any action brought against a Group Company in respect of such termination; and
- g) confers any responsibility or liability on any Group Company or its directors, officers, employees, representatives or agents in respect of any taxation liabilities of the Eligible Employee or Participant.

11. GENERAL

11.1 Law, Listing Rules and the Articles of Association

The Plan and all offers and issues of Deferred Shares and Matching Shares under the Plan are subject to the law, the Listing Rules and the Articles of Association of the Company, each as in force from time to time.

11.2 Termination and suspension

Awards may only be granted under this Plan for a period of ten years commencing on the date on which the Plan is approved by the Company' s shareholders, or such shorter time as the Committee may, in its absolute discretion, determine. Such suspension or termination of the Plan will not affect any existing grants of Awards made under the Plan and the terms and conditions of the Plan will continue to apply to such Awards.

11.3 Costs and expenses

Subject to the succeeding provisions of this rule 11.3, the Company will pay and bear all expenses, costs and charges in relation to the establishment, implementation and administration of the Plan, including all costs incurred in or associated with the issue or purchase of Shares (except for any Tax Liabilities which are required to be reimbursed by Participants pursuant to rule 11.4.1) for the purposes of the Plan. Each Group Company will, if required by the Committee, reimburse the Company for any such costs and charges to the extent that they relate to its employees or former employees.

11.4 **Withholding**

- 11.4.1 If any person (not being a Participant) is obliged as a result of or in connection with the grant or Vesting of an Award to account for any Tax Liability, then that person is entitled to reimbursement by the Participant for the amounts so paid or payable.
- 11.4.2 Where rule 11.4.1 applies, the Company is not obliged to pay the relevant amount or issue or transfer the relevant Shares to the Participant unless the relevant person is satisfied that arrangements have been made for reimbursement. Those arrangements may include, without limitation, the sale, on behalf of the Participant, of sufficient Shares issued or transferred or otherwise to be issued or transferred to the Participant so that the net proceeds (after any costs of sale) payable to the relevant person are so far as possible equal to but not less than the amount payable to the appropriate authorities and shall account to the Participant for any balance.
- 11.4.3 The Committee may require any Participant, as a condition of the Award to enter into an agreement, a NIC Election or accept that a NIC Election that has already been entered into will apply to the Award being granted, transferring the cost of all or part of the secondary (employer' s) NIC on the Vesting of the Award to the Participant. The Committee may in its discretion at any time or times release the Participant from this liability or reduce his liability hereunder provided that where a NIC Election has been entered into between the relevant Group Company and that Participant any amendment to that election to reduce the Participant' s liability will require prior approval of the Her Majesty' s Revenue and Customs.

Where such an agreement or NIC Election has been validly made, and to the extent that it has not been released or reduced, the secondary (employer' s) NIC subject of that agreement or NIC Election will be reimbursed by the Participant to the relevant Group Company in accordance with rule 11.4.2.

11.5 Data protection

It is a condition of participation in this Plan that each Participant consents to the holding and processing of personal data provided by the Participant to any Group Company for all purposes relating to the operation of the Plan. These include, but are not limited to:

- a) administering and maintaining Participants' records;
- b) providing information to the Trustee, registrars, brokers or third party administrators of the Plan;
- c) providing information to future purchasers of the Company or the Group Company in which the Participant works; and
- d) transferring information about the Participant to a country or territory outside the United Kingdom, if necessary.

11.6 Dispute

Any disputes or differences of any nature arising under the Plan will be referred to the Committee and its discretion will be final and binding.

11.7 Notices

Any notice or other communication under or in connection with the Plan may be given by the Company or the Trustee (or an agent of one of them) either personally or by post or fax or e-mail or intranet, and to the Company or the Trustee in a form previously determined as being acceptable to the Committee, either personally or by post or fax or e-mail or intranet to the Secretary of the Company or the Trustee. Items sent by post shall be pre-paid and shall in the case of notices or communications to the Company or the Trustee be treated as received on the day actually received by the Company or the Trustee and in the case of notices from the Company or the Trustee shall be deemed to have been received 48 hours after posting. A requirement under these rules for the making of any payment may be discharged by the electronic transmission of an authorisation to charge any account or credit card.

11.8 **Governing law**

The Plan and the rights of Eligible Employees and Participants under the Plan are governed by and will be construed in accordance with the laws of England and Wales.

ARM Holdings plc

**US EMPLOYEE STOCK
PURCHASE PLAN**

Adopted by ARM Holdings plc on 25 April 2006

**KPMG LLP
1 Puddle Dock
London
EC4V 3PD**

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Rules of the ARM Holdings plc US Employee Stock Purchase Plan

1. Purpose

The purpose of the ARM Holdings plc (“the Parent”) US Employee Stock Purchase Plan (“the Plan”) is to provide employees of the Designated Subsidiaries with opportunities to purchase ordinary shares in the capital of the Parent, having a par value of 0.05p (the “Shares”). The Plan is intended to constitute an “employee stock purchase plan” within the meaning of Section 423(b) of the Internal Revenue Code of 1986, as amended (the “Code”), and shall be interpreted in accordance with that intent.

2. Administration

The Plan will be administered by the Share Scheme Committee of the Parent’s Board of Directors (the “Committee”). The Committee has authority to make rules and regulations for the administration of the Plan, including for the avoidance of doubt for any notice or communication under or in connection with the Plan to be made by email or intranet, and its interpretations and decisions with regard thereto shall be final and conclusive. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted hereunder.

3. Shares

3.1 Limit for all share plans

Options may be granted pursuant to these Rules provided that such Options shall be limited and take effect so that the grant does not result in the aggregate of:

- (a) pursuant to Rule 10, the maximum number of Shares which remain issuable (and when it is a best practice requirement of the ABI, the maximum number of Treasury Shares that remain reissuable) pursuant to subsisting Options granted under the Plan within the preceding five years;
- (b) the actual number of Shares which have been issued (and when it is a best practice requirement of the ABI, the actual number of Treasury Shares that have been reissued) pursuant to Options granted under the Plan within the preceding five years; and
- (c) the number of Shares which have been issued (and when it is a best practice requirement of the ABI, the number of Treasury Shares that have been reissued) or which remain issuable or reissuable accordingly (as the case may be) pursuant to rights granted under any Other Plan within the preceding five years,

exceeding ten per cent (10%) of the Shares in issue on the last Dealing Day before the Date of Grant PROVIDED THAT the limit in Rule 3.2 is not exceeded. The Parent’s Board of Directors may adjust the aggregate number of Shares in each case to reflect any subsequent variation of Share capital of the Parent in such manner as the Board in their discretion consider is fair and reasonable PROVIDED THAT the limit in Rule 3.2 is not exceeded.

3.2 Number of Shares available under this Plan

Subject to Rule 3.1, twenty-five million (25,000,000) Shares in aggregate will be available for issuance under the Plan, being 1.8% of the Share Capital of the Parent at the date of the adoption of this limit.

4. Offerings

The Parent will make one or more offerings to eligible employees to purchase Shares under the Plan (“Offerings”). Each Offering will be for any period of between 6 and 24 calendar months as determined by the Committee from time to time.

5. Eligibility

All employees including employees who are also directors of any Designated Subsidiary (as defined in Rule 13) are eligible to participate in any one or more of the Offerings under the Plan, except where prohibited by law provided that as of the Offering Date they have completed at least six (6) months of employment with the Parent or a Designated Subsidiary or such lesser period as the Committee may decide from time to time.

6. Participation

An employee eligible on any Offering Date may participate in such Offering by submitting an enrollment form to his appropriate payroll location at least ten (10) business days before the Offering Date (or by such other deadline as shall be established for the Offering). The form will (a) state a whole percentage to be deducted from his Compensation (as defined in Rule 13) per pay period during the Offering, (b) authorize the purchase of Shares for him in the Offering in accordance with the terms of the Plan, and (c) specify the exact name or names in which Shares purchased for him are to be issued pursuant to Rule 12. An employee who does not enroll in accordance with these procedures will be deemed to have waived his right to participate. Notwithstanding the foregoing, participation in the Plan will neither be permitted nor be denied contrary to the requirements of the Code.

7. Employee Contributions

Each eligible employee may authorize payroll deductions at any whole percentage up to a maximum of ten percent (10%) of his Compensation for each pay period, or such other percentage established by the Committee. The Parent and each Designated Subsidiary will maintain book accounts showing the amount of payroll deductions made by each participating employee for each Offering. No interest will accrue or be paid on payroll deductions.

8. Deductions Changes

An employee may not increase his payroll deduction during any Offering. An employee generally may not decrease his payroll deduction during an Offering, but may terminate his payroll deduction for the remainder of the Offering and withdraw from the Offering under Rule 9.

9. Withdrawal

An employee may withdraw from participation in an Offering by delivering a notice of withdrawal to his appropriate payroll location. The employee's withdrawal will be effective as of the next business day. Following an employee's withdrawal, the Parent or Designated Subsidiary will promptly refund to him his entire account balance under the Offering. Partial withdrawals are not permitted. The employee may not begin participation again during the remainder of the Offering, but may enroll in a subsequent Offering in accordance with Rule 6.

10. Grant of Options

On each Offering Date, the Parent will grant to each eligible employee who is then a participant in the Plan an option ("Option") to purchase on the last day of such Offering (the "Exercise Date"), at the Option Price hereinafter provided for, a maximum number of Shares equal to the Maximum Value for the Offering divided by the Fair Market Value of the Shares on the Offering Date, rounded down to the nearest whole share. The basis of determining the purchase price for each Share purchased under such Option (the "Option Price") will be decided by the Committee on the Offering Date and may be determined as a proportion of the Fair Market Value of the Share on the Offering Date, a proportion of the Fair Market Value of the Share on the Exercise Date or the lower of such amounts. However the purchase price for each Share decided by the Committee will not be less than the lower of 85% of the Fair Market Value of the Share on the Offering Date and 85% of the Fair Market Value of the Share on the Exercise Date.

Notwithstanding the foregoing, no employee may be granted an Option hereunder if such employee, immediately after the option was granted, would be treated as owning stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Parent or any "parent corporation" or Subsidiary (as defined in Rule 13). For purposes of the preceding sentence, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of an employee, and all stock which the employee has a contractual right to purchase shall be treated as stock owned by the employee. In addition, no employee may be granted an Option which permits his rights to purchase Shares under the Plan, and any other employee stock purchase plan of the Parent and any parent corporations and Subsidiaries, to accrue at a rate which exceeds \$25,000 (or such other limit specified in Section 423(8) of the Code) of the Fair Market Value of such Shares (determined on the Option grant date or dates) for each calendar year in which the Option is outstanding at any time. The purpose of the limitation in the preceding sentence is to comply with Section 423(b)(8) of the Code.

If the Parent is prevented by statute, order, regulation or government directive or the Model Code from granting Options within the period of 42 days referred to in definition of "Offering Date", then the Parent may grant Options within twenty one days of the lifting of such restrictions.

11. Exercise of Option and Purchase of Shares

Each employee who continues to be a participant in the Plan on the Exercise Date shall be deemed to have exercised his Option on such date and shall acquire from the Parent such number of whole Shares as his accumulated payroll deductions on such date will purchase at the Option Price and the Exchange Rate in effect on the Exercise Date, subject to any other limitations contained in the Plan. Any amount remaining in an employee's account at the end of an Offering will be refunded, without interest, to the employee promptly.

Where Shares are listed or dealt on any recognised stock exchange within the meaning of section 841 of the UK Income and Corporation Taxes Act 1988 or a recognised investment exchange within the meaning of the UK Financial Services and Markets Act 2000 ("Recognised Exchange") no Option may be exercised in contravention of the Model Code or such securities transactions rule of the Recognised Exchange as may from time to time be in force.

12. Issuance of Certificates

Certificates representing Shares purchased under the Plan may be issued only in the name of the employee, in the name of the employee and another person of legal age as joint tenants with rights of survivorship, or in the name of a broker authorized by the employee to be his, or their, nominee for such purpose.

13. Definitions

"ABI" means the Association of British Insurers.

"Compensation" means the amount of gross base pay, prior to salary reduction pursuant to either Section 125 or 401(k) of the Code, but excluding overtime, commissions, incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances or travel expenses, income or gains on the exercise of stock options, and similar items.

"Dealing Day" means any business day on which London Stock Exchange plc is open for trading.

"Designated Subsidiary" means any present or future Subsidiary (as defined below) that is designated from time to time by the Board of Directors of the Parent or by the Committee to participate in the Plan. Subsidiaries may be so designated either before or after the Plan is approved by the shareholders.

"Exchange Rate" means the exchange rate designated by the Committee in advance of an Offering for the purpose of converting U.S. dollars into British pounds.

"Fair Market Value of the Shares" means an amount equal to the closing middle market quotation of a Share as derived from the Daily Official List of the London Stock Exchange plc for the preceding trading date or, if the Shares are not listed on the Daily Official List, the market value of a Share as determined in good faith by the Committee PROVIDED that such amount or value is not less than the fair market value of the Shares for the purpose of the Code.

“Group” means the Parent and any Subsidiary and “Group Company” shall be construed accordingly.

“Maximum Value for the Offering” means a value determined by the Committee on the Offering Date but such that the value determined does not exceed \$25,000 (or such other limit specified in Section 423(8) of the Code) for each calendar year in which the Option granted in respect of that Offering is outstanding at any time, determined in accordance with Section 423(8) of the Code, converted into British pounds at the Exchange Rate in effect on the Offering Date.

“Model Code” means the Model Code for transactions in securities by directors issued from time to time by the UK Listing Authority, and/or any code adopted by the Parent’s Board of Directors in addition to or replacement of such publication.

“New Option” means an option over shares meeting the requirements of sub-paragraphs 27(4)(c) and (d) of schedule 4 of the UK Income Tax (Earnings and Pensions) Act 2003 granted in consideration for the release of a subsisting Option pursuant to Rule 19.1(d).

“Offering Date” means the commencement date of the Offering which must be within the period of forty two days commencing on

- (i) the day on which results of the Parent are announced to the London Stock Exchange plc (or any successor thereto) for any period;
- (ii) a day on which the Committee resolves that exceptional circumstances exist which justify the grant of Options;
- (iii) any day on which changes to the law affecting such Options are announced, effected or made; or
- (iv) if the Parent cannot grant Options under (i) to (iii) above due to restrictions imposed by statute, order, regulation, government direction, or the Model Code, within 42 days of the lifting of such restrictions.

“Other Plan” means any plan (other than this Plan) which provides for the subscription of Shares by or on behalf of employees of the Group;

“Parent” means ARM Holdings plc registered in England and Wales under number 2548782.

“parent corporation” means a “parent corporation”, as defined in Section 424(e) of the Code, with respect to the Parent.

“Recognised Exchange” means a recognised stock exchange within the meaning of section 841 of the UK Income and Corporation Taxes Act 1988 or a recognised investment exchange within the meaning of the UK Financial Services and Markets Act 2000.

The term “Subsidiary” means a “subsidiary corporation”, as defined in Section 424(f) of the Code, with respect to the Parent.

“Treasury Shares” means shares in the Parent as defined in section 162A UK Companies Act 1985 as inserted by the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.

14. Rights on Death or Other Termination of Employment

Subject to Rule 19.4, if a participating employee’s employment terminates before the Exercise Date for any Offering for any reason other than death, no further payroll deduction will be taken from any pay due and owing to the employee and the balance in his account will be paid to him as if he had withdrawn from the Plan under Rule 9. For the purpose of this Rule 14 an employee’s employment shall be treated as terminating on the date he ceases to be employed by a Group Company without immediately commencing employment with another Group Company.

If a participating employee dies before the Exercise Date for an Offering, his designated beneficiary shall have the right to elect either to exercise the participant’s Option on the Exercise Date for the Offering or to withdraw from the Offering. Such election shall be made by written notice to the Parent or Designated Subsidiary in the form provided by the Committee, delivered prior to the Exercise Date and not later than sixty (60) days after the participant’s death. If the designated beneficiary elects to withdraw, or makes no election within the applicable time period, the balance of the participant’s account will be paid to his designated beneficiary as if he had withdrawn from the Plan under Rule 9. Beneficiaries shall be designated in the manner provided by the Committee.

15. Special Rules

Notwithstanding anything herein to the contrary, the Committee may adopt special rules applicable to the employees of the Parent or of a particular Designated Subsidiary, whenever the Committee determines that such rules are necessary or appropriate for the implementation of the Plan in a jurisdiction where the Parent or such Designated Subsidiary has employees; provided that such rules are consistent with the requirements of Section 423(b) of the Code. Such special rules may include (by way of example, but not by way of limitation) the establishment of a method for employees of a given Designated Subsidiary to fund the purchase of Shares other than by payroll deduction, if the payroll deduction method is prohibited by local law or is otherwise impracticable. Any special rules established pursuant to this Rule 15 shall, to the extent possible, result in the employees subject to such rules having substantially the same rights as other participants in the Plan.

16. Optionees Not Shareholders

16.1 Neither the granting of an Option to an employee nor the deductions from his pay shall constitute such employee a shareholder of the Shares covered by an Option under the Plan until such Shares have been purchased by and issued to him.

16.2 Participation in the Plan shall be on the express condition that:-

- (a) neither it nor cessation of participation shall afford any individual under the terms of his office or employment with any member of the Group any additional or other rights to compensation or damage; and

- (b) no damages or compensation shall be payable in consequence of the termination of such office or employment (whether or not in circumstances giving rise to a claim for wrongful or unfair dismissal) or for any other reason whatsoever to compensate him for the loss of any rights the participant would otherwise have had (actual or prospective) under the Plan howsoever arising but for such termination; and
- (c) the participating employee shall be deemed irrevocably to have waived any such rights to which he may otherwise have been entitled.
- (d) neither the grant of an Option nor any benefit which may accrue to a participant in respect of an Option shall form part of that participant's pensionable compensation for the purposes of any pension scheme or similar arrangement which may be operated by any Group Company.

17. Rights Not Transferable

Rights under the Plan are not transferable by a participating employee other than by will or the laws of descent and distribution, and are exercisable during the employee's lifetime only by the employee.

18. Application of Funds

All funds received or held by the Parent or any Designated Subsidiary under the Plan may be combined with other corporate funds and may be used for any corporate purpose.

19. Adjustment in Case of Changes Affecting Shares

19.1 Takeovers, reconstructions & option exchanges

- (a) If any person obtains Control of the Parent (within the meaning of section 840 of the UK Income and Corporation Taxes Act 1988) as a result of making:
 - (i) a general offer to acquire the whole of the issued share capital of the Parent (other than that which is already owned by him) which is unconditional or which is made on a condition such that if it is satisfied the person making the offer will have Control of the Parent; or
 - (ii) a general offer to acquire all the shares (other than shares which are already owned by him) in the Parent which are of the same class as Shares subject to a subsisting Option

then the Parent shall notify all participating employees as soon as is practicable of the offer. Any subsisting Option may, subject to Rules 19.1(f) and 19.1(g), be exercised (but so that any exercise hereunder shall be conditional upon Control being obtained) from the date of the receipt of that notification up to the expiry of a period ending six months from the time when the person making the offer has obtained Control of the Parent and any condition subject to which the offer is made has been satisfied. Subject to Rule 19.1(i), at the end of this six month period an unexercised Option shall lapse.

(b) If under section 425 of the UK Companies Act 1985 it is proposed that the Court sanctions a compromise or arrangement likely to affect or apply to Shares then the Parent shall give notice thereof to all participating employees at the same time as it sends notices to members of the Parent calling the meeting to consider such a compromise or arrangement. Any subsisting Option may, subject to Rules 19.1(f) and 19.1(g), be exercised by a participating employee subject to the terms of this Rule before the later of the expiry of six months from the date of such notice and the date on which the Court sanctions such compromise or arrangement. Subject to Rule 19.1(i), at the end of the relevant period an unexercised Option shall lapse. The exercise of an Option under this Rule 19.1(b) shall be conditional on such compromise or arrangement being sanctioned by the Court and becoming effective. If the Shares acquired on the exercise of the Option are not subject to such compromise or arrangement then the participating employee shall transfer or otherwise deal with the Shares issued to him so as to place him in the same position (so far as possible) as would have been the case if such Shares had been subject to such compromise or arrangement.

(c) If any person becomes bound or entitled to acquire Shares in the Parent under sections 428 to 430 of the UK Companies Act 1985 any subsisting Option may, subject to Rules 19.1(f) and 19.1(g), be exercised at any time when that person remains so bound or entitled. Subject to Rule 19.1(i), at the end of this period an unexercised Option shall lapse.

(d) If as a result of the events specified in Rules 19.1(a), 19.1(b) or 19.1(c) a company has obtained Control of the Parent, or a company has become bound or entitled as mentioned in Rule 19.1(c), the participating employee may, if that company so agrees, release any subsisting Option he holds in consideration for the grant of a New Option.

A New Option issued in consideration of the release of an Option shall be evidenced by an Option document which shall import the relevant provisions of these Rules.

A New Option shall, for all other purposes of this Plan, be treated as having been acquired at the same time as the corresponding released Option.

(e) If any person seeks to obtain or obtains Control of the Parent other than as a result of the events specified in Rules 19.1(a) or 19.1(b) then the Committee shall notify all participating employees as soon as practicable after the offer or change of Control. Any subsisting Option may, subject to Rules 19.1(f) and 19.1(g), be exercised (but so that any exercise hereunder shall be conditional upon Control being obtained) from the date of the receipt of that notification up to the expiry of a period ending six months from the time when the person obtains Control of the Parent and any condition subject to which the offer is made has been satisfied.

Subject to Rule 19.1(i) at the end of this six month period an unexercised Option shall lapse.

(f) If as a result of the events specified in Rules 19.1(a), 19.1(b) or 19.1(e) a person has obtained Control of the Parent, or if a person has become bound or entitled as mentioned in Rule 19.1(c), the Committee shall be entitled at any time to specify that all subsisting Options shall cease to be exercisable at the end of a period of not

less than 30 days by notice in writing to the participating employees to this effect. At the end of the period so specified an unexercised Option shall cease to be exercisable.

- (g) If as a result of the events specified in Rules 19.1(a), 19.1(b) or 19.1(e) a company will obtain Control of the Parent, or a company will become bound or entitled as mentioned in Rule 19.1(c) then notwithstanding Rules 19.1(a), 19.1(b), 19.1(c) or 19.1(e) if when the company acquires Control or becomes bound or entitled the majority of the persons comprising its board are members of the Parent's Board of Directors an Option will only become exercisable as a result of the operation of 19.1(a), 19.1(b), 19.1(c) or 19.1(e) where neither an offer is made with the agreement of the acquiring company for the grant of New Options pursuant to Rule 19.1(d) in consideration of the release of all subsisting Options nor a person makes an offer to exchange all subsisting Options within:
- (i) 30 days of the date of change of Control referred to in Rule 19.1(a) or 19.1(e);
 - (ii) 30 days of the Court sanctioning a compromise or arrangement referred to in Rule 19.1(b); or
 - (iii) 21 days of the first day of the period during which a person is bound or entitled to acquire Shares referred to in Rule 19.1(c)

If no offer is made within the period so defined, Rules 19.1(a), 19.1(b), 19.1(c) and 19.1(e) shall continue to apply. For the avoidance of doubt this Rule 19.1(g) does not affect the date the Options lapse under Rules 19.1(a), 19.1(b), 19.1(c) or 19.1(e).

- (h) If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Parent, then the Parent shall notify all participating employees as soon as is practicable and any subsisting Option shall be exercisable (but so that any exercise hereunder shall be conditional upon such resolution being passed) at any time thereafter until the resolution is duly passed or defeated or the general meeting is concluded or adjourned, whichever shall first occur. Subject to Rule 19.1(i), if such a resolution is passed an unexercised Option shall thereupon lapse.
- (i) An Option whether or not exercisable prior to or as a result of the occurrence of an event specified in Rules 19.1(a), 19.1(b), 19.1(c), 19.1(e) or 19.1(h) shall if an event so specified occurs lapse in accordance with the relevant sub-rule of Rule 19.1, or if earlier, as determined by any other provision of these Rules dealing with the time of lapse. Where prior to the date an Option lapses there occurs one or more further events specified in Rules 19.1(a), 19.1(b), 19.1(c), 19.1(e) or 19.1(h) an Option shall lapse on the earlier of the date determined by the preceding part of this Rule 19.1(i) and the date of lapse relevant to the further event or events.
- (j) For the purpose of this Rule 19.1 a person shall be deemed to have obtained Control of the Parent if he and others acting in concert with him have together obtained Control of it.

(k)

A New Option shall not be exercisable by virtue of the event pursuant to which it was granted.

(l)

No Option shall be exercised pursuant to this Rule 19.1 on a date later than the Exercise Date under Rule 10. If any condition on exercise of an Option that arises under this Rule 19.1 has not been satisfied by that date, such condition shall be deemed not satisfied and such Option shall lapse on that date.

(m)

No deduction from an employee's Compensation shall be made after notice has been given under Rule 19.1(a), (b) or (e) or where a person first becomes

19.2 Variation of share capital

- (a) In the event of any variation of the share capital of the Parent, including, but without prejudice to the generality of the preceding words, any capitalisation, rights issue, open offer, consolidation, sub-division, reduction of capital, and/or in the event of a special dividend or distribution in specie (including a demerger in the form of a distribution in specie) or other demerger in whatever form) the number of Shares subject to any Option and the Option Price may be adjusted by the Committee in such manner as is, in their opinion, fair and reasonable provided that such variation does not amount to a modification of the Option for the purposes of Section 424(h) of the Code and that the Option Price for a Share subject to an Option to subscribe is not reduced below its nominal value unless (and to the extent that) the Parent's Board of Directors gives an undertaking that upon the exercise of such Option arrangements will be made for the capitalisation of undistributed profits or reserves of the Parent of an amount equal to the difference between the aggregate Option Price and the aggregate nominal value of the Shares to be issued upon such exercise.

Such variation shall be deemed to be effective from the record date at which the respective variation applied to other shares of the same class as the Shares. Any Options exercised within the period from the record date to the date when the Options are adjusted shall be treated as exercised with the benefit of the variation.

- (b) The Committee shall take such steps as it considers necessary to notify participating employees of any adjustment made under Rule 19.2(a).

19.3 Other changes affecting the Shares

In the event of any other change affecting the Shares, such adjustment may be made as shall be deemed equitable by the Committee to give proper effect to such event provided that it does not amount to a modification of the Option for the purposes of Section 424(h) of the Code.

19.4 Acquisition of Designated Subsidiary

In the event that a participating employee ceases or will shortly cease to be an employee for the purposes of Rule 5 by reason only of the proposed dissolution, liquidation or merger or acquisition of any Subsidiary the outstanding Options of each affected participating employee shall be released in consideration for substitute new options by any successor

company or (as appropriate) a parent or subsidiary of the successor company. In the event that a successor company refuses to substitute new options in this way, the participating employee shall have the right to exercise the Option as to so many of the Shares as can be acquired with the accumulated payroll deductions made during the Offering. Where the participating employee has the right to exercise Options by this Rule 19.4, the Committee shall give notice of the relevant event to the participating employee, specifying a reasonable period of time (which shall not be shorter than 14 days or longer than 30 days) in which the Option may be so exercised. Where new options are substituted for Options, the Committee shall determine, at its discretion, the proper exchange ratio of the Options and the new options for the purposes of such substitution; shall be authorized to accelerate the Exercise Date of any or all of the Options; and shall be authorized to make all necessary adjustments to the terms of the Options and the substituted options (including, without limitation, adjustments in the exercise price) which the Committee in its discretion considers are fair in the circumstances. No subsisting Option shall be exercised pursuant to this Rule 19.4 on a date later than the Exercise Date under Rule 10.

19.5 Lapse of Options

Where under the provisions of Rule 19 an Option lapses the Parent or Designated Subsidiary will promptly refund to the participating employee his entire account balance under the Offering.

20. Amendment of the Plan

20.1 Amendment to plan rules except Rule 3.2

The Board of Directors of the Parent or the Committee may at any time, and from time to time, amend the Plan except that without the approval of the shareholders of the Parent no amendment (save as noted in Rule 20.2) shall be made increasing the number of Shares approved for the Plan or making any other change that would require shareholder approval in order for the Plan, as amended, to qualify as an "employee stock purchase plan" under Section 423(b) of the Code or altering to the advantage of any participating employee (except for minor amendments to benefit the administration of the plan, to take account of a change in the legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participating employees in the plan or for the Parent or for Designated Subsidiaries) the persons to whom or for whom Shares and any other benefits are provided under the plan; the limitations on the number of Shares subject to the plan; the maximum entitlement of any participating employee; and the basis for determining a participating employee's entitlement to Shares and any other benefits and for the adjustment thereof under Rule 19.2.

20.2 Amendment to Rule 3.2

In the case of an amendment to Rule 3.2, provided that such amendment would not thereby enable the limit in Rule 3.1 to be exceeded, the Board of Directors of the Parent or the Committee may make such amendment subject to obtaining the approval within twelve months of such Board of Directors of the Parent or Committee amendment by the holders of a majority of the shares of the stock of the Parent present or represented and entitled to vote at a meeting of the shareholders.

21. Insufficient Shares

If the total number of Shares that would otherwise be purchased on any Exercise Date plus the number of Shares purchased under previous Offerings under the Plan exceeds the maximum number of Shares issuable under the Plan, the Shares then available shall be apportioned among participants in proportion to the amount of payroll deductions accumulated on behalf of each participant that would otherwise be used to purchase Shares on such Exercise Date.

22. Termination of the Plan

The Plan shall terminate on the tenth anniversary of its adoption and may be terminated at any time by the Board of Directors of the Parent or the Committee. Upon termination of the Plan, all amounts in the accounts of participating employees shall be promptly refunded.

23. Governmental Regulations

The Parent's obligation to sell and deliver Shares under the Plan is subject to all governmental approvals required in connection with the authorization, issuance, or sale of such Shares and all applicable rules of any securities exchange on which Shares are listed or traded. The Parent may require, as a condition of exercise of any Option, that either (a) a registration statement under the Securities Act of 1933, as amended, shall be effective with respect to such Shares, or (b) the participating employee or beneficiary shall have represented, in a manner satisfactory to the Parent, that it is his intention to purchase the Shares for investment and not for resale or distribution.

24. Governing Law

The Plan shall be governed by Delaware law except to the extent that such law is preempted by federal law or UK law.

25. Issuance of Shares

Shares may be issued from authorized but unissued Shares, Treasury Shares reissued or Shares transferred by a third party upon exercise of an Option.

26. Tax Withholding

Participation in the Plan is subject to any required tax and/or social security and similar liabilities (whether of the United States or any other country) withholding on income of the participant in connection with the Plan. Each employee agrees, by entering the Plan, that the Parent and the Subsidiaries shall have the right to deduct any such taxes from any payment of any kind otherwise due to the employee, including Shares issuable under the Plan or to make any other arrangements necessary for the Parent and the Subsidiaries to satisfy such withholding obligations.

27. Notification upon Sale of Shares

Each employee agrees, by entering the Plan, to give the Parent or Designated Subsidiary prompt notice of any disposition of shares purchased under the Plan where such

disposition occurs within one year after the Exercise Date on which such Shares were purchased or within two years after the Offering Date for the Offering in which such Shares were purchased.

28. Effective Date and Approval of Shareholders

The Plan shall take effect on the later of its adoption by the Board of Directors of the Parent and its approval by the holders of a majority of the shares of the Parent present or represented and entitled to vote at a meeting of shareholders, which approval must occur within twelve (12) months of the adoption of the Plan by the Board.