

INGERSOLL RAND CO LTD  
Form PRER14A  
March 30, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. 1)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials

.. Soliciting Material Pursuant to §240.14a-12

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**Ingersoll-Rand Company Limited**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Payment of Filing Fee (Check the appropriate box):

- No fee required.
- ..  Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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|                                       |                                   |   |
|---------------------------------------|-----------------------------------|---|
| <b>Ingersoll-Rand Company Limited</b> | Clarendon House                   | US Mailing Address:                           |
|                                       | 2 Church Street<br>Hamilton HM 11 | 155 Chestnut Ridge Road<br>Montvale, NJ 07645 |
|                                       | Bermuda                           | (201) 573-0123                                |

**NOTICE OF 2005 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The Annual General Meeting of Shareholders of Ingersoll-Rand Company Limited will be held on Wednesday, June 1, 2005, at 11:00 a.m., local time, at the Hilton Hotel located at 200 Tice Boulevard, Woodcliff Lake, New Jersey, 07677, for the following purposes:

1. To elect three directors of the Third Class to hold office for three years.
2. To approve an amendment to Bye-law 10 of the Bye-laws to eliminate the classification of the board of directors.
3. To approve an amendment to Bye-law 10 of the Bye-laws to eliminate cumulative voting in the election of directors.
4. To approve the appointment of PricewaterhouseCoopers LLP as independent auditors of the Company for 2005 and authorize the Board of Directors to fix the auditors' remuneration.
5. To conduct such other business properly brought before the meeting.

Only shareholders of record at the close of business on April 4, 2005 are entitled to notice of and to vote at the Annual General Meeting.

Directions to the meeting can be found on the inside back cover of the attached proxy statement.

By Order of the Board of Directors

B. A. SANTORO

*Vice President Corporate Governance and Secretary*

Dated: April , 2005

**YOUR VOTE IS IMPORTANT**

**Whether or not you plan to attend the meeting, please provide your proxy by either using the Internet as directed in the accompanying proxy card or filling in, signing, dating, and promptly mailing the accompanying proxy card in the enclosed envelope.**

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**Ingersoll-Rand Company Limited**

Clarendon House

US Mailing Address:

2 Church Street  
Hamilton HM 11

155 Chestnut Ridge Road  
Montvale, NJ 07645  
(201) 573-0123

Bermuda

**PROXY STATEMENT**

**INFORMATION CONCERNING VOTING AND SOLICITATION**

**General Information**

The IR Board of Directors is soliciting proxies to be used at the June 1, 2005 Annual General Meeting of Shareholders. You are invited to attend the Annual General Meeting and vote your shares directly. Even if you do not attend, you may vote by proxy, which allows you to direct another person to vote your shares at the meeting on your behalf. This proxy statement and the accompanying proxy card are being distributed beginning on or about April 1, 2005.

In this proxy statement, IR, the Company, we, us and our refer to Ingersoll-Rand Company Limited, a Bermuda company, or, for any information prior to January 1, 2002, to Ingersoll-Rand Company, a New Jersey corporation, which, as of that date, became the primary U.S. subsidiary of Ingersoll-Rand Company Limited.

Our principal executive office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The telephone number there is (441) 295-2838. The executive office of our principal United States subsidiary is located at 155 Chestnut Ridge Road, Montvale, New Jersey 07645. The telephone number there is (201) 573-0123.

**Annual General Meeting Admission**

**Either an admission ticket or proof of ownership of Class A common shares, as well as a form of personal identification, must be presented in order to be admitted to the Annual General Meeting.** If you are a shareholder of record, your admission ticket is attached to your proxy card. If you plan to attend the Annual General Meeting, please vote your proxy, but keep the admission ticket and bring it to the Annual General Meeting together with a form of personal identification.

If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Annual General Meeting, you must present proof of your ownership of Class A common shares, such as a bank or brokerage account statement, together with a form of personal identification to be admitted to the Annual General Meeting. If you would rather have an admission ticket, you can obtain one in advance by



mailing a written request, **along with proof of your ownership of Class A common shares**, to:

Secretary  
Ingersoll-Rand Company Limited  
155 Chestnut Ridge Road  
Montvale, New Jersey 07645

**No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual General Meeting.**

#### **Who Can Vote**

Shareholders of record of our Class A common shares at the close of business on April 4, 2005 may vote at the Annual General Meeting.

On April 4, 2005, Class A common shares were outstanding. Each shareholder has one vote for each Class A common share owned of record at the close of business on the record date.

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### **How You Can Vote**

Shareholders of record can give a proxy to be voted at the meeting in any one of the following ways:

over the Internet as directed on the attached proxy card; or

by completing, signing and returning the enclosed proxy card.

Shareholders who hold their shares through a broker (in street name ) must vote their shares in the manner prescribed by their broker.

The Internet voting procedures have been set up for your convenience. These procedures are designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a shareholder of record and you would like to vote by using the Internet, please refer to the specific instructions contained on the enclosed proxy card. If you wish to vote using the enclosed proxy card, please sign and return your signed proxy to us before the Annual General Meeting, and we will vote your shares as you direct.

Whether you vote over the Internet or by mail, you can specify whether your shares should be voted for all, some or none of the nominees for director (Item 1 on the proxy card). You can also specify whether you approve, disapprove or abstain from the other proposals presented at the meeting.

**If you do not specify on your proxy card (or when giving your proxy over the Internet) how you want to vote your shares, we will vote them FOR the election of all nominees for director as set forth under Item 1, and FOR Items 2, 3 and 4.**

### **How to Vote under Our Employee Plans**

If you participate in the Ingersoll-Rand Company Employee Savings Plan, the IR/Clark Leveraged Employee Stock Ownership Plan, the Ingersoll-Rand Company Employee Savings Plan for Bargained Employees or the Ingersoll-Rand/Thermo King de Puerto Rico Retirement Savings Plan, then you may be receiving these materials because of shares held for you in those plans. In that case, you may use the enclosed proxy card to instruct the plan trustees of those plans how to vote your shares, or give those instructions over the Internet. They will vote the shares in accordance with your instructions and the terms of the plan.

If you do not provide voting instructions for shares held for you in any of these plans, they will vote these shares in the same ratio as the shares for which voting instructions are provided.

### **Revocation of Proxies**

You may revoke your proxy at any time before it is exercised in any of following ways:

by notifying IR's Secretary in writing;

by submitting another proxy via the Internet or by mail that is received after the date of the revoked proxy and, if by mail, that is properly signed; or

by voting in person at the meeting.

You may not revoke a proxy merely by attending the meeting. To revoke a proxy, you must take one of the actions described above.

### **Quorum and Required Votes**

The presence of at least two persons present in person and representing in person or by proxy a majority of all outstanding Class A common shares is necessary to constitute a quorum.

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In voting for the election of directors, shareholders have cumulative voting rights. Accordingly, you may cumulate your voting power and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares held by you at the close of business on April 4, 2005, or distribute your votes on the same principle among two or more candidates, as you see fit. The enclosed proxy card grants discretionary authority for the exercise of such cumulative voting rights. The cumulative voting feature applicable to the election of directors is only available by voting the proxy card. It is not available if you vote over the Internet. In the election of directors, persons receiving the highest number of FOR votes will be elected. Item 3, to eliminate cumulative voting in the election of directors, will not take effect, if it is approved by shareholders, until after the 2005 Annual General Meeting.

The affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote, and voting on the matter presented, is required to approve each proposal other than the election of directors.

Abstentions are counted as shares present at the Annual General Meeting for the purposes of determining whether a quorum exists. However, since abstentions are not votes in favor of or against any matter, they will not affect the outcome of the vote. Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they do not have discretionary voting authority and have not received instructions as to how to vote on those proposals (so-called broker nonvotes) are also considered shares present, but also will not affect the outcome of any vote.

Votes cast at the Annual General Meeting will be tabulated by the Company's transfer agent, The Bank of New York.

## **Solicitation**

We have hired Georgeson Shareholder Communications Inc. to assist in the distribution of proxy materials and the solicitation of proxies for a fee estimated at \$15,000, plus out-of-pocket expenses. Proxies will be solicited on behalf of the Board of Directors by mail, in person and by telephone. We will bear the cost of soliciting proxies. We will also reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to the persons for whom they hold shares.

## **Audited Financial Statements**

Under our Bye-laws and Bermuda law, audited financial statements must be presented to shareholders at an annual general meeting of shareholders. To fulfill this requirement, we will present at the Annual General Meeting audited consolidated financial statements for the fiscal year 2004. Copies of the financial statements are contained in our 2004 Annual Report to Shareholders, which is being mailed to shareholders together with this proxy statement.

## **Other Matters to be Acted Upon**

We do not know of any matters to be presented or acted upon at the meeting other than the items described in this proxy statement. Under our Bye-laws, shareholders may only bring business before an annual general meeting if it is submitted to our Secretary in a timely manner. (The

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deadline for timely proposals for future meetings is discussed under Shareholder Proposals and Nominations on page 24 of this proxy statement.) If any other matter is presented at the meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the person or persons voting those shares.

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The following table sets forth as of April 4, 2005, the beneficial ownership of our Class A common shares by (i) each director and nominee for director of the Company, (ii) each executive officer of the Company named in the Summary Compensation Table below, and (iii) all directors and executive officers of the Company as a group:

| <u>Name</u>  | <u>Class A<br/>Common Shares(a)</u> | <u>ESP and<br/>LESOP Shares(b)</u> | <u>Options<br/>Exercisable<br/>Within 60<br/>Days(c)</u> | <u>Deferred<br/>Share Units(d)</u> |
|--|-------------------------------------|------------------------------------|--|------------------------------------|
| A. C. Berzin   | 2,000                               |                                    | 4,500  | 6,830                              |
| G. W. Buckley  |                                     |                                    | 2,250  | 2,166                              |
| P. C. Godsoe   | 3,000                               |                                    | 11,250   | 11,908                             |
| H. L. Henkel   | 3,000                               |                                    | 993,333  | 211,879                            |
| C. J. Horner   | 855                                 |                                    | 3,000  | 10,844                             |
| M. W. Lamach   |                                     |                                    | 16,666   | 11,631                             |
| H. W. Lichtenberger  | 3,500                               |                                    | 18,000   | 18,800                             |
| T. E. Martin   | 762                                 |                                    | 15,750   | 16,310                             |
| T. R. McLevish   |                                     |                                    | 86,666   | 18,092                             |
| P. Nachtigal   | 32,021                              |                                    | 169,000  | 30,995                             |
| O. R. Smith  | 1,500                               |                                    | 15,750   | 21,039                             |
| R. P. Smith  | 3,902                               |                                    | 92,001   | 42,121                             |
| R. J. Swift  | 750                                 |                                    | 13,500   | 16,682                             |
| C. P. Vasiloff   | 9,620                               |                                    | 128,334  | 3,025                              |
| T. L. White  | 750                                 |                                    | 15,750   | 15,899                             |
| All directors and executive officers as<br>a group (17 persons)(e) | 61,660                              |                                    | 1,668,966  | 447,993                            |

- (a) Unless otherwise indicated, all shares are held directly. No director or executive officer of the Company owns as much as 1% of the outstanding Class A common shares.
- (b) Represents shares held by the trustee under the IR/Clark Leveraged Employee Stock Ownership Plan ( LESOP ) and the Ingersoll-Rand Company Employee Savings Plan ( ESP ) for the benefit of executive officers.
- (c) Represents shares as to which directors and executive officers had options exercisable within 60 days of April 4, 2005 under the Company's Incentive Stock Plans.
- (d) In the case of non-employee directors these amounts represent shares earned and vested under the IR Directors Deferred Compensation and Stock Award Plan (the Director Deferral Plan ) and the IR Directors Deferred Compensation and Stock Award Plan II (the Director Deferral Plan II ) (both of which are referred to below under the heading Compensation of Directors ). In the case of executive officers these amounts represent (i) shares earned and vested under the IR Executive Deferred Compensation Plan and the IR Executive Deferred Compensation Plan II (the EDCP Plans ) and (ii) shares in respect of vested stock awards deferred at the election of the executives.
- (e) The Class A common shares beneficially owned by all directors and executive officers as a group (including shares issuable under exercisable options) aggregated approximately [1%] of the total outstanding Class A common shares.

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The following table sets forth each shareholder which, as of April 4, 2005, is known by us to be the beneficial owner of more than five percent of the outstanding Class A common shares of the Company:

| <u>Name and Address of Beneficial Owner</u>  | <u>Amount and Nature of Beneficial Ownership</u> | <u>Percent of Class</u> |
|--|--|-------------------------|
| FMR Corp.<br><br>82 Devonshire Street<br><br>Boston, Massachusetts 02109                     | 13,253,847(a)                                    | %                       |
| Wellington Management Company, LLP<br><br>75 State Street<br><br>Boston, Massachusetts 02109 | 10,420,200(b)                                    | %                       |

- (a) FMR Corp. (including its affiliates) has sole investment power as to all of such shares. In addition, as to 254,267 shares, FMR Corp. (including its affiliates) has sole voting power.
- (b) Wellington Management Company, LLP has shared investment power as to all of such shares and shared voting power as to 7,449,900 of such shares.

**CORPORATE GOVERNANCE**

Pursuant to our By-laws, the Company's business is managed by the Board of Directors. Members of the Board are kept informed of the Company's business through discussions with the Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees.

***Corporate Governance Guidelines***

Our Corporate Governance Guidelines, together with the charters of the various Board committees, provide a framework for the corporate governance of the Company. The following is a summary of our Corporate Governance Guidelines. You can find a copy of our Corporate Governance Guidelines attached to this proxy statement as Appendix A. In addition, our Corporate Governance Guidelines, as well as the charters of our Board committees, are available on our website at <http://www.irco.com> under the heading Investor Relations. Copies of these documents are also available in print to any shareholder who requests them.

Our Corporate Governance Guidelines, together with our Board committee charters, outline the responsibilities, composition and operation of our Board of Directors. Among the core responsibilities of the Board of Directors are: to oversee the management and governance of the Company; to select, monitor and evaluate senior management; to assure that management succession planning is ongoing; to review the Company's financial controls and reporting systems; and to review the Company's ethical standards and compliance procedures.

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The Board of Directors has determined that all of our directors, except Herbert Henkel and Patricia Nachtigal, who are employees of the Company, are independent under the standards set forth in Exhibit I to our Corporate Governance Guidelines, which are consistent with the New York Stock Exchange listing standards.

It is the policy of the Board that directors' fees be the sole compensation received from the Company by any non-employee director. All directors must advise the Chairman of the Board and the Chair of the Corporate Governance and Nominating Committee if they are being considered for membership on the board of another public company. The Chief Executive Officer and other members of senior management of the Company must receive approval of the Board before accepting a public company board membership.

Our Corporate Governance Guidelines require that all members of the committees of the Board must be independent directors. The Board of Directors has determined that each member of each of the committees is independent as defined in the New York Stock Exchange listing standards. Committee memberships and chairs



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are rotated periodically. The Board and each of its committees have the authority to engage independent legal, financial or other advisers as they may deem necessary. The Board has the following four standing committees: Audit, Compensation, Corporate Governance and Nominating, and Finance.

Our Corporate Governance Guidelines provide for executive sessions of the independent members of the Board of Directors, without management present, to consider such matters as the independent directors deem appropriate. Such executive sessions are held no less than twice each year. Our Lead Director (a) presides at all meetings of the directors at which the Chairman is not present, including executive sessions of the independent directors; (b) serves as a liaison between the Chairman and the independent directors; (c) approves the information sent to the directors; (d) with input from the other independent directors, approves Board meeting agendas and Board meeting schedules to assure that there is sufficient time for discussion of all agenda items; (e) has the authority to call meetings of the independent directors; and (f) is available for direct communication from major shareholders. The Lead Director is appointed annually by the Board from among the independent directors who are not Board committee chairs. Our current Lead Director, whose term will expire on June 1, 2005, is Ann Berzin. Beginning June 1, 2005, our Lead Director will be George Buckley.

The Corporate Governance and Nominating Committee assists the Board in evaluating its performance and the performance of the Board committees. Each committee also conducts an annual self-evaluation. The effectiveness of individual directors is considered each time a director stands for renomination. The directors have full access to management and corporate staff and are provided with an orientation program for new directors and continuing education for all directors.

The Corporate Governance and Nominating Committee reviews the composition of the full Board to identify the qualifications and areas of expertise needed to further enhance the composition of the Board, makes recommendations to the Board concerning the appropriate size and needs of the Board and, on its own or with the assistance of management or others, identifies candidates with those qualifications. In considering candidates, the Corporate Governance and Nominating Committee will take into account all factors it considers appropriate, including breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, diversity, leadership, and achievements and experience in matters affecting business and industry. The Corporate Governance and Nominating Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy-setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director. Shareholders may recommend candidates for consideration for Board membership by sending the recommendation to the Corporate Governance and Nominating Committee, care of the Secretary of the Company. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means.

Our Board of Directors is currently divided into three classes for purposes of election. One class is elected at each annual general meeting of shareholders to serve for a three-year term. In addition, directors elected by the Board of Directors to fill vacancies caused by the resignation, retirement or death of a director or the creation of a new directorship stand for election at the next annual general meeting. In the event that the management proposal to eliminate the classified Board is approved at the 2005 Annual General Meeting, directors elected at Annual General Meetings beginning in 2006 shall serve for one year. Current directors and those elected at the 2005 Annual General Meeting shall serve out their remaining terms before standing for re-election.

The Board of Directors held six meetings during 2004. Each incumbent director attended 94% or more of the total number of meetings of the Board and the committees on which he or she served.

The Company expects all Board members to attend the annual general meeting of shareholders, but from time to time other commitments prevent all directors from attending the meeting. All of the directors attended the most recent annual general meeting of shareholders, which was held on June 2, 2004.



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### ***Shareholder Communications with Directors***

Shareholders and other interested parties may send communications to Board members (including our Lead Director) by either sending a communication to the Board and/or a particular Board member, in care of the Secretary of the Company, or by e-mail at [irboard@irco.com](mailto:irboard@irco.com). Depending upon the nature of the communication and to whom it is directed, the Secretary will (a) forward the communication to the appropriate director or directors, (b) forward the communication to a department within the Company or (c) attempt to handle the matter directly (for example, a communication dealing with a share ownership related matter).

### ***Code of Conduct***

As provided in our Corporate Governance Guidelines, we have adopted a worldwide Code of Conduct, applicable to all employees, directors and officers, including our Chief Executive Officer, our Chief Financial Officer and our Controller. The Code of Conduct covers topics including, but not limited to, conflicts of interest, confidentiality of information, and compliance with laws and regulations. A copy of the Code of Conduct is available at our website located at <http://www.irco.com> under the headings Investor Relations Corporate Governance and a copy is also available in print to any shareholder who requests it. We may post amendments to, or waivers of the provisions of, the Code of Conduct, if any, made with respect to any of our directors and executive officers on our website.

### ***New York Stock Exchange Annual Chief Executive Officer Certification***

The Company's Chief Executive Officer submitted to the New York Stock Exchange ( NYSE ) the Annual CEO Certification as to the Company's compliance with the NYSE's corporate governance listing standards required by Section 303A.12 of the NYSE's listing standards.

### ***Sarbanes-Oxley Act Section 302 Certification***

The certifications of the Chief Executive Officer and Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been filed as exhibits to the Company's annual report on Form 10-K for the year ended December 31, 2004.

## **ITEM 1. ELECTION OF DIRECTORS**

### **Nominees for Election for a Three-Year Term Expiring in 2008**

**Ann C. Berzin** age 53, director since 2001

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Private investor.

Chairman and Chief Executive Officer of Financial Guaranty Insurance Company (insurer of municipal bonds and structured finance obligations), a subsidiary of General Electric Capital Corporation, from 1992 to 2001.

Director of First Central Life Insurance Company of New York, a subsidiary of HSBC Holdings plc.

Other Activities: Director of ArtsConnection

**Herbert L. Henkel** age 56, director since 1999

Chairman of the Board (since May 2000) and President and Chief Executive Officer (since October 1999) of the Company.

President and Chief Operating Officer of the Company from April 1999 to October 1999.

Chief Operating Officer of Textron Inc. (a multi-industry company with operations in aircraft, automotive, industrial and finance) from 1998 to March 1999.

Vice President of Textron Inc. responsible for Textron Industrial Products Segment from 1993 to 1998.

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Director of:

AT&T Corp.

C. R. Bard, Inc.

**H. William Lichtenberger** age 69, director since 1995

Chairman and Chief Executive Officer of Praxair, Inc. (an industrial gases company) from 1992 until retirement in 2000.

Director of:

AEA LLC

Arch Chemicals, Inc.

Huntsman Corporation

Other Activities: Director of Hospice of St. Lucie & Martin County

**Tony L. White** age 58, director since 1997

Chairman, President and Chief Executive Officer of Applera Corporation (a developer, manufacturer and marketer of life science systems and genomic information products) since 1995.

Executive Vice President of Baxter International Inc. (provider of medical products and services) from 1993 to 1995.

Director of:

AT&T Corporation

C. R. Bard, Inc.

**Directors Continuing in Office Until 2007**

**Peter C. Godsoe** age 66, director since 1998

Chairman of the Board and Chief Executive Officer of The Bank of Nova Scotia (a Canadian-based bank) from 1995 until retirement in 2004.

Deputy Chairman of the Board, President and Chief Executive Officer of the Bank of Nova Scotia from 1993 to 1995.

Director of:

Barrick Gold Corporation

Fairmont Hotels & Resorts Inc.

Lonmin plc

Onex Corporation

Rogers Communications Inc.

Sobeys Inc.

Templeton Emerging Markets Investment Trust plc

Other Activities:

Director, Atlantic Institute for Market Studies

Director, Canadian Council of Christians and Jews

Director, Mount Sinai Hospital

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**Constance J. Horner** age 63, director since 1994

Guest Scholar at the Brookings Institution since 1993.

Commissioner of U.S. Commission on Civil Rights from 1993 to 1998.

Assistant to the President and Director of Presidential Personnel from 1991 to 1993.

Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991.

Director of:

Pfizer Inc.

Prudential Financial, Inc.

Other Activities:

Trustee, Annie E. Casey Foundation

Trustee, The Prudential Foundation

Fellow, National Academy of Public Administration

**Orin R. Smith** age 69, director since 1995

Chairman and Chief Executive Officer of Engelhard Corporation (provider of specialty chemical products, engineered materials and industrial commodities management services for various industries) from 1995 until retirement in 2000.

President and Chief Executive Officer of Engelhard Corporation from 1984 to 1995.

Director of:

Applera Corporation

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Vulcan Materials Company

Other Activities:

Trustee, Canterbury College

Trustee, Duxbury Bay Maritime School

Each director of the Third Class (*i.e.*, Ann C. Berzin, Herbert L. Henkel, H. William Lichtenberger and Tony L. White) is a nominee for a three-year term expiring in 2008. Other directors are not up for election this year and will continue in office for the remainder of their terms.

If a nominee is unavailable for election, proxy holders will vote for another nominee proposed by the Board or, as an alternative, the Board may reduce the number of directors to be elected at the meeting.



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**Directors Continuing in Office Until 2006**

**George W. Buckley** age 58, director since 2002

Chairman and Chief Executive Officer of Brunswick Corporation (manufacturer of boats, marine engines, fitness equipment and billiard and bowling equipment) since 2000.

President and Chief Operating Officer (May - June 2000), Executive Vice President (February - May 2000) and Senior Vice President (1998 - 2000) of Brunswick Corporation.

Director of:

Tyco International Ltd.

**Theodore E. Martin** age 65, director since 1996

President and Chief Executive Officer of Barnes Group Inc. (manufacturer and distributor of precision springs and custom metal parts) from 1995 until retirement in 1998.

Director of:

Applera Corporation

C. R. Bard, Inc.

Strong Tool Company

Unisys Corporation

Other Activities:

Director, Edna McConnell Clark Foundation

Director, Naples Philharmonic Center for the Arts

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Trustee (emeritus), Syracuse University

**Patricia Nachtigal** age 58, director since 2002

Senior Vice President and General Counsel of the Company since 2000.

Vice President and General Counsel of the Company from 1991 to 2000.

Other Activities:

Member, Board of Governors of Rutgers, The State University of New Jersey

Trustee, Rutgers, The State University of New Jersey

**Richard J. Swift** age 60, director since 1995

Chairman of Financial Accounting Standards Advisory Council since January 2002.

Chairman, President and Chief Executive Officer of Foster Wheeler Ltd. (provider of design, engineering, construction, manufacturing, management and environmental services) from 1994 until 2001.

Director of:

Hubbell Incorporated

Kaman Corporation

Public Service Enterprise Group

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**Committees of the Board**

*Audit Committee*

*Members:* Richard J. Swift (Chair)

Ann C. Berzin

George W. Buckley

H. William Lichtenberger

*Number of Meetings in 2004:* 7

*Key Functions:*

Review annual audited and quarterly financial statements, as well as the Company's disclosures under Management's Discussion and Analysis of Financial Conditions and Results of Operations, with management and the independent auditors.

Obtain and review periodic reports, at least annually, from management assessing the effectiveness of the Company's internal controls and procedures for financial reporting.

Recommend the public accounting firm to be proposed for appointment by the shareholders as our independent auditors and review the performance of the independent auditors.

Review the scope of the audit and the findings and approve the fees of the independent auditors.

Approve in advance permitted non-audit services to be performed by the independent auditors.

Satisfy itself as to the independence of the independent auditors and ensure receipt of their annual independence statement.

The Board of Directors has determined that each member of the Audit Committee is independent as defined in The New York Stock Exchange listing standards and that each member meets the qualifications of an audit committee financial expert, as that term is defined by rules of the Securities and Exchange Commission (SEC).

A copy of the charter of the Audit Committee is attached to this proxy statement as Appendix B.

*Compensation Committee*

*Members:* Orin R. Smith (Chair)

Peter C. Godsoe

Constance J. Horner

Theodore E. Martin

Tony L. White

*Number of Meetings in 2004:* 5

*Key Functions:*

Establish executive compensation policies.

Review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance against those goals and objectives and set the Chief Executive Officer's compensation level based on this evaluation.

Approve compensation of officers and key employees.

Administer the Company's equity compensation plans.

Review and recommend changes in principal employee benefit programs.

A copy of the charter of the Compensation Committee is attached to this proxy statement as Appendix C.

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***Corporate Governance and Nominating Committee***

*Members:* Constance J. Horner (Chair)

Peter C. Godsoe

Theodore E. Martin

Orin R. Smith

Tony L. White

*Number of Meetings in 2004:* 5

*Key Functions:*

Identify individuals qualified to become directors and recommend the candidates for all directorships.

Recommend individuals for election as officers.

Review the Company's Corporate Governance Guidelines and make recommendations for changes.

Consider questions of independence and possible conflicts of interest of directors and executive officers.

Take a leadership role in shaping the corporate governance of the Company.

A copy of the charter of the Corporate Governance and Nominating Committee is attached to this proxy statement as Appendix D.

***Finance Committee***

*Members:* H. William Lichtenberger (Chair)

Ann C. Berzin

George W. Buckley

Richard J. Swift

*Number of Meetings in 2004: 3*

*Key Functions:*

Approve the appointment and review the performance of investment managers under employee benefit plans.

Review proposed borrowings and issuances of securities.

Recommend to the Board the dividends to be paid on our common shares.

Review cash management policies.

A copy of the charter of the Finance Committee is attached to this proxy statement as Appendix E.

#### **Compensation of Directors**

Non-employee directors receive an annual cash retainer of \$50,000 and \$1,500 for attendance at each board or committee meeting (\$2,000 in the case of Audit Committee meetings), except that committee chairs receive \$3,000 per committee meeting. The chair of the Audit Committee also receives a \$20,000 annual cash retainer. In addition, each non-employee director is credited annually with share equivalents representing \$60,000 in fair market value of Class A common shares. The share equivalents are credited to an account maintained for each non-employee director (a Deferred Compensation Account ) under our Director Deferral Plan and, for all amounts credited after December 31, 2004, under our Director Deferral Plan II.

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Non-employee directors may also defer all or a portion of the cash retainer and meeting fees to which they are entitled. If a director defers his or her fees and elects to have the deferred fees invested in Class A common share equivalents, we credit an additional 20% of the retainer and meeting fees that are deferred to the director's Deferred Compensation Account. Each director is fully vested in amounts credited to the director's Deferred Compensation Account, except that the additional 20% contributions in respect of deferred fees are not vested until five years after crediting or, if earlier, the cessation of the director's service on the Board of Directors by reason of death or normal retirement (*i.e.*, age 72). Under the Director Deferral Plan, all distributions under that Plan are made in cash. Distributions of amounts invested in Class A common share equivalents equal the then fair market value of a Class A common share multiplied by the number of share equivalents credited to the director's Deferred Compensation Account.

## **Executive Compensation**

### ***Report of the Compensation Committee***

The Company's executive compensation programs are administered by the Compensation Committee.

### ***Compensation Philosophy Beliefs and Principles***

The purpose of our compensation programs is to enable the Company to attract, retain, deploy and focus the energies of employees who are capable of meeting the current and future goals of the enterprise, most notably, the creation of shareholder value.

Four design principles govern all compensation programs:

#### 1. Principle of general program competitiveness:

Total compensation opportunities within the Company must serve to attract and retain top performers. All of the Company's executive compensation programs are based on market data to ensure their basic competitiveness. We establish our program target award levels at the median (50<sup>th</sup> percentile) of the markets in which we operate; we explicitly do not set our target award levels above the median to achieve a competitive advantage independent of performance, as this would tend to inappropriately accelerate market pay levels over time.

#### 2. Principle of pay for performance:

At the executive level, a large percentage of the executive's total compensation opportunity is contingent on, and variable with, performance. Performance is measured on business unit and enterprise financial performance against plan, and on the executive's ability to achieve enterprise objectives, develop and carry out strategic initiatives, contribute to both the dramatic growth and operational excellence of the Company, and demonstrate collaboration in the pursuit of a one-company culture. Total compensation can exceed the market median if performance exceeds

the target, such as it has this past year (performance year 2004). In 2004, the Company exceeded its earnings per share, free cash flow and return on invested capital targets. Thus, variable compensation awards for 2004 performance reflect above target pay levels. Conversely, if performance falls short of the target, total compensation falls below the median. For example, in 2001, when the Company achieved some of its goals, but fell short of others, both our Annual Incentive Program and our Stock Option Program paid at only 65% of target and our Performance Share Program paid nothing for most participants (33 of the 40 participants received no award based on the performance of their respective business units; the other 7 participants received below-target awards).

3. Principle of internal parity:

An employee's total compensation is proportionate with work contribution, which is a function of each individual's role and capability. Thus, jobs of similar value are assigned similar compensation opportunity.



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4. Principle of alignment with various business strategies:

Although we have a Company-wide philosophy regarding the design of our compensation programs, we also understand the need to align the different performance metrics of our individual business units with our over-arching philosophy of appropriate competitiveness, pay for performance and internal equity. Thus, it is not only possible but also desirable for certain sector or business unit leaders to earn substantial awards in years when their units outperform the enterprise as a whole.

*Executive Compensation Programs*

The Compensation Committee's executive officer compensation policies and programs are based on the principle that the interests of the Company's executive officers should be aligned with those of the Company's shareholders. Executive officer compensation programs provide that compensation be both contingent and variable based upon Company financial and operational performance. The policies relate compensation to both short-term and long-term financial performance of the Company, as well as to long-term shareholder investment returns.

These compensation policies are generally accomplished through a mix of compensation components, targeted degrees of competitiveness and direct linkages to Company financial performance. The value of the variable compensation components (annual cash incentive payments plus stock options and equity-based awards) is directly linked to the financial performance of the Company and to the value of the Company's Class A common shares. Thus, alignment of the interests of the shareholders and of the executives is achieved.

**The Mix of Total Direct Compensation**

IR's executive compensation is comprised of four key programs: the Salary, Annual Incentive, Stock Option and Performance Share Programs, which collectively represent the total direct compensation opportunity for executives (excluding benefits).

The chart below shows the relative proportion of each program at target, by executive category:

| <b>Variable Pay Programs @ Target</b>                            |                                    |   |                                 |  |  |  |
|--|------------------------------------|---|---------------------------------|--|--|--|
| <b>Compensation Components That Are Explicitly Contingent On</b> |                                    |   |                                 |  |  |  |
| <b>And Variable With Performance</b>                             |                                    |   |                                 |  |  |  |
| <u># In<br/>Category</u>   | <u>Base<br/>Salary<br/>Program</u> | <u>Annual<br/>Incentive<br/>Program</u> | <u>Stock Option<br/>Program</u> | <u>Performance<br/>Share<br/>Program</u> | <u>Total<br/>Variable Pay<br/>Opportunity<br/>@ Target</u> | <u>Total Direct<br/>Compensation@<br/>Target</u> |

|                                    |    |     |     |     |     |     |      |
|------------------------------------|----|-----|-----|-----|-----|-----|------|
| Chairman,<br>President, CEO        | 1  | 11% | 13% | 38% | 38% | 89% | 100% |
| Senior Vice<br>Presidents          | 6  | 19% | 15% | 44% | 22% | 81% | 100% |
| Other Officers &<br>Senior Leaders | 33 | 29% | 18% | 40% | 13% | 71% | 100% |
| Total Group                        | 40 | 20% | 16% | 40% | 24% | 80% | 100% |

This chart demonstrates the degree to which IR's executive compensation programs are tied to some combination of financial, operational and stock price performance, and are, therefore, aligned with the creation of shareholder value.

The Compensation Committee periodically reviews and evaluates its executive officer compensation practices against the practices and pay levels of other similar companies. These comparisons are conducted throughout the year through a variety of methods such as direct analysis of peer company proxy statements, compilation of survey data published by several independent consulting firms, and customized compensation

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surveys performed by independent consulting firms. Some of the companies included in these compensation surveys are the same as those comprising the Standard and Poor's Supercom Industrial Machinery Index referred to below under the caption Performance Graph.

Salary increases normally are granted annually to executive officers by the Compensation Committee based upon individual performance, general U.S. industry salary trends and the salaries paid for comparable positions.

Under the Annual Incentive Program, officers with direct responsibility for business unit operations may receive annual incentive awards contingent upon the achievement of prescribed objectives established early each year. For 2004 these awards were payable based on the achievement of certain pre-established sales, operating income, cash flow, return on invested capital business plans, and other subjective objectives applicable to the respective operations managed by these executive officers.

Similarly, other officers, including those responsible for staff functions, may receive Annual Incentive Program awards based upon both the Company's and their individual performance during each such year. Individual performance assessments are based on judgments about the achievement of pre-established objectives. In establishing such awards, the Compensation Committee considers several financial metrics, including the Company's earnings per share, cash flow, and return on invested capital performance compared to the annual plan and also the individual's contribution to such performance. In addition, the general economic environment in which the Company operated during such year is taken into account as are the prevailing pay levels for similar positions in similar companies.

The Senior Executive Performance Plan (the SEPP) funds the cash incentive awards that may be granted to the top five executive officers, consisting of the Chief Executive Officer (CEO) plus the four other highest-compensated executive officers (as determined under Securities Exchange Act regulations). Annual incentive awards to SEPP participants are limited to their respective allocated share of the SEPP's pool for the year in question. The pool is established based on the profit after tax in excess of 6% Return on Equity (ROE). Thus, if the Company fails to generate profits in excess of 6% ROE, no pool is created to fund awards for the top five executive officers. In such case, any awards to the top executive officers are at the discretion of the Committee.

The Company's executive compensation programs provide that a substantial component of total compensation reflect the returns realized by shareholders and the degree to which performance targets are met. This aligns the long-term interests of the Company's executive officers with those of the Company's shareholders and is accomplished through the following long-term incentive programs:

Stock options under the Company's Incentive Stock Plans generally have been granted annually at an exercise price equal to the fair market value of Class A common shares on the date of grant. Currently, options granted to executive officers generally become exercisable in three equal annual installments beginning one year from the date of grant and expire on the tenth anniversary of the grant. Under the Incentive Stock Plan, options can never be issued at less than fair market value. In certain years, eligible employees may elect to forego cash incentive payments and instead purchase Class A common shares issued under the Incentive Stock Plan.

The Performance Share Program provides annual awards based on a combination of the achievement of longer-term strategic initiatives and annual financial performance. Awards are completely contingent on and variable with the collective performance of the program participants in relation to pre-established strategic initiatives and financial performance goals. Payments are made in cash (based on the value of Class A common shares), unless previously deferred into the EDCP Plans described below.

The IR Executive Deferred Compensation Plan and the IR Executive Deferred Compensation Plan II (the EDCP Plans) enable and encourage eligible executives to defer receipt of all or part of their annual incentive award and/or their performance share award in

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exchange for investments in Class A common share equivalents or mutual fund investment equivalents. A component of the EDCP Plans is designed to increase stock ownership by executives. Certain participants who are subject to stock ownership requirements (see below) are eligible for a 20% supplemental amount on those deferrals invested in Class A common share equivalents. Vesting of the 20% supplemental amount is generally subject to the completion of five years of employment following the date of deferral.

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The number of stock options and Performance Share Program awards granted are based upon the position responsibility of each recipient, his or her individual performance, the Company's performance, and the long-term incentive practices of the surveyed corporations referred to above. These factors are periodically reevaluated by the Compensation Committee.

A formal share-ownership program has been established by the Company, which requires that the senior-most executives of the enterprise achieve and maintain sufficient ownership of Class A common shares at or above a prescribed level. The requirements are as follows:

|                                       | <b>Individual Ownership<br/>Requirement (Shares<br/>and Equivalents)</b> | <b>Approximate<br/>Current Average<br/>Ownership (Shares<br/>and Equivalents)</b> |
|---------------------------------------|--|---|
| Chief Executive Officer               | 100,000 shares   | 242,800 shares  |
| Senior Vice Presidents                | 25,000 shares  | 35,600 shares   |
| Corporate Vice Presidents             | 7,500 shares   | 12,800 shares   |
| Other Participants (approximately 25) | 3,000 shares   | 3,100 shares  |

The share-ownership program requires the accumulation of shares (or equivalents) over a five-year period starting in February 2004 (or the date the person becomes subject to stock ownership requirements, if later) at the rate of 20% of the required level each year. Ownership credit is given for actual Class A common shares purchased by the executive, deferred cash awards that are invested in Class A common share equivalents within the EDCP Plans and Class A common share equivalents accumulated in the Employee Savings Plan (ESP). Stock options themselves do not count towards meeting the share ownership target. If executives fall behind their scheduled accumulation level over the five years, their stock option exercises will be limited to buy and hold until the required ownership level is achieved. Likewise, if executives fail to maintain their required level of ownership after the five-year accumulation period, their stock option exercises will be limited to buy and hold until the required ownership level is achieved.

*Other Compensation*

In regard to other compensation (specifically perquisites) the Company's philosophy is to provide these at minimum competitive levels. In support of this philosophy, for example, the Company does not provide privileges such as executive parking spaces or executive dining facilities, nor does it allow for personal use of Company-provided aircraft, except as described below. The Company does provide Company-leased cars for business and personal use, with the cost associated with personal travel taxable to the executives. In addition, for security and safety reasons and to maximize his availability for Company business, the Board of Directors requires the Chairman and CEO to travel exclusively on Company-provided aircraft for both business and personal purposes. The cost for these programs is captured in Other Compensation shown in the Summary Compensation Table of the proxy statement.

*2004 Chief Executive Officer Compensation*

Throughout calendar year 2004, Mr. Henkel's annual salary was \$1,100,000, which is consistent with the salary levels of the chief executive officers of peer group companies.

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In addition, based upon Mr. Henkel's contribution to the Company's 2004 business results, the Compensation Committee approved incentive awards to Mr. Henkel as follows:

|                           |    |                |
|---------------------------|----|----------------|
| Annual Incentive Program  | \$ | 2,750,000      |
| Performance Share Program | \$ | 6,383,025      |
|                           |    | <hr/>          |
| Total Cash Incentive      | \$ | 9,133,025      |
|                           |    | <hr/>          |
| Stock Option Program      |    | 225,000 shares |

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*2004 Compensation of Other Named Executive Officers*

During 2004, in accordance with the policies stated above, the executive officers named in the Summary Compensation Table, other than Mr. Henkel, were granted salary increases averaging approximately 5.85%. Annual cash incentive awards to Messrs. McLevish, Smith, Vasiloff and Lamach were granted pursuant to the achievement of performance objectives of the type described above. Based on the Company's financial performance, and the contributions made by these executives, they were granted Annual Incentive Program awards averaging approximately 103% of year-end salary. In addition, these executives were granted Performance Share Program awards averaging approximately 222% of year-end salary. These awards are commensurate with the extent to which the named executive officers exceeded the Programs' performance objectives.

The named executive officers were also granted stock options in respect of IR's Class A common shares, as indicated in the Summary Compensation Table and under the caption "Stock Options", in accordance with the practices referred to above.

*Summary*

The Compensation Committee believes the compensation programs for the Company's executive officers are competitive with the compensation programs provided to similarly situated officers at the surveyed corporations. The Compensation Committee believes the annual incentive payments made to the executive officers named in the Summary Compensation Table below in respect of the year 2004 are appropriate and commensurate with the Company's outstanding 2004 financial and strategic performance and their exceptional individual achievements during the year. Based on information the Compensation Committee has been provided by consultants relative to the compensation practices of surveyed corporations, it believes the stock incentive compensation opportunities provided to these officers, in the form of stock options, are also appropriate and are awarded in a manner fully consistent with the Company's strategy of basing a substantial component of total executive officer compensation on the total returns realized by the Company's shareholders.

COMPENSATION COMMITTEE

Orin R. Smith (Chair)

Peter C. Godsoe

Constance J. Horner

Theodore E. Martin

Tony L. White

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The following table shows, for the years ended December 31, 2002, 2003 and 2004, the cash compensation we paid, as well as certain other compensation paid or accrued for those years, to the individuals named below:

**Summary Compensation Table**

| Name and<br>Principal Position         | Year | Annual Compensation |                     |   | Long-term Compensation                   |   |                            | All Other<br>Compensation<br>(\$)(f) |
|--|------|---------------------|---------------------|---|--|---|----------------------------|--------------------------------------|
|  |      | Salary (\$)         | Bonus<br>(\$)(a)(b) | Other Annual<br>Compensation<br>(\$)(c) | Awards                                   | Payouts   |                            |                                      |
|  |      |                     |                     |   | Restricted<br>Stock<br>Awards<br>(\$)(d) | Securities<br>Underlying<br>Options/SARs<br>(#) | LTIP<br>Payouts<br>(\$)(e) |                                      |
| H. L. Henkel                           | 2004 | 1,100,000           | 9,133,025           | 134,247                                 | 16,283                                   | 210,000   |                            | 181,318                              |
| Chairman of the Board,                 | 2003 | 1,100,000           | 6,405,550           | 139,386                                 | 13,148                                   | 185,000   |                            | 138,000                              |
|  | 2002 | 1,100,000           | 2,410,550           | 119,054                                 | 249,121                                  | 150,000   |                            | 82,900                               |
| President & Chief<br>Executive Officer |      |                     |                     |   |  |   |                            |                                      |
| T. R. McLevish                         | 2004 | 470,417             | 1,698,945           | 6,125                                   | 3,150                                    | 60,000  |                            | 99,932                               |
| Senior Vice President(g)               | 2003 | 441,667             | 1,214,644           | 3,197                                   | 2,544                                    | 50,000  |                            | 73,436                               |
|  | 2002 | 283,333             | 685,575             | 31,592                                  | 137,115                                  | 50,000  |                            | 72,327                               |
| M. W. Lamach                           | 2004 | 395,192             | 1,212,663           |   | 771,082                                  | 50,000  |                            | 23,712                               |
| Senior Vice President(h)               |      |                     |                     |   |  |   |                            |                                      |
| R. P. Smith                            | 2004 | 510,417             | 1,623,845           | 7,940                                   | 327,706                                  | 50,000  |                            | 188,172                              |
| Senior Vice President                  | 2003 | 476,846             | 1,114,650           | 42,696                                  | 2,372                                    | 42,000  |                            | 117,183                              |
|  | 2002 | 438,333             | 666,880             |   | 2,205                                    | 42,500  | 66,978                     | 32,970                               |
| C. P. Vasiloff                         | 2004 | 421,667             | 1,663,745           |   | 460                                      | 40,000  |                            | 54,322                               |
| Senior Vice President                  | 2003 | 378,334             | 934,255             |   | 29,146                                   | 30,000  |                            | 40,392                               |
|  | 2002 | 341,667             | 471,820             |   | 14,656                                   | 30,000  |                            | 30,130                               |

(a) This column reflects both amounts earned as annual bonuses and amounts earned under the Performance Share Program. The Performance Share Program provides annual awards based on a combination of the achievement of longer-term strategic initiatives and annual financial performance. Payments are made in cash (based on the value of the Class A common shares), unless previously deferred into the EDCP Plans described below. (See the Report of the Compensation Committee. ) The amounts earned as bonuses and under the Performance Share Program for such years are as follows:

| 2004 | 2003 | 2002 |
|------|------|------|
|------|------|------|



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| Name           | Performance Share |              | Performance Share |              | Performance Share |              |
|----------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
|                | Bonus             | Program      | Bonus             | Program      | Bonus             | Program      |
| H. L. Henkel   | \$ 2,750,000      | \$ 6,383,025 | \$ 1,900,000      | \$ 4,505,550 | \$ 1,200,000      | \$ 1,210,550 |
| T. R. McLevish | 550,000           | 1,148,945    | 448,700           | 765,944      | 392,700           | 292,875      |
| M. W. Lamach   | 446,700           | 765,963      |                   |              |                   |              |
| R. P. Smith    | 474,900           | 1,148,945    | 471,000           | 643,650      | 448,200           | 218,680      |
| C. P. Vasiloff | 514,800           | 1,148,945    | 483,700           | 450,555      | 300,000           | 171,820      |

- (b) Pursuant to the EDCP Plans, annual cash bonuses and Performance Share Program distributions have been deferred in exchange, among other investment options, for Class A common share equivalents equal to 120% of the deferred amounts. Common share equivalents representing deferred cash bonuses and Performance Share Program distributions are included in the Bonus column, while the 20% additional amounts are included in the column captioned Restricted Stock Awards. The deferred cash bonus amounts

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and Performance Share Program distributions for the executive officers named above who elected to defer bonus payments and Performance Share Program distributions in exchange for common share equivalents were as follows:

| <u>Name</u>    | <u>2004</u> | <u>2003</u> | <u>2002</u>  |
|----------------|-------------|-------------|--------------|
| H. L. Henkel   | \$          | \$          | \$ 1,205,275 |
| T. R. McLevish |             |             | 685,575      |
| M. W. Lamach   | 765,963     |             |              |
| R. P. Smith    | 1,623,845   |             |              |
| C. P. Vasiloff |             | 116,782     | 47,182       |

- (c) These amounts represent that portion of relocation benefit payments which compensated the named executive officers for the income taxes payable in respect of relocation compensation. The relocation benefit amounts are reflected in the column headed All Other Compensation. This column also includes the aggregate incremental cost to the Company of providing various perquisites. In accordance with SEC rules, perquisite amounts aggregating less than the lower of \$50,000 or 10% of the named executive officer's total salary and bonus may be omitted and therefore no such amounts are included for Messrs. McLevish, Lamach, Smith or Vasiloff for 2002, 2003 or 2004. For 2004, the amount for Mr. Henkel includes \$89,180 for travel on company-provided aircraft for personal purposes and \$31,600 for use of a Company-leased car. For 2003, this amount includes \$111,763 for air travel for personal purposes and \$18,950 for the personal use of the car. For 2002, the amount includes \$99,781 for air travel for personal purposes and \$10,600 for the use of the car. For security and safety reasons and to maximize his availability for Company business, the Board of Directors requires Mr. Henkel to travel exclusively on Company-provided aircraft for business and personal purposes.
- (d) The amounts reflected as Restricted Stock Awards are composed of the following:

amounts credited under the EDCP Plans equal to 20% of the cash bonuses and the Performance Share Program deferred by the named executives (see footnote (b) above); and

for Mr. Lamach, 9,000 employment share units granted as part of his employment arrangement with the Company. These employment units were valued at the date of grant in February 2004, earn dividend equivalents at the same rate as Class A common shares and vest as follows: 2,500 on the first anniversary of employment (in February 2005); 2,500 on the second anniversary of employment; and the remaining 4,000 shares on the third anniversary of employment. Dividend equivalents earned on the employment share units vest at the time the employment share units vest.

The total number and fair market value as of December 31, 2004, of Class A common shares issuable contingent upon the continued employment, retirement, death or disability of the named executives are as follows:

| <u>Name</u>    | <u># Shares</u> | <u>Fair Market Value(\$)</u> |
|----------------|-----------------|------------------------------|
| H. L. Henkel   | 18,649          | 1,497,476                    |
| T. R. McLevish | 3,608           | 289,711                      |
| M. W. Lamach   | 9,116           | 731,991                      |
| R. P. Smith    | 3,364           | 270,131                      |
| C. P. Vasiloff | 705             | 56,599                       |

The amounts indicated in the table above also include:

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the crediting of additional Class A common share equivalents to accounts of the named executives under the EDCP Plans arising from the reinvestment of dividend equivalents under that plan of the 20% amount referred to above; and

for Mr. Vasiloff, the crediting of Class A common share equivalents under the Company's Management Incentive Unit Plan (the MIU Plan). Under the MIU Plan, when cash dividends are paid on the

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Company's Class A common shares, a participant is paid a cash amount equal to one-half of the dividends such participant would have received had the participant owned one share of Class A common share for each MIU granted to the participant. The remaining one-half of each cash dividend is credited to an account for the participant and is converted into Class A common share equivalents which also are held in the participant's MIU account. Distributions are made in cash following retirement in cash equal to the fair market value of one share of Class A common share for each Class A common share equivalent credited to the participant's account.

- (e) The amounts reflected in this column represent the value of long-term incentive awards distributed to Mr. Smith. The awards were distributable subject to the Company achieving established earnings per share and operating income goals for the business in which Mr. Smith worked. Receipt of all or a portion of these amounts has been deferred at the election of Mr. Smith.
- (f) The amounts reflected in this column represent:

our contributions for the account of the named executive officers under our Employee Savings Plan (the "ESP") (which includes contributions under our Leveraged Employee Stock Ownership Plan (the "LESOP"), as well as amounts credited to the accounts of such executive officers under the related supplemental plan, which provide benefits which would have been provided under the applicable tax-qualified plan but for Internal Revenue Code restrictions on such benefits; and

relocation benefits paid to the named executive officers; and

for Mr. Henkel, a portion of his life insurance policy premium.

For 2004 such amounts were as follows:

| <u>Name</u>    | <b>ESP (including</b>    |                     |                      |
|----------------|--------------------------|---------------------|----------------------|
|                | <b>Supplemental</b>      | <b>Relocation</b>   | <b>Life</b>          |
|                | <b>Plan</b>              |                     |                      |
|                | <b>Contributions(\$)</b> | <b>Benefits(\$)</b> | <b>Insurance(\$)</b> |
| H. L. Henkel   | 180,000                  |                     | 1,318                |
| T. R. McLevish | 55,147                   | 44,785              |                      |
| M. W. Lamach   | 23,712                   |                     |                      |
| R. P. Smith    | 58,885                   | 129,287             |                      |
| C. P. Vasiloff | 54,322                   |                     |                      |

- (g) Mr. McLevish joined the Company in May 2002.
- (h) Mr. Lamach joined the Company in February 2004.

***Stock Options***

The following tables contain information for the year 2004 concerning the grants to, and exercises by, the executive officers named above, of stock options under the Company's Incentive Stock Plans and the value of such options held by such executive officers as of December 31, 2004:

## Option/SAR Grants in 2004

| <b>Name</b>    | <b>Number of Securities Underlying Options/SARs Granted(#)(a)</b> | <b>% of Total Options/SARs Granted to Employees in 2004</b> | <b>Exercise or Base Price\$(/)(sh)</b> | <b>Expiration Date</b> | <b>Grant Date Value \$(b)</b> |
|----------------|---|---|--|------------------------|-------------------------------|
| H. L. Henkel   | 210,000   | 5.87  | 64.37                                  | 2/3/14                 | 22.74                         |
| T. R. McLevish | 60,000  | 1.68  | 64.37                                  | 2/3/14                 | 22.74                         |
| M. W. Lamach   | 50,000  | 1.40  | 67.84                                  | 2/16/14                | 23.94                         |
| R. P. Smith    | 50,000  | 1.40  | 64.37                                  | 2/3/14                 | 22.74                         |
| C. P. Vasiloff | 40,000  | 1.12  | 64.37                                  | 2/3/14                 | 22.74                         |

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- (a) All options become exercisable in three equal annual installments beginning on the first anniversary of the date of grant.
- (b) Grant date value is based on the Black-Scholes option pricing model adapted for use in valuing executive stock options. The actual value, if any, an executive may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised, so that there is no assurance the value realized by an executive will be at or near the value estimated by the Black-Scholes model. The grant date values were determined based in part upon the following assumptions:

|                             | <b>February 4, 2004</b> |
|-----------------------------|-------------------------|
| Expected volatility         | 0.3931                  |
| Risk-free rate of return    | 3.29%                   |
| Dividend yield              | 1.19%                   |
| Time of exercise (expected) | 5 years                 |

**Aggregated Option/SAR Exercises in 2004 and****December 31, 2004 Option/SAR Values**

| Name           | Shares<br>Acquired<br><br>on<br>Exercise(#) | Value<br>Realized<br><br>(\$) | Number of Securities   |               | Value of Unexercised |               |
|----------------|---|-------------------------------|------------------------|---------------|----------------------|---------------|
|                |   |                               | Underlying Unexercised |               | In-the-Money         |               |
|                |   |                               | Options/SARs at        |               | Options/SARS at      |               |
|                |   |                               | 12/31/04(#)            |               | 12/31/04(\$)         |               |
|                |   |                               | Exercisable            | Unexercisable | Exercisable          | Unexercisable |
| H. L. Henkel   |   |                               | 811,665                | 383,335       | 26,810,078           | 10,408,500    |
| T. R. McLevish |   |                               | 49,999                 | 110,001       | 1,737,962            | 2,867,438     |
| M. W. Lamach   |   |                               |                        | 50,000        |                      | 629,500       |
| R. P. Smith    |   |                               | 47,167                 | 92,167        | 1,878,227            | 2,509,090     |
| C. P. Vasiloff | 25,000                                      | 744,540                       | 95,000                 | 70,000        | 3,315,653            | 1,856,450     |

**Long-Term Incentive Plan Awards**

Prior to 2002, as part of our executive officer compensation program, we awarded Class A common shares under our Incentive Stock Plans to executive officers and other key employees. Distributions were contingent upon a combination of our earnings per share performance and business sector operating income during the payout period. The relative weighting of the components varied based upon the particular executive's business responsibilities. No such awards were made in 2004.

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2004 with respect to the Company's Class A common shares that may be issued under equity compensation plans:

| <b>Plan Category</b>                                       | <b>Number of Securities to<br/>be Issued upon<br/>Exercise of Outstanding<br/>Options, Warrants and<br/>Rights*(a)</b> | <b>Weighted-Average<br/>Exercise Price<br/>of<br/>Outstanding<br/>Options,<br/>Warrants and<br/>Rights(b)</b> | <b>Number of Securities<br/>Remaining Available for<br/>Future Issuance Under<br/>Equity Compensation<br/>Plans (Excluding<br/>Securities Reflected in<br/>Column (a))* (c)</b> |
|--|--|---|---|
| Equity compensation plans approved by security holders     | 9,426,737  | \$ 50.38  | 13,233,231  |
| Equity compensation plans not approved by security holders |  |   |   |
| <b>Total</b>   | <b>9,426,737</b>   | <b>\$ 50.38</b>   | <b>13,233,231</b>   |

\* Does not reflect 181,537 shares which have been earned by plan participants who have elected to defer the distribution of such shares.

**Table of Contents****Retirement Plans**

The Company and its subsidiaries maintain a number of defined benefit pension plans for their officers and other employees. The pension plans provide for fixed benefits in the event of retirement at a specified age and after a specified number of years of service. All of the executive officers of the Company named above are eligible to participate in the Ingersoll-Rand Pension Plan Number One (the Pension Plan) and the Elected Officers Supplemental Program. The following table illustrates approximate annual pensions for retirements in 2004 under the Pension Plan and under the Elected Officers Supplemental Program computed as a straight life annuity, before the reduction specified in footnote (a) below and based on the indicated assumptions:

**Approximate Annual Pension upon Retirement at Age 62 before Offset(a)**

| <b>Final Average<br/>Compensation(b)</b> | <b>15 Years<br/>of Service</b> | <b>20 Years<br/>of Service</b> | <b>25 Years of<br/>Service</b> | <b>30 Years of<br/>Service</b> | <b>35 Years of<br/>Service</b> |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| \$ 700,000                               | \$ 199,500                     | \$ 266,000                     | \$ 332,500                     | \$ 399,000                     | \$ 465,500                     |
| 900,000                                  | 256,500                        | 342,000                        | 427,500                        | 513,000                        | 598,500                        |
| 1,100,000                                | 313,500                        | 418,000                        | 522,500                        | 627,000                        | 731,500                        |
| 1,300,000                                | 370,500                        | 494,000                        | 617,500                        | 741,000                        | 864,500                        |
| 1,500,000                                | 427,500                        | 570,000                        | 712,500                        | 855,000                        | 997,500                        |
| 1,700,000                                | 484,500                        | 646,000                        | 807,500                        | 969,000                        | 1,130,500                      |
| 1,900,000                                | 541,500                        | 722,000                        | 902,500                        | 1,083,000                      | 1,263,500                      |
| 2,100,000                                | 598,500                        | 798,000                        | 997,500                        | 1,197,000                      | 1,396,500                      |
| 2,300,000                                | 655,500                        | 874,000                        | 1,092,500                      | 1,311,000                      | 1,529,500                      |
| For each additional \$100,000            | 28,500                         | 38,000                         | 47,500                         | 57,000                         | 66,500                         |

- (a) Benefits payable to participants in the Pension Plan and the Elected Officers Supplemental Plan are reduced by a portion of the Social Security benefits to which such participants are entitled.
- (b) Final average compensation means the sum of (i) the individual's current salary, plus (ii) the average of the five highest bonus awards to that individual during the most recent six years.

The credited years of service and covered compensation (i.e., the final average compensation) as of December 31, 2004 for the individuals named above are as follows:

| <b>Name</b>    | <b>Years of<br/>Credited Service</b> | <b>Covered<br/>Compensation(\$)</b> |
|----------------|--------------------------------------|-------------------------------------|
| H. L. Henkel   | 17(a)                                | 2,692,000                           |
| T. R. McLevish | 8(b)                                 | 948,800                             |
| M. W. Lamach   | 18(c)                                | 863,700                             |
| R. P. Smith    | 5(d)                                 | 966,491                             |
| C. P. Vasiloff | 29                                   | 765,606                             |

- (a) Mr. Henkel's credited years of service exceed his actual service pursuant to the provisions of his employment arrangement. In addition, under his employment arrangement Mr. Henkel's benefit accrues at an accelerated rate so that he will be entitled at age 62 to an annual benefit equivalent to 65% of his then covered compensation (less the pension benefit he receives from his former employer).



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- (b) Mr. McLevish's credited years of service exceed his actual service pursuant to the provisions of his employment arrangement. Vesting occurs after five years of employment with the Company.
- (c) Mr. Lamach's credited years of service exceed his actual service pursuant to the provisions of his employment arrangement. The benefit will be reduced by the pension benefit he receives from his former employer.
- (d) Mr. Smith's employment arrangement provides for an accelerated rate so that he will be entitled at age 62 to an annual benefit equivalent to 50% of his then covered compensation (less the pension benefit he receives from his former employers).

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### ***Other Post-Employment Arrangements***

The Company has entered into an arrangement with Mr. Henkel, whereby the Company is obligated to pay Mr. Henkel \$125,000 annually for a ten-year period commencing upon normal retirement, so long as his employment with the Company is not terminated by the Company for cause (as defined), so long as he meets certain noncompetition obligations and, in certain cases, so long as he retires from the Company at or after normal retirement age. In the event of death, the benefits are payable to Mr. Henkel's estate to the extent not already paid. Under this arrangement, the Company is a beneficiary of life insurance policies on Mr. Henkel and, based on actuarial assumptions, the life insurance proceeds receivable by the Company will defray the costs associated with this program.

The Company has also adopted a program which provides Mr. Henkel with life insurance coverage ranging from one times annual earnings (as defined) to two times annual earnings (increased in certain instances to account for income tax obligations payable in respect of such supplemental coverage).

The Company has also entered into an agreement with each of Messrs. Henkel, McLevish and Lamach providing the named executive with severance benefits if he is terminated without cause. The benefit amount payable to Mr. Henkel will equal twice the sum of his annual salary plus his last bonus. The benefit payable to Mr. McLevish will equal the sum of his salary. The benefit payable to Mr. Lamach will equal the sum of eighteen months' base salary plus the amount of his last bonus.

### ***Change in Control Arrangements***

The Company has entered into agreements with each of the executive officers named above which provide that if the employment of a particular executive officer is terminated (by the Company or, under certain circumstances, by the executive officer) within five years following a change in control of the Company (as defined in such agreements), the executive will receive a lump sum severance payment from the Company equal to three times the sum of (a) the executive's highest annual salary from the date of the change in control to the date of termination plus (b) the highest bonus awarded to the executive during the period beginning five years prior to the change in control and ending on the date of termination. In addition, the executive will receive an amount approximating the Company's contribution which would have been made for such executive's account under the ESP (including the related supplemental plan) during the three years following termination of employment and will be entitled during such three-year period to continue to participate in the Company's welfare employee benefit programs. For purposes of calculating the executive's non-qualified pension benefits, five years will be added to both the executive's age and service with the Company. For post-retirement welfare benefits, the executive will be credited with any combination of additional years of service and age not exceeding 10 years, to the extent necessary to qualify for benefits. The agreements further provide that if the payments described above constitute excess parachute payments under applicable provisions of the Internal Revenue Code and related regulations, the Company will pay the executive an additional amount sufficient to place the executive in the same after-tax financial position the executive would have been in if the executive had not incurred the excise tax imposed under Section 4999 of the Internal Revenue Code in respect of excess parachute payments.

### ***Compensation Committee Interlocks and Insider Participation***

None of the directors who served on the Compensation Committee during 2004 is or has been an officer or employee of the Company. Kenneth Martin, a son of Theodore E. Martin, a director of the Company and member of the Compensation Committee and Corporate Governance and Nominating Committee, is employed by a subsidiary of the Company in a non-executive capacity outside the U.S. and in 2004 was paid salary and bonus aggregating approximately \$220,000, and received other benefits customarily available to other expatriate employees at comparable levels. Consistent with the New York Stock Exchange standards and the Company's Corporate Governance Guidelines, the Board of Directors

has determined that this relationship does not affect Mr. Martin's status as an independent director.

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***Performance Graph***

The following graph compares for the five years ended December 31, 2004, the cumulative total shareholder return on our Class A common shares with the cumulative total return on the Standard & Poor's 500 Stock Index, Standard & Poor's Index and the Standard & Poor's Supercom Industrial Machinery Index. The graph assumes that \$100 was invested on December 31, 1999 in each of our common shares, the Standard & Poor's 500 Stock Index and the Standard & Poor's Supercom Industrial Machinery Index and assumes the reinvestment of dividends.

**ITEM 2: AMENDMENT TO BYE-LAW 10 OF THE COMPANY'S BYE-LAWS TO ELIMINATE**

**THE CLASSIFICATION OF THE BOARD OF DIRECTORS**

Shareholders are being asked to consider and approve an amendment to the Amended and Restated Bye-laws of the Company to eliminate the classification of the Board of Directors. Under Section 13 of the Companies Act of 1981 Bermuda and Bye-law 74 of the Company's current Bye-laws, the shareholders must approve any amendments to the Bye-laws by the affirmative vote of a majority of the votes cast by shareholders present in person or by proxy at the annual general meeting. **The Board has unanimously approved the proposed amendment and recommends its approval by the shareholders.**

Bye-law 10 of the Company's Bye-laws provides for the classification of the Board of Directors into three classes, with one class being elected every year for a three-year term. The Board of Directors has determined that Bye-law 10 of the Bye-laws should be amended by deleting sub-paragraphs (2) and (3) in their entirety and renumbering sub-paragraphs (4) and (5) as (2) and (3) respectively. This will result in eliminating the classification of the Board of Directors and all directors being elected annually. The full text of the Amended and Restated Bye-laws, with the proposed amendment to Bye-law 10 reflected therein, is attached to this proxy statement as Appendix F.

The Board of Directors has considered the arguments for and against continuation of the classified board. There are several advantages to a classified board, including continuity and stability of the board, promoting a long-term focus and protecting value in the event of an unsolicited takeover attempt. However, the Board of

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Directors reconsidered the value of the classified board in light of last year's shareholder approval of a proposal urging the annual election of all directors and evolving views on corporate governance. The Board of Directors believes that accountability is one of the most important factors in achieving excellence in corporate governance and has determined that all directors should be annually accountable for the Company's performance. The proposed amendment will allow shareholders to review and express their opinions on the performance of all directors each year.

As further discussed in Item 3 below, the Board of Directors believes that if this proposal to declassify the Board of Directors is approved by the Company's shareholders, it is also in the best interests of the Company and its shareholders to eliminate cumulative voting in the election of directors (Item 3). **The Board is therefore conditioning the implementation of this proposal on the shareholders' approval of Item 3. If Item 3 is not approved by the Company's shareholders, the Company will not amend its Bye-laws to declassify the Board of Directors.**

The Company's directors have been elected to three-year terms. Accordingly, even if the Company's Board of Directors is declassified, the continuing directors and the nominees for the Third Class directors nominated for election at the 2005 Annual General Meeting of Shareholders will each serve out their remaining terms. Directors nominated for election at the 2006 Annual General Meeting of Shareholders and thereafter will be elected for a one-year term.

**The Board of Directors recommends a vote FOR this proposal.**

### **ITEM 3: AMENDMENT TO BYE-LAW 10 OF THE COMPANY'S BYE-LAWS TO ELIMINATE CUMULATIVE VOTING IN THE ELECTION OF DIRECTORS**

Shareholders are being asked to consider and approve an amendment to the Amended and Restated Bye-laws of the Company to eliminate cumulative voting in the election of directors. Under Section 13 of the Companies Act of 1981 Bermuda and Bye-law 74 of the Company's current Bye-laws, the shareholders must approve any amendments to the Bye-laws by the affirmative vote of a majority of the votes cast by shareholders present in person or by proxy at the annual general meeting. **The Board has unanimously approved the proposed amendment and recommends its approval by the shareholders.**

Bye-law 10 of the Company's Bye-laws provides for cumulative voting with respect to the election of directors. Cumulative voting provides that each shareholder shall be entitled to as many votes as shall equal the number of votes which such shareholder would be entitled to cast at a general meeting, multiplied by the number of directors to be elected, and the shareholder may cast all such votes for a single director or may distribute them among as many candidates as he or she sees fit. The effect of cumulative voting is that a shareholder holding substantially less than a majority of the outstanding voting shares of a company may aggregate his or her votes and be able to elect one or more directors.

The Board of Directors has determined that Bye-law 10 of the Company's Bye-laws should be amended by deleting the last sentence of sub-paragraph (1) so as to eliminate cumulative voting in the election of directors. The full text of the Amended and Restated Bye-laws, with the proposed amendment to Bye-law 10 reflected therein, is attached to this proxy statement as Appendix F. Cumulative voting may allow a minority of shareholders to obtain representation on the Company's Board of Directors to further objectives that may be contrary to those of the majority of shareholders. The Board of Directors therefore believes that each director of the Company should be elected only if such director receives a plurality of the votes cast. This will ensure that each director feels a responsibility to the shareholders as a whole and not to any minority shareholder. The holders of a majority of the shares entitled to vote in an election of directors should be able to elect all of the directors being elected at that time, and no director should be elected by a minority shareholder with a special interest.



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If the proposal to eliminate the classified board were approved and cumulative voting were not eliminated, the effect of cumulative voting for the election of directors would be exaggerated in comparison to its current effect because there would be a greater number of votes that a shareholder could cast for one director due to the increase in the number of directors being elected each year. Therefore, the Board of Directors believes that it is in the best interests of the Company and its shareholders to eliminate cumulative voting if the proposal to declassify the Board of Directors (Item 2) is approved by the Company's shareholders. The board would not be recommending eliminating cumulative voting if it were not also proposing that the shareholders approve the declassification of the board. **The Board is therefore conditioning the implementation of this proposal on the shareholders' approval of Item 2. If Item 2 is not approved by the Company's shareholders, the Company will not amend its By-laws to eliminate cumulative voting.**

Although the Board of Directors does not consider the elimination of cumulative voting as an anti-takeover measure, the absence of cumulative voting could have the effect of preventing a shareholder holding a minority of the Company's common stock from obtaining representation on the Board. The elimination of cumulative voting might also, under certain circumstances, render more difficult or discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of the Company's stock or the removal of incumbent management.

**The Board of Directors recommends a vote FOR this proposal.**

### **ITEM 4. APPROVAL OF APPOINTMENT OF INDEPENDENT AUDITORS**

Under Bermuda law our shareholders have the authority to appoint the independent auditors of the Company and to authorize our Board of Directors to fix the auditors' remuneration. At the annual general meeting, shareholders will be asked to appoint PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2005, and to authorize the Board of Directors to fix the independent auditors' remuneration. PricewaterhouseCoopers LLP (PwC) has been acting as our independent auditors for many years and, both by virtue of its long familiarity with the Company's affairs and its ability, is considered best qualified to perform this important function.

#### **Audit Committee Report**

While management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls, the Audit Committee reviews the Company's financial statements and financial reporting process on behalf of the Board of Directors. In this context, the Committee has met and held discussions with management and the independent auditors regarding the fair and complete presentation of the Company's results. The Committee has discussed significant accounting policies applied by the Company in its financial statements. Management has represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Committee discussed with the independent auditors matters as required by Statement on Auditing Standards No. 61 (Communication With Audit Committees).

The Company's independent auditor, PwC, recently informed the Securities and Exchange Commission (the SEC), the Public Company Accounting Oversight Board and the Audit Committee that certain non-audit work that PwC had previously performed in China and Taiwan has raised questions regarding its independence with respect to its performance of audit services for the Company.

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During the fiscal years 2004, 2003, 2002 and 2001, certain PwC affiliates, in connection with the preparation of local tax returns of expatriate Company employees, made payments to local tax authorities with respect to individual employee tax liabilities. As a result, PwC's foreign affiliates had temporary custody of small amounts of the Company's corporate funds.



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The fees paid to PwC's foreign affiliates in China and Taiwan for the preparation of these tax returns, including the services mentioned above, were approximately \$433, \$14,765, \$24,849 and \$18,767 for the years 2004, 2003, 2002 and 2001, respectively. These services were discontinued in 2004.

The Audit Committee has reviewed the facts surrounding these services provided by PwC. PwC has informed the Audit Committee that it does not believe that the performance of the tax services described above has impaired PwC's independence. In light of the de minimis fees paid to PwC, the ministerial nature of the actions performed and the fact that the services have been discontinued, neither our Audit Committee nor PwC believes that PwC's independence was impaired by the performance of these services.

In addition, the Committee has discussed with PwC the auditors' independence from the Company and its management in connection with the matters in the written disclosures required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Committee also has considered whether the independent auditors' provision of non-audit services to the Company is compatible with the auditors' independence. The Committee has concluded that the independent auditors are independent from the Company and its management.

The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets separately with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the Securities and Exchange Commission. The Committee has selected PwC, subject to shareholder approval, as the Company's independent auditors for the fiscal year ending December 31, 2005.

## AUDIT COMMITTEE

Richard J. Swift (Chair)

Ann C. Berzin

George W. Buckley

H. William Lichtenberger

## **Fees of the Independent Auditors**

The following table shows the fees paid or accrued by the Company for audit and other services provided by PricewaterhouseCoopers LLP for fiscal years 2004 and 2003:

|                       | <b>2004</b>          | <b>2003</b>          |
|-----------------------|----------------------|----------------------|
| Audit Fees(a)         | \$ 11,838,000        | \$ 6,059,000         |
| Audit-Related Fees(b) | 1,224,000            | 1,050,000            |
| Tax Fees(c)           | 2,484,000            | 4,911,000            |
| All Other Fees(d)     | 29,000               | 498,000              |
| <b>Total</b>          | <b>\$ 15,575,000</b> | <b>\$ 12,518,000</b> |

- (a) Audit Fees for the years ended December 31, 2004 and 2003, respectively, were for professional services rendered for the audits of the consolidated financial statements of the Company and include quarterly reviews, statutory audits, information systems reviews in connection with the audit, issuance of comfort letters and consents and assistance with, and review of, documents filed with the Securities and Exchange Commission. Audit fees for December 31, 2004 also include fees related to the audit of internal controls in connection with the Sarbanes-Oxley Act of 2002.

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- (b) Audit-Related Fees for the years ended December 31, 2004 and 2003, respectively, include services related to audits of employee benefit plans, audits and reviews and due diligence services in connection with dispositions, advisory work on Sarbanes-Oxley requirements, and agreed upon procedures related to compliance with Irish Department of Revenue requirements.
- (c) Tax Fees for the years ended December 31, 2004 and 2003, respectively, include consultation and compliance services, expatriate tax compliance services and services related to the Company's foreign sales corporation and to research and development credits.
- (d) All Other Fees for the years ended December 31, 2004 and 2003, respectively, include license fees for global best practices database and technical accounting software, information systems reviews not in connection with the audit, review of a refund application for anti-dumping payments under the Continued Dumping Subsidy Offset Act and expatriate program administration.

The Audit Committee has adopted policies and procedures which require that the Audit Committee pre-approve all non-audit services that may be provided to the Company by its independent auditor. The policy: (i) provides for pre-approval of an annual budget for each type of service; (ii) requires Audit Committee approval of specific projects over \$100,000, even if included in the approved budget; and (iii) requires Audit Committee approval if the forecast of expenditures exceeds the approved budget on any type of service. The Audit Committee has determined that the provision of the services described under All Other Fees is compatible with maintaining the independence of PricewaterhouseCoopers LLP.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual general meeting and to be available to respond to appropriate questions. They will have an opportunity to make a statement if they so desire.

**The Board of Directors recommends a vote FOR the proposal to appoint PricewaterhouseCoopers LLP as independent auditors of the Company and to authorize the Board of Directors to fix the auditors' remuneration.**

#### **TRANSACTIONS WITH MANAGEMENT**

Since January 1, 2004, we have engaged in transactions in the ordinary course of business with, or have used products or services of, a number of organizations in which our directors have interests. The amounts involved have in no case been material in relation to our business and we believe that they have not been material in relation to the businesses of the other organizations or to the individual directors concerned.

We have not made payments to directors other than the fees to which they are entitled as directors (described under the heading Compensation of Directors on page 11) and the reimbursement of expenses relating to their services as directors. We have made no loans to any director or officer nor have we purchased any shares of the Company from any director or officer.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and officers, and persons who own more than ten percent of the Company's common stock, to file reports of ownership and reports of changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange. To the Company's knowledge, based solely on its review of such forms received by the Company and written representations that no other reports were required, all Section 16(a) filing requirements were complied with for the year 2004 except that eight executive officers, Messrs. H. Henkel, T. McLevish, R. Randall, D. Rice, R. Smith, C. Vasiloff and Mmes. S. Elliott and P. Nachtigal, inadvertently failed to timely file one report of a transaction related to the annual grant of stock options. In each case, a report was filed promptly following discovery of the omission.



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**SHAREHOLDER PROPOSALS AND NOMINATIONS**

Any proposal by a shareholder intended to be presented at the 2006 Annual General Meeting of Shareholders of the Company must be received at the offices of Ingersoll-Rand Company Limited at 155 Chestnut Ridge Road (P.O. Box 0445), Montvale, New Jersey 07645, Attn: Secretary, no later than December 16, 2005, for inclusion in the proxy materials relating to that meeting.

The Company's By-laws, as amended, set forth procedures to be followed by shareholders who wish to nominate candidates for election to the Board in connection with annual general meetings of shareholders or pursuant to written shareholder consents or who wish to bring other business before a shareholders' general meeting. All such nominations must be made following written notice to the Secretary of the Company accompanied by certain background and other information specified in the By-laws. In connection with any annual general meeting, written notice of a shareholder's intention to make such nominations must be given to the Secretary of the Company not later than the date which is 90 days in advance of the anniversary of the immediately preceding annual general meeting or, if the date of the annual general meeting occurs more than 30 days before, or 60 days after, the anniversary of such immediately preceding annual general meeting, not later than the seventh day after the date on which notice of such annual general meeting is given.

The Corporate Governance and Nominating Committee will consider all shareholder recommendations for candidates for Board membership, which should be sent to the Committee, care of the Secretary of the Company, at the address set forth above. In addition to considering candidates recommended by shareholders, the Committee considers potential candidates recommended by current directors, Company officers, employees and others. As stated in the Company's Corporate Governance Guidelines attached as Appendix A to this proxy statement, candidates for Board membership are selected based upon their judgment, character, achievements and experience in matters affecting business and industry.

In order for you to bring other business before a shareholder general meeting, timely notice must be received by the Secretary of the Company within the time limits described above. The notice must include a description of the proposed item, the reasons you believe support your position concerning the item, and other specified matters. These requirements are separate from and in addition to the requirements you must meet to have a proposal included in our proxy statement. The foregoing time limits also apply in determining whether notice is timely for purposes of rules adopted by the Securities and Exchange Commission relating to the exercise of discretionary voting authority.

**HOUSEHOLDING**

Securities and Exchange Commission rules permit a single set of annual reports and proxy statements to be sent to any household at which two or more shareholders reside if they appear to be members of the same family. Each shareholder continues to receive a separate proxy card. This procedure is referred to as householding. While the Company does not household in mailings to its shareholders of record, a number of brokerage firms with account holders who are Company shareholders have instituted householding. In these cases, a single proxy statement and annual report will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once a shareholder has received notice from his or her broker that the broker will be householding communications to the shareholder's address, householding will continue until the shareholder is notified otherwise or until the shareholder revokes his or her consent. If at any time a shareholder no longer wishes to participate in householding and would prefer to receive a separate proxy statement and annual report, he or she should notify his or her broker. Any shareholder can receive a copy of the Company's proxy statement and annual report by contacting the Company at Ingersoll-Rand Company Limited, 155 Chestnut Ridge Road, Montvale, New Jersey 07645, Attention: Secretary or by accessing it at the Company's website at [www.irco.com](http://www.irco.com).

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Shareholders who hold their shares through a broker or other nominee who currently receive multiple copies of the proxy statement and annual report at their address and would like to request householding of their communications should contact their broker.

Dated: April , 2005

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**Appendix A**

**INGERSOLL-RAND COMPANY LIMITED**

**CORPORATE GOVERNANCE GUIDELINES**

The following corporate governance guidelines and the charters of the committees of the Board of Directors of the Company, have been approved by the Board of Directors and provide the framework for the corporate governance of the Company.

**Role of the Board of Directors**

The Company's business is managed under the direction of the Board of Directors. The Board delegates to the Chief Executive Officer, and through that individual to other senior management, the authority and responsibility for managing the Company's business. The Board's role is to oversee the management and governance of the Company and to monitor senior management's performance.

Among the Board's core responsibilities are to:

Select individuals for Board membership and evaluate the performance of the Board, Board committees and individual directors.

Select, monitor, evaluate and compensate senior management.

Assure that management succession planning is adequate.

Review and approve significant corporate actions.

Review and monitor implementation of management's strategic plans.

Review and approve the Company's annual operating plans and budgets.

Monitor corporate performance and evaluate results compared to the strategic plans and other long-range goals.

Review the Company's financial controls and reporting systems.

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Review and approve the Company's financial statements and financial reporting.

Review the Company's ethical standards and legal compliance programs and procedures.

Monitor relations with shareholders, employees, and the communities in which the Company operates.

### **Board Size and Composition**

The Board of Directors is comprised of such number of directors as the Board deems appropriate to function efficiently as a body, subject to the Company's By-Laws. The Corporate Governance and Nominating Committee reviews the composition of the full Board to identify the qualifications and areas of expertise needed to further enhance the composition of the Board, makes recommendations to the Board concerning the appropriate size and needs of the Board and, on its own or with the assistance of management or others, identifies candidates with those qualifications.

The Board is made up of a substantial majority of independent, non-employee directors. The Board considers that the Bermuda law requiring two directors to be officers of the Company should be the maximum number of employee directors. The Board establishes principles and procedures to determine whether or not any particular director is independent in accordance with applicable regulations and the requirements of the New York Stock Exchange. The standards currently in effect for determining the independence of individual directors are attached as Exhibit I to these Corporate Governance Guidelines.

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### **Selection of Directors**

Under the Bye-Laws, the Board of Directors has authority to fill vacancies in the Board and to nominate candidates for election by the shareholders. The screening process is done by the Corporate Governance and Nominating Committee with direct input from the Chairman and CEO and from the other directors and from time to time with the assistance of director search firms. In considering candidates for director, the Corporate Governance and Nominating Committee will take into account all factors it considers appropriate, including, among other things, breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, diversity, leadership, and achievements and experience in matters affecting business and industry. The Corporate Governance and Nominating Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy-setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director. Shareholders may recommend candidates for Board membership for consideration by the Corporate Governance and Nominating Committee. Such recommendations should be sent to the Committee, care of the Secretary of the Company. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means.

### **Chairman of the Board and CEO**

The positions of Chairman of the Board and CEO are held by the same person, except in unusual circumstances. This policy has worked well for the Company. It is the Board's view that the Company's corporate governance principles, the quality, stature and substantive business knowledge of the members of the Board of Directors, as well as the Board's culture of open communication with the CEO and senior management are conducive to Board effectiveness with a combined Chairman and CEO position.

### **Committees of the Board**

The Board of Directors has the following committees: Audit, Compensation, Corporate Governance and Nominating, and Finance. All committees have written, Board-approved charters detailing their responsibilities. Only non-employee directors serve on these committees. Chairpersons and members of these four committees are rotated periodically, as appropriate. At each meeting of the Audit Committee, committee members meet privately with representatives of the Company's independent auditors, and with the Company vice president responsible for the internal audit function.

The Audit Committee meets at least five times each year, the Compensation and Finance Committees each meet at least four times each year and the Corporate Governance and Nominating Committee meets at least three times each year. Additional committee meetings are called as required.

### **Board Agenda and Meetings**

The Chairman and Chief Executive Officer establishes the agendas for the Board meetings. Each director is free to suggest items for inclusion in the agenda, and each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. Board materials relating to agenda items are provided to Board members in advance of meetings to allow the directors to prepare for discussion of matters at the meeting. The Board reviews and approves the Company's yearly operating plan and specific financial goals at the start of each year, and the Board monitors performance throughout the year. The Board also reviews the Company's long-range strategic plan regularly. At an expanded Board

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meeting once a year, the Board reviews in depth the long-range strategic plan. At the expanded meeting, it also reviews senior management development and succession planning.

Management presentations are made to the Board and its committees regularly on various aspects of the Company's operations. The directors have unrestricted access to management and corporate staff.

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### **Executive Sessions of Non-employee Directors**

The non-employee directors meet privately in executive sessions to review the performance of the CEO and to review recommendations of the Compensation Committee concerning compensation for the employee directors. The non-employee directors also meet as necessary, but at least twice a year, in executive session to consider such matters as they deem appropriate without management being present.

### **Lead Director**

It is the policy of the Board that a Lead Director be appointed annually on a rotating basis from among the independent directors not concurrently serving as a chair of a Board committee. The Lead Director (a) presides at all meetings of the directors at which the Chairman is not present, including executive sessions of the independent directors; (b) serves as a liaison between the Chairman and the independent directors; (c) approves the information sent to the directors; (d) with input from the other independent directors, approves Board meeting agendas and Board meeting schedules to assure that there is sufficient time for discussion of all agenda items; (e) has the authority to call meetings of the independent directors; and (f) is available for direct communication from major shareholders.

### **Director Orientation and Continuing Education**

In order to become familiar with the Company, as well as the functioning of the Board of Directors, newly-appointed directors receive a variety of materials, including a Directors Handbook, which provide an overview of the Company, its operations and organization. They are also provided with access to key management personnel to provide additional information, including significant issues currently facing the Company. Management will also maintain a program to keep directors up to date on legal, regulatory and other matters relevant to their positions as directors of a large publicly-held corporation.

### **Director Compensation and Stock Ownership**

The Corporate Governance and Nominating Committee periodically reviews the Board of Directors compensation and benefits and compares them with director compensation and benefits at peer companies. It is the Board of Directors policy that a significant portion of director compensation is in the form of IR shares or share equivalent units. All directors are expected to own a minimum of \$180,000 in IR shares or share equivalents within three years from the date of their first election to the Board of Directors. It is also the policy of the Board that directors fees be the sole compensation received from the Company by any non-employee director.

### **CEO Performance Evaluation**

At the beginning of each year, the CEO presents his performance objectives for the upcoming year to the non-employee directors for their approval. At the end of the year, the non-employee directors then meet privately to discuss the CEO's performance for the current year against his performance objectives. The non-employee directors use this performance evaluation in the course of their deliberations when considering the compensation of the CEO. The non-employee directors and the CEO then meet to review the CEO's performance evaluation and

compensation.

**Chief Executive Officer Succession**

The Board of Directors views CEO selection as one of its most important responsibilities. To assist the Board in succession planning, the CEO reports at least annually to the Board providing an assessment of senior managers and their potential to succeed the CEO, either in the event of a sudden emergency or in anticipation of the CEO's future retirement.

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### **Director Retirement**

Each non-employee director must retire at the annual general meeting immediately following his or her 72<sup>nd</sup> birthday. Directors who change the occupation they held when initially elected must offer to resign from the Board. At that time, the Corporate Governance and Nominating Committee reviews the continued appropriateness of Board membership under the new circumstances and makes a recommendation to the Board. Employee directors, including the CEO, must retire from the Board at the time of a change in their status as an officer of the Company, unless the policy is waived by the Board.

### **Board and Board Committee Performance Evaluation**

With the goal of increasing the effectiveness of the Board of Directors and its relationship to management, the Corporate Governance and Nominating Committee assists the Board in evaluating its performance as a whole and the performance of its committees. Each Board committee is also responsible for conducting an annual evaluation of its performance. The effectiveness and contributions of individual directors are considered each time a director stands for renomination.

### **Board Memberships**

The CEO and other members of senior management must seek the approval of the Board (or the Board committee to which this responsibility has been delegated), before accepting outside board memberships with for-profit entities.

Non-employee directors must advise the Chairman of the Board and the Chair of the Corporate Governance and Nominating Committee if they are being considered for election or appointment to a board of directors of another publicly-held company.

### **Independent Advice**

The Board (or with the Board's approval, a committee of the Board) may seek legal or other expert advice from a source independent of management. Generally, this would be with the knowledge of the CEO.

### **Code of Conduct**

The Company will maintain a code of business conduct and ethics which will articulate for employees, shareholders, customers and suppliers the standards of conduct, including conflicts of interest matters, to which the Company expects to adhere. Directors will also be required to abide by the code of conduct. Any waivers of the conflict of interest requirements of such code in favor of a director or executive officer will be subject to approval by the Board. In the case of the consideration of such a waiver in favor of a director, such director shall not participate in the deliberation or vote relating to such waiver.

**Internal Audit Function**

The Company will maintain an internal audit function whose head will report directly to the CFO or CEO. The internal audit function is responsible for bringing a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes. Its duties include monitoring the compliance by Company operations with the Company's internal controls and identifying any deficiencies in the design or operation of such internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data.

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**Exhibit I**

***Guidelines for Determining Independence of Directors***

(A) A director will not be deemed independent if: (i) the director is affirmatively determined by the board of directors of the Company to have a material relationship to the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company); (ii) the director is or was within the last three years employed by the Company or any of its subsidiaries; (iii) an immediate family member of the director is or was within the last three years employed by the Company or any of its subsidiaries as an executive officer; (iv) the director or an immediate family member of the director has received during any twelve-month period within the last three years more than \$100,000 in direct compensation (other than director and Board committee fees and pension or other forms of deferred compensation not contingent on continued service as a director from the Company and its subsidiaries), provided, however that for purposes of this subparagraph (iv), compensation received by an immediate family member for service as an employee of the Company (other than an executive officer) shall not be included in determining a director's independence; (v) the director, or an immediate family member of the director, is a current partner of a firm that is the Company's internal or external auditor; (vi) the director is a current employee of such audit firm; (vii) an immediate family member of the director is a current employee of such audit firm and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; (viii) the director or an immediate family member of the director was within the last three years (but is no longer) a partner or employee of such audit firm and personally worked on the Company's audit within that time; (ix) an executive officer of the Company is or was within the last three years on the compensation committee of the board of directors of a company that employed the director, or an immediate family member of the director, as an executive officer at the same time; or (x) the director is a current employee, or has an immediate family member who is a current executive officer, of a company or tax exempt organization having any of the relationships with the Company described in paragraph (B) below.

(B) The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence: (i) if a director is a current employee, or an immediate family member of a director is a current executive officer, of another company that has made payments to, or receives payments from, the Company for property or services in an amount which, in any of the last three fiscal years, is \$1 million or less, or, if greater, is less than 2% of the annual revenues of that other company; or (ii) if a director is a current employee, or an immediate family member of a director is a current executive officer, of a tax exempt organization, and the Company's discretionary charitable contributions to the organization in the aggregate are less than \$1 million or, if greater, less than 2% of that organization's consolidated gross revenues. (The amount of any match of charitable contributions under the Company's matching gifts program will not be included in calculating the amount of the Company's contributions for this purpose.) The Board will annually review all commercial and charitable relationships of directors.

(C) For relationships other than those of the types described in (A) and (B), the determination of whether the director has a material relationship with the Company, and therefore may not be independent, will be made in good faith by the directors who satisfy the guidelines set forth in such preceding paragraphs.

(D) For purposes of these guidelines the term "immediate family member" includes an individual's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such individual's house.

(E) For purposes of these guidelines the term "executive officer" shall have the same meaning as the term "officer" in Rule 16a-1(f) of the Securities Exchange Act of 1934.





**CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
OF INGERSOLL-RAND COMPANY LIMITED**

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its responsibilities to the shareholders and the investment community with respect to its oversight of the:

Integrity of the Company's financial statements, including its accounting policies and financial reporting and disclosure practices.

Adequacy of the system of internal controls within the Company to support the financial and business environment.

Company's processes to assure its compliance with all applicable laws, regulations and corporate policy.

Qualification and independence of the Company's independent auditors.

Performance of the Company's internal audit function and independent auditors.

The Committee shall be comprised of three or more directors, each of whom shall be independent and, as determined by the Board consistent with New York Stock Exchange guidelines, free from any relationship that would interfere with the exercise of his or her independent judgment as a member of the Committee.

Each member of the Committee shall be financially literate, defined as being able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement or will become able to do so within a reasonable period of time after his or her appointment. In addition, at least one member of the Committee shall be a financial expert, as determined by the Board in accordance with applicable regulations and New York Stock Exchange requirements.

No member of the Committee shall receive compensation other than (i) director's fees for service as a director of the Company, including reasonable compensation for serving on the Committee and regular benefits that other directors receive and (ii) a pension or similar compensation for past performance, provided that such compensation is not conditioned on continued or future service to the Company.

The Committee shall meet at least five times annually, or more frequently as circumstances dictate. At each of the five regularly scheduled meetings, and at other meetings as necessary, the Committee shall meet with the senior internal auditing executive and the Company's independent auditors in separate executive sessions to discuss any audit problems or difficulties or any other matters that the Committee or any of the aforementioned believes should be discussed privately.

The Committee shall have the authority to delegate to the Chair of the Committee or a subcommittee any of its responsibilities in this charter, including, in particular, those set forth in paragraphs 4 and 11 below.

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Company will provide for such funding as the Committee deems appropriate for the payment of compensation to the Company's independent auditors and any special legal accounting or other consultants retained by the Committee. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

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The Committee shall:

1. Review and reassess the adequacy of this Charter annually or more often as conditions dictate, and recommend proposed changes to the Board.
2. Meet to review and discuss with management and the independent auditors the Company's annual audited financial statements and quarterly financial statements prior to their public dissemination, as well as the Company's specific disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company's critical accounting policies and practices, and alternative treatments within generally accepted accounting principles relating to material items. Such review shall include a discussion of significant issues regarding the accounting and auditing principles and practices (and the resolution of any disagreements between management and the independent auditors), as well as the adequacy of the internal controls and a review of any certifications being issued in respect of such statements by senior executives of the Company.
3. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit or review of the quarterly financial statements as included in the Company's Forms 10-Q.
4. Review and discuss with management and the independent auditors the Company's earnings press releases (paying particular attention to the use of any pro forma or adjusted non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee Chair will review and discuss in advance each quarterly earnings release or provision of earnings guidance. The other Committee members may participate at their option in these discussions.
5. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as recommended by the independent auditors, management or the internal auditing department.
6. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements.
7. Recommend to the Board of Directors the nomination for shareholder approval in accordance with Bermuda law of the independent auditors.
8. Review, at least annually, the qualifications and performance of the independent auditors. In conducting its review and evaluation, the Committee shall obtain and review a report from the independent auditing firm describing (a) the firm's internal quality control procedures; (b) any material issues raised by the most recent internal quality control or peer review of the firm, or by any inquiry or investigation within the preceding five years by governmental or professional authorities, respecting one or more independent audits carried out by the firm; and (c) any steps taken to deal with any issues raised by such review, inquiry or investigation. Based on such review, and taking into account the opinions of the management and the Company's senior internal audit executive, the Committee should consider whether there should be a rotation of the lead audit partner or the audit firm itself.

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9. Review and discuss with the independent auditors, in order to satisfy itself as to their independence, all relationships that would reasonably be thought to bear on the objectivity and independence of the independent auditors. Ensure the receipt of the independent auditors' annual independent statement.

10. Review with the independent auditors and financial management of the Company in advance and approve all auditing services to be performed by the independent auditors, including the scope, staffing and, subject to prior delegation from the shareholders, the fees of the independent auditors to be incurred in connection with the proposed audit for the current year and, at the conclusion of such audit, review such audit including any comments or recommendations of the independent auditors.

11. Approve in advance, subject to and in accordance with applicable laws and regulations, non-audit services and related fees to be performed by the independent auditors.

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12. Discuss with management and the independent auditors the Company's policies with respect to risk assessment and risk management.
  
13. Obtain and review periodic reports, at least annually, from management assessing the effectiveness of the Company's internal controls and procedures for financial reporting, including reports on (a) all significant deficiencies or material weaknesses in the design or operation of internal controls; and (b) any fraud, whether or not material, that involves management or other employees having a significant role in internal controls.
  
14. Obtain from management annually, as required by law, a report on internal controls, which shall (a) state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and (b) contain management's assessment, as of the end of the most recent fiscal year, of the effectiveness of the internal control structure and financial reporting procedures.
  
15. Obtain from the independent auditors an attestation to (and a report on) the assessment made by management in 14 above.
  
16. Review the Company's disclosure controls and procedures and management's assessment of them.
  
17. Set clear hiring policies for employees or former employees of the independent auditing firm.
  
18. Review management's monitoring of compliance with laws, regulations and the Company's Code of Conduct.
  
19. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
  
20. Review with the General Counsel any legal matters, including litigation and regulatory matters, which could have a significant impact on the Company's financial statements.
  
21. Review periodically (at least annually) with the senior tax executive all tax matters affecting the Company's financial performance.
  
22. Review periodically (at least annually) the internal audit organization and the objectives and scope of the internal audit function and examinations.
  
23. Review the appointment and replacement of the senior internal auditing executive.

24. Cause to be issued the report of the Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual general meeting proxy statement.

25. Report to the Board all significant issues discussed and make recommendations to be acted upon by the Board.

26. Conduct an annual evaluation of the performance of the Committee.

27. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

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**Appendix C**

**CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS  
OF INGERSOLL-RAND COMPANY LIMITED**

The purpose of the Compensation Committee is to discharge the responsibilities of the Board of Directors to the shareholders and investment community with respect to the compensation of the Company's executives.

The Committee shall be comprised of three or more members, each of whom is determined by the Board of Directors to be independent under the rules of the New York Stock Exchange. Additionally, no director may serve unless he or she (i) is a Non-employee Director for purposes of Rule 16b-3 under the Securities and Exchange Act of 1934, as amended, and (ii) satisfies the requirements of an outside director for purposes of Section 162(m) of the Internal Revenue Code.

In furtherance of its purpose the Committee shall:

1. Establish the Company's executive compensation policies.
2. Review the compensation of officers and approve changes in compensation.
3. Approve salary rates, bonuses and all other compensation, including the award of equity-based compensation to all officers. This Committee shall inform the Board of compensation and awards so approved.
4. Review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance against those goals and objectives, and set the Chief Executive Officer's compensation level based on this evaluation.
5. Administer the Company's equity compensation plans. All powers and discretion vested in the Board under these Plans may be exercised by this Committee.
6. Review employee benefit programs and recommend to the Board of Directors proposals for adoption, significant amendment or termination of the Company's executive incentive compensation plans and equity-based plans as well as its principal pension and welfare plans.
7. Approve the issuance of change of control agreements to employees.

8. Select, retain and/or replace, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Committee. In that connection, in the event the Committee retains any such consultant, the Committee shall have the sole authority to approve such consultant's fees and other retention terms.

9. Report to the Board all significant issues discussed and make recommendations to be acted upon by the Board.

10. Issue an annual report to the shareholders as required by the Securities and Exchange Commission for inclusion in the Company's annual general meeting proxy statement.

11. Conduct an annual evaluation of the Committee's performance.

12. Perform any other activities consistent with this Charter, the Company's By-Laws and governing law, as the Committee or the Board deems necessary or appropriate.

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**CHARTER OF THE CORPORATE GOVERNANCE  
AND NOMINATING COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF INGERSOLL-RAND COMPANY LIMITED**

The Corporate Governance and Nominating Committee, which will consist of non-employee directors, is responsible for considering and making recommendations to the Board of Directors concerning corporate governance matters by:

Identifying individuals qualified to become directors and recommending that the Board of Directors select the candidates for all directorships to be filled by the Board of Directors or by the shareholders.

Developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company.

Otherwise taking a leadership role in shaping the corporate governance of the Company.

In furtherance of such purposes the Committee shall:

1. Consider and review the Company's corporate governance principles and make recommendations to the Board for changes which the Committee deems appropriate.
2. Consider and recommend the size, functions and needs of the Board in order to ensure that the Board has the requisite expertise and that its membership consists of individuals with sufficiently diverse and independent backgrounds.
3. Review and recommend candidates to fill new positions or vacancies on the Board consistent with the criteria set forth in the Company's corporate governance principles and such other criteria which the Committee deems appropriate. The Committee shall conduct all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates. In that connection, the Committee shall have the sole authority to retain and to terminate any search firm to be used to assist it in identifying candidates to serve as directors of the Company, including the sole authority to approve the fees payable to such search firm and any other terms of retention.
4. Review Board candidates and other proposals recommended by shareholders.

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5. Propose director nominees for election or reelection for recommendation by the Board to the shareholders.
  
6. Consider questions of independence and possible conflicts of interest of members of the Board, as well as executive officers.
  
7. Review and recommend chairs and members of Board committees, giving consideration to the requirements of the committee charters, the Company's corporate governance guidelines and such other factors which the Committee deems appropriate.
  
8. Review and make recommendations on the conduct of Board, committee and shareholder meetings.
  
9. Review and recommend non-employee director compensation and benefits.
  
10. Recommend director retirement policies.
  
11. Nominate individuals for election by the Board as corporate officers.
  
12. Oversee the evaluation of the performance of the Board of Directors, Board committees and management.
  
13. Conduct an annual evaluation of the performance of the Committee.
  
14. Report to the Board all significant issues discussed and make recommendations to be acted upon by the Board.
  
15. Perform any other activities consistent with this Charter, the Company's Bye-Laws and governing law, as the Committee or the Board deems necessary or appropriate.

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**Appendix E**

**CHARTER OF THE FINANCE COMMITTEE OF THE BOARD OF DIRECTORS  
OF INGERSOLL-RAND COMPANY LIMITED**

The Finance Committee is responsible for considering and making recommendations to the Board of Directors on the management of financial resources of the Company and major financial strategies and transactions.

The Finance Committee shall be comprised of three or more directors, each of whom shall be independent and, as determined by the Board consistent with New York Stock Exchange guidelines, free from any relationship that would interfere with the exercise of his or her independent judgment as a member of the Committee.

Each member of the Committee shall be financially literate, defined as being able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement, or will become able to do so within a reasonable period of time after his or her appointment.

The Committee shall meet at least four times annually, or more frequently, as circumstances dictate. At each of the four regularly scheduled meetings and at other meetings as necessary, the Committee will meet with the appropriate senior financial executives. The Committee shall:

- 1) Consider and approve the Company's annual financing plan, including its projected financial structure and funding requirements.
- 2) Consider and recommend for approval by the Board of Directors of a) issuances of equity and/or debt securities; or b) authorizations for other financing transactions, including bank credit facilities.
- 3) Consider and recommend for approval by the Board of Directors of the Company's external dividend policy.
- 4) Consider and approve the Company's financial risk management policy for foreign exchange, commodities, and interest rate exposures.
- 5) Consider and approve the Company's policy for investment of excess cash.

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6) Review the performance of trustees and investment managers under the Company's employee benefit plans, and approve or terminate trustees or investment managers, as appropriate.

7) Conduct an annual evaluation of the performance of the Committee.

8) Report to the Board of Directors all significant issues discussed and make appropriate recommendations to be acted upon by the Board.

9) Perform any other activities consistent with the Charter, the Company's By-Laws, and governing law, as the Committee or the Board deems necessary or appropriate.

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Appendix F

**AMENDED AND RESTATED**

**BYE LAWS**

**OF**

**INGERSOLL RAND COMPANY LIMITED**

**Adopted June 1, 2005**

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**AMENDED AND RESTATED**

**BYE-LAWS**

**OF**

**INGERSOLL-RAND COMPANY LIMITED**

**A Bermuda Limited Liability Company**

***INTERPRETATION***

***1. Interpretation***

(1) In these Bye-laws the following words and expressions shall, where not inconsistent with the context and not defined in the text, have the following meanings respectively:

(a) *Act* means the Companies Act 1981, as amended from time to time;

(b) *Auditor* includes any individual, general or limited partnership, corporation, firm, association or company (including a limited liability company);

(c) A person is a *beneficial owner* of any shares of the Company:

(i) which it has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise; and

(ii) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause (i) above), by any other person with which it has any agreement, arrangement or understanding with respect to the acquisition, holding, voting or disposition of shares or of any material part of the assets of the Company or of it, or which is its affiliate or associate as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the United States Securities Exchange Act of 1934 (or any successor rule or regulation);



(d) *Board* means the Board of Directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the Directors present at a meeting of Directors at which there is a quorum;

(e) *Business Combination* means:

(i) any amalgamation, merger or consolidation of the Company or one of its subsidiaries with an Interested Member or with any person that is, or would be after such amalgamation, merger or consolidation, an affiliate or associate of an Interested Member;

(ii) any transfer or other disposition to or with an Interested Member or any affiliate or associate of an Interested Member of all or any material part of the assets of the Company or one of its subsidiaries; and

(iii) any issuance or transfer of shares of the Company upon conversion of or in exchange for the securities or assets of any Interested Member, or with any person that is, or would be after such amalgamation, merger or consolidation, an affiliate or associate of an Interested Member;

(f) *Company* means the company for which these Bye-laws are approved and confirmed;

(g) *Director* means a director of the Company;

(h) *Interested Member* means any Member that:

(i) is the beneficial owner, directly or indirectly, of 10% or more of the voting power of the voting shares of the Company then in issue; or

(ii) is an affiliate or associate of the Company and at any time within the five-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or

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more of the voting power of the shares then in issue of the Company. For the purpose of determining whether a Member is an Interested Member, the number of voting shares of the Company then in issue shall include shares deemed to be beneficially owned by such Member, but shall not include any other unissued voting shares of the Company which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise;

(i) *Member* means the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons as the context so requires;

(j) *Notice* means written notice as further defined in these Bye-laws unless otherwise specifically stated;

(k) *Officer* means any person appointed by the Board to hold an office in the Company;

(l) *Person* means any individual, general or limited partnership, corporation, firm, association, trust, estate, company (including a limited liability company) or any other entity or organisation or bodies of persons whether corporate or otherwise, including a government, a political subdivision or agency or instrumentality thereof;

(m) *Register of Directors and Officers* means the Register of Directors and Officers referred to in these Bye-laws;

(n) *Register of Members* means the Register of Members referred to in these Bye-laws;

(o) *Resident Representative* means any person appointed to act as resident representative and includes any deputy or assistant resident representative; and

(p) *Secretary* means the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary.

(2) In these Bye-laws, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and vice versa;

(b) words denoting the masculine gender include the feminine gender;

(c) the word:

(i) may shall be construed as permissive;

(ii) shall shall be construed as imperative; and

(d) unless otherwise provided herein words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

(3) Expressions referring to writing or written shall, unless the contrary intention appears, include cable, telex, telecopier, facsimile, printing, computer generated email, lithography, photography and other modes of representing words in legible and non-transitory form.

(4) Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

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***BOARD OF DIRECTORS***

***2. Board of Directors***

The business of the Company shall be managed by the Board.

***3. Management of the Company***

(1) In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Bye-laws, expressly required to be exercised by the Company in general meeting, subject, nevertheless, to these Bye-laws, the provisions of any statute and to such directions as may be prescribed by the Company in general meeting.

(2) No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

(3) The Board may procure that the Company pay all expenses incurred in promoting and organising the Company.

***4. Power to Authorise Specific Actions***

The Board may from time to time and at any time authorise any person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

***5. Power to Appoint Attorney***

The Board, or any duly authorised committee, may from time to time and at any time by power of attorney appoint any person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company.

***6. Power to Delegate to a Committee***

(1) The Board may delegate any or all of its powers to a committee or committees appointed by the Board which may consist partly or entirely of non-Directors and every such committee shall conform to such directions as the Board shall impose on them; provided that a committee appointed by the Board shall not have the power to set its or its members' remuneration. The meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board.

(2) The Board, by the affirmative vote of a majority of the entire Board, may appoint from their number an executive committee of which committee a majority of committee members shall constitute a quorum; and to such extent as shall be provided in these Bye-laws and as may be permitted by law, such committee shall have and may exercise any or all of the powers of the Board.

(3) The Board, by the affirmative vote of a majority of the entire Board, may appoint any other standing committees and such standing committees shall have and may exercise such powers as may be conferred and authorised by these Bye-laws or by the Board and as may be permitted by law.

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(4) Each committee of the Board shall keep complete, accurate minutes and records of all actions taken by such committee, prepare such minutes and records in a timely fashion and promptly distribute all such minutes and records to each member of the Board at the meeting of the Board next ensuing.

### ***7. Power to Appoint and Dismiss Employees***

The Board may appoint, suspend or remove any Officer, manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties. Nothing contained in this Bye-law shall be construed to limit the Officers or any other Company official from being able to exercise these same powers to the extent they are duly authorised to do so.

### ***8. Power to Borrow and Charge Property***

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking and property, or any part thereof, and may issue debentures, debenture shares and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party. Nothing contained in this Bye-law shall be construed to limit the Officers or any other Company official from being able to exercise these same powers to the extent they are duly authorised to do so.

### ***9. Exercise of Power to Purchase Shares of or Discontinue the Company***

(1) The Board may exercise all the powers of the Company to purchase all or any part of its own shares pursuant to Section 42A of the Act.

(2) The Board may exercise all the powers of the Company to discontinue the Company to a named country or jurisdiction outside Bermuda pursuant to Section 132G of the Act.

### ***10. Election of Directors***

(1) The Board shall consist of not less than three and not more than twenty Directors or such number in excess thereof as the Members may from time to time determine. The initial Directors shall be elected or appointed at the statutory meeting of the Company and thereafter, except in the case of casual vacancy, Directors shall be elected or appointed at the annual general meeting or at any special general meeting called for that purpose. Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated. Any general meeting may authorise the Board to fill any vacancy left unfilled at a general meeting. The number of Directors to be elected at any time within the minimum and maximum limitations specified herein shall be determined from time to time by the Board pursuant to a resolution adopted by the affirmative vote of a majority of the Board then in office. Any vacancy on the Board within the minimum and maximum limitations specified in this Bye-law may be filled by a majority of the Board then in office; provided that a quorum is present. During the existence of a vacancy on the Board the remaining Directors shall have full power to act; provided that a quorum is present. The holders of Class A Common Shares (as defined hereinafter) shall be entitled at all meetings of the Members at which Directors are elected to one vote for each such share held by them

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as described in this Bye-Law. The holders of Class B Common Shares (as defined hereinafter) shall not be entitled to vote for the election of Directors. ~~At all elections of Directors each holder of Class A Common Shares shall be entitled to as many votes as shall equal the number of votes which such holder would be entitled to cast at a general meeting, multiplied by the number of Directors to be elected, and such holder may cast all such votes for a single Director, or may distribute them among the number to be voted for or any two or more Directors as such holder may see fit.~~

~~(2) The Board shall be divided as equally as may be possible into three classes, each of which shall consist of such number as these Bye laws may from time to time provide. Initially, the Directors of the first class shall be~~

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~~elect~~ed for a term of one year or until the first annual general meeting, the Directors of the second class shall be elected for a term of two years or until the second annual meeting, and the Directors of the third class shall be elected for a term of three years or until the third annual meeting. At each annual election thereafter, the successors of the Directors of the class whose term expires in that year shall be elected to hold office for a term of three years, so that the term of office of one class of Directors shall expire each year.

~~(3) If the number of Directors is changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as possible. In case of any increase in the number of Directors of any class or classes within the minimum and maximum limitations specified in Bye-law 10(1) causing a casual vacancy, additional Directors may be elected by the Board to fill such casual vacancy, but any such Director so elected shall hold office only until the next succeeding annual general meeting of Members and until his or her successor shall have been elected and qualified. No decrease in the number of Directors shall shorten the term of any incumbent Director.~~

(24) Directors may be removed without cause only upon the affirmative vote of the holders of at least 80% of the shares of the Company entitled to vote for the election of Directors. Directors may be removed for cause only upon the affirmative vote of the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the shares of the Company entitled to vote for the election of Directors; provided that any meeting convened and held to consider the removal of a Director shall be convened and held in accordance with Bye-law 12.

~~(53)~~ Notwithstanding subparagraph (1) of this Bye-law, any Member entitled to vote for the election of Directors at a meeting or to express a consent in writing without a meeting may nominate a person or persons for election as a Director only if written notice of such Member's intent to make such nomination is given to the Secretary of the Company, either by personal delivery, mail or facsimile not later than (a) with respect to an election to be held at an annual general meeting of Members, 90 days in advance of the anniversary of the immediately preceding annual general meeting or if the date of the annual general meeting of Members occurs more than 30 days before or 60 days after the anniversary of such immediately preceding annual general meeting, not later than the close of business on the seventh day following the date on which notice of such meeting is given to Members and (b) in the case of any Member who wishes to nominate a person or persons for election as a Director pursuant to consents in writing by Members without a meeting (to the extent election by such consents is permitted under applicable law and these Bye-laws), 60 days in advance of the date on which materials soliciting such consents are first mailed to Members or, if no such materials are required to be mailed under applicable law, 60 days in advance of the date on which the first such consent in writing is executed. Each such notice shall set forth the name and address of the Member who intends to make the nomination and of the person or persons to be nominated for election as a Director, a representation that the Member is a holder of record of shares of the Company entitled to vote at such meeting or to express such consent in writing and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or to execute such a consent in writing to elect such person or persons as a Director, a description of all arrangements or understandings between the Member and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations for election as a Director are to be made by the Member, such other information regarding each nominee proposed by such Member as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the United States Securities and Exchange Commission if such nominee had been nominated, or was intended to be nominated, for election as a Director by the Board, and the consent of each nominee to serve as a Director if so elected. The Board may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures.

### ***11. Defects in Appointment of Directors***

All bona fide acts taken at any meeting of the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director.





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***12. Removal of Directors***

(1) Subject to Bye-law 10(4) and any provision to the contrary in these Bye-laws, the Members may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director; provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than fourteen days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for such Director's removal.

(2) A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (1) of this Bye-law may be filled by the Members at the meeting at which such Director is removed and, in the absence of such election or appointment, the Board may fill the vacancy in accordance with Bye-law 13.

***13. Vacancies on the Board***

(1) Subject to any requirements of these Bye-laws with respect to the filling of vacancies among additional Directors elected by a class or classes of shares, if the office of any Director becomes vacant, the remaining Directors may, by a majority vote, elect a successor who shall hold office until the next succeeding annual general meeting of the Members and until his or her successor shall have been elected and qualified.

(2) The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board pursuant to Bye-law 15, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting of the Company or (ii) preserving the assets of the Company.

(3) The office of Director shall be vacated if the Director:

(a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;

(b) is or becomes bankrupt or makes any arrangement or composition with his or her creditors generally;

(c) is or becomes of unsound mind or dies; or

(d) resigns his or her office by notice in writing to the Company.

***14. Notice of Meetings of the Board***

(1) Notice of a regular meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally in person or by telephone or otherwise communicated or sent to such Director by mail, courier service, cable, telex, telecopier, facsimile, printing, computer generated email or other mode of representing words in a legible and non-transitory form at such Director's last known address or any other address given by such Director to the Company for this purpose at least two days before the proposed date of the meeting, but a failure of the Secretary to send such notice shall not invalidate any proceedings of the Board at such meeting.

(2) Notice of a special meeting of the Board shall be deemed to be duly given to a Director if it is sent to such Director by mail at least two days before the proposed date of the meeting, or given to such Director verbally in person or by telephone or otherwise communicated or sent to such Director by mail, courier service, cable, telex, telecopier facsimile, printing, computer generated email or other mode of representing words in a legible and non-transitory form, at such Director's last known address or any other address given by such Director to the Company for this purpose at least one day before the proposed date of the meeting, but such notice may be waived by any Director. At any special meeting at which every Director shall be present, even without notice, any business may be transacted.

**15. *Quorum at Meetings of the Board***

The quorum necessary for the transaction of business at all meetings of the Board shall be a majority of the Directors then in office. If at any meeting of the Board there be less than a quorum present, a majority of those present or any Director solely present may adjourn the meeting from time to time without further notice.

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### ***16. Meetings of the Board***

- (1) Regular meetings of the Board shall be held at such times and intervals as the Board may from time to time determine.
- (2) Special meetings of the Board shall be held on the requisition of the Chairman, if one is appointed, the Deputy Chairman, if one is appointed, the President, or by 33 1/3% of the Directors then in office.
- (3) Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
- (4) Unless a greater number is expressly required by law or these Bye-laws, the affirmative votes of a majority of the votes cast by the Directors present at a meeting at which a quorum is in attendance shall be the act of the Board or a committee thereof, as appropriate. At any time that these Bye-laws provide that Directors elected by the holders of a class or series of shares shall have more or less than one vote per Director on any matter, every reference in these Bye-laws to a majority or other proportion of Directors shall refer to a majority or other proportion of the votes of such Directors.

### ***17. Unanimous Written Resolutions of Directors***

A resolution in writing signed by all the Directors then in office, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution.

### ***18. Contracts and Disclosure of Directors' Interests***

- (1) Any Director, or any firm, partner or any company with whom any Director is associated, may act in a professional capacity for the Company and such Director or such Director's firm, partner or such company shall be entitled to remuneration for professional services as if such Director were not a Director; provided that nothing herein contained shall authorise a Director or Director's firm, partner or such company to act as Auditor of the Company.
- (2) A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.
- (3) Following a declaration being made pursuant to this Bye-law, the Director concerned may be counted in the quorum at such meeting and, unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested.

(4) Any contract or other transaction to which the Company or any subsidiary of the Company is a party and in which one or more Directors has a direct or indirect interest that is material to such Director or Directors shall be authorized, approved, or ratified by affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; provided that no such contract or other transaction shall be void or voidable solely by reason of such interest, or solely because such Director or Directors are present at the meeting of the Board or committee which authorizes or approves the contract or transaction, or solely because his or their votes are counted for such purpose, if any one of the following is true: (A) the contract or other transaction is fair and reasonable as to the Company or the subsidiary of the Company at the time it is authorized, approved or ratified; or (B) the fact of the interest is disclosed or known to the Board or committee and the Board or committee authorizes, approves, or ratifies the contract or transaction by unanimous written consent, provided at least one director so consenting is disinterested, or by affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or (C) the fact of the interest is disclosed or known to the Members, and they authorize, approve or ratify the contract or transaction.

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### ***19. Remuneration of Directors***

The remuneration (if any) of the Directors shall be determined by the Board from time to time. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally; provided that nothing contained herein shall be construed to preclude any Director from serving the Company in any other capacity or receiving compensation therefor.

## ***OFFICERS***

### ***20. Officers of the Company***

The Officers of the Company shall consist of a President and a Vice President or a Chairman and a Deputy Chairman, such additional Vice Presidents or Deputy Chairmen as the Board may from time to time determine, a Secretary and such additional Officers, including a Chief Executive Officer, as the Board may from time to time determine all of whom shall be deemed to be Officers for the purposes of these Bye-laws. A person may hold any number of offices simultaneously; provided that the same person may not hold the offices of President and Vice President, or Chairman and Deputy Chairman, simultaneously.

### ***21. Appointment and Authority of Officers***

(1) The Board shall, as soon as possible after the statutory meeting of Members and after each annual general meeting, appoint a President and a Vice President or a Chairman and a Deputy Chairman who shall be Directors. Any vacancy arising in the position of President or Chairman shall be filled by the Board at such time and in such manner as the Board shall determine. Such Vice President or Deputy Chairman shall have such duties and responsibilities as provided in these Bye-laws or as may be determined by the Board from time to time.

(2) The Secretary and additional Officers, if any, shall be appointed by the Board from time to time. The Chief Executive Officer shall have the authority to appoint and remove assistant officers (who shall not be deemed to be Officers for *the* purposes of these Bye-laws) with such authority as the Chief Executive Officer shall deem appropriate.

### ***22. Duties of Officers***

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

### ***23. Chairman of Meetings***

Unless otherwise agreed by a majority of those attending and entitled to attend and vote thereat, the Chairman, if one is appointed, or, in the absence of a Chairman, the Deputy Chairman, if one is appointed, or, in the absence of the Deputy Chairman, the President, shall act as chairman at any general meeting, or in the absence of any of the foregoing Officers, a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

***24. Register of Directors and Officers***

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

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***MINUTES***

***25. Obligations of Board to Keep Minutes***

(1) The Board shall cause minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of Officers;

(b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and

(c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board and meetings of committees appointed by the Board.

(2) Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

***INDEMNITY***

***26. Indemnification of Directors and Officers of the Company***

(1) The Company shall indemnify any person who was, is or is threatened to be made a party to a Proceeding (as hereinafter defined) by reason of the fact that he or she (a) is or was a Director or Officer of the Company or (b) while a Director or Officer of the Company, is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, general or limited partnership, firm, association, trust, estate, company (including a limited liability company) or any other entity or organisation or employee benefit plan or other enterprise, to the fullest extent permitted under Bermuda law, as the same exists or may hereafter be amended. Such right shall be a contract right and as such shall run to the benefit of any Director or Officer who is elected and accepts the position of Director or Officer of the Company or elects to continue to serve as a Director or Officer of the Company while this Bye-law is in effect. Any repeal or amendment of this Bye-law shall be prospective only and shall not limit the rights of any such Director or Officer or the obligations of the Company with respect to any claim arising from or related to the services of such Director or Officer in any of the foregoing capacities prior to any such repeal or amendment to this Bye-law. Such right shall include the right to be paid by the Company expenses incurred in defending any such Proceeding in advance of its final disposition to the maximum extent permitted under Bermuda law, as the same exists or may hereafter be amended; provided that to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if it should be ultimately determined that the Director or Officer is not entitled to be indemnified under this Bye-law or otherwise. If a claim for indemnification or advancement of expenses hereunder is not paid in full by the Company within 60 days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall also be entitled to be paid the expenses of prosecuting such claim. It shall be a defense to any such action that such indemnification or advancement of costs of defense are not permitted under Bermuda law, but the burden of proving such



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defense shall be on the Company. Neither the failure of the Company (including the Board or any committee thereof, independent legal counsel or Members) to have made its determination prior to the commencement of such action that indemnification of, or advancement of costs of defense to, the claimant is permissible in the circumstances nor an actual determination by the Company (including the Board or any committee thereof, independent legal counsel or Members) that such indemnification or advancement is not permissible shall be a defense to the action or create a presumption that such indemnification or advancement is not permissible. In the event of the death of any person having a right of indemnification under the foregoing provisions, such right shall inure to the benefit of his or her heirs, executors, administrators and personal representatives.

Except as otherwise provided in this subparagraph (1), the Company shall be required to indemnify a Director or Officer in connection with a Proceeding (or part thereof) commenced by such person only if the commencement of such Proceeding (or part thereof) by the person was authorized by the Board.

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(2) The Company may additionally indemnify any employee or agent of the Company to the fullest extent permitted by law.

(3) The rights conferred on any person indemnified by this Bye-law shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Memorandum of Association of the Company, these Bye-laws, agreement, vote of the Members or disinterested Directors or otherwise.

(4) The Company's obligation, if any, to indemnify or to advance expenses to any person indemnified who was or is serving at its request as a Director or Officer or otherwise of another person described in subparagraph (1) shall be reduced by any amount such person may collect as indemnification or advancement of expenses from such other person.

(5) This Bye-law shall not limit the right of the Company, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than persons authorised for indemnification under this Bye-law when and as authorised by appropriate corporate action.

(6) The indemnity provided by this Bye-law 26 shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

(7) *Proceeding*, for purposes of this Bye-law 26, means any threatened, pending or completed action, suit, claim or proceeding, whether civil, criminal, administrative, arbitrative or investigative, any appeal in such an action, suit, claim or proceeding, and any inquiry or investigation that could lead to such an action, suit, claim or proceeding.

(8) Each Member agrees to exempt a Director or Officer from any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his or her duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

***MEETINGS***

***27. Annual General Meeting***

(1) The annual general meeting of the Company shall be held in each year other than the year of organisation at such time and place as the Board shall appoint. Notice of such meeting shall be given to each Member not less than five nor more than sixty days prior to such meeting stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

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(2) At any annual general meeting only such business shall be conducted as shall have been brought before the meeting (a) by or at the direction of the Board or (b) by any Member entitled to vote at such meeting who complies with the procedures set forth in this Bye-law. Any Member entitled to vote at such meeting may propose business to be included in the agenda of such meeting only if written notice of such Member's intent is given to the Secretary of the Company, either by personal delivery or mail or by facsimile, not later than 90 days in advance of the anniversary of the immediately preceding annual general meeting or if the date of the annual general meeting of Members occurs more than 30 days before or 60 days after the anniversary of such immediately preceding annual meeting, not later than the close of business on the seventh day following the date on which notice of such meeting is given to Members. A Member's notice to the Secretary shall set forth in writing as to each matter such Member proposes to bring before the annual general meeting (a) a brief description of the business desired to be brought before the annual general meeting and the reasons for

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conducting such business at the annual general meeting, (b) the name and address, as they appear on the Company's books, of the Members proposing such business, (c) the class and number of shares of the Company which are beneficially owned by the Member and (d) any material interest of the Member in such business. Notwithstanding anything in these Bye-laws to the contrary, no business shall be conducted at an annual general meeting except in accordance with the procedures set forth in this subparagraph. The Officer of the Company or other person presiding at the annual general meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this subparagraph, and, if such Officer or other person should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

### ***28. Special General Meetings***

The Chairman, if one is appointed, the President or the Board by vote of a majority of the Board may convene a special general meeting of the Company whenever in its judgement such a meeting is necessary. Notice of such meeting shall be given to each Member not less than five nor more than sixty days prior to such meeting stating the date, time, place and the nature of the business to be considered at the meeting. Special general meetings may be held at such place as may from time to time be designated by the Board and stated in the notice of the meeting. In any special general meeting of the Company only such business shall be conducted as is set forth in the notice thereof.

### ***29. Accidental Omission of Notice of General Meeting***

The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

### ***30. Meeting Called on Requisition of Members***

Notwithstanding anything herein, the Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right to vote in general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of Section 74 of the Act shall apply; provided that for any question proposed for consideration at any such special general meeting to be approved shall require the affirmative vote of the holders of not less than 66<sup>2</sup>/<sub>3</sub>% of the shares entitled to vote thereon.

### ***31. Short Notice***

A general meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting and (ii) a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.

### ***32. Postponement of Meetings***

The Secretary may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under Bye-law 30 of these Bye-laws); provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

**33. *Quorum for General Meeting***

(1) In any general meeting of the Company, except as otherwise expressly required by the Act or by these Bye-laws, two or more persons present in person and representing in person or by proxy a majority of the shares then in issue entitled to vote at any meeting shall form a quorum for the transaction of business; provided that if

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the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business in any general meeting of the Company held during such time. If the holders of the number of shares necessary to constitute a quorum shall fail to attend in person or by proxy at the time and place fixed by these Bye-laws for an annual general meeting, a majority in interest of the Members present, in person or by proxy, may adjourn from time to time without notice other than announcement at the meeting until the holders of the amount of shares requisite to constitute a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

(2) Whenever the holders of any class or series of shares are entitled to vote separately on a specified item of business, the presence in person or by proxy of the holders of record of the shares of such class or series entitled to cast a majority of the votes thereon shall constitute a quorum for the transaction of such specified item of business.

### ***34. Adjournment of Meetings***

The chairman of a general meeting may, with the consent of a majority of the Members, in any general meeting at which a quorum is present (and shall if so directed), adjourn the meeting. Unless the meeting is adjourned to a specific date and time, fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

### ***35. Attendance at Meetings***

Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

### ***36. Unanimous Written Resolutions of Members***

(1) Subject to subparagraph (6), any action which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members of the Company, may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

(2) A resolution in writing may be signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members, or any class thereof, in as many counterparts as may be necessary.

(3) For the purposes of this Bye-law, the date of the resolution is the date when the resolution is signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member to sign and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

(4) A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in a general or special meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

(5) A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of Sections 81 and 82 of the Act.

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(6) This Bye-law shall not apply to:

(a) a resolution passed pursuant to Section 89(5) of the Act; or

(b) a resolution passed for the purpose of removing a Director before the expiration of his or her term of office under these Bye-laws.

***37. Attendance of Directors***

The Directors of the Company shall be entitled to receive notice of, and to attend and be heard in any general meeting.

***38. Presiding Officer at Meetings***

At all meetings of Members, unless otherwise determined by the Board, the Chairman, if one is appointed, or, in the absence of a Chairman, the Deputy Chairman, if one is appointed, or, in the absence of the Deputy Chairman, the President, shall preside and the Secretary shall act as secretary of the meeting.

***39. Voting at Meetings***

Except as otherwise expressly required by the Act or these Bye-laws, any question proposed for the consideration of the Members at any general meeting at which a quorum is in attendance shall be decided by the affirmative vote of a majority of the votes cast by ballot by the Members in person or by proxy appointed by instrument in writing subscribed by such Member or by his or her duly authorised attorney and delivered to the chairman of the meeting. In the case of an equality of votes the resolution shall fail. Directors shall be elected as set forth in Bye-law 10.

Without limiting the generality of the foregoing, any amalgamation, merger or consolidation of the Company with another entity or the sale, lease or exchange of all or substantially all of the assets of the Company shall, except as otherwise expressly provided in these Bye-laws, require the approval of Members by way of an affirmative vote of a majority of the votes cast by the Members in person or by proxy appointed by instrument in writing subscribed by such Member or by his or her duly authorised attorney and delivered to the chairman of the meeting. Prior to any votes being cast in connection with such resolutions, the chairman of the meeting may demand a poll which shall be by way of ballot.

***40. Seniority of Joint Holders Voting***

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of



Members.

**41. *Instrument of Proxy***

The instrument appointing a proxy shall be in writing in the form as may be prescribed by the Board from time to time, under the hand of the appointor or of the appointor's attorney duly authorised in writing, or if the appointor is a corporation, either under its seal, or under the hand of a duly authorised officer or attorney. The decision of the chairman of any general meeting as to the validity of any instrument of proxy shall be final.

**42. *Representation of Corporations at Meetings***

A corporation which is a Member may, by written instrument, authorise such person as it thinks fit to act as its representative at any meeting of the Members and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he or she thinks fit as to the right of any person to attend and vote in general meetings on behalf of a corporation that is a Member.

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***SHARE CAPITAL AND SHARES***

***43. Authorised Share Capital***

(1) The authorised share capital of the Company is US\$1,175,010,000, consisting of (1) 1,175,000,000 common shares of the par value of US\$1.00 per share, which common shares consist of (a) 600,000,000 Class A common shares ( *Class A Common Shares* ) and 575,000,000 Class B common shares ( *Class B Common Shares* ), and (2) 10,000,000 preference shares of the par value of US\$0.001 per share ( *Preference Shares* ), with any series of Preference Shares being designated from time to time pursuant to subparagraph (4) of this Bye-law.

(2) Subject to these Bye-laws, the holders of Class A Common Shares shall:

(a) subject to Bye-law 43(3)(b), be entitled to such dividends as the Board may, in its discretion, from time to time declare and pay out of funds legally available for the payment of dividends;

(b) in the event of a liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, after payment in full has been made to the holders of the Preference Shares of the amounts to which they are respectively entitled or sufficient sums have been set apart for the payment thereof, be entitled to receive ratably any and all surplus assets remaining to be paid or distributed;

(c) subject to any required Preference Share class votes, be entitled to one vote per Class A Common Share held by them and shall vote together as a single class on all matters submitted to a vote of the Members with the holders of (i) Preference Shares (but only to the extent the holders of Preference Shares shall be entitled to vote with respect to the applicable series of Preference Shares or under the Act) and (ii) Class B Common Shares (but only to the extent the holders of Class B Common Shares shall be entitled to vote under the Act);

(d) generally be entitled to enjoy all of the rights attaching to Class A Common Shares; and

(e) not be entitled to any preemptive or preferential rights to subscribe for or purchase any shares of any class or series of shares of the Company, now or hereafter authorised, or any series convertible into, or warrants or other evidences of optional rights to purchase or subscribe for, shares of any class or series of the Company, now or hereafter authorised.

(3) Subject to these Bye-laws, the holders of Class B Common Shares shall have all of the rights of the holders of Class A Common Shares, except that:

(a) the holders of Class B Common Shares shall not be entitled to vote, except as to matters for which the Act specifically requires voting rights for otherwise nonvoting shares;

(b) if a dividend or other distribution in cash, shares or other property is declared or paid on Class A Common Shares, a like dividend or other distribution in kind and amount shall also be declared and paid on Class B Common Shares;

(c) the holders of Class B Common Shares shall have the right to convert their shares into Class A Common Shares on a one-for-one basis in the following circumstances:

(i) to satisfy the obligations of the Company or its subsidiaries or affiliated companies to issue Class A Common Shares with regard to the exercise of share options, grants or purchases of shares pursuant to share incentive plans, employee share purchase plans, dividend reinvestment plans or other stock-based compensation, retirement or deferred compensation plans sponsored by the Company or its subsidiaries or affiliated companies; or

(ii) as consideration for any acquisition of stock or assets of a third party;

(d) in the event of the transfer of Class B Common Shares to any person other than a wholly-owned, direct or indirect, subsidiary of the Company, Class B Common Shares so transferred shall automatically be converted into Class A Common Shares on a one-for-one basis, subject to adjustment for share divisions or other recapitalization events; and

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(e) the holders of Class B Common Shares shall have the right upon written notice to require the Company, subject to Section 42A of the Act, to purchase for cash the number of Class B Common Shares stated in such notice at the fair market value per Class A Common Share on the date of such notice. Any such purchase shall be settled within 180 calendar days of the day such notice is given and shall include simple interest from the date of the notice to but not including the payment date at a rate equal to the prime rate charged by the Chase Manhattan Bank or its successor. For purposes of this paragraph, the fair market value per Class A Common Share, as of any date, means the average of the high and low sales prices of a Class A Common Share as reported on the New York Stock Exchange composite tape on the applicable date, or if no sales of Class A Common Shares were made on the New York Stock Exchange on that date, the average of the high and low prices as reported on the composite tape for the most recent preceding day on which sales of Class A Common Shares were made. No dividends shall be declared on any Class B Common Shares for which notice has been given under this paragraph.

(4) The Board is empowered to cause the Preference Shares to be issued from time to time as shares of one or more series of Preference Shares, and in the resolution or resolutions providing for the issue of shares of each particular series, before issuance, the Board is expressly authorised to fix:

(a) the distinctive designation of such series and the number of shares which shall constitute such series, which number may be increased (except as otherwise provided by the Board in creating such series) or decreased (but not below the number of shares thereof then in issue) from time to time by resolution of the Board;

(b) the rate of dividends payable on shares of such series, whether or not and upon what conditions dividends on shares of such series shall be cumulative and, if cumulative, the date or dates from which dividends shall accumulate;

(c) the terms, if any, on which shares of such series may be redeemed, including without limitation, the redemption price or prices for such series, which may consist of a redemption price or scale of redemption prices applicable only to redemption in connection with a sinking fund (which term as used herein shall include any fund or requirement for the periodic purchase or redemption of shares), and the same or a different redemption price or scale of redemption prices applicable to any other redemption;

(d) the terms and amount of any sinking fund provided for the purchase or redemption of shares of such series;

(e) the amount or amounts which shall be paid to the holders of shares of such series in case of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary;

(f) the terms, if any, upon which the holders of shares of such series may convert shares thereof into shares of any other class or classes or of any one or more series of the same class or of another class or classes;

(g) the voting rights, full or limited, if any, of the shares of such series; and whether or not and under what conditions the shares of such series (alone or together with the shares of one or more other series having similar provisions) shall be entitled to vote separately as a single class, for the election of one or more additional Directors of the Company in case of dividend arrearages or other specified events, or upon other matters;

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(h) whether or not the holders of shares of such series, as such, shall have any preemptive or preferential rights to subscribe for or purchase shares of any class or series of shares of the Company, now or hereafter authorised, or any securities convertible into, or warrants or other evidences of optional rights to purchase or subscribe for, shares of any class or series of the Company, now or hereafter authorised;

(i) whether or not the issuance of additional shares of such series, or of any shares of any other series, shall be subject to restrictions as to issuance, or as to the preferences, rights and qualifications of any such other series; and

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(j) such other rights, preferences and limitations as may be permitted to be fixed by the Board of the Company under the laws of Bermuda as in effect at the time of the creation of such series.

(5) Subject to these Bye-laws and except to the extent otherwise provided for in a series of Preference Shares in its designation, the Preference Shares shall be of equal rank and be identical in all respects. The Board is authorised to change the designations, rights, preferences and limitations of any series of Preference Shares theretofore established, no shares of which have been issued.

### ***44. Power to Issue Shares***

(1) Subject to these Bye-laws and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class of shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board may from time to time prescribe.

(2) The Board shall, in connection with the issue of any share, have the power to pay such commission and brokerage as may be permitted by law.

(3) Unless otherwise permitted by law, the Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of a purchase or subscription made or to be made by any person or for any shares in the Company, but nothing in this Bye-law shall prohibit transactions mentioned in Sections 39A, 39B and 39C of the Act.

### ***45. Variation of Rights, Alteration of Share Capital and Purchase of Shares of the Company***

(1) Subject to the provisions of Sections 42 and 43 of the Act and except as otherwise expressly set forth in these Bye-laws, any Preference Shares may be issued or converted into shares that, at a determinable date or at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by resolution of the Members determine.

(2) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of 75% of the shares then in issue of that class or with the sanction of a resolution passed by a majority of the votes cast in a separate general meeting of the holders of the shares of the class in accordance with Section 47(7) of the Act. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(3) The Company may from time to time by resolution of the Members change the currency denomination of, increase, alter or reduce its share capital in accordance with the provisions of Sections 45 and 46 of the Act. Where, on any alteration of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit including, without limiting the generality

of the foregoing, the issue to Members, as appropriate, of fractions of shares and/or arranging for the sale or transfer of the fractions of shares of Members.

(4) The Company may from time to time purchase its own shares in accordance with the provisions of Section 42A of the Act.

**46. *Registered Holder of Shares***

(1) The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person.

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(2) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by direct deposit to the bank account designated by the Member for such purpose and cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members or, in the case of joint holders, to such address of the holder first named in the Register of Members, or to such person and to such address as the holder or joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

### ***47. Death of a Joint Holder***

Where two or more persons are registered as joint holders of a share or shares then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall, subject to Bye-law 58, recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

### ***48. Certificated or Uncertificated Shares***

(1) The shares of the Company may be issued in certificated or uncertificated form. The Board shall have power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of such certificated or uncertificated shares of the Company.

(2) Promptly after uncertificated shares have been registered as issued, the Company or its transfer agent shall send to the registered owner thereof a written statement containing a description of the issue of which such shares are a part, the number of shares registered, the date of registration and such other information as may be required or appropriate.

## ***REGISTER OF MEMBERS***

### ***49. Contents of Register of Members***

(1) The Board shall cause to be kept in one or more books a Register of its Members and shall enter therein the particulars required by the Act which are as follows:

(a) the name and address of each Member, the number and, where appropriate, the class or series of shares held by such Member and the amount paid on such shares;

(b) the date on which each person was entered in the Register as a Member; and



(c) the date on which any person ceased to be a Member.

(2) Subject to the Act, the Company may keep an overseas or local or other branch register of Members resident in any place, and the Board may make and vary such regulations as it determines in respect of the keeping of any such register and maintaining a registration office in connection therewith.

**50. *Inspection of Register of Members***

The Register of Members and, if applicable, any branch register of Members shall be open to inspection at the registered office of the Company and, if applicable, any registration office, on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members and, if applicable, any branch register of Members may, after notice has been given by advertisement in an appointed newspaper to that effect, be closed for any time or times not exceeding in the whole thirty days in each year.

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### ***51. Transactions with Interested Members***

(1) The Company may not engage, at any time, in any Business Combination with any Interested Member unless the Business Combination receives the affirmative vote of the holders of 80% of the shares then in issue of all classes of shares of the Company entitled to vote, considered for the purposes of this provision as one class.

(2) Interested Member status of a Member is determined as of the date of any action taken by the Board with respect to such transaction or as of any record date for the determination of Members entitled to notice and to vote with respect thereto or immediately prior to the consummation of such transaction. Any determination made in good faith by the Board, on the basis of information at the time available to it, as to whether any person is an Interested Member, shall be conclusive and binding for all purposes of these Bye-laws.

(3) The provisions of subparagraph (1) of this Bye-law shall not apply to (a) any Business Combination with an Interested Member that has been approved by the Board or (b) any agreement for the amalgamation, merger or consolidation of any subsidiary of the Company with the Company or with another subsidiary of the Company if (i) the provisions of this subparagraph shall not be changed or otherwise affected by or by virtue of the amalgamation, merger or consolidation and (ii) the holders of greater than 50% of the voting power of the Company or the subsidiary, as appropriate, immediately prior to the amalgamation, merger or consolidation continue to hold greater than 50% of the voting power of the amalgamated company immediately following the amalgamation, merger or consolidation.

### ***52. Record Dates***

Notwithstanding any other provision of these Bye-laws, the Board may fix any date as the record date for:

(a) determining the Members entitled to receive any dividend; and

(b) determining the Members entitled to receive notice of and to vote in any general meeting of the Company; provided, that such record date shall not be more than sixty days before the date of such dividend or such general meeting, as the case may be.

### ***53. Scrutineers***

(1) One or more scrutineers may be appointed by the Board to act at any meeting of Members, or, if the Board fails to act, the chairman of the meeting may appoint a scrutineer or scrutineers. A scrutineer may or may not be a Member, but shall not be a candidate for the office of Director.

(2) The scrutineer or scrutineers shall determine the number of shares then in issue and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all

challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all Members.

(3) Each scrutineer, before entering upon the discharge of the duties described in Bye-law 53(2), shall be sworn faithfully to execute the duties of a scrutineer at such meeting with strict impartiality, and according to the best of such person's ability.

### ***TRANSFER OF SHARES***

#### ***54. Instrument of Transfer***

An instrument of transfer shall be in the form as may be prescribed by the Board from time to time. The Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

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### ***55. Restriction on Transfer***

(1) The Board shall refuse to register the transfer of a share unless such transfer is in accordance with the Bye-laws and all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained.

(2) If the Board refuses to register a transfer of any share, the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

### ***56. Transfers by Joint Holders***

The joint holders of any share or shares may transfer such share or shares to one or more of such joint holders, and the surviving holder or holders of any share or shares previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

## ***TRANSMISSION OF SHARES***

### ***57. Representative of Deceased Member***

In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder (as set forth in Bye-law 58), shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Subject to the provisions of Section 52 of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may in its absolute discretion decide as being properly authorised to deal with the shares of a deceased Member.

### ***58. Registration on Death or Bankruptcy***

Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Company may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in the form as may be prescribed by the Board. On the presentation thereof to the Company, accompanied by such evidence as the Company may require to prove the title of the transferor, the transferee shall be registered as a Member but the Company shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

### ***59. Dividend Entitlement of Transferee***

A person becoming entitled to a share by reason of the death or bankruptcy or winding-up of a Member shall be entitled to the same dividends and other advantages to which he or she would be entitled if he or she were the registered holder of the share. However, the Company may determine to withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of these Bye-laws being met, such a person may vote at meetings.

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***DIVIDENDS AND OTHER DISTRIBUTIONS***

***60. Declaration of Dividends by the Board***

The Board may, subject to these Bye-laws and in accordance with Section 54 of the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them or the class or series of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets.

***CAPITALISATION***

***61. Issue of Bonus Shares***

The Board may resolve to capitalise any part of the amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

***ACCOUNTS AND FINANCIAL STATEMENTS***

***62. Records of Account***

The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) the assets and liabilities of the Company.

Such records of account shall be kept at the registered office of the Company or, subject to Section 83(2) of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

**63. Fiscal Year**

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

**64. Financial Statements**

Subject to any rights to waive laying of accounts pursuant to Section 88 of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

**AUDIT**

**65. Appointment of Auditor**

Subject to Section 88 of the Act, in the annual general meeting or in a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company. Such Auditor may be a Member but no Director, Officer or employee of the Company shall, during his or her continuance in office, be eligible to act as an Auditor of the Company.

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***66. Remuneration of Auditor***

The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

***67. Vacation of Office of Auditor***

If the office of Auditor becomes vacant by the resignation or death of the Auditor, or by the Auditor becoming incapable of acting by reason of illness or other disability at a time when the Auditor's services are required, the Board shall, as soon as practicable, convene a special general meeting to fill the vacancy thereby created.

***68. Access to Books of the Company***

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

***69. Report of the Auditor***

(1) Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to Section 88 of the Act, the accounts of the Company shall be audited at least once in every year.

(2) The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting pursuant to Bye-law 64.

(3) The generally accepted auditing standards referred to in subparagraph (2) of this Bye-law may be those of a country or jurisdiction other than Bermuda. If so, the financial statements and the report of the Auditor must disclose this fact and name such country or jurisdiction.

***NOTICES***

***70. Notices to Members of the Company***



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A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Bye-law, a notice may be sent by mail, courier service, cable, telex, telecopier, facsimile, printing, computer generated email or other mode of representing words in a legible and non-transitory form.

### *SEAL OF THE COMPANY*

#### ***71. The Seal***

The seal of the Company shall be in such form as the Board may from time to time determine. The Board may adopt one or more duplicate seals for use outside Bermuda.

#### ***72. Manner in Which Seal is to be Affixed***

The seal of the Company shall not be affixed to any instrument except attested by the signature of a Director and the Secretary or any two Directors, or any person appointed by the Board for the purpose; provided that any

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Director, Officer or Resident Representative, may affix the seal of the Company attested by such Director, Officer or Resident Representative's signature to any authenticated copies of these Bye-laws, the organisation documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director, Officer or Resident Representative.

***WINDING-UP***

***73. Winding-up/Distribution by Liquidator***

If the Company shall be wound up, the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

***ALTERATION OF BYE-LAWS***

***74. Alteration of Bye-laws***

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

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**DIRECTIONS TO THE MEETING**

**Hilton Woodcliff Lake**

**200 Tice Boulevard**

**Woodcliff Lake, NJ 07677**

**From Garden State Parkway North:**

Exit 171 from the northbound lanes. From exit ramp, turn left onto Glen Road. Turn right onto Chestnut Ridge Road and travel 1/2 mile. Take 2<sup>nd</sup> left onto Tice Boulevard. The hotel is 500 yards on the left.

**From Newark Airport:**

Take NJ Turnpike North to Route 80 West. Follow Route 80 to Saddle Brook Exit and onto Garden State Parkway North. Follow directions for leaving Parkway at Exit 171. OR Take Interstate 78 West to Garden State Parkway North, Exit 171. Follow directions for leaving Parkway at Exit 171.

**From LaGuardia Airport:**

Take Grand Central Parkway to Tri-Borough Bridge to Major Deegan Expressway to Interstate 95 West and over George Washington Bridge. Take Route 80 to Saddle Brook Exit and onto Garden State Parkway North. Follow directions for leaving Parkway at Exit 171.

**From JFK Airport**

Van Wyck Expressway North to Grand Central Parkway West to Triboro Bridge. Take Major Deegan Expressway North to George Washington Bridge. Take Route 80 to Garden State Parkway North to Exit 171. Follow directions for leaving the Parkway at Exit 171.

**From Manhattan:**

Take the West Side Highway North to the Henry Hudson Parkway to the George Washington Bridge. From the bridge, take Route 80 West to the Garden State Parkway North to Exit 171 and follow directions for leaving the Parkway at Exit 171.

**From New York State Thruway:**

Follow signs leading to the Garden State Parkway. Take the first exit southbound from the Garden State Parkway for Schoolhouse Road. Turn left off the ramp on to Schoolhouse Road and travel one mile to Summit Avenue. Turn right on to Summit Avenue and proceed approximately one mile to Chestnut Ridge Road. Turn left on to Chestnut Ridge Road and travel approximately one mile. Turn right onto Tice Boulevard. The hotel is 500 yards on the left.

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