
**TERMS AND CONDITIONS OF THE
JB HI FI HOLDINGS PTY LIMITED
2002 EXECUTIVE OPTION PLAN**

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The terms and conditions of the JB Hi Fi Holdings Pty Limited 2002 Executive Option Plan (**Option Plan**) are as follows:

1. DEFINITIONS AND INTERPRETATION

Definitions

In these terms and conditions:

Application for Options means a notice substantially in the form of Schedule 2.

Board means the board of directors of the Company.

Business Day means a day on which trading banks are open for business in Sydney and Melbourne and which excludes a Saturday, Sunday or a public holiday.

Company means JB Hi Fi Holdings Pty Limited ACN 093 220 136.

Exercise Notice means a notice substantially in the form of Schedule 1.

Exercise Price means the exercise price per Option determined by the Board (and noted in the Option Certificate).

Expiration Date means the earlier of :

- (a) the date which is 5 years from the date the Options are granted to the Optionholder in accordance with clause 2.4;
- (b) the date on which the Optionholder ceases to be an employee of or engaged by the Company other than by reason of the death of the Optionholder, or
- (c) such other date as the Board agrees.

Fully Diluted Shares means the number of Shares on issue plus the number of Shares which would be on issue if all the securities issued by the Company capable of conversion into ordinary shares were converted into Shares (but, for the avoidance of doubt, excluding those Options which have not yet been issued).

Market Value means the value ascribed to the Company's Shares through either :

- (a) a third party offer or;
- (b) the issue price of an initial public offering or;

(c) trailing twelve month earnings before interest and tax, multiplied by five.

Member has the meaning given in the Shareholders Agreement.

Option means a right to subscribe for or acquire one (1) Share in the Company which is granted in accordance with these terms and conditions.

Option Certificate means the Certificate issued by the Company to the Optionholder setting out the number of Options issued to the Optionholder, the issue date, the Exercise Price.

Optionholder means a person registered in the Company's register of options as a holder of Options.

Outstanding Vested Options means those Options which have vested in and become capable of exercise by the Optionholder in accordance with clause 3 and which remain unexercised from time to time.

Shareholders Agreement means the shareholders agreement executed by the Members of the Company dated 31 July 2000, as amended from time to time.

Share means a fully paid ordinary share in the Company.

1.2 Interpretation

- (a) In these terms and conditions unless the context otherwise requires:
- (i) words importing the singular include the plural and vice versa;
 - (ii) words which are gender neutral or gender specific include each gender;
 - (iii) other parts of speech and grammatical forms of a word or phrase defined in the deed have a corresponding meaning;
 - (iv) an expression importing a natural person includes a company, partnership, joint venture, association, corporation or other body corporate and a government agency;
 - (v) a reference to a thing (including, but not limited to, a chose-in-action or other right) includes a part of that thing;
 - (vi) a reference to a clause, party, schedule or attachment is a reference to a clause of these terms and conditions, and a party, schedule or attachment

to, these terms and conditions and a reference to these terms and conditions includes a schedule and attachment to these terms and conditions;

- (v) a reference to a thing (including, but not limited to, a chose-in-action or other right) includes a part of that thing;
 - (vi) a reference to a clause, party, schedule or attachment is a reference to a clause of these terms and conditions, and a party, schedule or attachment to, these terms and conditions and a reference to these terms and conditions includes a schedule and attachment to these terms and conditions;
 - (vii) a reference to a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law judgment, rule of common law or equity or a rule of an applicable stock exchange and is a reference to that law as amended, consolidated or replaced;
 - (viii) a reference to a document includes all amendments or supplements to that document, or replacements or novations of it;
 - (ix) a reference to a party to a document includes that party's successors and permitted assigns; and
 - (x) a reference to an agreement, other than these terms and conditions, includes an undertaking, deed, agreement or legally enforceable arrangement or understanding, whether or not in writing.
- (b) Where the day on or by which something must be done is not a Business Day, that thing must be done on or by the following Business Day.
 - (c) Headings are for convenience only and do not affect the interpretation of these terms and conditions.
 - (d) A term or expression starting with a capital letter.
 - (i) which is defined in clause 1.1, has the meaning given to it in clause 1.1; and
 - (ii) which is defined in the Corporations Law but is not defined in clause 1.1, has the same meaning as in the Corporations Law.

2. OFFER

2.1 Offer by Board

The Board may in its absolute discretion:

- (a) determine which executives of the Company from time to time are entitled to participate in this Option Plan; and
- (b) make an offer to the selected executives of the Company to apply for Options.

2.2 Consideration

The consideration payable for each Option will be at the absolute discretion of the Board.

2.3 Application for Options

Upon the Board selecting an executive to participate in this Option Plan, the Company will send the executive an Application for Options which, if it is to be accepted, must be signed by the executive and returned to the Company within five (5) Business Days of the date of the Company's letter of offer enclosing the Application for Options. Upon the Company receiving the signed Application for Options in accordance with this clause the Company will grant the relevant number of Options to the executive and issue the executive an Option Certificate.

3. VESTING OF OPTIONS

3.1 Vesting Dates

Subject to clause 3.2, provided that an Optionholder is an employee of or engaged by the Company on a respective Vesting Date, one third (1/3) of the Options held by that Optionholder will vest in and become capable of exercise by the Optionholder on each of the following dates (each a **Vesting Date**):

- (a) the second anniversary of the date of issue of the Options;
- (b) the third anniversary of the date of issue of the Options; and
- (c) the fourth anniversary of the date of issue of the Option,

or such other date as the Board may determine, in its absolute discretion.

3.2 Notification of Accelerated Vesting

The Company must, at least seven (7) Business Days before an Accelerated Vesting Date, notify each Optionholder in writing of the date of the Accelerated Vesting Date.

3.3 Non vested Options not capable of exercise

Notwithstanding that an Optionholder holds Options the Optionholder cannot exercise an Option until that Option has vested in and become capable of exercise by the Optionholder under this clause 3.

4. EXERCISE OF OPTIONS

4.1 Conditions Precedent to Exercise

The exercise of an Option is conditional upon:

- (a) the Option having vested in and become capable of exercise by the Optionholder under clause 3;
- (b) the Optionholder complying with clause 4.2; and
- (c) the Optionholder first entering into a binding agreement with the Company and those remaining of the Members in a form acceptable to those persons and substantially similar to the Shareholders Agreement.

4.2 Manner of Exercise

Subject to clauses 3 and 4.1, an Optionholder may, at any time between:

- (a) the earlier of the relevant Vesting Date or the Accelerated Vesting Date; and
- (b) the Expiration Date,

exercise its Outstanding Vested Options by lodging with the Company at its registered office:

- (i) the Option Certificate;
- (ii) a duly completed and signed Exercise Notice; and
- (iii) the subscription moneys for the relevant Shares, being the number of Options specified in the Exercise Notice multiplied by the Exercise Price.

4.3 Partial exercise

Where an Optionholder only exercises part of that Optionholder's Options, the Company will cancel the original Option Certificate and issue the Optionholder with a new certificate in respect of the remaining Options.

5. ALLOTMENT AND ISSUE

5.1 Election by Board to deliver gain in Shares of Cash

Within seven (7) business days after the exercise of any Options, the board may in lieu of and in full satisfaction for the issue or transfer of Shares, refund any amount received in respect of the exercise price for the Options and pay to the Optionholder an amount equal to the difference between the Market Value of those Shares as at the date of exercise and the exercise price of the Options.

5.2 Allotment and Issue

Unless an election is made in accordance with Clause 5.1, the Company must allot the number of Shares which corresponds with the number of Options exercised in accordance with clause 4 to the Optionholder and within ten (10) Business Days of the date of the Exercise Notice must:

- (a) issue those Shares; and

- (b) issue a share certificate for those Shares.

6. LAPSING OF OPTIONS

6.1 Lapse of Options

Each Option will lapse:

- (a) at 5pm (EST) of the Expiration Date if it is not exercised by 5pm (EST) on the Expiration Date;
- (b) in the case of the Optionholder ceasing to be employed or engaged by the Company, where the Option:
 - (i) has not vested in and become exercisable by the Optionholder, immediately upon the optionholder ceasing to be employed or engaged by the Company; or
 - (ii) has vested in and become exercisable by the Optionholder, within 30 days of the date on which the Optionholder ceases to be employed or engaged by the Company.

6.2 Return of certificate

Immediately upon Options lapsing under this clause 6, the Optionholder will return his or her Option Certificate to the Company for immediate cancellation.

7. RIGHTS ATTACHING TO SHARES

7.1 Rights Issues

Outstanding Vested Options do not carry the right to participate in any new issues of securities by the Company.

7.2 Pari Passu Ranking

- (a) Subject to paragraph (b) below, any Shares allotted pursuant to any exercise of the Options rank pari passu in all respects with all other Shares of the Company on issue at the date of such allotment.
- (b) Where any Shares are allotted during a period in respect of which a dividend is

declared, the holder of those Shares is only entitled to receive a dividend where the Option pursuant to which such Shares were allotted was exercised on or before the relevant dividend entitlement date.

8. RECONSTRUCTIONS

If at any time or times prior to the exercise by an Optionholder of an Option:

- (a) there is a consolidation of the Share capital of the Company, the number of Options must be consolidated in the same ratio as the Share capital and the Exercise Price must be amended in inverse proportion to the ratio;
- (b) there is a sub-division of the Share capital of the Company, the number of Options must be sub-divided in the same ratio as the Share capital and the Exercise Price must be amended in inverse proportion to that ratio;
- (c) there is a reduction in the Share capital of the Company by a cancellation of Share capital that is either lost or not represented by available assets, the number of Options and the Exercise Price of each Option must remain unaltered;
- (d) there is a pro-rata cancellation of Shares, the number of Options must be reduced in the same ratio as the Share capital and the Exercise Price of each Option must be amended in inverse proportion to that ratio;
- (e) there is any other reconstruction of the issued capital of the Company, the number of Options or the Exercise Price of the Options or both must be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Optionholders which are not conferred on holders of Shares; and
- (f) (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of the holders of Shares approving a reconstruction of capital) in all other respects the terms for the exercise of Options remain unchanged.

9. CALCULATIONS

9.1 Calculations

Any calculations or adjustments which are required to be made in connection with these Options will be made by the Board for the time being and will, in the absence of manifest error, be final and conclusive and binding on the Optionholder.

9.2 Notification

The Company must notify each Optionholder of any adjustments made to the number of Outstanding Vested Options within ten (10) Business Days of the date of the adjustment.

10. REPLACEMENT OF CERTIFICATES

If any Option Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the registered office of the Company on payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence, indemnity and security as the Company may reasonably require. Mutilated or defaced Option Certificates must be surrendered before replacements will be issued.

11. NOTICES

Any notice regarding the options will be sent to the registered address of the Optionholder as recorded in the register of options maintained by the Company.

12. GOVERNING LAW

These terms and conditions are governed by and shall be construed in accordance with the laws of New South Wales.

13. DUTIES AND TAXES

The Company is not responsible for any duties or taxes which may become payable in connection with the issue and allotment of Shares pursuant to an exercise of the Options or any other dealing with the Options or Shares.

14. ASSIGNMENT OF OPTIONS

14.1 No assignment

Subject to clause 14.2, the Options may not be assigned by the Optionholder to any person.

14.2 Deceased Optionholder

Notwithstanding clause 14.1, the estate of a deceased Optionholder may, within 90 days from the date of the Optionholder's death (**Estate Exercise Date**), exercise those Options

which were vested in and exercisable by the Optionholder at the date of his death. Those Options which:

- (a) were not vested in and exercisable by the Optionholder at the date of his death are deemed to expire on the date of the Optionholder's death; and
- (b) were vested in and exercisable by the Optionholder at the date of his death and have not been exercised by 5pm (EST) on the Estate Exercise Date are deemed to expire at 5pm (EST) on the Estate Exercise Date.

15. VARIATION OF PLAN TERMS

The Board may, at its absolute discretion, vary these terms and conditions from time to time.

SCHEDULE 1

EXERCISE NOTICE

I,

being the registered holder of the Options below, elect to exercise the Options as specified below in accordance with clause 4 of the Terms and Conditions of the Option Plan.

No. of Options being exercised:

.....

Name and address of the shareholder to be entered into the share register in respect of the Shares issued:

.....
.....

Name and address to which Certificates evidencing the Shares should be sent:

.....
.....
.....

Enclosed with this Notice is the Certificate for the Options referred to above together with the relevant subscription moneys being \$[].

In exercising the Options in relation to the Shares I agree to be bound by the provisions of the Constitution of the Company and the Shareholders' Agreement, as those terms are defined in the Terms and Conditions of the Options.

.....

Signed by the Optionholder

.....

Date

SCHEDULE 2

APPLICATION FOR OPTIONS

The Secretary

JB Hi Fi Holdings Pty Limited
14 Spink Street
Brighton
Victoria 3186

Name:

Full Address:

Tax File Number:

hereby applies for 60,000 Options in the JB Hi Fi Holdings Pty Limited 2002 Executive Option Plan.

I request you to grant those Options and I agree to accept them subject to the terms of the JB Hi Fi Holdings Pty Limited 2002 Executive Option Plan, the Option Certificate and the Constitution of JB Hi Fi Holdings Pty Limited.

Signature:

Date: