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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

INHALE THERAPEUTIC SYSTEMS, INC.
(Exact name of Company as specified in its charter)

DELAWARE
(State of Incorporation)

94-3134940
(I.R.S. Employer Identification No.)

INHALE THERAPEUTIC SYSTEMS, INC.
150 INDUSTRIAL ROAD
SAN CARLOS, CA 94070
(650) 631-3100
(Address of principal executive offices and zip code)

THE BRADFORD PARTICLE DESIGN PLC APPROVED EMPLOYEE SHARE OPTION SCHEME
THE BRADFORD PARTICLE DESIGN PLC UNAPPROVED EMPLOYEE SHARE OPTION SCHEME
AGREEMENT GRANTING OPTIONS BETWEEN MR. JOSEPH F. BOHAN AND
BRADFORD PARTICLE DESIGN PLC
DATED NOVEMBER 5, 1999
AGREEMENT GRANTING OPTIONS BETWEEN MR. JOSEPH F. BOHAN AND
BRADFORD PARTICLE DESIGN PLC
DATED OCTOBER 27, 2000
AGREEMENT GRANTING OPTIONS BETWEEN DR. BORIS SHEKUNOV AND
BRADFORD PARTICLE DESIGN PLC
DATED OCTOBER 13, 2000
AGREEMENT GRANTING OPTIONS BETWEEN MRS. MADGE HOLLOWOOD AND
BRADFORD PARTICLE DESIGN PLC
DATED OCTOBER 13, 2000
(Full title of the plans)

AJIT S. GILL, CHIEF EXECUTIVE OFFICER
INHALE THERAPEUTIC SYSTEMS, INC.
150 INDUSTRIAL ROAD
SAN CARLOS, CA 94070
(650) 631-3100

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

COPIES TO:
MARK P. TANOURY, ESQ.
JOHN M. GESCHKE, ESQ.
COOLEY GODWARD LLP
FIVE PALO ALTO SQUARE
3000 EL CAMINO REAL
PALO ALTO, CA 94306-2155
(650) 843-5000

 CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Bradford Particle Design, plc Approved Employee Share Option Scheme	40,002	\$7.00	\$280,014	\$70.00
Bradford Particle Design, plc Unapproved Employee Share Option Scheme	26,717	\$7.00	\$187,019	\$46.75
Agreement Granting Options between Mr. Joseph F. Bohan and Bradford Particle Design plc dated November 5, 1999	4,276	\$7.00	\$29,932	\$7.48
Agreement Granting Options between Mr. Joseph F. Bohan and Bradford Particle Design plc dated October 27, 2000	5,345	\$12.40	\$66,278	\$16.57
Agreement Granting Options between Dr. Boris Shekunov and Bradford Particle Design plc dated October 13, 2000	4,115	\$7.00	\$28,805	\$7.20
Agreement Granting Options between Mrs. Madge Hollowood and Bradford Particle Design plc dated October 13, 2000	1,828	\$7.00	\$12,796	\$3.20
Total				=====
				\$151.20

- (1) Together with an indeterminate number of additional shares which may be necessary to adjust the number of shares reserved for issuance pursuant to such employee benefit plans as the result of any future stock split, stock dividend or similar adjustment of the Company's outstanding Common Stock.
- (2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended (the "Securities Act").

EXPLANATORY NOTE

The shares registered hereunder will be issued upon the exercise of stock options assumed by Inhale Therapeutic Systems, Inc., a Delaware corporation (the "Company"), pursuant to the terms of the Company's purchase offer to acquire all of the issued share capital of Bradford Particle Design plc ("Bradford") completed on January 8, 2001. These options were originally granted to employees of Bradford under The Bradford Particle Design plc Approved Employee Share Option Scheme, The Bradford Particle Design plc Unapproved Employee Share Option Scheme, Agreement Granting Options Between Mr. Joseph F. Bohan and Bradford Particle Design plc dated November 5, 1999, Agreement Granting Options Between Mr. Joseph F. Bohan and Bradford Particle Design plc dated October 27, 2000, Agreement Granting Options Between Dr. Boris Shekunov and Bradford Particle Design plc dated October 13, 2000, and Agreement Granting Options between Mrs. Madge Hollowood and Bradford Particle Design plc dated October 13, 2000 (collectively, the "Plans.")

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The information required by Part I is included in documents sent or given to participants in the Plans pursuant to Rule 428(b)(1) of the Securities Act of 1933, as amended, (the "Securities Act").

PART II

INFORMATION REQUIRED IN REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by Inhale Therapeutic Systems, Inc., a Delaware corporation (the "Company"), with the Securities and Exchange Commission are incorporated by reference into this registration statement:

(a) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed on March 10, 2000, including all material incorporated by reference therein;

(b) Our Amendment to Annual Report on Form 10-K/A for the fiscal year ended December 31, 1999, filed on March 14, 2000, including all material incorporated by reference therein;

(c) Our Amendment to Annual Report on Form 10-K/A for the fiscal year ended December 31, 1999, filed on April 28, 2000, including all material incorporated by reference therein;

(d) Our Definitive Proxy on Schedule 14A, filed on May 3, 2000;

(e) Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, filed on May 11, 2000, including all material incorporated by reference therein;

(f) Our Amendment to Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2000, filed on May 15, 2000, including all material incorporated by reference therein;

(g) Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000, including all material incorporated by reference therein;

(h) Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, filed November 14, 2000, including all material incorporated therein;

(i) Our Current Report on Form 8-K, filed on February 1, 2000;

(j) Our Current Report on Form 8-K, filed on February 9, 2000;

(k) Our Current Report on Form 8-K, filed on February 24, 2000;

(l) Our Current Report on Form 8-K, filed on September 6, 2000;

(m) Our Current Report on Form 8-K, filed on October 10, 2000;

(n) Our Current Report on Form 8-K, filed on October 10, 2000;

(o) Our Current Report on Form 8-K, filed on October 13, 2000;

(p) Our Current Report on Form 8-K, filed on October 30, 2000;

(q) Our Current Report on Form 8-K, filed on December 21, 2000;

(r) Our Current Report on Form 8-K, filed on January 11, 2001;

(s) All other reports filed by the Company pursuant to Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since the end of the last fiscal year covered by the Company's Annual Report referred to in (a) above; and

(t) The description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A, including any amendments or reports filed for the purpose of updating such description.

ITEM 4. DESCRIPTION OF SECURITIES

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

The validity of the issuance of the Common Stock offered hereby will be passed upon for the Company by Cooley Godward LLP, Palo Alto, California ("Cooley Godward").

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under Section 145 of the Delaware General Corporation Law, the Company has broad powers to indemnify our directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act.

The Company's Certificate of Incorporation, as amended provides for the elimination of liability for monetary damages for breach of the directors' fiduciary duty of care to the Company and its stockholders. These provisions do not eliminate the directors' duty of care and, in appropriate circumstances, equitable remedies such as an injunction or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the Company, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for any transaction from which the director derived an improper personal benefit and for violating Section 174 of the Delaware General Corporation Law. The provision does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

The Company has entered into agreements with its directors and executive officers that require the Company to indemnify such persons against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred (including expenses of a derivative action) in connection with any proceeding, whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director or officer of the Company or any of its affiliated enterprises, provided such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED

Not applicable.

ITEM 8. EXHIBITS

EXHIBIT NUMBER	EXHIBIT INDEX	DESCRIPTION
4.1	(1)	Certificate of Incorporation of Inhale.
4.2	(1)	Bylaws of Inhale.

- 4.3 (8) Certificate of Amendment of the Amended Certificate of Incorporation.
- 4.4 (2) Restated Investor Rights Agreement among Inhale and certain other persons named therein, dated April 29, 1993, as amended October 29, 1993.
- 4.5 (3) Stock Purchase Agreement between Inhale and Pfizer Inc., dated January 18, 1995.
- 4.6 (4) Form of Purchase Agreement between Inhale and the individual Purchasers, dated January 28, 1997.
- 4.7 (5) Stock Purchase Agreement between Inhale and Capital Research and Management Company, dated December 8, 1998.
- 4.8 (6) Purchase Agreement among Inhale and Lehman Brothers Inc., Deutsche Bank Securities Inc. and U.S. Bancorp Piper Jaffray Inc. dated October 6, 1999.
- 4.9 (6) Registration Rights Agreement among Inhale and Lehman Brothers Inc., Deutsche Bank Securities Inc. and U.S. Bancorp Piper Jaffray Inc., dated October 13, 1999.
- 4.10 (6) Indenture between Inhale as Issuer and Chase Manhattan Bank and Trust Company, National Association, as Trustee, dated October 13, 1999.
- 4.11 (6) Form of Inhale Registration Rights Agreement, between Inhale and Selling Shareholder, dated January 25, 2000.
- 4.12 (7) Purchase Agreement among Inhale and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., Lehman Brothers Inc., and U.S. Bancorp Piper Jaffray Inc., dated February 2, 2000.
- 4.13 (7) Resale Registration Rights Agreement among Registrant and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., Lehman Brothers Inc., and U.S. Bancorp Piper Jaffray Inc., dated February 8, 2000.
- 4.14 (7) Indenture between Registrant as Issuer and Chase Manhattan Bank and Trust Company, National Association, as Trustee, dated February 8, 2000.
- 4.15 (8) Specimen common stock certificate.
- 4.16 (9) Specimen warrants to purchase shares of common stock.
- 4.17 (10) Purchase Agreement among Inhale and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., Lehman Brothers Inc., and U.S. Bancorp Piper Jaffray Inc., dated October 11, 2000.
- 4.18 (10) Resale Registration Rights Agreement among Registrant and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities, Inc., Lehman Brothers Inc., and U.S. Bancorp Piper Jaffray Inc., dated October 17, 2000.
- 4.19 (10) Indenture between Registrant, as Issuer, and Chase Manhattan Bank and Trust Company, National Association, as Trustee, dated October 17, 2000.
- 5.1 (11) Opinion of Cooley Godward LLP.
- 23.1 (11) Consent of Ernst & Young LLP, Independent Auditors.
- 23.2 (11) Consent of Cooley Godward LLP (included in Exhibit 5.1).
- 24.1 (11) Power of Attorney (contained on signature page).
- 99.1 (11) The Bradford Particle Design plc Approved Employee Share Option Scheme.
- 99.2 (11) Form of The Bradford Particle Design plc Approved Employee Share Option Scheme Option Certificate.
- 99.3 (11) The Bradford Particle Design plc Unapproved Employee Share Option Scheme.
- 99.4 (11) Form of The Bradford Particle Design plc Unapproved Employee Share Option Scheme Option Certificate.
- 99.5 (11) Form of Agreement Granting an Enterprise Management Incentives Option.
- 99.6 (11) Agreement Granting Options between Mr. Joseph F. Bohan and Bradford Particle Design plc dated November 5, 1999.
- 99.7 (11) Agreement Granting Options between Mr. Joseph F. Bohan and Bradford Particle Design plc dated October 27, 2000.
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- 99.9 (11) Agreement Granting Options between Mrs. Madge Hollowood and Bradford Particle Design plc dated October 13, 1999.
- 99.10 (11) Form of Stock Option Assumption and Conversion Notice (the Bradford Particle Design plc Form of Unapproved Employee Share Option Scheme-1999 Stock Option Grants).
- 99.11 (11) Form of Stock Option Assumption and Conversion Notice (the Bradford Particle Design plc Approved Employee Share Option Scheme-1999 Stock Option Grants).

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|-------|------|--|
| 99.12 | (11) | Form of Stock Option Assumption and Conversion Notice (the Bradford Particle Design plc Unapproved Employee Share Option Scheme (Schedule I)-2000 Stock Option Grants) |
| 99.13 | (11) | Stock Option Assumption and Conversion Notice (the Bohan 1999 Unapproved Agreement) |
| 99.14 | (11) | Stock Option Assumption and Conversion Notice (the Bohan 2000 Unapproved Agreement) |

- (1) Incorporated by reference to the indicated exhibit in Inhale's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.
- (2) Incorporated by reference to the indicated exhibit in Inhale's Registration Statement on Form S-1 (No. 33-75942), as amended.
- (3) Incorporated by reference to the indicated exhibit in Inhale's Registration Statement on Form S-1 (No. 33-89502), as amended.
- (4) Incorporated by reference to Inhale's Registration Statement on Form S-3 (No. 333-20787).
- (5) Incorporated by reference to the indicated exhibit in Inhale's Registration Statement on Form S-3 (No. 333-68897), as amended.
- (6) Incorporated by reference to the indicated exhibit in Inhale's Registration Statement on Form S-3 (No. 333-94161), as amended.
- (7) Incorporated by reference to the indicated exhibit in Inhale's Annual Report on Form 10-K for the year ended December 31, 1999.
- (8) Incorporated by reference to the indicated exhibit in Inhale's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
- (9) Incorporated by reference to the indicated exhibit in Inhale's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
- (10) Incorporated by reference to the indicated exhibit in Inhale's Registration Statement on Form S-3 (No. 333-53678), as amended.
- (11) Filed herewith.

ITEM 9. UNDERTAKINGS

1. The undersigned Company hereby undertakes:

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

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

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

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

PROVIDED, HOWEVER, that paragraphs (a)(i) and (a)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Company pursuant to section 13 or section 15(d) of the Exchange Act that are incorporated by reference herein.

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Carlos, State of California, on February 5, 2001.

INHALE THERAPEUTIC SYSTEMS, INC.
a Delaware corporation
By: /s/ Ajit S. Gill

Ajit S. Gill
Title: Chief Executive Officer, President and
Director (Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSON BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Chess, Ajit S. Gill and Brigid A. Makes and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments, exhibits thereto and other documents in connection therewith) to this registration statement and any subsequent registration statement filed by the registrant pursuant to Securities and Exchange Commission Rule 462, which relates to this registration statement and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratify and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE -----	TITLE -----	DATE ----
/s/ Ajit S. Gill ----- Ajit S. Gill	Chief Executive Officer, President and Director (Principal Executive Officer)	February 5, 2001
/s/ Robert B. Chess ----- Robert B. Chess	Chairman of the Board	February 5, 2001
/s/ Brigid A. Makes ----- Brigid A. Makes	Chief Financial Officer and Vice President (Principal Financial and Accounting Officer)	February 5, 2001
/s/ John S. Patton ----- John S. Patton	Vice President and Director	February 5, 2001
/s/ James B. Glavin ----- James B. Glavin	Director	February 5, 2001
/s/ Melvin Perelman ----- Melvin Perelman	Director	February 5, 2001
/s/ Irwin Lerner ----- Irwin Lerner	Director	February 5, 2001
/s/ Roy A. Whitfield ----- Roy A. Whitfield	Director	February 5, 2001

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- (10) Incorporated by reference to the indicated exhibit in Inhale's Registration Statement on Form S-3 (No. 333-53678), as amended.
- (11) Filed herewith.

OPINION OF COOLEY GODWARD LLP

February 5, 2001

Inhale Therapeutic Systems, Inc.
150 Industrial Road
San Carlos, CA 94070

Ladies and Gentlemen:

You have requested our opinion with respect to certain matters in connection with the filing by Inhale Therapeutic Systems, Inc, a Delaware corporation (the "Company"), of a Registration Statement on Form S-8 (the "Registration Statement") with the Securities and Exchange Commission (the "Commission") covering up to 82,283 shares of the Company's Common Stock, \$.001 par value (the "Shares"), for issuance pursuant to the Company's assumption of such options issued under the Bradford Particle Design plc Approved Employee Share Option Scheme, The Bradford Particle Design plc Unapproved Employee Share Option Scheme, that certain Agreement Granting Options between Mr. Joseph F. Bohan and Bradford Particle Design plc dated November 5, 1999, that certain Agreement Granting Options between Mr. Joseph F. Bohan and Bradford Particle Design plc dated October 27, 2000, that certain Agreement Granting Options between Dr. Boris Shekunov and Bradford Particle Design plc dated October 13, 1999 and that certain Agreement Granting Options between Mrs. Madge Hollowood and Bradford Particle Design plc dated October 13, 1999 (collectively, the "Option Agreements") and assumed pursuant to the terms of the Purchase Offer by which the Company acquired all of the issued share capital of Bradford effective January 8, 2001.

In connection with this opinion, we have examined and relied upon the Registration Statement and related Prospectus, the Company's Certificate of Incorporation, as amended, and Bylaws, as currently in effect, and the originals or copies certified to our satisfaction of such records, documents, certificates, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below. We have assumed the genuineness and authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as copies thereof and the due execution and delivery of all documents where due execution and delivery are a prerequisite to the effectiveness thereof.

On the basis of the foregoing, and in reliance thereon, we are of the opinion that the Shares, when sold and issued in accordance with the Registration Statement and the Option Agreements, and the options granted thereunder will be validly issued, fully paid and non-assessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

COOLEY GODWARD LLP

/s/ Mark P. Tanoury

Mark P. Tanoury

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement (Form S-8) pertaining to The Bradford Particle Design, plc Employee Share Option Scheme of Inhale Therapeutic Systems, Inc. of our report dated January 24, 2000, with respect to the financial statements of Inhale Therapeutic Systems, Inc. included in its Amended Annual Report (Form 10-K/A) for the year ended December 31, 1999, filed with the Securities and Exchange Commission and our report dated January 5, 2001 with respect to the financial statements of Bradford Particle Design plc included in Inhale Therapeutic Systems, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 11, 2001.

/s/ Ernst & Young LLP
- - - - -

Palo Alto, California
February 5, 2001

THE BRADFORD PARTICLE DESIGN PLC

APPROVED EMPLOYEE SHARE OPTION SCHEME

New Bridge Street Consultants
20 Little Britain
London EC1A 7DH

Ref: N/3155/UES0S99.DOC
Date adopted: 22 July 1999

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1.

1. DEFINITIONS AND INTERPRETATION

(1) In this Scheme, unless the context otherwise requires:

"THE BOARD" means the board of directors of the Company or a committee appointed by them;

"THE COMPANY" means Bradford Particle Design plc (registered in England and Wales No. 2998064);

"EXIT EVENT" means either:

- (a) the Company offering its Shares to the public (by whatever means) and the admission of those Shares to a public market;
- (b) any of the events referred to in Rule 6 below;
- (c) in relation to any Option, the nine year and six months anniversary of the Grant Date; or
- (d) any other event which results in a material change in respect of shareholdings in the Company where the Board in its discretion considers such change to be comparable to the events set out at (a) or (b) above;

"THE GRANT DATE" in relation to an option means the date on which the option was granted; "Group Member" means:

- (a) a Participating Company or a body corporate which is (within the meaning of section 736 of the Companies Act 1985) the Company's holding company or a subsidiary of the Company's holding company; or
- (b) a body corporate which is (within the meaning of section 258 of that Act) a subsidiary undertaking of a body corporate within paragraph (a) above and has been designated by the Board for this purpose;

"THE LONDON STOCK EXCHANGE" means London Stock Exchange Limited;

"PARTICIPANT" means a person who holds an option granted under this Scheme;

"PARTICIPATING COMPANY" means the Company or any Subsidiary, or any company which is not under the control of any single person, but is under the control of two persons (within the meaning of section 840 of the Taxes Act 1988), one of them being the Company, and to which the Board has with the approval of the Inland Revenue resolved that this Scheme shall for the time being extend;

"SCHEDULE 9" means Schedule 9 to the Taxes Act 1988;

"SHARES" means ordinary shares of 10p each in the Company;

"SUBSIDIARY" means a body corporate which is a subsidiary of the Company (within the meaning of section 736 of the Companies Act 1985) and of which the Company has control (within the meaning of section 840 of the Taxes Act 1988);

"THE TAXES ACT 1988" means the Income and Corporation Taxes Act 1988;

and expressions not otherwise defined in this Scheme have the same meanings as they have in Schedule 9.

- (2) Any reference in this Scheme to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.
- (3) Expressions in italics are for guidance only and do not form part of this Scheme.

2. ELIGIBILITY

- (1) Subject to sub-rule (3) below, a person is eligible to be granted an option if (and only if) he is a full-time director or qualifying employee of a Participating Company.
- (2) For the purposes of sub-rule (1) above:
 - (a) a person shall be treated as a FULL-TIME DIRECTOR of a Participating Company if he is obliged to devote to the performance of the duties of his office or employment with that and any other Participating Company not less than 25 hours a week;

(b) a QUALIFYING EMPLOYEE, in relation to a Participating Company, is an employee of the Participating Company (other than one who is a director of a Participating Company).

(3) A person is not eligible to be granted an option at any time:

(a) within the two years immediately preceding the date on which he is bound to retire in accordance with the terms of his contract of employment; or

(b) when he is not eligible to participate in this Scheme by virtue of paragraph 8 of Schedule 9 (MATERIAL INTEREST IN CLOSE COMPANY).

3. GRANT OF OPTIONS

(1) Subject to Rule 4 below, the Board may grant an option to acquire Shares which satisfy the requirements of paragraphs 10 to 14 of Schedule 9 (FULLY PAID UP, UNRESTRICTED, ORDINARY SHARE CAPITAL), upon the terms set out in this Scheme and upon such other objective terms as the Board may specify, to any person who is eligible to be granted an option in accordance with Rule 2 above; and for this purpose an option to acquire includes an option to purchase and an option to subscribe.

(2) The price at which Shares may be acquired by the exercise of an option shall be determined by the Board before its grant, but shall not be less than the higher of:

(a) if shares of the same class as those Shares are quoted in the London Stock Exchange Daily Official List, the middle-market quotation of shares of that class (as derived from that List) on the Grant Date or such other dealing day as may be agreed with the Inland Revenue;

(b) if paragraph (a) above does not apply, the market value (within the meaning of Part VIII of the Taxation of Chargeable Gains Act 1992) of Shares of that class, as agreed in advance for the purposes of this Scheme with the Shares Valuation Division of the Inland Revenue, on the Grant Date or such other day as may be agreed with the Inland Revenue; and

(c) in the case of an option to acquire shares only by subscription, the nominal value of those shares.

(3) An option may only be granted prior to the occurrence of an Exit Event.

(4) An option may not be granted unless and until this Scheme is approved by the Inland Revenue under Schedule 9.

(5) An option granted to any person:

(a) shall not, except as provided in Rule 5(4) below, be capable of being transferred by him; and

(b) shall lapse forthwith if he is adjudged bankrupt.

4. LIMITS

(1) No options shall be granted in any year which would, at the time they are granted, cause the number of Shares which shall have been or may be issued in pursuance of options granted under this Scheme, any other employees' share scheme or by virtue of any arrangements with any employee or consultant to exceed such number as represents 4 per cent. of the ordinary share capital of the Company in issue at that time.

(2) No person shall be granted options which would, at the time they are granted, cause the market value of the Shares for which he may acquire in pursuance of options granted at that time under this Scheme to exceed 4 times the total remuneration (excluding benefits in kind) expressed as an annual rate payable by the Participating Companies to him as at that time; and for the purposes of this sub-rule:

(a) any option which shall have been released to any extent shall be treated to that extent as if it were still exercisable; and

(b) where a payment of remuneration is made otherwise than in sterling, the payment shall be treated as being of the amount of sterling ascertained by applying such rate of exchange published in a national newspaper as the Board shall reasonably determine.

- (3) No person shall be granted options which would, at the time they are granted, cause the aggregate market value of the Shares which he may acquire in pursuance of options granted to him under this Scheme or under any other share option scheme, not being a savings-related share option scheme, approved under Schedule 9 and established by the Company or by any associated company of the Company (and not exercised) to exceed or further exceed L30,000.
- (4) For the purposes of this Rule, the market value of the Shares in relation to which an option was granted shall be calculated:
- (a) in the case of an option granted under this Scheme, as on the day by reference to which the price at which shares may be acquired by the exercise thereof was determined in accordance with Rule 3(2) above;
 - (b) in the case of an option granted under any other approved scheme, as at the time when it was granted or, in a case where an agreement relating to the shares has been made under paragraph 29 of Schedule 9, such earlier time or times as may be provided in the agreement; and
 - (c) in the case of any other option, as on the day or days by reference to which the price at which shares may be acquired by the exercise thereof was determined.
- (5) Any option granted under this Scheme shall be limited and take effect so that the above limits are complied with.

5. EXERCISE OF OPTIONS

- (1) The exercise of any option shall be effected in the form and manner prescribed by the Board.
- (2) Subject to sub-rules (4) and (5) below and to sub-rules (1) and (3) of Rule 6 below, an option may not be exercised before the occurrence of an Exit Event.
- (3) Subject to sub-rule (4) and paragraphs (a) and (c) of sub-rule (5) below and to Rule 6(4) below, an option may not be exercised if THE RELEVANT CONDITION is not satisfied; and in

this sub-rule and Rule 6(4) below the relevant condition is the condition related to performance (if any) which is specified by the Board under Rule 3(1) above.

- (4) If any Participant dies, any option granted to him may (and must, if at all) be exercised by his personal representatives within 12 months after the date of his death, provided that his death occurs at a time when either he is a director or employee of a Group Member or he is or would but for sub-rule (3) above be entitled to exercise the option by virtue of sub-rule (5) below.
- (5) If any Participant ceases to be a director or employee of a Group Member (otherwise than by reason of his death), the following provisions apply in relation to any option granted to him:
- (a) if he so ceases by reason of injury, disability or redundancy (within the meaning of the Employment Rights Act 1996), or by reason only that his office or employment is in a company which ceases to be a Group Member, or relates to a business or part of a business which is transferred to a person who is not a Group Member, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period;
 - (b) if he so ceases by reason of retirement on reaching the age at which he is bound to retire in accordance with the terms of his contract of employment, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period, but subject to sub-rule (3) above;
 - (c) if he so ceases for any other reason, the option may not be exercised at all unless the Board shall so permit, in which event it may (and subject to sub-rule (4) above must, if at all) be exercised to the extent permitted by the Board within the exercise period;

and in this sub-rule the EXERCISE PERIOD is the period which shall commence on the later of the date of cessation and the occurrence of an Exit Event and expire 12 months after the commencement of such period, 42 months after the Grant Date, 42 months after the last date prior to his so ceasing on which he exercised an

option (not being one granted under a savings-related share option scheme) in circumstances in which paragraphs (a) and (b) of section 185(3) of the Taxes Act 1988 applied, whichever shall be the latest.

- (6) A Participant shall not be treated for the purposes of sub-rule (5) above as ceasing to be a director or employee of a Group Member until such time as he is no longer a director or employee of any Group Member, and a female Participant who ceases to be a director or employee by reason of pregnancy or confinement and who exercises her right to return to work under the Employment Rights Act 1996 before exercising her option shall be treated for those purposes as not having ceased to be a director or employee.
- (7) Subject to sub-rule (4) above, but notwithstanding any other provision of this Scheme, an option may not be exercised after the expiration of the period of 10 years (or such shorter period as the Board may have determined before its grant) beginning with the Grant Date.
- (8) A Participant shall not be eligible to exercise an option at any time when he is not eligible to participate in this Scheme by virtue of paragraph 8 of Schedule 9 (MATERIAL INTEREST IN CLOSE COMPANY).
- (9) Within 30 days after an option has been exercised by any person, the Board shall allot to him (or a nominee for him) or, as appropriate, procure the transfer to him (or a nominee for him) of the number of shares in respect of which the option has been exercised, provided that:
 - (a) the Board considers that the issue or transfer thereof would be lawful in all relevant jurisdictions; and
 - (b) in a case where a Group Member is obliged to (or would suffer a disadvantage if it were not to) account for any tax (in any jurisdiction) for which the person in question is liable by virtue of the exercise of the option and/or for any social security contributions recoverable from the person in question (together, the "Tax Liability"), that person has either:

- (i) made a payment to the Group Member of an amount equal to the Tax Liability; or
- (ii) entered into arrangements acceptable to that or another Group Member to secure that such a payment is made (whether by authorising the sale of some or all of the shares on his behalf and the payment to the Group Member of the relevant amount out of the proceeds of sale or otherwise).

(10) All shares allotted under this Scheme shall rank equally in all respects with shares of the same class then in issue except for any rights attaching to those shares by reference to a record date prior to the date of the allotment.

6. TAKOVER, RECONSTRUCTION AND WINDING-UP

- (1) If any person obtains control of the Company (within the meaning of section 840 of the Taxes Act 1988) the Board shall within 7 days of becoming aware thereof notify every Participant thereof and, subject to sub-rules (3), (4), (5) and (7) of Rule 5 above, any option may be exercised within one month (or such longer period as the Board may permit) of the notification.
- (2) For the purposes of sub-rule (1) above, a person shall be deemed to have obtained control of the Company if he and others acting in concert with him have together obtained control of it.
- (3) If any person becomes bound or entitled to acquire shares in the Company under sections 428 to 430F of the Companies Act 1985, or if under section 425 of that Act the Court sanctions a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, or if the Company passes a resolution for voluntary winding up, or if an order is made for the compulsory winding up of the Company, the Board shall forthwith notify every Participant thereof and, subject to sub-rules (3), (4), (5) and (7) of Rule 5 above, any option may be exercised within one month of such notification, but to the extent that it is not exercised within that period shall (notwithstanding any other provision of this Scheme) lapse on the expiration of that period.

(4) In relation to an option which would but for Rule 5(3) above be exercisable by virtue of an event mentioned in sub-rule (1) or (3) above, the Board may at its discretion, and acting fairly and reasonably, treat the relevant condition as satisfied if, at the time of the event, the Board cannot determine whether it is in fact satisfied.

(5) If any company ("the acquiring company"):

(a) obtains control of the Company as a result of making:

(i) a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have control of the Company, or

(ii) a general offer to acquire all the shares in the Company which are of the same class as the shares which may be acquired by the exercise of options granted under this Scheme, or

(b) obtains control of the Company in pursuance of a compromise or arrangement sanctioned by the court under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986, or

(c) becomes bound or entitled to acquire shares in the Company under sections 428 to 430F of that Act or Articles 421 to 423 of that Order,

any Participant may at any time within the appropriate period (which expression shall be construed in accordance with paragraph 15(2) of Schedule 9), by agreement with the acquiring company, release any option which has not lapsed ("the old option") in consideration of the grant to him of an option ("the new option") which (for the purposes of that paragraph) is equivalent to the old option but relates to shares in a different company (whether the acquiring company itself or some other company falling within paragraph 10(b) or (c) of Schedule 9).

(6) The new option shall not be regarded for the purposes of sub-rule (5) above as equivalent to the old option unless the conditions set out in paragraph 15(3) of Schedule 9 are

satisfied, but so that the provisions of this Scheme shall for this purpose be construed as if:

- (a) the new option were an option granted under this Scheme at the same time as the old option;
- (b) except for the purposes of the definitions of "Group Member", "Participating Company" and "Subsidiary" in Rule 1(I) above and the reference to "the Board" in Rule 5(7) above, the expression "the Company" were defined as "a company whose shares may be acquired by the exercise of options granted under this Scheme";
- (c) the relevant condition referred to in Rule 5(3) above had been satisfied; and
- (d) Rule 8(2) below were omitted.

(7)

If:

- (a) the events referred to in this Rule 6 are part of an arrangement ("a Reorganisation") which will mean that the Company will be under the control of another company;
- (b) the persons who owned shares in the Company immediately before the change of control will immediately afterwards own at least 50% of the shares in that other company

then the Board may in its discretion determine that an option shall not become exercisable or lapse as a result of that Reorganisation and that the provisions of sub-rule(5) above will apply to any option held by Participant. Where sub-rule (5) above is applied in these circumstances, the provisions of sub-rule (6) above will also apply but with the omission of sub-rule (6)(c).

7. VARIATION OF CAPITAL

- (1) Subject to sub-rule (3) below, in the event of any variation of the share capital of the Company, the Board may make such adjustments as it considers appropriate under sub-rule (2) below.
- (2) An adjustment made under this sub-rule shall be to one or more of the following:
 - (a) the number of shares in respect of which any option may be exercised;
 - (b) the price at which shares may be acquired by the exercise of any option;
 - (c) where any option has been exercised but no shares have been allotted or transferred pursuant to the exercise, the number of shares which may be so allotted or transferred and the price at which they may be acquired.
- (3) At a time when this Scheme is approved by the Inland Revenue under Schedule 9, no adjustment under sub-rule (2) above shall be made without the prior approval of the Inland Revenue.
- (4) An adjustment under sub-rule (2) above may have the effect of reducing the price at which shares may be acquired by the exercise of an option to less than their nominal value, but only if and to the extent that the Board shall be authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the shares in respect of which the option is exercised and which are to be allotted pursuant to the exercise exceeds the price at which the shares may be subscribed for and to apply that sum in paying up that amount on the shares; and so that on the exercise of any option in respect of which such a reduction shall have been made the Board shall capitalise that sum (if any) and apply it in paying up that amount.

8. ALTERATIONS

- (1) Subject to sub-rules (2), (4) and (5) below, the Board may at any time alter this Scheme or the terms of any option granted under it (having regard to the fact that, if an alteration which does not solely relate to a special term is made at a time when this Scheme is

approved by the Inland Revenue under Schedule 9, the approval will not thereafter have effect unless the Inland Revenue have approved the alteration).

- (2) Subject to sub-rule (3) below, no alteration to the advantage of the persons to whom options may be granted shall be made under sub-rule (1) above to any of Rules 2, 4(1) to (4) inclusive, 7(1) and (2) without the prior approval by ordinary resolution of the members of the Company in general meeting.
- (3) Sub-rule (2) above shall not apply to:
 - (a) any minor alteration to benefit the administration of this Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Member; or
 - (b) any alteration solely relating to a special term.
- (4) No alteration to the disadvantage of any Participant shall be made under sub-rule (1) above other than to a special term unless:
 - (a) the Board shall have invited every relevant Participant to give an indication as to whether or not he approves the alteration; and
 - (b) the alteration is approved by a majority of those Participants who have given such an indication.
- (5) No alteration which solely relates to a special term subject to which an option has been granted shall be made under sub-rule (1) above unless:
 - (a) there shall have occurred an event which shall have caused the Board reasonably to consider that the special term would not, without the alteration, achieve its original purpose; and
 - (b) the Board shall act fairly and reasonably in making the alteration.
- (6) Any reference in this Rule to a special term is a reference to a term specified by the Board as mentioned in Rule 3(1) above or a term of the Schedule to this Scheme.

9. MISCELLANEOUS

- (1) The rights and obligations of any individual under the terms of his office or employment with any Group Member shall not be affected by his participation in this Scheme or any right which he may have to participate in it, and an individual who participates in it shall waive any and all rights to compensation or damages in consequence of the termination of his office or employment for any reason whatsoever insofar as those rights arise or may arise from his ceasing to have rights under or be entitled to exercise any option as a result of such termination.
- (2) In the event of any dispute or disagreement as to the interpretation of this Scheme, or as to any question or right arising from or related to this Scheme, the decision of the Board shall be final and binding upon all persons.
- (3) Any notice or other communication under or in connection with this Scheme may be given by personal delivery or by sending it by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment.

THE BRADFORD PARTICLE DESIGN PLC
APPROVED EMPLOYEE SHARE OPTION SCHEME ("THE SCHEME")

OPTION CERTIFICATE

THIS DOCUMENT IS IMPORTANT. A form of notice for use by the Participant for the exercise of the option is printed on the reverse of this Certificate.

Name of participant:

Date of grant:

Number of ordinary shares:

Price per ordinary share: L

Last date for exercise of option:

THIS IS TO CERTIFY THAT the Option Holder named above has been granted an option under the Scheme to acquire the above number of ordinary shares in Bradford Particle Design plc (" the Company"), at the above price per ordinary share, upon the terms set out in the Scheme.

Executed by BRADFORD PARTICLE DESIGN PLC as a Deed

Signed.....(Director)

Signed.....(Director)

THE BRADFORD PARTICLE DESIGN PLC

UNAPPROVED EMPLOYEE SHARE OPTION SCHEME

[WITH SCHEDULE 1 CONTAINING MODIFICATION TO MEET EMI REQUIREMENTS]

New Bridge Street Consultants
20 Little Britain
London EC1A 7DH

Ref: N/3155/UES0S99.DOC
Date adopted: 22 July 1999

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"THE COMPANY" means Bradford Particle Design plc (registered in England and Wales No. 2998064);

"EXIT EVENT" means either:

- (a) the Company offering its Shares to the public (by whatever means) and the admission of those Shares to a public market;
- (b) any of the events referred to in Rule 6 below;
- (c) in relation to any Option, the nine year and six months anniversary of the Grant Date; or
- (d) any other event which results in a material change in respect of shareholdings in the Company where the Board in its discretion considers such change to be comparable to the events set out at (a) or (b) above;

"THE GRANT DATE" in relation to an option means the date on which the option was granted;

"GROUP MEMBER" means:

- (a) a Participating Company or a body corporate which is (within the meaning of section 736 of the Companies Act 1985) the Company's holding company or a subsidiary of the Company's holding company; or
- (b) a body corporate which is (within the meaning of section 258 of that Act) a subsidiary undertaking of a body corporate within paragraph (a) above and has been designated by the Board for this purpose;

"THE LONDON STOCK EXCHANGE" means London Stock Exchange plc;

"PARTICIPANT" means a person who holds an option granted under this Scheme;

"PARTICIPATING COMPANY" means the Company or any Subsidiary or any company which is not under the control of any single person, but is under the control of two persons (within the meaning of section 840 of the Taxes Act 1988), one of them being the Company, and to which the Board has resolved that this Scheme shall for the time being extend;

"SCHEDULE 9" means Schedule 9 to the Taxes Act 1988;

"SHARES" means ordinary shares of 10p each in the Company;

"SUBSIDIARY" means a body corporate which is a subsidiary of the Company (within the meaning of section 736 of the Companies Act 1985) and of which the Company has control (within the meaning of section 840 of the Taxes Act 1988);

"THE TAXES ACT 1988" means the Income and Corporation Taxes Act 1988;

and expressions not otherwise defined in this Scheme have the same meanings as they have in Schedule 9.

(2) Any reference in this Scheme to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

(3) Expressions in italics are for guidance only and do not form part of this Scheme.

2. ELIGIBILITY

(1) Subject to sub-rule (3) below, a person is eligible to be granted an option if (and only if) he is a qualifying employee of a Participating Company.

(2) For the purposes of sub-rule (1) above a QUALIFYING EMPLOYEE, in relation to a Participating Company, is an employee of the Participating Company (whether or not he is also a director of a Participating Company).

(3) A person is not eligible to be granted an option at any time within the two years immediately preceding the date on which he is bound to retire in accordance with the terms of his contract of employment.

3. GRANT OF OPTIONS

(1) Subject to Rule 4 below, the Board may grant an option to acquire Shares upon the terms set out in this Scheme and upon such other objective terms as the Board may specify, to any person who is eligible to be granted an option in accordance with Rule 2 above; and for this purpose an option to acquire includes an option to purchase and an option to subscribe.

(2) The price at which Shares may be acquired by the exercise of an option shall be determined by the Board before its grant, but shall not be less than the higher of:

(a) if shares of the same class as those Shares are quoted in the London Stock Exchange Daily Official List, the middle-market quotation of shares of that class (as derived from that List) on the Grant Date or such other dealing day as may be agreed with the Inland Revenue;

(b) if paragraph (a) above does not apply, the market value (within the meaning of Part VIII of the Taxation of Chargeable Gains Act 1992) of Shares of that class on the Grant Date; and

(c) in the case of an option to acquire shares only by subscription, the nominal value of those shares.

(3) An option may only be granted prior to the occurrence of an Exit Event.

(4) An option granted to any person:

(a) shall only, except as provided in Rule 5(4) below, be capable of being transferred by him with the prior consent in writing of the Board; and

(b) shall lapse forthwith if he is adjudged bankrupts.

4. LIMITS

(1) No options shall be granted in any year which would, at the time they are granted, cause the number of Shares which shall have been or may be issued in pursuance of options granted under this Scheme, any other employees' share scheme or by virtue of any arrangements with any employee or consultant to exceed such number as represents 4 per cent. of the ordinary share capital of the Company in issue at that time.

(2) No person shall be granted options which would, at the time they are granted, cause the market value of the Shares for which he may acquire in pursuance of options granted at that time under this Scheme to exceed 4 times the total remuneration (excluding benefits in kind) expressed as an annual rate payable by the Participating Companies to him as at that time; and for the purposes of this sub-rule:

(a) any option which shall have been released to any extent shall be treated to that extent as if it were still exercisable; and

(b) where a payment of remuneration is made otherwise than in sterling, the payment shall be treated as being of the amount of sterling ascertained by applying such rate of exchange published in a national newspaper as the Board shall reasonably determine.

(3) For the purposes of this Rule, the market value of the Shares in relation to which an option was granted shall be calculated:

(a) in the case of an option granted under this Scheme, as on the day by reference to which the price at which shares may be acquired by the exercise thereof was determined in accordance with Rule 3(2) above;

(b) in the case of any other option, as on the day or days by reference to which the price at which shares may be acquired by the exercise thereof was determined.

(4) Any option granted under this Scheme shall be limited and take effect so that the above limits are complied with.

5. EXERCISE OF OPTIONS

- (1) The exercise of any option shall be effected in the form and manner prescribed by the Board.
- (2) Subject to sub-rules (4) and (5) below and to sub-rules (1) and (3) of Rule 6 below, an option may not be exercised before the occurrence of an Exit Event.
- (3) Subject to sub-rule (4) and paragraphs (a) and (c) of sub-rule (5) below and to Rule 6(4) below, an option may not be exercised if the relevant condition is not satisfied; and in this sub-rule and Rule 6(4) below THE RELEVANT CONDITION is the condition related to performance (if any) which is specified by the Board under Rule 3(1) above.
- (4) If any Participant dies, any option granted to him may (and must, if at all) be exercised by his personal representatives within 12 months after the date of his death, provided that his death occurs at a time when either he is a director or employee of a Group Member or he is or would but for sub-rule (3) above be entitled to exercise the option by virtue of sub-rule (5) below.
- (5) If any Participant ceases to be a director or employee of a Group Member (otherwise than by reason of his death), the following provisions apply in relation to any option granted to him:
 - (a) if he so ceases by reason of injury, disability or redundancy (within the meaning of the Employment Rights Act 1996), or by reason only that his office or employment is in a company which ceases to be a Group Member, or relates to a business or part of a business which is transferred to a person who is not a Group Member, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period;
 - (b) if he so ceases by reason of retirement on reaching the age at which he is bound to retire in accordance with the terms of his contract of employment, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period, but subject to sub-rule (3) above;
 - (c) if he so ceases for any other reason, the option may not be exercised at all unless the Board shall so permit, in which event it may (and subject to sub-rule (4) above must, if at all) be exercised to the extent permitted by the Board within the exercise period;and in this sub-rule THE EXERCISE PERIOD is the period which shall commence on the later of the date of cessation and the occurrence of an Exit Event and expire 12 months after the commencement of such period.
- (6) A Participant shall not be treated for the purposes of sub-rule (5) above as ceasing to be a director or employee of a Group Member until such time as he is no longer a director or employee of any Group Member, and a female Participant who ceases to be a director or employee by reason of pregnancy or confinement and who exercises her right to return to

work under the Employment Rights Act 1996 before exercising her option shall be treated for those purposes as not having ceased to be a director or employee.

- (7) Notwithstanding any other provision of this Scheme, an option may not be exercised after the expiration of the period of 10 years (or such shorter period as the Board may have determined before its grant) beginning with the Grant Date.
- (8) Within 30 days after an option has been exercised by any person, the Board shall allot to him (or a nominee for him) or, as appropriate, procure the transfer to him (or a nominee for him) of the number of shares in respect of which the option has been exercised, provided that:
- (a) the Board considers that the issue or transfer thereof would be lawful in all relevant jurisdictions; and
 - (b) in a case where a Group Member is obliged, to (or would suffer a disadvantage if it were not to) account for any tax (in any jurisdiction) for which the person in question is liable by virtue of the exercise of the option and/or for any social security contributions recoverable from the person in question (together, the "Tax Liability"), that person has either:
 - (i) made a payment to the Group Member of an amount equal to the Tax Liability; or
 - (ii) entered into arrangements acceptable to that or another Group Member to secure that such a payment is made (whether by authorising the sale of some or all of the shares on his behalf and the payment to the Group Member of the relevant amount out of the proceeds of sale or otherwise).
- (9) All shares allotted under this Scheme shall rank equally in all respects with shares of the same class then in issue except for any rights attaching to those shares by reference to a record date prior to the date of the allotment.

6. TAKEOVER, RECONSTRUCTION AND WINDING-UP

- (1) If any person obtains control of the Company (within the meaning of section 840 of the Taxes Act 1988) the Board shall within 7 days of becoming aware thereof notify every Participant thereof and, subject to sub-rules (3), (4), (5) and (7) of Rule 5 above, any option may be exercised within one month (or such longer period as the Board may permit) of the notification.
- (2) For the purposes of sub-rule (1) above, a person shall be deemed to have obtained control of the Company if he and others acting in concert with him have together obtained control of it.
- (3) If any person becomes bound or entitled to acquire shares in the Company under sections 428 to 430F of the Companies Act 1985, or if under section 425 of that Act the Court sanctions a compromise or arrangement proposed for the purposes of or in connection

with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, or if the Company passes a resolution for voluntary winding up, or if an order is made for the compulsory winding up of the Company, the Board shall forthwith notify every Participant thereof and, subject to sub-rules (3), (4), (5) and (7) of Rule 5 above, any option may be exercised within one month of such notification, but to the extent that it is not exercised within that period shall (notwithstanding any other provision of this Scheme) lapse on the expiration of that period.

(4) In relation to an option which would but for Rule 5(3) above be exercisable by virtue of an event mentioned in sub-rule (1) or (3) above, the Board may at its discretion, and acting fairly and reasonably, treat the relevant condition as satisfied if, at the time of the event, the Board cannot determine whether it is in fact satisfied.

(5) If any company ("the acquiring company"):

(a) obtains control of the Company as a result of making

(i) a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have control of the Company, or

(ii) a general offer to acquire all the shares in the Company which are of the same class as the shares which may be acquired by the exercise of options granted under this Scheme, or

(b) obtains control of the Company in pursuance of a compromise or arrangement sanctioned by the court under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986, or

(c) becomes bound or entitled to acquire shares in the Company under sections 428 to 430F of that Act or Articles 421 to 423 of that Order,

any Participant may at any time within the appropriate period (which expression shall be construed in accordance with paragraph 15(2) of Schedule 9), by agreement with the acquiring company, release any option which has not lapsed ("the old option") in consideration of the grant to him of an option ("the new option") which (for the purposes of that paragraph) is equivalent to the old option but relates to shares in a different company (whether the acquiring company itself or some other company).

(6) The new option shall not be regarded for the purposes of sub-rule (5) above as equivalent to the old option, but so that the provisions of this Scheme shall for this purpose be construed as if:

(a) the new option were an option granted under this Scheme at the same time as the old option;

(b) except for the purposes of the definitions of "Group Member", "Participating Company" and "Subsidiary" in Rule 1(1) above and the reference to "the Board"

in Rule 5(7) above, the expression "the Company" were defined as "a company whose shares may be acquired by the exercise of options granted under this Scheme";

- (c) the relevant condition referred to in Rule 5(3) above had been satisfied; and
- (d) Rule 8(2) below were omitted.

(7) If:

- (a) the events referred to in this Rule 6 are part of an arrangement ("a Reorganisation") which will mean that the Company will be under the control of another company;
- (b) the persons who owned shares in the Company immediately before the change of control will immediately afterwards own at least 50% of the shares in that other company

then the Board may in its discretion determine that an option shall not become exercisable or lapse as a result of that Reorganisation and that the provisions of sub-rule(5) above will apply to any option held by Participant. Where sub-rule (5) above is applied in these circumstances, the provisions of sub-rule (6) above will also apply but with the omission of sub-rule (6)(c).

7. VARIATION OF CAPITAL

- (1) Subject to sub-rule (3) below, in the event of any variation of the share capital of the Company, the Board may make such adjustments as it considers appropriate under sub-rule (2) below.
- (2) An adjustment made under this sub-rule shall be to one or more of the following:
 - (a) the number of shares in respect of which any option may be exercised;
 - (b) the price at which shares may be acquired by the exercise of any option;
 - (c) where any option has been exercised but no shares have been allotted or transferred pursuant to the exercise, the number of shares which may be so allotted or transferred and the price at which they may be acquired.
- (3) An adjustment under sub-rule (2) above may have the effect of reducing the price at which shares may be acquired by the exercise of an option to less than their nominal value, but only if and to the extent that the Board shall be authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the shares in respect of which the option is exercised and which are to be allotted pursuant to the exercise exceeds the price at which the shares may be subscribed for and to apply that sum in paying up that amount on the shares; and so that on the exercise of

any option in respect of which such a reduction shall have been made the Board shall capitalise that sum (if any) and apply it in paying up that amount.

8. ALTERATIONS

- (1) Subject to sub-rules (2), (4) and (5) below, the Board may at any time alter this Scheme or the terms of any option granted under it.
- (2) Subject to sub-rule (3) below, no alteration to the advantage of the persons to whom options may be granted shall be made under sub-rule (1) above to any of Rules 2, 4(1) to (4) inclusive, 7(1) and (2) without the prior approval by ordinary resolution of the members of the Company in general meeting.
- (3) Sub-rule (2) above shall not apply to:
 - (a) any minor alteration to benefit the administration of this Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Member; or
 - (b) any alteration solely relating to a special term.
- (4) No alteration to the disadvantage of any Participant shall be made under sub-rule (1) above other than to a special term unless:
 - (a) the Board shall have invited every relevant Participant to give an indication as to whether or not he approves the alteration; and
 - (b) the alteration is approved by a majority of those Participants who have given such an indication.
- (5) No alteration which solely relates to a special term subject to which an option has been granted shall be made under sub-rule (1) above unless:
 - (a) there shall have occurred an event which shall have caused the Board reasonably to consider that the special term would not, without the alteration, achieve its original purpose; and
 - (b) the Board shall act fairly and reasonably in making the alteration.
- (6) Any reference in this Rule to a special term is a reference to a term specified by the Board as mentioned in Rule 3(1) above or a term of the Schedule to this Scheme.

9. MISCELLANEOUS

- (1) The rights and obligations of any individual under the terms of his office or employment with any Group Member shall not be affected by his participation in this Scheme or any right which he may have to participate in it, and an individual who participates in it shall waive any and all rights to compensation or damages in consequence of the termination

of his office or employment for any reason whatsoever insofar as those rights arise or may arise from his ceasing to have rights under or be entitled to exercise any option as a result of such termination.

- (2) In the event of any dispute or disagreement as to the interpretation of this Scheme, or as to any question or right arising from or related to this Scheme, the decision of the Board shall be final and binding upon all persons.
- (3) Any notice or other communication under or in connection with this Scheme may be given by personal delivery or by sending it by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment.

THE BRADFORD PARTICLE DESIGN PLC
UNAPPROVED EMPLOYEE SHARE OPTION SCHEME

SCHEDULE 1

ENTERPRISE MANAGEMENT INCENTIVES OPTIONS

1. INTERACTION WITH SCHEME

The provisions of this Schedule 1 shall, in addition to the provisions of the Scheme, apply in relation to the grant and exercise of EMI Options, and for this purpose, references to the Scheme shall include references to this Schedule 1.

2. DEFINITIONS AND INTERPRETATIONS

"EMI OPTION" means an Option which is a qualifying option to acquire shares for the purposes of Schedule 14;

"QUALIFYING SUBSIDIARY" means a Subsidiary which meets the conditions of paragraph 15 of Schedule 14 (A 75% SUBSIDIARY);

"SCHEDULE 14" means Schedule 14 to the Finance Act 2000;

and expressions not otherwise defined in this Scheme have the same meanings as they have in Schedule 9 or Schedule 14 as the case may be.

3. ELIGIBILITY

(1) A person is eligible to be granted an EMI Option:

(a) if (and only if) he is a key employee (whether or not also a director) of the Company or a Qualifying Subsidiary which is a Participating Company for whom there are commercial reasons for an EMI Option to be granted in order to recruit or retain him; and

(b) if his committed time to the relevant company amounts to at least 25 hours a week, or if less, 75% of his working time, in compliance with paragraph 29 of Schedule 14.

(2) A person is not eligible to be granted an EMI Option at any time when he is not eligible to participate in the Scheme by virtue of paragraph 30 of Schedule 14 (NO MATERIAL INTEREST REQUIREMENT).

4. GRANT OF OPTIONS

When granting an Option, the Board shall specify whether the Option is an EMI Option.

5. LIMITS

- (1) No person shall be granted EMI Options which would, at the time they are granted, result in that person exceeding the £100,000 maximum entitlement as prescribed in paragraph 10 of Schedule 14.
- (2) No more than 15 Participants may hold EMI Options at any one time.
- (3) The Board may only grant EMI Options whilst the requirements of Schedule 14 are met and if any of the requirements are not met, the Option shall continue to subsist but not as an EMI Option.

6. TAKEOVER, RECONSTRUCTION AND WINDING-UP

- (1) For the avoidance of doubt, the acquiring company referred to in sub-rule (5) of Rule 6 will not be required to offer a new option that meets the requirements of paragraphs 61 to 63 of Schedule 14 in consideration for a Participant releasing his EMI Option.
- (2) Any new sub-rule (5)(d) of Rule 6, stating "obtains all the shares of the Company as a result of qualifying exchange of shares within the meaning of paragraph 60 of Schedule 14" will be added.

7. VARIATION OF CAPITAL

In the case of any variation of the share capital of the Company that is within paragraph 49 of Schedule 14, the Board shall not be required to seek the prior approval of the Inland Revenue in relation to any EMI Option granted under the Scheme.

8. ALTERATIONS

- (1) Sub-rules (4) to (6) of Rule 8 shall not apply to an EMI Option.
- (2) No alteration to the disadvantage of any Participant holding an EMI Option shall be made, unless that Participant has been consulted and has agreed to the alteration, except any alteration to an EMI Option as a result of an event within paragraph 49(1) of Schedule 14.

9. MISCELLANEOUS

Notwithstanding the generality of sub-rule (1) of Rule 9, a Participant will not be entitled to any compensation or damages in respect of an EMI Option losing its tax favoured status by reason of the requirements of Schedule 14 not being met, the occurrence of a disqualifying event, or otherwise.

THE BRADFORD PARTICLE DESIGN PLC
UNAPPROVED EMPLOYEE SHARE OPTION SCHEME ("THE SCHEME")

OPTION CERTIFICATE

THIS DOCUMENT IS IMPORTANT. A form of notice for use by the Participant for the exercise of the option is printed on the reverse of this Certificate.

Name of participant:

Date of grant:

Number of ordinary shares:

Price per ordinary share: L

Last date for exercise of option:

THIS IS TO CERTIFY THAT the Option Holder named above has been granted an option under the Scheme to acquire the above number of ordinary shares in Bradford Particle Design plc ("the Company"), at the above price per ordinary share, upon the terms set out in the Scheme.

Executed by BRADFORD PARTICLE DESIGN PLC as a Deed

Signed.....(Director)

Signed.....(Director)

Dated _____ 2000

AND

BRADFORD PARTICLE DESIGN PLC

AGREEMENT GRANTING AN ENTERPRISE
MANAGEMENT INCENTIVES OPTION

THIS AGREEMENT is made the _____ day of _____ 2000

BETWEEN

- (1) _____ of _____ ("THE OPTIONHOLDER");
- (2) BRADFORD PARTICLE DESIGN PLC (company number 2998064) whose registered office is at 69 Listerhills Science Park, Campus Road, Bradford BD7 1HR ("THE COMPANY")

WHEREAS

- (A) The Company has established The Bradford Particle Design Limited Unapproved Employee Share Option Scheme together with Schedule 1 ("THE SCHEME") under which options may be granted to selected employees of the Company.
- (B) The Company wishes to grant an option to the Optionholder under Schedule 1 of the Scheme (as amended from time to time) subject to the following variations as set out in this Agreement.

IT IS HEREBY AGREED as follows:

1. In this Agreement any term defined in the Scheme (as amended from time to time) shall have the same meaning herein.
2. The Company grants to the Optionholder an option ("THE OPTION") to acquire _____ ordinary shares in the Company in accordance with the terms of this Agreement.
3. The price at which the ordinary shares may be acquired by the exercise of the Option is L___ per share.
4. The rules of the Scheme (a copy of which is attached as Appendix A) are hereby incorporated into this Agreement, and the Option is granted subject to these terms unless varied by this Agreement.
5. The ordinary shares to be acquired by the Optionholder upon the exercise of the Option shall be subject to the Company's Memorandum and Articles of Association (as amended from time to time), and the relevant provisions of these documents that describe the restrictions attaching to the ordinary shares are attached as Appendix B.
6. The Option may be exercised by the Optionholder by giving notice to the Company in the form of the notice attached as Appendix C.
7. The Option has been granted by the Company under the provisions of Schedule 14 to the Finance Act 2000.
8. It shall be the joint responsibility of the Optionholder and the Company to file a notice of grant of the Option (in the form attached as Appendix D) with the Inland Revenue within 30 days of the date of this Agreement.

IN WITNESS whereof this Agreement is executed as a Deed the day and year first above written.

Signed as a Deed by
-----)
in the presence of:)

Signature of witness
Name of witness
Address of witness
.....
.....
Occupation of witness

Executed as a Deed by
BRADFORD PARTICLE DESIGN PLC

Signed Director

Signed Director/Company Secretary

APPENDIX A

RULES OF THE SCHEME

APPENDIX B

RELEVANT RESTRICTIONS CONTAINED IN THE COMPANY'S
MEMORANDUM AND ARTICLES OF ASSOCIATION

APPENDIX C

NOTICE OF EXERCISE

THE BRADFORD PARTICLE DESIGN PLC
ENTERPRISE MANAGEMENT INCENTIVES OPTIONS
NOTICE OF EXERCISE

NOTE: YOU ARE ADVISED TO CONSULT YOUR PROFESSIONAL ADVISER BEFORE EXERCISING YOUR OPTION.

This notice shall take effect only upon receipt by Bradford Particle Design plc ("the Company").

To: the Directors, Bradford Particle Design plc

1. I hereby exercise the Option described in the enclosed Option Agreement in respect of ordinary shares in the Company.
2. I enclose a cheque made payable to the Company for L.....in full payment for the shares.
3. I am of the opinion that no income tax or National Insurance is payable because the Option is an EMI Option to which Schedule 14 of the Finance Act 2000 applies, the conditions of which have been met, and there has been no disqualifying event that would have resulted in the option losing its qualifying status. If I am incorrect in my view, I acknowledge that I will need to settle the Tax Liability (as defined in the Option Agreement) before shares will be issued or transferred to me.

Signature of Optionholder:

Date:

Daytime Telephone Number:

Full Name:

NAME IN CAPITALS:

Address:

.....

.....

APPENDIX D

NOTICE OF GRANT

TO BE SENT TO:

SMALL COMPANY ENTERPRISE SUPPORT CENTRE
TIDO
TY GLAS
LLANISHEN
CARDIFF
CF14 52G

FAX: 029 2032 7398

WITHIN 30 DAYS OF THE DATE OF THIS AGREEMENT

ENTERPRISE MANAGEMENT INCENTIVES

NOTICE OF THE GRANT OF AN OPTION UNDER SCHEDULE 14 FINANCE ACT 2000

1. DETAILS OF THE COMPANY WHOSE SHARES ARE THE SUBJECT OF THE AGREEMENT:

Name: Bradford Particle Design plc

Registered number: 2998064

Address of registered office:

69 Listerhills Science Park, Campus Road, Bradford BD7 1HR

2. DETAILS OF THE EMPLOYER COMPANY GIVING THIS NOTICE:

Name: Bradford Particle Design plc

Name of the Tax Office to which the company's accounts are sent for Corporation Tax assessment:

Corporation Tax reference _____

Name and reference of the Tax Office which deals with the tax liabilities of this company's employees:

PAYE tax reference _____

3. DETAILS OF THIS OPTION, AND THIS EMPLOYEE'S OTHER OPTIONS:

Date of grant: ___ / ___ / _____

Total market value (at date of grant) of this employee's unexercised EMI options, including this option: L _____

Total market value (at date of grant) of this employee's unexercised CSOP and EMI Options in employee's employer company, or any other group company: L _____

Select one:

/ / The market value of the shares under this option at the date of its grant has been agreed with SVD as L _____ per share, OR

/ / The market value has not been agreed with SVD, OR

/ / The company's shares were listed on a Recognised Stock Exchange at L _____ per SHARE, at date of grant.

4. DETAILS OF AND DECLARATION BY THE EMPLOYEE TO WHOM THIS OPTION HAS BEEN GRANTED:

Name in full: _____

National Insurance number: ___ / ___ / ___ / ___ / ___ / ___

I declare that I am committed to working for the Qualifying Company whose shares are the subject of this option, and/or for Qualifying Subsidiaries of that company, for: (select one)

At least 25 hours a week, OR IF NOT TRUE, At least 75% of my Working Time.

Signature: _____ Date: ___ / ___ / _____

5. DECLARATION BY A DIRECTOR OR THE SECRETARY OF THE EMPLOYER COMPANY:

Name in full: _____

I ATTACH A COPY OF THE OPTION AGREEMENT.

I declare that the option set out in the attached agreement satisfies the requirements of the Schedule in respect of: (select one)

/ / All the shares, or / / _____ shares (enter number)

I also declare that to the best of my knowledge and belief, all the information given above is correct and complete.

Signature: _____ Date: ___ / ___ / _____

Dated November 5, 1999

MR JOSEPH F BOHAN

AND

BRADFORD PARTICLE DESIGN PLC

AGREEMENT GRANTING OPTIONS

1.

THIS AGREEMENT is made the fifth day of November, 1999.

BETWEEN

- (1) MR JOSEPH F BOHAN of 123 Blackberry Lane, Amherst, Massachusetts, 01002-3526, USA ("THE PARTICIPANT")
- (2) BRADFORD PARTICLE DESIGN PLC (Company Number 2898064) whose registered office is at 69 Listerhills Science Park, Campus Road, Bradford, West Yorkshire, BD7 1HR ("THE COMPANY")

WHEREAS

- (A) The Company has established The Bradford Particle Design plc Unapproved Employee Share Option Scheme ("THE SCHEME") under which options may be granted to selected employees of the Company.
- (B) The Company wishes to grant an option to the Participant on terms which are similar to the terms which apply to options granted under the Scheme (as amended from time to time) to employees of the Company.

IT IS HEREBY AGREED as follows:-

1. In this Agreement any term defined in the Scheme (as amended from time to time) shall have the same meaning herein and the rules of the Scheme are hereby incorporated into this Agreement unless varied by this Agreement.
2. The Company grants to the Participant an option to acquire 2,000 shares in accordance with the terms of this Agreement.
3. The price at which shares may be acquired by the exercise of an option is £10.00 per share.
4. Rule 2(3) of the Scheme (as amended from time to time) shall not apply to the options granted to the Participant under this Agreement.
5. Rule 5 (Exercise of Options) of the Scheme (as amended from time to time) shall apply to the options granted to the Participant under this Agreement with the following modifications:
 - (a) in sub-rule 5(3) there shall not be any "relevant condition";
 - (b) in sub-rule 5(4) the words "or he supplies his services to a Group Member" are inserted after the words "Group Member";
 - (c) sub-rule 5(5) shall be deleted and replaced with the following sub-rule:

"If any Participant ceases to be a director or an employee of a Group Member or ceases to provide his services to a Group

Member (otherwise than by reason of his death), the following provisions apply in relation to any option granted to him;

- (a) if he so ceases by reason of injury or disability the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period);
- (b) if he so ceases by reason of the Company to which he supplies his services ceasing to be a Group Member or by reason of the business or part of the business to which he supplies his services being transferred to a person who is not a Group Member, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period;
- (c) if he so ceases for any other reason the option may be not be exercised at all unless the Board shall so permit, in which event it may (and subject to sub-rule (4) above must, if at all) be exercised to the extent permitted by the Board within the exercise period;

and in this sub-rule the exercise period is the period which shall commence on the later of the date of cessation and the grant of an exit event unexpired 12 months after the commencement of such period.

- 6. Rule 6 (Takeover, Reconstruction and Winding-up) of the Scheme (as amended from time to time) shall apply to the option granted to the Participant under this Agreement with the following modification:
 - (a) the cross references to the provisions of Rule 5 of the Scheme shall be construed as references to Rule 5 of the Scheme as amended by this Agreement.
- 7. Rule 7 (Variation of Capital) of the Scheme shall apply to the option granted to the Participant under this Agreement mutatis mutandis.
- 8. The Participant waives any and all rights to compensation or damages in consequences of the Company terminating its agreement with the Participant for the provision of the Participant's services for any reason whatsoever in so far as the rights to compensation or damages arise or may arise from the Participant ceasing to have rights under or to be entitled to exercise any option as a result of such termination.
- 9. The Participant acknowledges that:
 - (a) any options he receives pursuant to this Agreement shall not be qualifying incentive stock options; and
 - (b) any securities which he receives pursuant to this Agreement will be restricted securities (as that term is defined in Rule 144 of the US Securities Act of 1933).
- 10. Any notice or other communication required to be given under this Agreement:
 - (a) to the Company shall be addressed and delivered to the Company at its registered office for the time being (marked for the attention of the Company Secretary);

(b) to the Participant shall be addressed and delivered to the Participant to either his last known address or to the address of the place of business at which he performs the whole or substantially the whole of his services for a Group Member

or in either case at such other address and/or marked for such other person's attention as may be notified by one party to the other party from time to time for this purpose.

- 11. Any notice or other communication to be given under this Agreement may be given by facsimile transmission or by first class prepaid post and shall be effective at the later of the time of receipt and the normal business opening time following such receipt.
- 12. This Agreement may be signed by each party on separate counterparts and when taken together shall constitute one and the same instrument. Any party may enter into this Agreement by any such counterpart.
- 13. This Agreement shall be governed by and construed in all respects in accordance with English law.

IN WITNESS whereof this Agreement is executed as a Deed the day and year first above written

Executed as a Deed by MR JOSEPH F BOHAN

/s/ Joseph F. Bohan

JOSEPH F BOHAN

Date

Signature of Witness

Name of Witness

Occupation

Date

Executed as a Deed by
BRADFORD PARTICLE DESIGN PLC

Signed _____ Director

Signed _____ Director/Company Secretary

Dated October 27, 2000

MR JOSEPH F BOHAN

AND

BRADFORD PARTICLE DESIGN PLC

AGREEMENT GRANTING OPTIONS

1.

THIS AGREEMENT is made the twenty-seventh day of October, 2000.

BETWEEN

- (1) MR JOSEPH F BOHAN of 123 Blackberry Lane, Amherst, Massachusetts, 01002-3526, USA ("THE PARTICIPANT")
- (2) BRADFORD PARTICLE DESIGN PLC (Company Number 2898064) whose registered office is at 69 Listerhills Science Park, Campus Road, Bradford, West Yorkshire, BD7 1HR ("THE COMPANY")

WHEREAS

- (A) The Company has established The Bradford Particle Design plc Unapproved Employee Share Option Scheme ("THE SCHEME") under which options may be granted to selected employees of the Company.
- (B) The Company wishes to grant an option to the Participant on terms which are similar to the terms which apply to options granted under the Scheme (as amended from time to time) to employees of the Company.

IT IS HEREBY AGREED as follows:-

1. In this Agreement any term defined in the Scheme (as amended from time to time) shall have the same meaning herein and the rules of the Scheme are hereby incorporated into this Agreement unless varied by this Agreement.
2. The Company grants to the Participant an option to acquire 2,500 shares in accordance with the terms of this Agreement.
3. The price at which shares may be acquired by the exercise of an option is L17.70 per share.
4. Rule 2(3) of the Scheme (as amended from time to time) shall not apply to the options granted to the Participant under this Agreement.
5. Rule 5 (Exercise of Options) of the Scheme (as amended from time to time) shall apply to the options granted to the Participant under this Agreement with the following modifications:
 - (a) in sub-rule 5(3) there shall not be any "relevant condition";
 - (b) in sub-rule 5(4) the words "or he supplies his services to a Group Member" are inserted after the words "Group Member";
 - (c) sub-rule 5(5) shall be deleted and replaced with the following sub-rule:

"If any Participant ceases to be a director or an employee of a Group Member or ceases to provide his services to a Group

Member (otherwise than by reason of his death), the following provisions apply in relation to any option granted to him;

- (a) if he so ceases by reason of injury or disability the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period);
- (b) if he so ceases by reason of the Company to which he supplies his services ceasing to be a Group Member or by reason of the business or part of the business to which he supplies his services being transferred to a person who is not a Group Member, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period;
- (c) if he so ceases for any other reason the option may be not be exercised at all unless the Board shall so permit, in which event it may (and subject to sub-rule (4) above must, if at all) be exercised to the extent permitted by the Board within the exercise period;

and in this sub-rule the exercise period is the period which shall commence on the later of the date of cessation and the grant of an exit event unexpired 12 months after the commencement of such period.

- 6. Rule 6 (Takeover, Reconstruction and Winding-up) of the Scheme (as amended from time to time) shall apply to the option granted to the Participant under this Agreement with the following modification:
 - (a) the cross references to the provisions of Rule 5 of the Scheme shall be construed as references to Rule 5 of the Scheme as amended by this Agreement.
- 7. Rule 7 (Variation of Capital) of the Scheme shall apply to the option granted to the Participant under this Agreement mutatis mutandis.
- 8. The Participant waives any and all rights to compensation or damages in consequences of the Company terminating its agreement with the Participant for the provision of the Participant's services for any reason whatsoever in so far as the rights to compensation or damages arise or may arise from the Participant ceasing to have rights under or to be entitled to exercise any option as a result of such termination.
- 9. The Participant acknowledges that:
 - (a) any options he receives pursuant to this Agreement shall not be qualifying incentive stock options; and
 - (b) any securities which he receives pursuant to this Agreement will be restricted securities (as that term is defined in Rule 144 of the US Securities Act of 1933).
- 10. Any notice or other communication required to be given under this Agreement:
 - (a) to the Company shall be addressed and delivered to the Company at its registered office for the time being (marked for the attention of the Company Secretary);

(b) to the Participant shall be addressed and delivered to the Participant to either his last known address or to the address of the place of business at which he performs the whole or substantially the whole of his services for a Group Member

or in either case at such other address and/or marked for such other person's attention as may be notified by one party to the other party from time to time for this purpose.

- 11. Any notice or other communication to be given under this Agreement may be given by facsimile transmission or by first class prepaid post and shall be effective at the later of the time of receipt and the normal business opening time following such receipt.
- 12. This Agreement may be signed by each party on separate counterparts and when taken together shall constitute one and the same instrument. Any party may enter into this Agreement by any such counterpart.
- 13. This Agreement shall be governed by and construed in all respects in accordance with English law.

IN WITNESS whereof this Agreement is executed as a Deed the day and year first above written

Executed as a Deed by MR JOSEPH F BOHAN

/s/ Joseph F. Bohan

JOSEPH F BOHAN

Date

Signature of Witness

Name of Witness

Occupation

Date

Executed as a Deed by
BRADFORD PARTICLE DESIGN PLC

Signed _____ Director

Signed _____ Director/Company Secretary

Dated October 13, 1999

DR BORIS SHEKUNOV

AND

BRADFORD PARTICLE DESIGN PLC

AGREEMENT GRANTING OPTIONS

1.

THIS AGREEMENT is made the thirteenth day of October, 1999.

BETWEEN

- (1) DR BORIS SHEKUNOV of 5 Belmont Close, Baildon, Bradford, BD17 5AL ("THE PARTICIPANT")
- (2) BRADFORD PARTICLE DESIGN PLC (Company Number 2898064) whose registered office is at 69 Listerhills Science Park, Campus Road, Bradford, West Yorkshire, BD7 1HR ("THE COMPANY")

WHEREAS

- (A) The Company has established The Bradford Particle Design plc Unapproved Employee Share Option Scheme ("THE SCHEME") under which options may be granted to selected employees of the Company.
- (B) The Company wishes to grant an option to the Participant on terms which are similar to the terms which apply to options granted under the Scheme (as amended from time to time) to employees of the Company.

IT IS HEREBY AGREED as follows:-

1. In this Agreement any term defined in the Scheme (as amended from time to time) shall have the same meaning herein and the rules of the Scheme are hereby incorporated into this Agreement unless varied by this Agreement.
2. The Company grants to the Participant an option to acquire 1,952 shares in accordance with the terms of this Agreement.
3. The price at which shares may be acquired by the exercise of an option is L10 per share.
4. Rule 2(3) of the Scheme (as amended from time to time) shall not apply to the options granted to the Participant under this Agreement.
5. Rule 5 (Exercise of Options) of the Scheme (as amended from time to time) shall apply to the options granted to the Participant under this Agreement with the following modifications:
 - (a) in sub-rule 5(3) there shall not be any "relevant condition";
 - (b) in sub-rule 5(4) the words "or he supplies his services to a Group Member" are inserted after the words "Group Member";
 - (c) sub-rule 5(5) shall be deleted and replaced with the following sub-rule:

"If any Participant ceases to be a director or an employee of a Group Member or ceases to provide his services to a Group

Member (otherwise than by reason of his death), the following provisions apply in relation to any option granted to him;

- (a) if he so ceases by reason of injury or disability the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period);
- (b) if he so ceases by reason of the Company to which he supplies his services ceasing to be a Group Member or by reason of the business or part of the business to which he supplies his services being transferred to a person who is not a Group Member, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period;
- (c) if he so ceases for any other reason the option may be not be exercised at all unless the Board shall so permit, in which event it may (and subject to sub-rule (4) above must, if at all) be exercised to the extent permitted by the Board within the exercise period;

and in this sub-rule the exercise period is the period which shall commence on the later of the date of cessation and the grant of an exit event unexpired 12 months after the commencement of such period.

6. Rule 6 (Takeover, Reconstruction and Winding-up) of the Scheme (as amended from time to time) shall apply to the option granted to the Participant under this Agreement with the following modification:

- (a) the cross references to the provisions of Rule 5 of the Scheme shall be construed as references to Rule 5 of the Scheme as amended by this Agreement.

7. Rule 7 (Variation of Capital) of the Scheme shall apply to the option granted to the Participant under this Agreement mutatis mutandis.

8. The Participant waives any and all rights to compensation or damages in consequences of the Company terminating its agreement with the Participant for the provision of the Participant's services for any reason whatsoever in so far as the rights to compensation or damages arise or may arise from the Participant ceasing to have rights under or to be entitled to exercise any option as a result of such termination.

9. The Participant acknowledges that:

- (a) any options he receives pursuant to this Agreement shall not be qualifying incentive stock options; and
- (b) any securities which he receives pursuant to this Agreement will be restricted securities (as that term is defined in Rule 144 of the US Securities Act of 1933).

10. Any notice or other communication required to be given under this Agreement:

- (a) to the Company shall be addressed and delivered to the Company at its registered office for the time being (marked for the attention of the Company Secretary);

(b) to the Participant shall be addressed and delivered to the Participant to either his last known address or to the address of the place of business at which he performs the whole or substantially the whole of his services for a Group Member

or in either case at such other address and/or marked for such other person's attention as may be notified by one party to the other party from time to time for this purpose.

11. Any notice or other communication to be given under this Agreement may be given by facsimile transmission or by first class prepaid post and shall be effective at the later of the time of receipt and the normal business opening time following such receipt.
12. This Agreement may be signed by each party on separate counterparts and when taken together shall constitute one and the same instrument. Any party may enter into this Agreement by any such counterpart.
13. This Agreement shall be governed by and construed in all respects in accordance with English law.

IN WITNESS whereof this Agreement is executed as a Deed the day and year first above written

Executed as a Deed by DR BORIS SHEKUNOV)
)

/s/ Dr. Boris Shekunov

Executed as a Deed by
BRADFORD PARTICLE DESIGN PLC

Signed _____ Director

Signed _____ Director

Dated October 13, 1999

MRS MADGE HOLLOWOOD

AND

BRADFORD PARTICLE DESIGN PLC

AGREEMENT GRANTING OPTIONS

1.

THIS AGREEMENT is made the thirteenth day of October, 1999.

BETWEEN

- (1) MRS MADGE HOLLOWOOD of 4 Meadow Close, Harden, Bingley, West Yorkshire, BD16 1JB ("THE PARTICIPANT")
- (2) BRADFORD PARTICLE DESIGN PLC (Company Number 2898064) whose registered office is at 69 Listerhills Science Park, Campus Road, Bradford, West Yorkshire, BD7 1HR ("THE COMPANY")

WHEREAS

- (A) The Company has established The Bradford Particle Design plc Unapproved Employee Share Option Scheme ("THE SCHEME") under which options may be granted to selected employees of the Company.
- (B) The Company wishes to grant an option to the Participant on terms which are similar to the terms which apply to options granted under the Scheme (as amended from time to time) to employees of the Company.

IT IS HEREBY AGREED as follows:-

1. In this Agreement any term defined in the Scheme (as amended from time to time) shall have the same meaning herein and the rules of the Scheme are hereby incorporated into this Agreement unless varied by this Agreement.
2. The Company grants to the Participant an option to acquire 855 shares in accordance with the terms of this Agreement.
3. The price at which shares may be acquired by the exercise of an option is L10 per share.
4. Rule 2(3) of the Scheme (as amended from time to time) shall not apply to the options granted to the Participant under this Agreement.
5. Rule 5 (Exercise of Options) of the Scheme (as amended from time to time) shall apply to the options granted to the Participant under this Agreement with the following modifications:
 - (a) in sub-rule 5(3) there shall not be any "relevant condition";
 - (b) in sub-rule 5(4) the words "or he supplies his services to a Group Member" are inserted after the words "Group Member";
 - (c) sub-rule 5(5) shall be deleted and replaced with the following sub-rule:

"If any Participant ceases to be a director or an employee of a Group Member or ceases to provide his services to a Group

Member (otherwise than by reason of his death), the following provisions apply in relation to any option granted to him;

- (a) if he so ceases by reason of injury or disability the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period);
- (b) if he so ceases by reason of the Company to which he supplies his services ceasing to be a Group Member or by reason of the business or part of the business to which he supplies his services being transferred to a person who is not a Group Member, the option may (and subject to sub-rule (4) above must, if at all) be exercised within the exercise period;
- (c) if he so ceases for any other reason the option may be not be exercised at all unless the Board shall so permit, in which event it may (and subject to sub-rule (4) above must, if at all) be exercised to the extent permitted by the Board within the exercise period;

and in this sub-rule the exercise period is the period which shall commence on the later of the date of cessation and the grant of an exit event unexpired 12 months after the commencement of such period.

- 6. Rule 6 (Takeover, Reconstruction and Winding-up) of the Scheme (as amended from time to time) shall apply to the option granted to the Participant under this Agreement with the following modification:
 - (a) the cross references to the provisions of Rule 5 of the Scheme shall be construed as references to Rule 5 of the Scheme as amended by this Agreement.
- 7. Rule 7 (Variation of Capital) of the Scheme shall apply to the option granted to the Participant under this Agreement mutatis mutandis.
- 8. The Participant waives any and all rights to compensation or damages in consequences of the Company terminating its agreement with the Participant for the provision of the Participant's services for any reason whatsoever in so far as the rights to compensation or damages arise or may arise from the Participant ceasing to have rights under or to be entitled to exercise any option as a result of such termination.
- 9. The Participant acknowledges that:
 - (a) any options he receives pursuant to this Agreement shall not be qualifying incentive stock options; and
 - (b) any securities which he receives pursuant to this Agreement will be restricted securities (as that term is defined in Rule 144 of the US Securities Act of 1933).
- 10. Any notice or other communication required to be given under this Agreement:
 - (a) to the Company shall be addressed and delivered to the Company at its registered office for the time being (marked for the attention of the Company Secretary);

(b) to the Participant shall be addressed and delivered to the Participant to either his last known address or to the address of the place of business at which he performs the whole or substantially the whole of his services for a Group Member

or in either case at such other address and/or marked for such other person's attention as may be notified by one party to the other party from time to time for this purpose.

11. Any notice or other communication to be given under this Agreement may be given by facsimile transmission or by first class prepaid post and shall be effective at the later of the time of receipt and the normal business opening time following such receipt.
12. This Agreement may be signed by each party on separate counterparts and when taken together shall constitute one and the same instrument. Any party may enter into this Agreement by any such counterpart.
13. This Agreement shall be governed by and construed in all respects in accordance with English law.

IN WITNESS whereof this Agreement is executed as a Deed the day and year first above written

Executed as a Deed by MRS MADGE HOLLOWOOD)
)

/s/ Madge Hollowood

Executed as a Deed by
BRADFORD PARTICLE DESIGN PLC

Signed _____ Director

Signed _____ Director

INHALE THERAPEUTIC SYSTEMS, INC.

STOCK OPTION ASSUMPTION AND CONVERSION NOTICE
(THE BRADFORD PARTICLE DESIGN PLC UNAPPROVED EMPLOYEE SHARE OPTION SCHEME
- 1999 STOCK OPTION GRANTS)

The undersigned Executive Officer, upon delegation from the Board of Directors of Inhale Therapeutic Systems, Inc. ("INHALE"), pursuant to the assumption by Inhale of stock options ("BPD OPTIONS") granted under The Bradford Particle Design plc Unapproved Employee Share Option Scheme following Inhale's acquisition of Bradford Particle Design plc, hereby exchanges for Optionholder's BPD Options an option to purchase the number of shares of Inhale's Common Stock set forth below ("ROLL-OVER OPTION"). Except as specifically set forth in this notice, Optionholder's Roll-Over Option is otherwise subject to all of the terms and conditions as set forth in The Bradford Particle Design plc Unapproved Employee Share Option Scheme, which is incorporated herein in its entirety.

Optionholder: _____
Optionholder Address: _____
Optionholder National Insurance No.: _____
Date of Grant: _____, 1999
Number of Inhale Shares Subject to Option: _____ ()
Exercise Price Per Share: USD\$7.00
Expiration Date: _____, 2009
TYPE OF GRANT: Nonstatutory Stock Option
EXERCISE SCHEDULE: From January 8, 2001 through _____, 2009
PAYMENT: By one or a combination of the following items:
By cash or check
Pursuant to a Regulation T Program if the Inhale shares are publicly traded
By delivery of already-owned shares if the Inhale shares are publicly traded

Please note that you will not be able to exercise your BPD option until Inhale has filed a Form S-8 with the Securities and Exchange Commission. Once the Form S-8 has been filed, you will receive more detailed information about the terms of BPD Options in the form of a question and answer prospectus. Please note that a Form S-8 is available for the exercise of your Option only by you or by your family members who have acquired the Option from you through a gift or a domestic relations order. It is not available for the exercise of options transferred for value. (This will be explained in more detail in the question and answer prospectus.) Therefore, the Inhale Board of Directors will not approve a transfer of your Option unless the Form S-8 will be available for the exercise of the Option.

INHALE THERAPEUTIC SYSTEMS, INC.

BY: _____
SIGNATURE

INHALE THERAPEUTIC SYSTEMS, INC.

STOCK OPTION ASSUMPTION AND CONVERSION NOTICE
(THE BRADFORD PARTICLE DESIGN PLC APPROVED EMPLOYEE SHARE OPTION SCHEME
- 1999 STOCK OPTION GRANTS)

The undersigned Executive Officer, upon delegation from the Board of Directors of Inhale Therapeutic Systems, Inc. ("INHALE"), pursuant to the assumption by Inhale of stock options ("BPD OPTIONS") granted under The Bradford Particle Design plc Approved Employee Share Option Scheme following Inhale's acquisition of Bradford Particle Design plc, hereby exchanges for Optionholder's BPD Options an option to purchase the number of shares of Inhale's Common Stock set forth below ("ROLL-OVER OPTION"). Except as specifically set forth in this notice, Optionholder's Roll-Over Option is otherwise subject to all of the terms and conditions as set forth in The Bradford Particle Design plc Approved Employee Share Option Scheme, which is incorporated herein in its entirety.(1)

Optionholder: _____
Optionholder Address: _____
Optionholder National Insurance No.: _____
Date of Grant: _____, 1999
Number of Inhale Shares Subject to Option: _____ (_____)
Exercise Price Per Share: USD\$7.00
Expiration Date: _____, 2009_

TYPE OF GRANT: Nonstatutory Stock Option

EXERCISE SCHEDULE: From January 8, 2001 through _____, 2009

PAYMENT: By one or a combination of the following items:
By cash or check
Pursuant to a Regulation T Program if the
Inhale shares are publicly traded

Executed as a Deed by:
INHALE THERAPEUTIC SYSTEMS, INC.

BY: _____
SIGNATURE

(1) In the event of any conflict, the rules of the Bradford Particle Design plc Approved Employee Share Option Scheme and Schedule 9 of the Income and Corporate Taxes Act 1988 of the United Kingdom shall take precedence over the terms of this document.

INHALE THERAPEUTIC SYSTEMS, INC.

STOCK OPTION ASSUMPTION AND CONVERSION NOTICE
(THE BRADFORD PARTICLE DESIGN PLC UNAPPROVED EMPLOYEE SHARE OPTION SCHEME
(SCHEDULE 1)
- 2000 STOCK OPTION GRANTS)

The undersigned Executive Officer, upon delegation from the Board of Directors of Inhale Therapeutic Systems, Inc. ("INHALE"), pursuant to the assumption by Inhale of stock options ("BPD OPTIONS") granted under The Bradford Particle Design plc Unapproved Employee Share Option Scheme following Inhale's acquisition of Bradford Particle Design plc, hereby exchanges for Optionholder's BPD Options an option to purchase the number of shares of Inhale's Common Stock set forth below ("ROLL-OVER OPTION"). Except as specifically set forth in this notice, Optionholder's Roll-Over Option is otherwise subject to all of the terms and conditions as set forth in The Bradford Particle Design plc Unapproved Employee Share Option Scheme (as amended by Schedule 1 to that Scheme), which is incorporated herein in its entirety.

Optionholder: _____
Optionholder Address: _____
Optionholder National Insurance No.: _____
Date of Grant: _____, 2000
Number of Inhale Shares Subject to Option: _____ (_____)
Exercise Price Per Share: USD\$7.00
Expiration Date: _____, 2010

TYPE OF GRANT: Nonstatutory Stock Option
EXERCISE SCHEDULE: From January 8, 2001 through _____, 2010

PAYMENT: By one or a combination of the following items:
By cash or check
Pursuant to a Regulation T Program if the Inhale shares are publicly traded
By delivery of already-owned shares if the Inhale shares are publicly traded

Please note that you will not be able to exercise your BPD option until Inhale has filed a Form S-8 with the Securities and Exchange Commission. Once the Form S-8 has been filed, you will receive more detailed information about the terms of BPD Options in the form of a question and answer prospectus. Please note that a Form S-8 is available for the exercise of your Option only by you or by your family members who have acquired the Option from you through a gift or a domestic relations order. It is not available for the exercise of options transferred for value. (This will be explained in more detail in the question and answer prospectus.) Therefore, the Inhale Board of Directors will not approve a transfer of your Option unless the Form S-8 will be available for the exercise of the Option.

INHALE THERAPEUTIC SYSTEMS, INC.

BY: _____
SIGNATURE

INHALE THERAPEUTIC SYSTEMS, INC.

STOCK OPTION ASSUMPTION AND CONVERSION NOTICE
(THE BOHAN 1999 UNAPPROVED AGREEMENT)

The undersigned Executive Officer, upon delegation from the Board of Directors of Inhale Therapeutic Systems, Inc. ("INHALE"), pursuant to the assumption by Inhale of stock options ("BPD OPTIONS") granted under the Agreement Granting Options dated November 5, 1999 between Bradford Particle Design plc and Joseph Bohan (the "BOHAN 1999 UNAPPROVED AGREEMENT") following Inhale's acquisition of Bradford Particle Design plc, hereby converts Optionholder's BPD Options to an option to purchase the number of shares of Inhale's Common Stock set forth below ("ROLL-OVER OPTION"). Except as specifically set forth in this notice, Optionholder's Roll-Over Option is otherwise subject to all of the terms and conditions as set forth in the Bohan 1999 Unapproved Agreement, which is incorporated herein in its entirety.

Optionholder: JOSEPH BOHAN
 Optionholder Address: c/o Haz LLC, 123 Blackberry Lane, Amherst, MA 01002 U.S.A.
 Social Security Number: ###-##-####
 Date of Grant: November 11, 1999
 Number of Inhale Shares Subject to Option: Four Thousand Two Hundred Seventy Six (4,276)
 Exercise Price Per Share: USD\$7.00
 Expiration Date: November 11, 2009

TYPE OF GRANT: Nonstatutory Stock Option

EXERCISE SCHEDULE: From January 8, 2001 through November 10, 2009

PAYMENT: By one or a combination of the following items:
 By cash or check
 Pursuant to a Regulation T Program if the
 Inhale shares are publicly traded
 By delivery of already-owned shares if the
 Inhale shares are publicly traded

Please note that you will not be able to exercise your BPD Option until Inhale has filed a Form S-8 with the Securities Exchange Commission. Once the Form S-8 has been filed, you will receive more detailed information about the terms of BPD Options in the form of a question and answer prospectus. Please note that a Form S-8 is available for the exercise of your Option only by you or by your family members who have acquired the Option from you through a gift or a domestic relations order. It is not available for the exercise of options transferred for value. (This will be explained in more detail in the question and answer prospectus.) Therefore, the Inhale Board of Directors will not approve a transfer of your Option unless the Form S-8 will be available for the exercise of the Option.

INHALE THERAPEUTIC SYSTEMS, INC.

BY: _____
 SIGNATURE

INHALE THERAPEUTIC SYSTEMS, INC.

STOCK OPTION ASSUMPTION AND CONVERSION NOTICE
(THE BOHAN 2000 UNAPPROVED AGREEMENT)

The undersigned Executive Officer, upon delegation from the Board of Directors of Inhale Therapeutic Systems, Inc. ("INHALE"), pursuant to the assumption by Inhale of stock options ("BPD OPTIONS") granted under the Agreement Granting Options dated October 27, 2000 between Bradford Particle Design plc and Joseph Bohan (the "BOHAN 2000 UNAPPROVED AGREEMENT") following Inhale's acquisition of Bradford Particle Design plc, hereby converts Optionholder's BPD Options to an option to purchase the number of shares of Inhale's Common Stock set forth below ("ROLL-OVER OPTION"). Except as specifically set forth in this notice, Optionholder's Roll-Over Option is otherwise subject to all of the terms and conditions as set forth in the Bohan 2000 Unapproved Agreement, which is incorporated herein in its entirety.

Optionholder:	JOSEPH BOHAN
Optionholder Address:	c/o Haz LLC, 123 Blackberry Lane, Amherst, MA 01002 U.S.A.
Social Security Number:	###-##-####
Date of Grant:	October 27, 2000
Number of Inhale Shares Subject to Option:	Five Thousand Three Hundred Forty Five (5,345)
Exercise Price Per Share:	USD\$12.40
Expiration Date:	October 27, 2010

TYPE OF GRANT:	Nonstatutory Stock Option
EXERCISE SCHEDULE:	From January 8, 2001 through October 26, 2010
PAYMENT:	By one or a combination of the following items: By cash or check Pursuant to a Regulation T Program if the Inhale shares are publicly traded By delivery of already-owned shares if the Inhale shares are publicly traded

Please note that you will not be able to exercise your BPD Option until Inhale has filed a Form S-8 with the Securities Exchange Commission. Once the Form S-8 has been filed, you will receive more detailed information about the terms of BPD Options in the form of a question and answer prospectus. Please note that a Form S-8 is available for the exercise of your Option only by you or by your family members who have acquired the Option from you through a gift or a domestic relations order. It is not available for the exercise of options transferred for value. (This will be explained in more detail in the question and answer prospectus.) Therefore, the Inhale Board of Directors will not approve a transfer of your Option unless the Form S-8 will be available for the exercise of the Option.

INHALE THERAPEUTIC SYSTEMS, INC.

BY:

SIGNATURE
