

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

CALLAWAY GOLF COMPANY
(Exact name of Registrant as specified in its charter)

2285 Rutherford Road
Carlsbad, California 92008-8815
(Address of principal executive offices)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-3797580
(IRS Employer
Identification No.)

1995 EMPLOYEE STOCK INCENTIVE PLAN
(Full title of the plan)

Ely Callaway
Chairman and Chief Executive Officer
2285 Rutherford Road
Carlsbad, California 92008-8815
(760) 931-1771
(Name, address, and telephone number,
including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Common Stock, \$.01 par value	1,500,000	\$14.03	\$21,045,000	\$5,555.88

- (1) Pursuant to Rule 416, this Registration Statement shall cover, in addition to the number of shares of Common Stock stated above, such indeterminate number of additional shares of Common Stock as may be issued under such plan as a result of adjustment provisions thereunder.
- (2) Estimated solely for purposes of determining the registration fee pursuant to Rule 457(h), based on the average of the high and low prices of Callaway Golf Company Common Stock as reported on January 27, 2000 on the New York Stock Exchange.

INTRODUCTION

This Registration Statement on Form S-8 is filed by Callaway Golf Company (the "Company") relating to an additional 1,500,000 shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), issuable to employees of the Company under the Callaway Golf Company 1995 Employee Stock Incentive Plan (the "Plan").

The Company previously registered an aggregate of 5,600,000 shares of Common Stock for issuance under the Plan under (i) Registration Statement No. 333-242 (1,000,000 shares), (ii) Registration Statement No. 333-24207 (2,000,000 shares), (iii) Registration Statement No. 333-39093 (600,000 shares), (iv) Registration Statement No. 333-61889 (1,600,000 shares), and (v) Post-effective Amendment No. 2 to Registration Statement No. 333-61889 (400,000 shares).

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents, which have previously been filed by the Company with the Commission, are hereby incorporated into this Registration Statement:

- (a) The Company's Annual Report on Form 10-K for the year ended December 31, 1998;
- (b) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999;
- (c) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999;
- (d) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999;
- (e) The Company's Current Report on Form 8-K dated December 30, 1998;
- (f) The Company's Current Report on Form 8-K dated February 12, 1999;
- (g) The Company's Current Report on Form 8-K dated July 1, 1999;
- (h) The Company's Current Report on Form 8-K dated August 17, 1999;
- (i) The Company's Preliminary Proxy Statement on Schedule 14A filed March 22, 1999.
- (j) The Company's Definitive Proxy Statement on Schedule 14A filed April 1, 1999.
- (k) The description of the Company's Common Stock contained in the Company's Registration Statement on Form S-1 (Registration No.

33-53732), including any amendment or report filed for the purpose of updating such description; and

- (1) The description of the Company's Rights contained in the Company's Registration Statement on Form 8-A filed on June 27, 1995, including any amendment or report filed for the purpose of updating such description.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Registration Statement and prior to the filing of a post-effective amendment that indicates that all securities offered thereunder have been sold or that deregisters all securities then remaining unsold will be deemed to be incorporated by reference into this Registration Statement and to be a part of this Registration Statement from the date of filing of such documents.

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

ITEM 4. DESCRIPTION OF SECURITIES.

Not Applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Brian P. Lynch, who has rendered an opinion as to the validity of the Common Stock being registered by this Registration Statement, is an employee of the Company.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law of the State of Delaware empowers a Delaware corporation to indemnify present and former directors, officers, employees and agents of the Company.

The Company's Certificate of Incorporation provides that, to the fullest extent permitted by the Delaware General Corporation Law, a director of the Company shall not be liable to the Company or its shareholders for monetary damages for breach of the director's fiduciary duty as a director. Delaware law provides that this provision in the Company's Certificate of Incorporation shall not limit the liability of a director (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

The Company's Bylaws provide that the Company, to the maximum extent permitted by the Delaware General Corporation Law, shall indemnify any person against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlements actually and reasonably incurred

in connection with any threatened, pending or completed action, suit or proceeding in which such person is or was a party or is threatened to be made a party by reason of the fact that such person is or was a director or officer of the Company, or is or was serving at the request of the Board of Directors of the Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or was a director or officer of a corporation which was a predecessor corporation of the Company or of another enterprise at the request of such predecessor corporation. The Company is required to indemnify a director or officer in connection with an action, suit or proceeding (or part thereof) initiated by such director or officer only if the initiation of such action, suit or proceeding (or part thereof) by the director or officer was authorized by the Board of Directors of the Company.

The Company's Bylaws further provide that the Company shall pay the expenses (including attorney's fees) incurred by a director or officer of the Company entitled to indemnification in defending any such action, suit or proceeding in advance of its final disposition provided such director or officer undertakes to repay all amounts advanced if it should ultimately be determined that the director or officer is not entitled to such indemnification.

The Company's Bylaws provide that the foregoing indemnification rights shall not be deemed exclusive of any other rights to which the indemnified party may be entitled.

The Company has entered into Indemnification Agreements with its outside directors. These Indemnification Agreements require the Company to indemnify each outside director if he or she is or was a party or other participant in any suit or proceeding individually or in the right of the Company or any subsidiary of the Company, by reason of (a) the fact that such outside director is or was a director of the Company or any subsidiary, (b) any action or inaction on the part of such outside director while a director of the Company or any subsidiary, and/or (c) the fact that such outside director is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or other enterprise. The indemnification extends to all expenses, liabilities, judgments, fines and amounts paid in settlement actually and reasonably incurred by the outside director in connection with such action, suit or proceeding if the outside director acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The Indemnification Agreements require that, to the extent that the outside director has been successful on the merits or otherwise in defense of any such action, suit or proceeding, the Company indemnify such outside director against expenses actually and reasonably incurred by him or her in connection therewith. The Company must further advance, within 30 days of a written request, all expenses incurred by the outside director in connection with the investigation, defense, settlement or appeal of any such action or proceeding; provided, however, that the outside director must repay such amounts advanced if it is ultimately determined that he or she is not entitled to be indemnified by the Company. Under the Indemnification Agreements, the outside directors are permitted to petition the court to seek recovery of amounts due under the Indemnification Agreements and to recover the expenses of seeking such recovery if he or she is successful.

The Indemnification Agreements also provide that the Company will indemnify the outside directors to the fullest extent permitted by law. Absent the Indemnification Agreements, indemnification that might be made available to outside directors could be changed by amendments to the Company's Certificate of Incorporation or Bylaws. Benefits under the Indemnification Agreements are not available, however, to indemnify an outside director (a) with respect to

proceedings or claims initiated by the outside director that are not by way of defense (unless authorized by the Board of Directors); (b) with respect to liability for transactions from which the outside director derived an improper personal benefit; (c) if the outside director is determined to have committed acts of active and deliberate dishonesty; (d) for expenses or liabilities that have been paid to the outside director under an insurance policy maintained by the Company or otherwise by any other means; or (e) for an accounting of profits realized from the purchase and sale of securities within the meaning of Section 16(b) of the Securities Exchange Act of 1934.

In addition to the foregoing, the Company's Bylaws provide that the Company shall have the power, to the maximum extent permitted by the Delaware General Corporation Law, to indemnify any person (other than directors and officers) who is or was an employee or agent of the Company, who is or was serving at the request of the Company as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or who was an employee or agent of a corporation which was a predecessor corporation of the Company or of another enterprise at the request of such predecessor corporation, against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit, or proceeding, in which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was an employee or agent of the Company.

The Company maintains directors and officers liability insurance covering the directors and officers of the Company against claims arising out of the performance of their duties as such.

ITEM 7. EXEMPTION FROM REGISTRATION.

Not Applicable.

ITEM 8. EXHIBITS.

The Exhibits to this Registration Statement are listed in the Index to Exhibits immediately following the signature page(s).

ITEM 9. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

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

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(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;

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

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933 each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by a final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Carlsbad, State of California, as of January 25, 2000.

CALLAWAY GOLF COMPANY

By: /s/ Ely Callaway

 Ely Callaway
 Founder, Chairman and Chief Executive Officer

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

Signature	Title	Dated as of

/s/ Ely Callaway _____ Ely Callaway	Founder, Chairman and Chief Executive Officer (Principal Executive Officer)	January 25, 2000
/s/ Charles J Yash _____ Charles J. Yash	Director, President, Acting Principal Financial Officer and Acting Principal Accounting Officer	January 25, 2000
* _____ William C. Baker	Director	January 25, 2000
_____ Vernon E. Jordan, Jr.	Director	January 25, 2000
* _____ Yotaro Kobayashi	Director	January 25, 2000
_____ Aulana L. Peters	Director	January 25, 2000
* _____ Richard Rosenfield	Director	January 25, 2000
* _____ William A. Schreyer	Director	January 25, 2000

* By: /s/ Charles J. Yash

 Charles J. Yash
 Attorney-in-Fact

INDEX TO EXHIBITS

Exhibit No.	Description
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5.1	Opinion of Brian P. Lynch, Senior Corporate Counsel of Callaway Golf Company, as to the legality of the securities being registered.
23.1	Consent of Independent Accountants.
23.2	Consent of Brian P. Lynch (included in Exhibit 5.1).
24.1	Powers of Attorney.
99.1	1995 Employee Stock Incentive Plan (as amended and restated November 18, 1999).

January 25, 2000

Callaway Golf Company
2285 Rutherford Road
Carlsbad, California 92008-8815

Re: Registration Statement on Form S-8

Ladies and Gentlemen:

I have prepared the Registration Statement on Form S-8 ("Registration Statement") to be filed by Callaway Golf Company, a Delaware corporation ("the Company"), with the Securities and Exchange Commission on or about the date hereof in connection with the registration of an additional 1,500,000 shares (the "Shares") of the Company's Common Stock, par value \$.01 per share, which may be issued to eligible employees under the Company's 1995 Employee Stock Incentive Plan (the "Plan"). In connection with that registration, I have reviewed the proceedings of the Board of Directors of the Company relating to the registration and proposed issuance of the common stock, the Certificate of Incorporation of the Company and the Bylaws of the Company.

In my examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, and the conformity to authentic original documents of all documents submitted to me as copies.

I am opining herein as to the effect on the subject transaction only of the General Corporation Law of the State of Delaware, and I express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction or any other laws, or as to any matters of municipal law or the laws of any other local agencies within the state.

Subject to the foregoing, upon completion of the proceedings being taken or contemplated by the Company to be taken prior to the issuance and sale of the Shares pursuant to the Plan, and upon completion of the proceedings being taken in order to permit such transactions to be carried out in accordance with the applicable securities laws, the Shares, when issued and sold in the manner referred to in the Plan and the Registration Statement, will be legally and validly issued, fully-paid and non-assessable.

I hereby consent to filing this opinion as an exhibit to the Registration Statement.

Very truly yours,

/s/ BRIAN P. LYNCH

Brian P. Lynch
Senior Corporate Counsel

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated January 26, 1999, except as to Note 16 which is as of February 12, 1999, relating to the financial statements, which appears in the 1998 Annual Report to Shareholders of Callaway Golf Company, which is incorporated by reference in Callaway Golf Company's Annual Report on Form 10-K for the year ended December 31, 1998. We also consent to the incorporation by reference of our report dated January 26, 1999 relating to the financial statement schedule, which appears in such Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

San Diego, California
January 26, 2000

LIMITED POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, William C. Baker, a member of the Board of Directors of Callaway Golf Company, a Delaware corporation (the "Company"), with its principal executive offices in Carlsbad, California, do hereby constitute, designate and appoint each of Charles J. Yash and Steven C. McCracken, each of whom are executive officers of the Company, as my true and lawful attorneys-in-fact, each with power of substitution, with full power to act without the other and on behalf of and as attorney for me, for the purpose of executing and filing with the Securities and Exchange Commission a registration statement on Form S-8, and any and all amendments thereto, in connection with the registration of an additional 1,500,000 shares of the Company's Common Stock for the supplemental funding of the Company's 1995 Employee Stock Incentive Plan, and to do all such other acts and execute all such other instruments which said attorney may deem necessary or desirable in connection therewith.

I have executed this Limited Power of Attorney as of January 19, 2000.

/s/ William C. Baker

William C. Baker

LIMITED POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Richard L. Rosenfield, a member of the Board of Directors of Callaway Golf Company, a Delaware corporation (the "Company"), with its principal executive offices in Carlsbad, California, do hereby constitute, designate and appoint each of Charles J. Yash and Steven C. McCracken, each of whom are executive officers of the Company, as my true and lawful attorneys-in-fact, each with power of substitution, with full power to act without the other and on behalf of and as attorney for me, for the purpose of executing and filing with the Securities and Exchange Commission a registration statement on Form S-8, and any and all amendments thereto, in connection with the registration of an additional 1,500,000 shares of the Company's Common Stock for the supplemental funding of the Company's 1995 Employee Stock Incentive Plan, and to do all such other acts and execute all such other instruments which said attorney may deem necessary or desirable in connection therewith.

I have executed this Limited Power of Attorney as of January 19, 2000.

/s/ Richard L. Rosenfield

Richard L. Rosenfield

LIMITED POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, William A. Schreyer, a member of the Board of Directors of Callaway Golf Company, a Delaware corporation (the "Company"), with its principal executive offices in Carlsbad, California, do hereby constitute, designate and appoint each of Charles J. Yash and Steven C. McCracken, each of whom are executive officers of the Company, as my true and lawful attorneys-in-fact, each with power of substitution, with full power to act without the other and on behalf of and as attorney for me, for the purpose of executing and filing with the Securities and Exchange Commission a registration statement on Form S-8, and any and all amendments thereto, in connection with the registration of an additional 1,500,000 shares of the Company's Common Stock for the supplemental funding of the Company's 1995 Employee Stock Incentive Plan, and to do all such other acts and execute all such other instruments which said attorney may deem necessary or desirable in connection therewith.

I have executed this Limited Power of Attorney as of January 19, 2000.

/s/ William A. Schreyer

William A. Schreyer

LIMITED POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Yotaro Kobayashi, a member of the Board of Directors of Callaway Golf Company, a Delaware corporation (the "Company"), with its principal executive offices in Carlsbad, California, do hereby constitute, designate and appoint each of Charles J. Yash and Steven C. McCracken, each of whom are executive officers of the Company, as my true and lawful attorneys-in-fact, each with power of substitution, with full power to act without the other and on behalf of and as attorney for me, for the purpose of executing and filing with the Securities and Exchange Commission a registration statement on Form S-8, and any and all amendments thereto, in connection with the registration of an additional 1,500,000 shares of the

Company's Common Stock for the supplemental funding of the Company's 1995 Employee Stock Incentive Plan, and to do all such other acts and execute all such other instruments which said attorney may deem necessary or desirable in connection therewith.

I have executed this Limited Power of Attorney as of January 19, 2000.

/s/ Yotaro Kobayashi

Yotaro Kobayashi

CALLAWAY GOLF COMPANY
1995 EMPLOYEE STOCK INCENTIVE PLAN

(As Amended and Restated November 18, 1999)

1. Purposes of the Plan

The purpose of this 1995 Employee Stock Incentive Plan (the "Plan") of Callaway Golf Company, a Delaware corporation (the "Company"), is to provide for grants of stock options and other stock-based incentive awards to broad classes of employees of the Company and its Subsidiaries, thereby helping to retain and motivate such employees, and to encourage the judgment, initiative and efforts of such employees by further aligning their interests with those of the shareholders of the Company.

2. Plan Awards

To carry out the purposes of the Plan, the Company will from time to time enter into various arrangements with persons eligible to participate therein and confer various benefits upon them. The following such arrangements or benefits are authorized under the Plan if their terms and conditions are not inconsistent with the provisions of the Plan: Stock Options, Restricted Stock, Sales of Securities, Stock Bonuses, Performance Shares, Performance Units, Stock Appreciation Rights, Phantom Stock, Dividend Equivalents and Other Stock-Based Benefits. Such arrangements and benefits pursuant to the Plan are sometimes herein referred to as "Awards." The authorized categories of benefits for which Awards may be granted are defined as follows:

Stock Options: A Stock Option is a right granted under the Plan to purchase a specified number of shares of Common Stock at such exercise price, at such times, and on such other terms and conditions as are specified in the Award. A Stock Option may but need not (a) provide for the payment of some or all of the option exercise price in cash or by promissory note or by delivery of previously owned shares (including the technique known as "pyramiding") or other property or by withholding some of the shares that are being purchased; (b) include arrangements to facilitate the grantee's ability to borrow funds for payment of the exercise price; or (c) be an Incentive Stock Option.

Restricted Stock: Restricted Stock is Common Stock sold under the Plan (other than through the exercise of a Stock Option) at a substantial discount from its Fair Market Value or at its par value, but subject during specified periods of time to such restrictions on its transferability and repurchase rights as are expressed in the Award and as may constitute a substantial condition of forfeiture while in effect.

Sales of Securities: A Sale of Securities is a sale under the Plan of unrestricted shares of Common Stock or of debt or other securities that are convertible

into shares of Common Stock upon such terms and conditions as may be established in the terms of the Award.

Stock Bonuses: A Stock Bonus is the issuance or delivery of unrestricted or restricted shares of Common Stock under the Plan as a bonus for services rendered or for any other valid consideration under applicable law.

Performance Shares: A Performance Share is an Award that represents a fixed number of shares of Common Stock that vest at a specified time or over a period of time in accordance with performance criteria established in connection with the granting of the Award. Such criteria may measure the performance of the grantee, of the business unit in which the grantee is employed, or of the Company, or a combination of any of the foregoing. The vested portion of the Award is payable to the grantee either in the shares it represents or in cash in an amount equal to the Fair Market Value of those shares on the date of vesting, or a combination thereof, as specified in the Award.

Performance Units: A Performance Unit is an Award that represents a fixed amount of cash that vests at a specified time or over a period of time in accordance with performance criteria established in connection with the granting of the Award. Such criteria may measure the performance of the grantee, of the business unit in which the grantee is employed, or of the Company, or a combination of any of the foregoing. The vested portion of the Award is payable to the grantee either in cash or in shares valued at their Fair Market Value on the date of vesting, or a combination thereof, as specified in the Award.

Stock Appreciation Rights: A Stock Appreciation Right is a right granted under the Plan to receive a payment that is measured with reference to the amount by which the Fair Market Value of a specified number of shares of Common Stock appreciates from a specified date, such as the date of grant of the Award, to the date of exercise. Payment of a Stock Appreciation Right may be made in cash or in shares valued at their Fair Market Value on the date of exercise, or a combination thereof, as specified in the Award. A Stock Appreciation Right may but need not be granted in tandem with a Stock Option and require the surrender of that Stock Option or a portion thereof in connection with the exercise of the Stock Appreciation Right.

Phantom Stock: Phantom Stock is a cash bonus granted under the Plan measured by the Fair Market Value of a specified number of shares of Common Stock on a specified date, or measured by the excess of such Fair Market Value over a specified minimum, which may but need not include a Dividend Equivalent.

Dividend Equivalents: A Dividend Equivalent is a right granted under the Plan to receive an amount in cash equivalent to the dividends that are paid, if any, on a specified number of shares of Common Stock during a certain period of time.

Other Stock-Based Benefits: An Other Stock-Based Benefit is any arrangement granted under the Plan not otherwise described above that (a) by its terms might involve the issuance or sale of Common Stock or (b) involves a benefit that is measured, in whole or in part, by the value, appreciation, dividend yield or other features attributable to a specified number of shares of Common Stock.

An Award may consist of one such arrangement or benefit or two or more of them in tandem or in the alternative. Subject to the provisions of the Plan, any Award granted pursuant to the Plan may contain such additional terms and provisions as those administering the Plan for the Company may consider appropriate. Among other things, any such Award may but need not also provide for (i) the satisfaction of any applicable tax withholding obligation by the retention of shares to which the grantee would otherwise be entitled or by the grantee's delivery of previously owned shares or other property and (ii) acceleration of vesting, lapse of restrictions, cash settlement or other adjustment to the terms of the Award in the event of a merger, sale of assets or change of control of the Company.

3. Stock Subject to the Plan

The kind and maximum number of shares of stock that may be sold or issued under the Plan, whether upon exercise of Stock Options or in settlement of other Awards, shall be 7,100,000 shares of Common Stock (this number reflects all stock splits through November 18, 1999, and is subject to further adjustments set forth hereinbelow). If the outstanding shares of stock of the class then subject to the Plan are increased or decreased, or are changed into or are exchanged for a different number or kind of shares or securities or other forms of consideration, as a result of one or more recapitalizations, restructurings, reclassifications, stock splits, reverse stock splits, stock dividends or the like, appropriate adjustments shall be made in the number and/or kind of shares or securities or other forms of consideration which may thereafter be sold or issued under the Plan and for which Awards (including Incentive Stock Options) may thereafter be granted and for which outstanding Awards previously granted under the Plan may thereafter be exercised or settled.

If, on or before termination of the Plan, any shares of Common Stock subject to an Award shall not be issued or transferred and shall cease to be issuable or transferable for any reason, or if such shares shall have been reacquired by the Company pursuant to restrictions imposed on such shares under the Plan or the terms of an Award, the shares not so issued or transferred and the shares so reacquired shall no longer be charged against the limitation provided for in this Section 3 and may be again made the subject of Awards under the Plan. The shares of stock sold or issued under the Plan may be obtained from the Company's authorized but unissued shares, from reacquired or treasury shares, or from outstanding shares acquired in the market or from private sources.

4. Administration of the Plan

(a) The Plan shall be administered by the Board of Directors of the Company (the "Board") or, in the discretion of the Board, a committee appointed thereby (the "Committee"). Subject to the provisions of the Plan, the Board, or the Committee, shall have full and final authority in its discretion to select the eligible persons to whom Awards shall be granted hereunder, to grant such Awards, to determine the terms and provisions of such Awards and the number of shares to be sold or issued pursuant thereto. The Board (and the Committee) shall also be empowered with full and final authority to adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan. The Board or the Committee, as the case may be, may delegate to Company officers or others its authority with respect to any Awards that may be granted to eligible persons under the Plan, subject to applicable legal requirements. The interpretation and construction by the Board or the Committee of any term or provision of the Plan or of any Award granted thereunder shall be final and binding upon all participants in the Plan.

(b) Pursuant to the authority described above, the Board or the Committee may adopt such amendments to, and rules and regulations governing, the Plan as may be considered advisable for purposes of compliance with applicable federal or state securities laws. The Board of Directors has established the following rules applicable to all Awards made pursuant to the Plan: No Award granted hereunder (other than an Award expressly granting unrestricted shares) may be transferred by the grantee except (i) by will or the laws of descent and distribution, (ii) upon dissolution of marriage pursuant to a qualified domestic relations order or division of community or marital property or (iii) with the express written approval of the Board or Committee in its sole discretion. No such permitted transfer shall, by itself, affect any vesting restrictions that then apply to the Award.

(c) The Company may assist any person to whom an Award is granted hereunder in the payment of the purchase price or other amounts payable in connection with the receipt or exercise of that Award, by lending such amounts to such person on such terms and at such rates of interest and upon such security (if any) as shall be approved by the Board or the Committee.

5. Persons Eligible to Participate

Any person who is an employee, consultant or advisor of the Company or any of its Subsidiaries and who is not an Officer of the Company may be eligible to be considered for the grant of Awards under the Plan, as determined by the Board or the Committee in its discretion.

6. Plan Effectiveness and Duration

The Plan shall become effective as of the date designated by the Board. Unless previously terminated by the Board, the Plan shall expire ten years after its

effective date, but such expiration shall not affect any Award previously made or granted that is then outstanding.

7. Amendment and Termination

The Board may amend, alter or discontinue the Plan or an agreement evidencing an Award granted under the Plan, but no amendment or alteration shall be made that would affect any Award previously made or granted that is then outstanding, without the grantee's consent; provided, however, that no such consent shall be required if the Board determines in its sole discretion that such amendment or alteration is not reasonably likely to significantly diminish the benefits provided under such Award or that any such diminishment has been adequately compensated. Notwithstanding the foregoing, if an amendment to the Plan would affect the ability of any Stock Options granted under the Plan to comply with Section 422 or other applicable provisions of the Internal Revenue Code (the "Code"), and if the Committee determines that it is necessary or desirable for any Stock Options theretofore or thereafter granted that are intended to comply with any such provision to so comply, or otherwise is required under any applicable law, rule or regulation, the amendment shall be approved by the Company's shareholders to the extent required for such Stock Options to continue to comply with Section 422 of the Code, or other applicable provisions of or rules under the Code.

8. Certain Definitions

The authorized categories of benefits for which Awards may be granted under the Plan are defined in Section 2 above. In addition, the following terms used in the Plan shall have the following meanings:

Common Stock: Common Stock is the Company's common stock, as constituted on the effective date of the Plan, and as thereafter adjusted as a result of any one or more events requiring adjustment of outstanding Awards under Section 3 above.

Fair Market Value: The Fair Market Value of shares of stock shall be calculated (a) during such time as the Company is not a publicly-traded company, by the Board based on its good faith determination, and (b) at such times as the Company is publicly-traded, on the basis of the closing price of stock of that class on the day in question (or, if such day is not a trading day in the U.S. securities markets, on the nearest preceding trading day), as reported with respect to the principal market (or the composite of the markets, if more than one) in which such shares are then traded; or, if no such closing prices are reported, on the basis of the mean between the high bid and low asked prices that day on the principal market or national quotation system on which such shares are then quoted; or, if not so quoted, as furnished by a professional securities dealer making a market in such shares selected by the Board or the Committee; or if no such dealer is available, then the Fair Market Value shall be determined in good faith by the Board.

Incentive Stock Option: An Incentive Stock Option is a Stock Option that qualifies as an "incentive stock option" as defined under Section 422 (or any applicable successor provisions) of the Code and that includes an express provision that it is intended to be an Incentive Stock Option.

Subsidiary: A Subsidiary of the Company is any corporation, partnership or other entity in which the Company directly or indirectly owns 50% or more of the total combined power to cast votes in the election of directors, trustees, managing partners or similar officials.