**INCENTIVE PLAN**

**Featured Incentive Plans**

WARREN RESOURCES, INC.

 2001 KEY EMPLOYEE STOCK INCENTIVE PLAN

1. PURPOSE.

 This 2001 Key Employee Stock Incentive Plan (the "Plan") is intended as an

incentive to encourage stock ownership by certain key employees (including

officers) of WARREN RESOURCES, INC. (the "Company"), or of its subsidiary

corporations (the "Subsidiaries," as that term is defined in Section 424(f) of

the Internal Revenue Code of 1986, as amended from time to time), so that they

may acquire or increase their proprietary interest in the success of the Company

and the Subsidiaries, and to encourage them to remain in the employ of the

Company or of the Subsidiaries. The Plan is designed to meet this intent by

offering performance-based stock and cash incentives and other equity based

incentive awards, thereby providing a proprietary interest in pursuing the

long-term growth, profitability and financial success of the Company.

2. DEFINITIONS.

 For purposes of this Plan, the following terms shall have the meanings set

forth below:

 (a) "Award" or "Awards" means an award or grant made to a Participant under

Sections 6 through 8, inclusive, of the Plan.

 (b) "Board" means the Board of Directors of the Company.

 (c) "Code" means the Internal Revenue Code of 1986, as amended, together

with the regulations promulgated thereunder.

 (d) "Committee" means the Compensation Committee of the Board, or any

committee of the Board performing similar functions, constituted as provided in

Section 3 of the Plan.

 (e) "Common Stock" means the Common Stock of the Company or any security of

the Company issued in substitution, exchange or lieu thereof.

 (f) "Company" means Warren Resources, Inc., a New York corporation, or any

successor corporation.

 (g) "Deferred Compensation Stock Option" means any Stock Option granted

pursuant to the provisions of Section 6 of the Plan that is specifically

designated as such.

 (h) "Disability" means a total and permanent disability as defined in the

Company's long-term disability plan, or if the Company has no long-term

disability plan in effect at the time of a Participant's disability,

"disability" shall have the meaning provided in Section 22(e)(3) of the Code.

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 (i) "Exchange Act" means the Securities Exchange Act of 1934, as amended

and in effect from time to time, or any successor statute.

 (j) "Fair Market Value" means at any given time on any given date (i) the

closing price of the Common Stock on any established national exchange or

exchanges for the immediately prior trading day on which there was a sale of

such stock, or (ii) if the Common Stock is not listed on an established stock

exchange, the closing bid price of the Common Stock in the New York

over-the-counter market as reported by the National Association of Securities

Dealers, Inc. for such trading date. For example, prior to closing of the market

on any given business day, Fair Market Value would be the closing price on the

preceding trading day on which there was a trade. After closing of the market on

any given business day, Fair Market Value would be the closing price on that

same day if there was a trade.

 (k) "Immediate Family Member" means the spouse, children or grandchildren

of a Participant.

 (l) "Incentive Stock Option" means any Stock Option (as defined below) that

is intended to be and is specifically designated as an "incentive stock option"

within the meaning of Section 422 of the Code.

 (m) "Nonqualified Stock Option" means any Stock Option granted pursuant to

the provisions of Section 6 of the Plan that is not an Incentive Stock Option.

 (n) "Participant" means a key employee (including an officer) of the

Company or a Subsidiary, who from time to time shall be designated by the

Committee and in all such cases who is also granted an Award under the Plan. No

member of the Committee shall be eligible to be a Participant.

 (o) "Plan" means this Warren Resources, Inc. 2001 Key Employee Stock

Incentive Plan as set forth herein and as it may be hereafter amended.

 (p) "Restricted Award" means an Award granted pursuant to the provisions of

Section 8 of the Plan.

 (q) "Restricted Stock Grant" means an Award of shares of Common Stock

granted pursuant to the provisions of Section 8 of the Plan.

 (r) "Restricted Unit Grant" means an Award of units representing shares of

Common Stock granted pursuant to the provisions of Section 8 of the Plan.

 (s) "Stock Appreciation Right" means an Award to benefit from the

appreciation of Common Stock granted pursuant to the provisions of Section 7 of

the Plan.

 (t) "Stock Option" means an Award to purchase shares of Common Stock

granted pursuant to the provisions of Section 6 of the Plan.

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 (u) "Subsidiary" means a "subsidiary corporation" within the meaning of

Section 424(f) of the Code.

 (v) "Ten Percent Shareholder" means a person who owns (or is considered to

own after taking into account the attribution of ownership rules of Section

424(d) of the Code) more than ten percent (10%) of the total combined voting

power of all classes of stock of the Company or any of its Subsidiaries.

3. ADMINISTRATION.

 (a) The Plan shall be administered by the Committee, as appointed from time

to time by the Board. The Board may from time to time remove members from, or

add members to, the Committee. The Committee shall be comprised solely of two or

more members of the Board who are "non-employee directors" as defined in Rule

16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission

("SEC") under the Exchange Act as it may be amended from time to time, or any

successor rule, and who are "outside directors" within the meaning of Treasury

Regulation Section 1.162-27(e)(3) and the delegation of powers to the Committee

shall be consistent with applicable laws and regulations (including, without

limitation, applicable state law and Rule 16b-3).

 (b) Unless otherwise provided in the By-Laws of the Company, by resolution

of the Board of Directors or applicable law, a majority of the members of the

Committee shall constitute a quorum for the transaction of business and action

approved in writing by a majority of the members of the Committee then serving

shall be as effective as if the action had been taken by unanimous vote at a

meeting duly called and held.

 (c) The Committee is authorized to construe and interpret the Plan, to

promulgate, amend, and rescind rules and procedures relating to the

implementation of the Plan, and to make all other determinations necessary or

advisable for the administration of the Plan. Any determination, decision, or

action of the Committee in connection with the construction, interpretation,

administration, or application of the Plan shall be binding upon all

Participants and any person validly claiming under or through any Participant

and any Award under this Plan will be made only if the Committee decides in its

sole and absolute discretion that the Participant or any persons validly

claiming through any Participant is entitled to such award. In the event of a

disagreement as to the interpretation of the Plan or any agreements issued

hereunder as to any right or obligation arising from or related to the Plan, the

decision of the Committee shall be final and binding.

 (d) The Committee may designate persons other than members of the Committee

to carry out its responsibilities under such conditions and limitations as it

may prescribe, except that the Committee may not delegate its authority to grant

Awards to persons subject to Section 16 of the Exchange Act. The Committee is

specifically authorized to give authority to the Company's chief executive

officer within specified written limits to grant Awards to new employees of the

Company in connection with their hiring, which written limits may be changed

from time to time by the Committee in its sole discretion.

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 (e) The Committee is expressly authorized to make modifications to the Plan

as necessary to effectuate the intent of the Plan as a result of any changes in

the tax, accounting, or securities laws treatment of Participants and the Plan,

subject to those restrictions that are set forth in Section 13 below.

 (f) The Company shall effect the granting of Awards under the Plan, in

accordance with the determinations made by the Committee by execution of

instruments in writing as specified in Section 14(d) below in such form as

approved by the Committee.

4. ELIGIBILITY.

 Persons eligible for Awards under the Plan shall consist of key employees

(including officers) of the Company or its Subsidiaries. Such Awards shall cover

such numbers of shares of Common Stock as the Committee may determine in its

sole discretion; provided, however that if on the date of grant of an Award, any

class of Common stock of the Company (including without limitation the Common

Stock) is required to be registered under Section 12 of the Exchange Act, the

maximum number of shares subject to an Award that may be granted to a

Participant during any calendar year under the Plan shall be 750,000 shares (the

"Section 162 Maximum").

5. DURATION OF AND COMMON STOCK SUBJECT TO PLAN.

 (a) Term. The Plan was adopted by the Board on September 6, 2001. Subject

to Section 13 below, the Plan shall terminate on September 5, 2011, except with

respect to Awards then outstanding, including Reload Options on Awards then

outstanding, and no Award may be granted under the Plan after that date.

 (b) Shares of Common Stock Subject to Plan. The maximum number of shares of

Common Stock in respect of which Awards may be granted under the Plan (the "Plan

Maximum") shall be 2,500,000, subject to adjustment as provided in Section 11

below. Common Stock issued under the Plan may be either authorized and unissued

shares or treasury shares. The following terms and conditions shall apply to

Common Stock subject to the Plan:

 (i) In no event shall more than the Plan Maximum be cumulatively

 available for Awards under the Plan;

 (ii) For the purpose of computing the total number of shares of Common

 Stock available for Awards under the Plan, there shall be counted against

 the foregoing limitations (A) the number of shares of Common Stock subject

 to issuance upon exercise or settlement of Awards (regardless of vesting),

 and (B) the number of shares of Common Stock which equal the value of

 Restricted Unit Grants or Stock Appreciation Rights determined at the dates

 on which such Awards are granted;

 (iii) If any Awards are forfeited, terminated, expire unexercised,

 settled in cash in lieu of stock or exchanged for other Awards, the shares

 of Common Stock which were previously subject to the Awards shall again be

 available for Awards under the Plan to the extent of such forfeiture,

 termination, expiration, cash settlement or exchange; and

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 (iv) Any shares of Common Stock which are used as full or partial

 payment to the Company by a Participant of the purchase price of shares of

 Common Stock upon exercise of a Stock Option shall again be available for

 Awards under the Plan.

6. STOCK OPTIONS.

 Stock Options granted under the Plan may be in the form of Incentive Stock

Options, Non-Qualified Stock Options or Deferred Compensation Stock Options.

Stock Options shall be subject to the following terms and conditions, and each

Stock Option shall contain such additional terms and conditions, not

inconsistent with the express provisions of the Plan, as the Committee shall

deem desirable:

 (a) Grant. Stock Options shall be granted separately. In no event will

Stock Options or Awards be issued in tandem whereby the exercise of one affects

the right to exercise the other.

 (b) Stock Option Price. The exercise price per share of Common Stock

purchasable under a Stock Option shall be determined by the Committee at the

time of grant, provided that in no event shall the exercise price of an

Incentive Stock Option, or of any option intended to comply with the

performance-based compensation exemption to the deduction limitations of Section

162(m) of the Code, be less than one hundred percent (100%) of the Fair Market

Value of the Common Stock on the date of the grant of the Stock Option. In the

case of a Ten Percent Shareholder, the exercise price of an Incentive Stock

Option shall be not less than one hundred ten percent (110%) of the Fair Market

Value of the Common Stock on the date of the grant.

 (c) Option Term. The term of each Stock Option, other than an Incentive

Stock Option, shall be fixed by the Committee. The term of Incentive Stock

Options shall not exceed ten (10) years after the date the Incentive Stock

Option is granted, and the term of any Incentive Stock Options granted to Ten

Percent Shareholders shall not exceed five (5) years after the date of the

grant.

 (d) Exercisability.

 (i) Incentive Stock Options and Nonqualified Stock Options shall be

 exercisable in installments as determined by the Committee in its sole

 discretion, and shall be subject to such other terms and conditions as the

 Committee shall determine at the date of grant; provided that if not

 otherwise determined by the Committee, Incentive Stock Options and

 Nonqualified Stock Options may be exercised as to twenty-five percent (25%)

 of the shares covered thereby beginning on the first anniversary date of

 the date of grant (hereinafter, an "Anniversary Date") and thereafter an

 additional fifty percent (50%) on the second Anniversary Date, and an

 additional twenty-five percent (25%) on the third Anniversary Date, except

 as otherwise provided in Sections 9 and 12.

 (ii) Reload Options shall become exercisable in accordance with

 Section 6(i)(iii) hereof.

 (iii) Deferred Compensation Stock Options shall become exercisable in

 accordance with the terms of the grant thereof as established by the

 Committee.

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 (e) Method of Exercise. Subject to applicable exercise restrictions set

forth in Section 6(d) above, a Stock Option may be exercised, in whole or in

part, by giving written notice of exercise to the Company specifying the number

of shares to be purchased. The notice shall be accompanied by payment in full of

the purchase price. The purchase price may be paid by any of the following

methods, subject to the restrictions set forth in Section 6(f) hereof:

 (i) in cash, by certified or cashier's check, by money order or by

 personal check (if approved by the Committee) of an amount equal to the

 aggregate purchase price of the shares of Common Stock to which such

 exercise relates; or

 (ii) if acceptable to the Committee, by delivery of shares of Common

 Stock already owned by the Participant and held by the Participant for a

 minimum of six months, which shares, including any cash tendered therewith,

 have an aggregate Fair Market Value equal to the aggregate purchase price

 of the shares of Common Stock to which such exercise relates; or

 (iii) the Committee may, in its sole discretion, permit payment of

 this exercise price by delivery by the Participant of a properly executed

 notice, together with a copy of the Participant's irrevocable instruction

 to a broker acceptable to the Committee to deliver promptly to the Company

 the amount of sale or loan proceeds sufficient to pay such exercise price.

 In connection therewith, the Company may enter into agreements for

 coordinated procedures with one or more brokerage firms.

 In no case may a fraction of a share of Common Stock be purchased or issued

under the Plan.

 (f) Restrictions on Method and Timing of Exercise. Notwithstanding the

foregoing provisions, the Committee, in granting Stock Options pursuant to the

Plan, may limit the timing or methods by which a Stock Option may be exercised

by any person or waive all or any portion of such limits on timing or methods,

and, in processing any purported exercise of a Stock Option granted pursuant to

the Plan, may refuse to recognize the timing or methods of exercise selected by

the Participant if, in the opinion of counsel to the Company, there is a

substantial risk that such exercise could result in the violation of any then

applicable rules or regulations, including federal or state securities laws.

Furthermore, no Incentive Stock Option may be exercised in accordance with the

method of exercise set forth in subsections 6(e)(ii) and 6(e)(iii) above unless,

in the opinion of counsel to the Company, such exercise would not have a

material adverse effect upon the incentive stock option tax treatment of any

outstanding Incentive Stock Options or Incentive Stock Options (other than the

particular option or options then exercised in accordance with such subsection

6(e)(ii)) which may be granted pursuant to the Plan in the future.

 (g) Transferability of Nonqualified Stock Options. The Committee may, in

its discretion, authorize all or a portion of any Nonqualified Stock Option to

be on terms which permit transfer by the Participant to (i) Immediate Family

Members, (ii) a trust or trusts for the exclusive benefit of Immediate Family

Members, (iii) a charitable trust or trusts created or controlled by the

Participant, or (iv) a partnership in which Immediate Family Members are the

only partners, provided that (x) there may be no consideration for any such

transfer, (y) the transfer must be approved by the Committee in a manner

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consistent with this Section, and (z) subsequent transfers of transferred

Options shall be prohibited except to a transferee to whom the Participant could

have transferred the Option pursuant to this Section 6(g) or by will or the laws

of descent and distribution, after which assignment, Section 9 hereof shall

apply to exercise of the Option by the assignee. Following transfer, any such

Options shall continue to be subject to the same terms and conditions as were

applicable immediately prior to transfer, provided that for all purposes hereof

the term Participant shall be deemed to refer to the transferee. The events of

termination of employment of Section 9 hereof shall continue to be applied with

respect to the original Participant, following which events the Options shall be

exercisable by the transferee only to the extent, and for the periods specified

in Section 9.

 (h) Tax Withholding. In addition to the alternative methods of exercise set

forth in Section 6(e), holders of Nonqualified Stock Options, subject to the

discretion of the Committee, may be entitled to elect at or prior to the time

the exercise notice is delivered to the Company, to have the Company withhold

from the shares of Common Stock to be delivered upon exercise of the

Nonqualified Stock Option the number of shares of Common Stock (determined based

on the Fair Market Value) that is necessary to satisfy any withholding taxes

attributable to the exercise of the Nonqualified Stock Option so long as the

amount withheld does not exceed the Company's minimum statutory tax withholding

attributable to the underlying transaction. If withholding is made in shares of

Common Stock pursuant to the method set forth above, the Committee, in its

discretion, may grant "Reload Options" (as defined and on the terms specified in

Section 6(i) below) for the number of shares so withheld. Notwithstanding the

foregoing provisions, a holder of a Nonqualified Stock Option may not elect to

satisfy his or her withholding tax obligation in respect of any exercise as

contemplated above if, in the opinion of counsel to the Company, there is

substantial risk that such election could result in a violation of any then

applicable rules or regulations, including federal or state securities law, or

such withholding would have an adverse tax or accounting effect on the Company.

 (i) Grant of Reload Options. Whenever the Participant holding any Incentive

Stock Option or Nonqualified Stock Option (the "Original Option") outstanding

under this Plan (including any "Reload Options" granted under the provisions of

this Section 6(i)) exercises the Original Option and makes payment of the option

price by tendering shares of the Common Stock previously held by him or her

pursuant to Section 6(e)(ii) hereof, then the Committee may grant a reload

option (the "Reload Options") for that number of additional shares of Common

Stock which is equal to the number of shares tendered by the Participant in

payment of the option price for the Original Option being exercised. All such

Reload Options granted hereunder shall be on the following terms and conditions:

 (i) The Reload Option price per share shall be an amount equal to the

 then current Fair Market Value per share of the Common Stock, determined as

 of the time and date of the Company's receipt of the exercise notice for

 the Original Option;

 (ii) The option exercise period shall expire, and the Reload Option

 shall no longer be exercisable, on the expiration of the option period of

 the Original Option or two (2) years from the date of the grant of the

 Reload Option, whichever is later;

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 (iii) Any Reload Option granted under this Section 6(i) shall vest and

 first become exercisable one (1) year following the date of exercise of the

 Original Option; and

 (iv) All other terms of Reload Options granted hereunder shall be

 identical to the terms and conditions of the Original Option, the exercise

 of which gives rise to the grant of the Reload Option.

 (j) Special Rule for Incentive Stock Options. With respect to Incentive

Stock Options granted under the Plan, the aggregate Fair Market Value of the

Common Stock with respect to which Incentive Stock Options are exercisable for

the first time by a Participant during any calendar year under all stock option

plans of the Company or its Subsidiaries shall not exceed one hundred thousand

dollars ($100,000). The Fair Market Value of any Common Stock shall be

determined as of the time the option with respect to such stock is granted or

such other time as may be required by Section 422(d) of the Code, as such

section of the Code may be amended from time to time.

 (k) Deferred Compensation Stock Options. Deferred Compensation Stock

Options are intended to provide a means by which compensation payments can be

deferred to future dates. The number of shares of Common Stock subject to a

Deferred Compensation Stock Option shall be determined by the Committee, in its

sole discretion, in accordance with the following formula:

 Amount of Compensation to be Deferred = Number of Shares

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 Fair Market Value - Stock Option Exercise Price

Amounts of compensation deferred may include amounts earned under Awards granted

under the Plan or under any other compensation plan, program, or arrangement of

the Company as permitted by the Committee.

 (l) Incentive Stock Options. Notwithstanding anything in the Plan to the

contrary, no term of this Plan relating to Incentive Stock Options shall be

interpreted, amended, or altered, nor shall any discretion or authority granted

under the Plan be so exercised, so as to disqualify the Plan under Section 422

of the Code. To the extent permitted under Section 422 of the Code or applicable

regulations thereunder or any applicable Internal Revenue Service

pronouncements:

 (i) to the extent that any portion of any Incentive Stock Option that

 first becomes exercisable during any calendar year exceeds the $100,000

 limitation contained in Section 422(d) of the Code set forth in Section

 6(j) above, such excess portion shall be treated as a Nonqualified Stock

 Option; and

 (ii) if the vesting period or exercisability of an Incentive Stock

 Option is accelerated, any portion of such Option that exceeds the $100,000

 limitation set forth in Section 6(j) above shall be treated as a

 Nonqualified Stock Option.

Even if the shares of Common Stock which are issued upon exercise of any

Incentive Stock Option are sold or exchanged within one year following the

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exercise of that Incentive Stock Option such that the sale constitutes a

disqualifying disposition for Incentive Stock Option treatment under the Code,

no provision of this Plan shall be construed as prohibiting such a sale.

7. STOCK APPRECIATION RIGHTS.

 The grant of Stock Appreciation Rights under the Plan shall be subject to

the following terms and conditions, and shall contain such additional terms and

conditions, not inconsistent with the express terms of the Plan, as the

Committee shall deem desirable:

 (a) Stock Appreciation Rights. A Stock Appreciation Right is an Award

entitling a Participant to receive an amount equal to (or if the Committee shall

determine at the time of grant, less than) the excess of the Fair Market Value

of a share of Common Stock on the date of exercise over the Fair Market Value of

a share of Common Stock on the date of grant of the Stock Appreciation Right,

multiplied by the number of shares of Common Stock with respect to which the

Stock Appreciation Right shall have been exercised.

 (b) Grant. A Stock Appreciation Right shall be granted separately. In no

event will Stock Appreciation Rights and other Awards be issued in tandem

whereby the exercise of one such Award affects the right to exercise the other.

 (c) Exercise. A Stock Appreciation Right may be exercised by a Participant

in accordance with procedures established by the Committee, except that in no

event shall a Stock Appreciation Right be exercisable prior to the first

Anniversary Date of the date of grant. To the extent, in the opinion of counsel,

it would not subject such Participant to a substantial risk of liability under

Section 16 of the Exchange Act, the Committee, in its discretion, may provide

that a Stock Appreciation Right shall be automatically exercised on one or more

specified dates, or that a Stock Appreciation Right may be exercised during only

limited time periods.

 (d) Form of Payment. Payment to a Participant upon exercise of a Stock

Appreciation Right may be made (i) in cash, by certified or cashier's check, by

money order or by personal check (if approved by the Committee) (ii) in shares

of Common Stock, (iii) in the form of a Deferred Compensation Stock Option, or

(iv) any combination of the above, as the Committee shall determine. The

Committee may elect to make this determination either at the time the Stock

Appreciation Right is granted, or with respect to payments contemplated in

clauses (i) and (ii) above, at the time of the exercise.

8. STOCK GRANTS AND RESTRICTED AWARDS

 Restricted Awards granted under the Plan may be in the form of either

Restricted Stock Grants or Restricted Unit Grants. Restricted Awards shall be

subject to the following terms and conditions, and may contain such additional

terms and conditions, not inconsistent with the express provisions of the Plan,

as the Committee shall deem desirable.

 (a) Restricted Stock Grants. A Restricted Stock Grant is an Award of shares

of Common Stock transferred to a Participant subject to such terms and

conditions as the Committee deems appropriate, as set forth in Section 8 (d)

below. As a condition to the grant of Restricted Stock to any Participant who,

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at the date of grant, has not been employed by the Company and has not performed

services for the Company, the Committee shall require such Participant to pay at

least an amount equal to the par value of the shares of Common Stock subject to

the Restricted Stock Grant within thirty (30) days of the date of the grant, and

failure to pay such amount shall result in an automatic termination of the

Restricted Stock Grant.

 (b) Restricted Unit Grants. A Restricted Unit Grant is an Award of units

granted to a Participant subject to such terms and conditions as the Committee

deems appropriate, including, without limitation, the requirement that such

Participant forfeit such units upon termination of employment for specified

reasons within a specified period of time, and restrictions on the sale,

assignment, transfer or other disposition of the units. Subject to the

discretion of the Committee at the time a Restricted Unit Grant is awarded to a

Participant, a unit will have a value (i) equivalent to one share of Common

Stock, or (ii) equivalent to the excess of the Fair Market Value of a share of

Common Stock on the date the restriction lapses over the Fair Market Value of a

share of Common Stock on the date of the grant of the Restricted Unit Grant (or

over such other value as the Committee determines at the time of the grant).

 (c) Grant of Awards. Restricted Awards shall be granted separately under

the Plan in such form and on such terms and conditions as the Committee may from

time to time approve. Restricted Awards, however, may not be granted in tandem

with other Awards whereby the exercise of one such Award affects the right to

exercise the other. Subject to the terms of the Plan, the Committee shall

determine the number of Restricted Awards to be granted to a Participant and the

Committee may impose different terms and conditions on any particular Restricted

Award made to any Participant. Each Participant receiving a Restricted Stock

Grant shall be issued a stock certificate in respect of the shares of Common

Stock. The certificate shall be registered in the name of the Participant, shall

be accompanied by a stock power duly executed by the Participant, and shall bear

an appropriate legend referring to the terms, conditions and restrictions

applicable to the Award. The certificate evidencing the shares shall be held in

custody by the Company until the restrictions imposed thereon shall have lapsed

or been removed.

 (d) Restriction Period. Restricted Awards shall provide that, in order for

a Participant to vest in the Awards, the Participant must continuously provide

services for the Company or its Subsidiaries, subject to relief for specified

reasons, for a period of not less than two (2) years (or one year if the

Restricted Award is performance based) commencing on the date of the Award and

ending on such later date or dates as the Committee may designate at the time of

the Award ("Restriction Period"). During the Restriction Period, a Participant

may not sell, assign, transfer, pledge, encumber, or otherwise dispose of shares

of Common Stock received under a Restricted Stock Grant. Upon expiration of the

applicable Restriction Period (or lapse of restrictions during the Restriction

Period where the restrictions lapse in installments), the Participant shall be

entitled to receive his or her Restricted Award or the applicable portion

thereof, as the case may be, along with a return of the stock power executed by

the Participant once the restriction has fully lapsed. Upon termination of a

Participant's employment with the Company or any Subsidiary for any reason

during the Restriction Period, all or a portion of the shares or units, as

applicable, that are still subject to a restriction may vest or be forfeited, in

accordance with the terms and conditions established by the Committee at or

after grant.

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 (e) Payment of Awards. A Participant shall be entitled to receive

payment for a Restricted Unit Grant (or portion thereof) in an amount equal to

the aggregate Fair Market Value of the units covered by the Award upon the

expiration of the applicable Restriction Period. Payment in settlement of a

Restricted Unit Grant shall be made as soon as practicable following the

conclusion of the respective Restriction Period (i) in cash, by certified or

cashier's check, by money order or by personal check (if approved by the

Committee), (ii) in shares of Common Stock equal to the number of units granted

under the Restricted Unit Grant with respect to which such payment is made,

(iii) in the form of a Deferred Compensation Stock Option, or (iv) in any

combination of the above, as the Committee shall determine. The Committee may

elect to make this determination either at the time the Award is granted, or

with respect to payments contemplated in clause (i) and (ii) above, at the time

the Award is settled.

 (f) Rights as a Shareholder. A Participant shall have, with respect to the

shares of Common Stock received under a Restricted Stock Grant, all of the

rights of a shareholder of the Company, including the right to vote the shares,

and the right to receive any cash dividends. Stock dividends issued with respect

to the shares covered by a Restricted Stock Grant shall be treated as additional

shares under the Restricted Stock Grant and shall be subject to the same

restrictions and other terms and conditions that apply to shares under the

Restricted Stock Grant with respect to which the dividends are issued.

 (g) Grants of Shares of Common Stock. The Committee may, in its discretion,

grant shares of Common Stock to a Participant under this Plan, with or without

restrictions, vesting requirements and/or conditions, such direct grants of

shares to come from the Company's authorized but unissued shares or treasury

shares available from time to time. As a condition to the grant of shares of

Common Stock to any Participant who at the date of grant has not been employed

by the Company and has not performed services for the Company, the Committee

shall require such Participant to pay at least an amount equal to the par value

of the shares of Common Stock to be granted that Participant.

9. TERMINATION OF EMPLOYMENT.

 The terms and conditions under which an Award may be exercised after a

Participant's termination of employment shall be determined by the Committee,

except as otherwise provided herein. The conditions under which such

post-termination exercises shall be permitted with respect to Incentive Stock

Options shall be determined in accordance with the provisions of Section 422 of

the Code and as otherwise provided in Section 6 above, provided that the

Committee, in its sole discretion, may change, by any agreement approved by the

Committee, the post-termination rights of a Participant, including accelerating

the dates upon which all or a portion of any outstanding unexercised Stock

Option held by a Participant may become vested or be exercised following such

termination of employment.

 (a) Termination by Death. Subject to Section 6(l), if a Participant's

employment by the Company or any Subsidiary terminates by reason of the

Participant's death or if the Participant's death occurs within three months

after the termination of his or her employment, any Award held by such

Participant immediately prior to the date of his or her death may thereafter be

exercised, to the extent such Award otherwise was exercisable by the Participant

immediately prior to the date of his or her death, by the legal representative

of the Participant's estate or by any person who acquired the Award by will or

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the laws of descent and distribution, for a period of one year from the date of

his or her death or until the expiration of the stated term of the Award,

whichever period is the shorter, provided, however, that the Committee, in its

discretion may specifically provide, either in any agreement providing for an

Award or in any employment contract or any other agreement approved by the

Committee, for the acceleration of the vesting and/or right of exercise under

any Award held by a Participant immediately prior to the date of his or her

death. Any right of exercise under an Award held by the Participant that after

termination by reason of the Participant's death is not then vested and

exercisable, or as a result thereof becomes vested and exercisable, shall be

terminated and extinguished.

 (b) Termination by Reason of Disability. Subject to Section 6(l), if a

Participant's employment by the Company or any Subsidiary terminates by reason

of Disability, any Award held by such Participant immediately prior to the date

of his or her Disability may thereafter be exercised by the Participant, to the

extent such Award otherwise was exercisable by the Participant immediately prior

to the date of his or her Disability for a period of one year from the date of

such termination of employment by reason of Disability, or until the expiration

of the stated term of such Award, whichever period is shorter; provided,

however, that if the Participant dies within such one-year period, any

unexercised Award held by such Participant shall thereafter be exercisable to

the extent to which it was exercisable immediately prior to the date of such

death for a period of one year from the date of his or her death or until the

expiration of the stated term of such Award, whichever period is shorter; and

provided further, that the Committee may, in its discretion specifically

provide, either in any agreement providing for an Award or in any employment

contract or any other agreement approved by the Committee for the acceleration

of the vesting and/or right of exercise under an Award held by a Participant

immediately prior to the time of termination of employment by reason of his or

her Disability. Any right of exercise under an Award held by the Participant

that, after termination by reason of Participant's Disability is not then vested

and exercisable, or as a result thereof becomes vested and exercisable, shall be

terminated and extinguished.

 (c) Other Termination. Subject to Section 6(l), if a Participant's

employment by the Company or any Subsidiary is terminated for any reason other

than death or Disability, any Award held by the Participant immediately prior to

the date of his or her termination shall be exercisable, to the extent otherwise

then exercisable, for the lesser period of three (3) months from the date of

such termination or the balance of the term of the Award, and any right of

exercise under any Award held by a Participant immediately prior to the time of

his or her termination that is not vested immediately after such date of

termination, shall be terminated and extinguished; provided, however, that the

Committee, in its discretion may specifically provide that, for Awards held

prior to the termination, vesting and/or exercise may be accelerated at or prior

to the time of termination, either in any agreement providing for an Award, or

in any employment contract or any other agreement approved by the Committee;

provided, however, that upon termination of employment upon retirement, if the

Participant continues to serve, or commences serving, as a director of the

Company, then in such event any Awards may continue to be held by the

Participant under the original terms thereof, with such modifications as the

Committee may determine in its discretion, with any Incentive Stock Options held

by such Participant to henceforth be treated as Nonqualified Stock Options.

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 (d) General Provisions. Unless otherwise specifically provided herein, the

Committee shall have the following discretion regarding the treatment of

outstanding Stock Options upon termination of employment:

 (i) Any Stock Option outstanding at the time of a Participant's

 retirement, termination of employment, Disability or death shall remain

 exercisable for such period of time thereafter as shall be determined by

 the Committee and set forth in the documents evidencing the grant of any

 Stock Option or in an employment or other agreement with such Participant,

 provided that no Stock Option shall be exercisable more than ten (10) years

 from the date of grant of the Original Option;

 (ii) The Committee shall have complete discretion, exercisable either

 at the time a Stock Option is granted or any time while the Stock Option

 remains outstanding, to extend the period of time for which the Stock

 Option is to remain exercisable following a Participant's termination of

 employment from the limited exercise period otherwise in effect for that

 Stock Option to such greater period of time as the Committee shall deem

 appropriate, but in no event to a date which is more than ten (10) years

 from the date of grant of the Original Option;

 (iii) The Committee shall have the complete discretion to permit a

 Stock Option to be exercised following a Participant's retirement,

 termination of employment, Disability or death not only with respect to the

 number of Stock Options which are then fully vested but also with respect

 to one or more additional installments in which the Participant would have

 vested had the Participant continued in the Company's employment.

10. NON-TRANSFERABILITY OF INCENTIVE STOCK OPTIONS.

 No Incentive Stock Option under the Plan, and no rights or interest

therein, shall be assignable or transferable by a Participant except by will or

the laws of descent and distribution, after which assignment Section 9 hereof

shall apply to exercise of the Incentive Stock Option by the assignee. During

the lifetime of a Participant, Incentive Stock Options are exercisable only by

such Participant or his or her legal representative.

11. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

 (a) The existence of the Plan and the Awards granted hereunder shall not

affect or restrict in any way the right or power of the Board or the

shareholders of the Company to make or authorize any adjustment,

recapitalization, reorganization or other change in the Company's capital

structure or its business, any merger or consolidation of the Company, any issue

of bonds, debentures, Common Stock, preferred or prior preference stocks ahead

of or affecting the Company's Common Stock or the rights thereof, the

dissolution or liquidation of the Company, or any sale or transfer of all or any

part of its assets or business, or any other corporate act or proceeding.

 (b) In the event of any change in capitalization affecting the Common Stock

of the Company, such as a stock dividend, stock split, recapitalization, merger,

consolidation, split-up, combination, exchange of shares, other form of

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reorganization, or any other change affecting the Common Stock, the Board, in

its discretion, may make proportionate adjustments it deems appropriate to

reflect such change with respect to (i) the maximum number of shares of Common

Stock which may be sold or awarded to any Participant, (ii) the number of shares

of Common Stock covered by each outstanding Award, and (iii) the price per share

in respect of the outstanding Awards.

 (c) The Committee may also make such adjustments in the number of shares

covered by, and the price or other value of any outstanding Awards in the event

of a spin-off or other distribution (other than normal cash dividends) of

Company assets to shareholders.

12. CHANGE OF CONTROL.

 (a) Liquidation or Dissolution. In the event of a proposed liquidation or

dissolution of the Company, the Committee shall upon written notice to the

Participants provide that all then unexercised Options will (i) become

exercisable in full as of a specified time at least 10 business days prior to

the effective date of such liquidation or dissolution and (ii) terminate

effective upon such liquidation or dissolution, except to the extent exercised

before such effective date. The Board may specify the effect of a liquidation or

dissolution on any other Award granted under the Plan at the time of the grant

of such Award.

 (b) Acquisition and Change in Control Events

 (i) Definitions

 (A) An "Acquisition Event" shall mean:

 (1) any merger or consolidation of the Company with or into

 another entity as a result of which the Common Stock is converted

 into or exchanged for the right to receive cash, securities or

 other property of the other entity; or

 (2) any exchange of shares of the Company for cash,

 securities or other property in connection with an exchange

 transaction.

 (B) A "Change in Control Event" shall mean:

 (1) a sale of all or substantially all of the assets of the

 Company;

 (2) the acquisition by an individual, entity or group

 (within the meaning of Section 13(d)(3) or 14(d)(2) of the

 Exchange Act) (a "Person") of beneficial ownership of any capital

 stock of the Company if, after such acquisition, such Person

 beneficially owns (within the meaning of Rule 13d-3 promulgated

 under the Exchange Act) 50% or more of either (a) the

 then-outstanding shares of common stock of the Company (the

 "Outstanding Company Common Stock") or (b) the combined voting

 power of the then-outstanding securities of the Company entitled

 to vote generally in the election of directors (the "Outstanding

 Company Voting Securities"); provided, however, that for purposes

 of this subsection (2), the following acquisitions shall not

 constitute a Change in Control Event: (c) any acquisition

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 directly from the Company (excluding an acquisition pursuant to

 the exercise, conversion or exchange of any security exercisable

 for, convertible into or exchangeable for common stock or voting

 securities of the Company, unless the Person exercising,

 converting or exchanging such security acquired such security

 directly from the Company or an underwriter or agent of the

 Company), (d) any acquisition by any employee benefit plan (or

 related trust) sponsored or maintained by the Company or any

 corporation controlled by the Company; or (e) a Business

 Combination (as defined below); or

 (3) the consummation of a merger, consolidation,

 reorganization, recapitalization or share exchange involving the

 Company (a "Business Combination") if Persons who were not

 shareholders of the Company immediately prior to such Business

 Combination beneficially own (within the meaning of Rule 13d-3

 promulgated under the Exchange Act) immediately after such

 Business Combination 50% or more of either the Outstanding Common

 Stock or the Outstanding Company Voting Securities.

 (C) "Good Reason" shall mean any significant diminution in the

 Participant's title, authority, or responsibilities from and after

 such Acquisition Event or Change in Control Event, as the case may be,

 or any reduction in the annual cash compensation payable to the

 Participant from and after such Acquisition Event or Change in Control

 Event, as the case may be, or the relocation of the place of business

 at which the Participant is principally located to a location that is

 greater than 50 miles from the then current site.

 (D) "Cause" shall mean in connection with the termination of a

 Participant (1) "cause," as such term (or any similar term, such as

 "with cause") is defined in any employment, consulting or other

 applicable agreement for services between the Company and such

 Participant, or (2) in the absence of such an agreement, "cause" as

 such term is defined in the Award Agreement (as defined in Section

 14(d) below) executed by the Company and such Participant, or (3) in

 the absence of both of the foregoing, (a) conviction of such

 Participant for any felony or the entering by him of a plea of guilty

 or nolo contendere with respect thereto, (b) willful and repeated

 failures in any material respect of such Participant to perform any of

 the Participant's reasonable duties and responsibilities assigned to

 him and the failure of the Participant to cure such failures hereunder

 within thirty (30) days after written notice thereof from the Company,

 (c) the commission of any act or failure to act by such Participant

 that involves moral turpitude, dishonesty, theft, destruction of

 property, fraud, embezzlement or unethical business conduct, or that

 is otherwise injurious to the Company, or any of its Subsidiaries or

 any other affiliate of the Company (or its or their respective

 employees), whether financially or otherwise, or (d) any material

 violation by such Participant of the requirements of such Award

 Agreement, any other contract or agreement between the Company and

 such Participant or this Plan (as in effect from time to time) and the

 failure of the Participant to cure such violation within thirty (30)

 days after written notice thereof from the Company; in each case, with

 respect to subsections (a) through (d), as determined by the Board of

 Directors.

 (ii) Effect on Options

 (A) Acquisition Event. Upon the occurrence of an Acquisition

 Event (regardless of whether such event also constitutes a Change in

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 Control Event), or the execution by the Company of any agreement with

 respect to an Acquisition Event (regardless of whether such event will

 result in a Change in Control Event), the Board shall provide that all

 outstanding Stock Options shall be assumed, or equivalent options

 shall be substituted, by the acquiring or succeeding corporation (or

 an affiliate thereof); provided that if such Acquisition Event also

 constitutes a Change in Control Event, except to the extent

 specifically provided to the contrary in the instrument evidencing any

 Stock Option or any other agreement between a Participant and the

 Company, the outstanding Stock Options shall continue to vest in

 accordance with the provisions of Section 12(b)(ii)(B). For purposes

 hereof, a Stock Option shall be considered to be assumed if, following

 consummation of the Acquisition Event, the Stock Option confers the

 right to purchase, for each share of Common Stock subject to the Stock

 Option immediately prior to the consummation of the Acquisition Event,

 the consideration (whether cash, securities or other property)

 received as a result of the Acquisition Event by holders of Common

 Stock for each share of Common Stock held immediately prior to the

 consummation of the Acquisition Event (and if holders were offered a

 choice of consideration, the type of consideration chosen by the

 holders of a majority of the outstanding shares of Common Stock);

 provided, however, that if the consideration received as a result of

 the Acquisition Event is not solely common stock of the acquiring or

 succeeding corporation (or an affiliate thereof), the Company may,

 with the consent of the acquiring or succeeding corporation, provide

 for the consideration to be received upon the exercise of Stock

 Options to consist solely of common stock of the acquiring or

 succeeding corporation (or an affiliate thereof) equivalent in fair

 market value to the per share consideration received by holders of

 outstanding shares of Common Stock as a result of the Acquisition

 Event.

 Notwithstanding the foregoing, if the acquiring or succeeding

 corporation (or an affiliate thereof) does not agree to assume, or

 substitute for, such Stock Options, then the Board shall, upon written

 notice to the Participants, provide that all then unexercised Stock

 Options will become exercisable in full as of a specified time prior

 to the Acquisition Event and will terminate immediately prior to the

 consummation of such Acquisition Event, except to the extent exercised

 by the Participants before the consummation of such Acquisition Event;

 provided, however, that in the event of an Acquisition Event under the

 terms of which holders of Common Stock will receive upon consummation

 thereof a cash payment for each share of Common Stock surrendered

 pursuant to such Acquisition Event (the "Acquisition Price"), then the

 Board may instead provide that all outstanding Stock Options shall

 terminate upon consummation of such Acquisition Event and that each

 Participant shall receive, in exchange therefor, a cash payment equal

 to the amount (if any) by which (1) the Acquisition Price multiplied

 by the number of shares of Common Stock subject to such outstanding

 Stock Options (whether or not then exercisable), exceeds (2) the

 aggregate exercise price of such Stock Options.

 (B) Change in Control Event. Upon the occurrence of a Change in

 Control Event, except to the extent specifically provided to the

 contrary in the instrument evidencing any Stock Option or any other

 agreement between a Participant and the Company, the vesting schedule

 of such Stock Option shall be accelerated in part so that one-half of

 the number of shares that would otherwise have first become vested on

 any date after the date of the Change in Control Event shall

 immediately become exercisable. The remaining one-half of such number

 of shares shall continue to become vested in accordance with the

 original vesting schedule set forth in such Stock Option, with

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 one-half of the number of shares that would otherwise have first

 become vested becoming so vested on each subsequent vesting date in

 accordance with the original schedule; provided, however, that each

 such Stock Option shall be immediately exercisable in full if, on or

 prior to the first anniversary of the date of the consummation of the

 Change in Control Event, the Participant's employment with the Company

 or the acquiring or succeeding corporation is terminated for Good

 Reason by the Participant or is terminated without Cause by the

 Company or the acquiring or succeeding corporation.

 (iii) Effect on Other Awards

 (A) Acquisition Event that is not a Change in Control Event.

 The Board shall specify the effect of an Acquisition Event that

 is not a Change in Control Event on any other Award granted under

 the Plan at the time of the grant of such Award.

 (B) Change in Control Event. Upon the occurrence of a Change

 in Control Event (regardless of whether such event also

 constitutes an Acquisition Event), except to the extent

 specifically provided to the contrary in the Award Agreement or

 any other agreement between a Participant and the Company, the

 vesting schedule of all other Awards shall be accelerated in part

 so that one-half of the number of shares that would otherwise

 have first become exercisable, realizable, vested or free from

 conditions or restrictions on any date after the date of the

 Change in Control Event shall immediately become exercisable,

 realizable, vested or free from conditions or restrictions.

 Subject to the following sentence, the remaining one-half of such

 number of shares shall continue to become exercisable,

 realizable, vested or free from conditions or restrictions in

 accordance with the original schedule set forth in such Award,

 with one-half of the number of shares that would otherwise have

 first become exercisable, realizable, vested or free from

 conditions or restrictions becoming so exercisable, realizable,

 vested or free from conditions or restrictions on each subsequent

 vesting date in accordance with the original schedule. In

 addition, each such Award shall immediately become fully

 exercisable, realizable, vested or free from conditions or

 restrictions if, on or prior to the first anniversary of the date

 of the consummation of the Change in Control Event, the

 Participant's employment with the Company or the acquiring or

 succeeding corporation is terminated for Good Reason by the

 Participant or is terminated without Cause by the Company or the

 acquiring or succeeding corporation.

13. AMENDMENT AND TERMINATION.

 The Board of Directors, without further approval of the Company's

stockholders, may at any time suspend or terminate the Plan, in whole or in

part, or amend it from time to time in such respects as it may deem advisable,

including without limitation, in order that Incentive Stock Options granted

hereunder meet the requirements for "incentive stock options" under the Code, or

to comply with the provisions of Rule 16b-3 of the Exchange Act or Section

162(m) of the Code or any change in applicable laws or regulations, ruling or

interpretation of any governmental agency or regulatory body; provided, however,

that no amendment shall be effective, without the requisite prior or subsequent

stockholder approval, which would (a) except as contemplated in Paragraph 11,

increase the maximum number of shares of Common Stock for which any Awards may

be granted under the Plan or change the Section 162 Maximum, (b) change the

eligibility requirements for individuals entitled to receive Awards hereunder,

or (c) make any change which is required to be approved by the stockholders

under any law, rule or regulation or any rules for listed companies promulgated

by any national stock exchange on which the Company's stock is traded, (d)

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result in the repricing of options issued under the Plan by lowering the

exercise price of a previously granted Award, or by cancellation of outstanding

Awards with subsequent replacement, or by regranting Awards with lower exercise

prices, or (e) allow the creation of additional types of Awards under the Plan.

No termination, suspension or amendment of the Plan shall adversely affect the

rights of a Participant under any Award granted under the Plan without such

Participant's consent. The power of the Committee to construe and administer any

Award granted under the Plan prior to the termination or suspension of the Plan

shall continue after such termination or during such suspension.

14. MISCELLANEOUS MATTERS.

 (a) Tax Withholding. In addition to the authority set forth in Section 6(h)

above, the Company shall have the right to deduct from a Participant's wages or

from any settlement, including the delivery of shares, made under the Plan any

federal, state, or local taxes of any kind required by law to be withheld with

respect to such payments, or to take such other action as may be necessary in

the opinion of the Company to satisfy all obligations for the payment of such

taxes.

 (b) No Right to Employment. Neither the adoption of the Plan nor the

granting of any Award shall confer upon any Participant any right to continue

employment with the Company or any Subsidiary, as the case may be, nor shall it

interfere in any way with the right of the Company or a Subsidiary to terminate

the employment of any Participant at any time, with or without cause.

 (c) Securities Law Restrictions. No shares of Common Stock shall be issued

under the Plan unless counsel for the Company shall be satisfied that such

issuance will be in compliance with applicable Federal and state securities

laws. Certificates for shares of Common Stock delivered under the Plan may be

subject to such stock-transfer orders and other restrictions as the Committee

may deem advisable under the rules, regulations, and other requirements of the

Securities and Exchange Commission, any stock exchange upon which the Common

Stock is then listed, and any applicable Federal or state securities law. The

Committee may cause a legend or legends to be put on any such certificates to

refer to those restrictions.

 (d) Award Agreement. Each Participant receiving an Award under the Plan

shall enter into an agreement with the Company in a form specified by the

Committee agreeing to the terms and conditions of the Award and such related

matters as the Committee, in its sole discretion, shall determine (the "Award

Agreement").

 (e) Costs of Plan. The costs and expenses of administering the Plan shall

be borne by the Company.

 (f) Governing Law. The Plan and all actions taken thereunder shall be

governed by and construed in accordance with the laws of the State of Delaware.

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