FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly period ended July 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________________ to ____________________

Commission File Number 0-18183

G-III APPAREL GROUP, LTD.
(Exact name of registrant as specified in its charter)

Delaware	41-1590959
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
345 West 37th Street, New York, New York	10018
(Address of Principal Executive Office)	Zip Code)

(212) 629-8830
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes XX No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 1, 1997.

Common Stock, $.01 par value per share: 6,485,781 shares.

Part I FINANCIAL INFORMATION Page No.

* The Balance Sheet at January 31, 1997 has been taken from the audited financial statements at that date. All other financial statements are unaudited.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	JANUARY 31, 1997	JULY 31, 1997 (unaudited)
ASSETS		

Current Assets:				
Cash and Cash Equivalents	$	13,067	$	926
Accounts Receivable - Net		7,176		23,163
Inventories - Net		13,986		29,620
Prepaid and Refundable Income Taxes				607
Prepaid Expenses and Other Current Assets		969		1,266
Total Current Assets		35,198		55,582
Property, Plant and Equipment - Net		5,030		3,118
Deferred Income Taxes		3,351		3,351
Other Assets		976		1,043
	$	44,555	$	63,094

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:				
Notes Payable	$	3,459	$	22,014
Current Maturities of Obligations Under Capital Leases		376		247
Federal and Foreign Income Taxes Payable		447		103
Accounts Payable		2,169		4,711
Accrued Expenses		2,101		2,551
Accrued Nonrecurring Charges		2,149		514
Total Current Liabilities		10,701		30,140
Obligations Under Capital Leases		554		435
Nonrecurring Charges - Long Term		475		475
Stockholders' Equity:				
Preferred Stock, 1,000,000 shares authorized; no shares issued and outstanding in all periods				
Common Stock, $.01 par value: authorized, 20,000,000 shares; issued and outstanding, 6,477,156 shares and 6,485,781 share on January 31, 1997 and July 31, 1997, respectively		65		65
Additional Paid-in Capital		23,638		23,661
Retained Earnings		9,122		8,318
		32,825		32,044
	$	44,555	$	63,094

See Accompanying Notes to Financial Statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

THREE MONTHS ENDED JULY 31,	
1996	1997

		(Unaudited)		
Net Sales	$	26,209	$	33,109
Cost of Goods Sold		17,005		22,743
Gross Profit		9,204		10,366
Selling, General and				
Administrative Expenses		5,401		5,897
Operating Profit		3,803		4,469
Interest and Financing Charges, Net		493		506
Income Before Minority Interest and Taxes		3,310		3,963
Minority Interest				113
Income Before Taxes		3,310		4,076
Income Taxes		1,316		1,632
Net Income	$	1,994	$	2,444
INCOME PER COMMON SHARE:				
Primary and Fully Diluted;				
Net Income per common share	$	.30	$	.35
Weighted average number of				
shares outstanding		6,739,098		7,075,394

See Accompanying Notes to Financial Statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	SIX MONTHS ENDED JULY 31,			
		1996		1997
		(Unaudited)		
Net Sales	$	31,272	$	39,640
Cost of Goods Sold		21,916		28,812
Gross Profit		9,356		10,828
Selling, General and				
Administrative Expenses		11,061		11,711
Operating Loss		(1,705)		(883)
Interest and Financing Charges, Net		705		566
Income Before Minority Interest and Taxes		(2,410)		(1,449)
Minority Interest				113

Loss Before Taxes		(2,410)		(1,336)
Income Tax Benefit		(964)		(532)
Net Loss	$	(1,446)	$	(804)
LOSS PER COMMON SHARE:				
Primary and Fully Diluted;				
Net Loss per common share	$	(.22)	$	(.12)
Weighted average number of shares outstanding		6,466,471		6,479,121

See Accompanying Notes to Financial Statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	SIX MONTHS ENDED JULY 31,			
		1996		1997
		(Unaudited)		
Cash Flows from Operating Activities:				
Net Loss	$	(1,446)	$	(804)
Adjustments to Reconcile Net Loss:				
Depreciation and Amortization		752		618
Changes in Operating Assets and Liabilities:				
Accounts Receivable		(17,870)		(15,987)
Inventory		(19,275)		(15,634)
Federal and Foreign Income Taxes		(765)		(951)
Prepaid Expenses		(726)		(297)
Other Assets		(68)		(67)
Accounts Payable and Accrued Expenses		12,169		2,992
Accrued Nonrecurring Charge		(112)		(33)
		(26,647)		(29,977)
Net Cash Used in Operating Activities		(27,341)		(30,163)
Cash Flows for Investing Activities:				
Capital Expenditures		(245)		(311)
Capital Dispositions		87		3
Net Cash Used in Investing Activities:		(158)		(308)
Cash Flows from Financing Activities:				
Increase in Notes Payable, net		20,810		18,555
Payment of Capital Lease Obligations		(300)		(248)
Proceeds from Exercise of Stock Options		3		23
Net Cash Provided by Financing Activities		20,513		18,330
Net Decrease in Cash		(6,986)		(12,141)
Cash at Beginning of Period		7,617		13,067

Cash at End of Period	$	631	$	926
		==========		==========
Supplemental Disclosures of Cash Flow Information				
Cash Paid During the Period for:				
Interest	$	534	$	415
Income Taxes	$	68	$	442

See Accompanying Notes to Financial Statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General Discussion

The results for the three and six month periods ended July 31, 1997 are not necessarily indicative of the results expected for the entire fiscal year. The accompanying financial statements included herein are unaudited. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented have been reflected.

During the quarter ended July 31, 1997, a newly formed subsidiary, BET Design Studio, LLC commenced operations. The Company owns 50.1% of the subsidiary, and accordingly consolidates its results from its startup date in May 1997.

The accompanying financial statements should be read in conjunction with the financial statements and notes included in the Company's Form 10-K filed with the Securities and Exchange Commission for the year ended January 31, 1997.

Note 2 - Inventories

Inventories consist of:		January 31, 1997		July 31, 1997
		(in thousands)		
Finished products.................	$	10,382	$	23,202
Work-in-process...................		27		636
Raw materials.....................		3,577		5,782
		-------		-------
	$	13,986	$	29,620
		=======		=======

Note 3 - Net Income (Loss) Per Common Share

Net Income (Loss) per common share is based on the weighted average number of common shares outstanding during each of the periods, adjusted for the dilutive effect of common stock equivalents, when applicable.

Note 4 - Notes Payable

The Company has a two year loan agreement with three banks which expires on May 31, 1999. The agreement provides for a line of credit in the amount of $52,000,000 from May 31 to October 30, and $40,000,000 from October 31 to May 30 during each year of the agreement. The amounts available include direct borrowings of $40,000,000 from May 31 to November 14, and $30,000,000 from November 15 to May 30, during each year of the agreement. The balance of the credit line may be used for letters of credit. All amounts available for borrowing are subject to borrowing base formulas.

Note 5 - Nonrecurring Charges

As of the year ended January 31, 1997, the Company had a remaining reserve of approximately $2.6 million related to closure of a domestic factory and an Asian factory. The domestic factory was closed during the fiscal year ended January 31, 1995. During the quarter ended July 31, 1997, the Company applied approximately $1.6 million of the reserve as a reduction of Property, Plant and Equipment, since the Company cannot assume that there will be any recoveries in connection with a disposition of the Asian factory. The Asian factory had net sales of $1.2 million and $1.3 million, and a net loss of $559,000 and $413,000 for the six-month periods ended July 31, 1996 and 1997, respectively. The status of the provision at the end of the period was:

	Balance January 31, 1997	1997 Activity	Balance July 31, 1997
		(in thousands)	
Closure of domestic and foreign facilities	$ 2,624	$ (1,635)	$ 989

Note 6 - Future Effects of Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," which is effective for financial statements both interim and annual periods ending after December 15, 1997. Early adoption of the new standard is not permitted. The new standard eliminates primary and fully diluted earnings per share and requires presentation of basic and diluted earnings per share together with disclosure of how the per share amounts were computed. Had this new standard been effective during the quarter ended July 31, 1997, basic income per share would have been $.38 for the three months ended July 31, 1997 and basic loss per share would have been $.12 for the six months ended July 31, 1997. Diluted income per share would have been $.35 for the three months ended July 31, 1997 and diluted loss per share would have been $.12 for the six months ended July 31, 1997.

ITEM 2

Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statements in this Quarterly Report on Form 10-Q concerning the Company's business outlook or future economic performance; anticipated revenues, expenses or other financial items; product introductions and plans and objectives related thereto; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matter, are "forward-looking statements" as that term is defined under the Federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Such risks, uncertainties and factors include, but are not limited to, reliance on foreign manufacturers, the nature of the apparel industry, including changing consumer demand and tastes, seasonality, customer acceptance of new products, the impact of competitive products and pricing, dependence on existing management, general economic conditions, as well as other risks detailed in the Company's filings with the Securities and Exchange Commission, including this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

Net sales for the three months ended July 31, 1997 were $33.1 million compared to $26.2 million for the same period last year. For the six months ended July 31, 1997, net sales were $39.6 million compared to $31.3 million for the same period in the prior year. The revenue increase during the three and six month periods is attributable to the men's and moderately-priced women's lines, as well as continued growth in the Kenneth Cole and sports licensing product lines.

Gross profit was $10.4 million for the three months ended July 31, 1997, compared to $9.2 million in the same period last year. Gross profit as a percentage of net sales was 31.3% for the three months ended July 31, 1997, compared to 35.1% for the same period last year. For the six month period ended July 31, 1997, gross profit was $10.8 million, or 27.3% of net sales, compared to $9.4 million, or 29.9% of net sales for the same period last year. The decrease in the gross profit percentage resulted primarily from a higher volume of activity in certain letter of credit transactions where the Company acts as agent for the retailer and charges a commission for services rendered.

Selling, general and administrative expenses of $5.9 million for the three months ended July 31, 1997 were approximately $500,000 higher than in the same period last year. As a percentage of net sales, selling, general and administrative expenses were 17.8% in this period compared to 20.6% last year. For the six month period ended July 31, 1997, selling, general and administrative expenses were $11.7 million, or 29.5% of net sales, compared to $11.1 million, or 35.4% of net sales for the same period last year. The decrease as a percentage of net sales was the result of spreading such expenses over a higher sales base. The increase in selling, general and administrative expenses for the three and six month periods ended July 31, 1997 was primarily attributable to salary increases, increased advertising costs resulting from the requirements of certain license agreements, and start-up expenses in BET Design Studio, LLC.

Interest expense of $506,000 was $13,000 higher in the quarter ended July 31, 1997, compared to $493,000 in the same period last year. For the six months ended July 31, 1997, interest expense was $566,000, a decrease of $139,000 from the prior year. Lower interest rates under the Company's amended bank facility, partially offset by an increase in the average outstanding balance during the quarter ended July 31, 1997, were the primary cause of lower interest expense.

Income taxes of $1.6 million reflect an effective tax rate of 40.0% for the three months ended July 31, 1997, compared to income taxes of $1.3 million (effective tax rate of 40.0%) in the comparable period in the prior year. For the six months ended July 31, 1997, the income tax benefit of $532,000 reflects an effective tax rate of 40.0%, compared to an income tax benefit of $964,000 or 40.0% in the same period last year.

As a result of the foregoing, for the three month period ended July 31, 1997 the Company had net income of $2.4 million, or $.35 per share, compared to a net income of $2.0 million, or $.30 per share, for the comparable period in the prior year. For the six month period ended July 31, 1997, the Company had a net loss of $804,000, or $.12 per share, compared to a net loss of $1.4 million, or $.22 per share, for the same period in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

During the second quarter, the Company's loan agreement was extended for two years, with the extended term expiring on May 31, 1999. The agreement provides for a line of credit in the amount of $52,000,000 from May 31 to October 30, and

$40,000,000 from October 31 to May 30 during each year of the agreement. The amounts available include direct borrowings of $40,000,000 from May 31 to November 14, and $30,000,000 from November 15 to May 30, during each year of the agreement. The balance of the credit line may be used for letters of credit. All amounts available for borrowing are subject to borrowing base formulas and overadvances specified in the agreement.

Direct borrowings bear interest at the agent's prime rate (8.5% as of September 1, 1997) or LIBOR plus 250 basis points at the election of the Company. All borrowings are collateralized by the assets of the Company. The loan agreement requires the Company, among other covenants, to maintain certain earnings and tangible net worth levels, and prohibits the payment of cash dividends. As of July 31, 1997, there were $18.8 million in direct borrowings and approximately $19.5 million of contingent liability under open letters of credit. The amount borrowed under the line of credit varies based upon the Company's seasonal requirements.

The Company's wholly-owned Indonesian subsidiary has a line of credit with a bank for approximately $3.5 million which is supported by a $2.0 million stand-by letter of credit issued under the Company's loan agreement. As of July 31, 1997, the borrowing by the Indonesian subsidiary under its line of credit approximated $3.2 million.

Item 4. Submission of Matters to a Vote of Stockholders

(a) The Company's Annual Meeting of Stockholders was held on June 19, 1997 (the "Annual Meeting").

(b) The following matters were voted upon and approved by the Company's stockholders at the Annual Meeting:

(i) The election of nine directors to serve for the ensuing year. The following nominees were elected as directors of the Company (with the Company's stockholders having voted as set forth below):

NOMINEE	VOTES FOR	WITHHELD AUTHORITY TO VOTE
Morris Goldfarb	6,262,685	4,313
Aron Goldfarb	6,263,685	3,313
Lyle Berman	6,263,685	3,313
Thomas J. Brosig	5,900,805	366,193
Alan Feller	6,263,685	3,313
Carl Katz	6,263,685	3,313
Willem van Bokhorst	5,900,805	366,193
Sigmund Weiss	5,900,805	366,193
George J. Winchell	5,900,805	366,193

(ii) The adoption of the 1997 Stock Option Plan. The Company's stockholders voted as follows:

FOR:	4,356,248
AGAINST:	570,062
ABSTENTIONS:	12,335
BROKER NON-VOTES:	1,328,353

(iii) The ratification of the appointment of Grant Thornton LLP as the Company's independent certified public accountants for the fiscal year ending January 31, 1998. The Company's stockholders voted as follows:

FOR:	6,259,744
AGAINST:	1,044
ABSTENTIONS:	6,210
BROKER NON-VOTES:	0

Item 6. Exhibits and Reports on Form 8-K

(a) 1997 Stock Option Plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

G-III APPAREL GROUP, LTD.

(Registrant)

Date: September 12, 1997 By: /s/ MORRIS GOLDFARB

Morris Goldfarb
President and Chief
Executive Officer

Date: September 12, 1997 By: /s/ ALAN FELLER

Alan Feller
Chief Financial Officer,
Treasurer, and Secretary

G-III APPAREL GROUP, LTD.
1997 STOCK OPTION PLAN

1. Purpose. The purpose of the G-III Apparel Group, Ltd. 1997 Employee Stock Option Plan (the 'Plan') is to enable G-III Apparel Group, Ltd. (the 'Company') and its stockholders to secure the benefits of common stock ownership by personnel of the Company and its subsidiaries. The Board of Directors of the Company (the 'Board') believes that the granting of options under the Plan will foster the Company's ability to attract, retain and motivate those individuals who will be largely responsible for the profitability and growth of the Company.

2. Stock Subject to the Plan. Subject to the provisions of Section 6, the Company may issue and sell a total of 500,000 shares of its common stock, $.01 par value (the 'Common Stock'), pursuant to the Plan. Such shares may be either authorized and unissued or held by the Company in its treasury. Subject to the provisions of Section 6, the maximum number of shares with respect to which options may be granted to any employee of the Company during any fiscal year is 100,000. New options may be granted under the Plan with respect to shares of Common Stock which are covered by the unexercised portion of an option which has terminated or expired by its terms, by cancellation or otherwise.

3. Administration. The Plan will be administered by a committee (the 'Committee') consisting of at least two directors appointed by and serving at the pleasure of the Board. Subject to the provisions of the Plan, the Committee, acting in its sole and absolute discretion, will have full power and authority to grant options under the Plan, to interpret the provisions of the Plan, to fix and interpret the provisions of option agreements made under the Plan, to supervise the administration of the Plan, and to take such other action as may be necessary or desirable in order to carry out the provisions of the Plan. A majority of the members of the Committee will constitute a quorum. The Committee may act by the vote of a majority of its members present at a meeting at which there is a quorum or by unanimous written consent. The Committee will keep a record of its proceedings and acts and will keep or cause to be kept such books and records as may be necessary in connection with the proper administration of the Plan. The Company shall indemnify and hold harmless each member of the Committee and any employee or director of the Company or of a subsidiary to whom any duty or power relating to the administration or interpretation of the Plan is delegated from and against any loss, cost, liability (including any sum paid in settlement of a claim with the approval of the Board), damage and expense (including legal and other expenses incident thereto) arising out of or incurred in connection with the Plan, unless and except to the extent attributable to such person's fraud or wilful misconduct.

4. Eligibility. Options may be granted under the Plan to present or future employees of the Company or a subsidiary of the Company and to consultants to and directors of the Company or a subsidiary who are not employees (provided, however, that, notwithstanding anything to the contrary contained herein, unless the Board determines otherwise, the Board shall have sole authority with respect to the granting and interpretation of options granted under the Plan to any director of the Company or a subsidiary who is not an employee and who serves as a member of the Committee). Subject to the provisions of the Plan, the Committee will from time to time select the persons to whom

options will be granted, and will fix the number of shares covered by each such option and establish the terms and conditions thereof, including, without limitation, exercise price and restrictions on exercisability of the option or on the shares of Common Stock issued upon exercise thereof and whether or not the option is to be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986 (an 'Incentive Stock Option').

5. Terms and Conditions of Options. Each option granted under the Plan will be subject to the terms and conditions set forth in this paragraph and such additional terms and conditions not inconsistent with the Plan as the Committee deems appropriate.

(a) Option Exercise Price. In the case of an option that is not treated as an Incentive Stock Option, the exercise price per share may not be less than the par value of a share of Common Stock on the date the option is granted; and, in the case of an Incentive Stock Option, the exercise price per share may not be less than 100% of the fair market value of a share of Common Stock on the date the option is granted (110% in the case of an optionee who, at the time the option is granted, is a ten percent shareholder described in Section 422(b)(6) of the Internal Revenue Code of 1986). For purposes hereof, the fair market value of a share of Common Stock on any date will be equal to the closing sale price per share as published by a national securities exchange on which shares of the Common Stock are traded on such date or, if there is no sale of Common Stock on such date, the average of the bid and asked prices on such exchange at the closing of trading on such date or, if shares of the Common Stock are not listed on a national securities exchange on such date, the closing price or, if none, the average of the bid and asked prices in the over the counter market at the close of trading on such date, or if the Common Stock is not traded on a national securities exchange or the over the counter market, the fair market value of a share of the Common Stock on such date as determined in good faith by the Committee.

(b) Option Period. The period during which an option may be exercised will be fixed by the Committee and will not exceed ten years from the date the option is granted (five years in the case of an Incentive Stock Option granted to a 'ten percent shareholder').

(c) Exercise of Options. No option will become exercisable unless the person to whom the option was granted remains in the continuous employ or service of the Company or a subsidiary for at least six months (or for such other period as the Committee may designate) from the date the option is granted. The Committee may establish any vesting or other restrictions on the exercisability of an option, subject to earlier termination as provided herein. All or part of the exercisable portion of an option may be exercised at any time during the option period. An option may be exercised by transmitting to the Company (1) a written notice specifying the number of shares to be purchased, and (2) payment of the exercise price (or, if applicable, delivery of a secured obligation therefor), together with the amount, if any, deemed necessary by the Company to enable it to satisfy its income tax withholding obligations with respect to such exercise (unless other arrangements acceptable to the Company are made with respect to the satisfaction of such withholding obligations).

(d) Payment of Exercise Price. The purchase price of shares of Common Stock acquired pursuant to the exercise of an option granted under the Plan may be paid in cash and/or such other form of payment as may be permitted under the option agreement, including, without limitation, previously-owned shares of Common Stock. The Committee may permit the payment of all or a portion of the purchase price in installments (together with interest) over a period of not more than five years.

(e) Rights as a Stockholder. No shares of Common Stock will be issued in respect of the exercise of an option granted under the Plan until full payment therefor has been made (and/or provided for where all or a portion of the purchase price is being paid in installments).

(f) Option Transfers. The Committee, acting in its discretion, may authorize an optionee to make an inter vivos gift of all or a portion of an option (other than an Incentive Stock Option) granted to such optionee under the Plan to (1) the optionee's spouse, children or grandchildren ('Immediate Family Members'), (2) a trust for the exclusive benefit of one or more Immediate Family Members, (3) a partnership in which the optionee and one or more Immediate Family Members are the only partners or (4) such other persons as the Committee may permit. The Company shall have no obligation to provide notice to any transferee of the occurrence of an event (such as the termination of an optionee's service with the Company) that could affect the transferee's rights under the Plan. Options are transferable upon an option holder's death to a beneficiary designated by the option holder in accordance with procedures established by the Committee or, if no designated beneficiary shall survive the option holder, pursuant to the option holder's will or the laws of descent and distribution. An option that is transferred to a permitted transferee in accordance with the provisions hereof will remain subject to the terms and conditions of the Plan and of the option agreement governing the transferred option. Except as otherwise permitted hereby, options are not transferable and are exercisable during life only by the optionee.

(g) Termination of Employment or Other Service. If an optionee ceases to be employed by or to perform services for the Company and any subsidiary for any reason other than death or disability (defined below), then each outstanding option granted to him or her under the Plan will terminate on the date three months after the date of such termination of employment or service or on such other date as may be specified by the Committee provided, however, if the optionee's employment or service is terminated by the Company for cause (defined below), then each outstanding option granted to him or her will terminate upon the date of such termination of employment or service. If an optionee's employment or service is terminated by reason of the optionee's death or disability (or if the optionee's employment or service is terminated by reason of his or her disability and the optionee dies within one year after such termination of employment or service), then each outstanding option granted to the optionee under the Plan will terminate on the date one year after the date of such termination of employment or service (or one year after the later death of a disabled optionee) or on such other date as may be specified by the Committee. For purposes hereof, the term 'disability' means the inability of an optionee to perform the customary duties of his or her employment or other service for the Company and its subsidiaries by reason of a physical or mental incapacity which is expected to result in death or be of indefinite duration; and, the term 'cause' means an optionee's (1) failure or refusal to perform his or her duties for the Company or its subsidiaries, (2) commission of a crime involving moral turpitude, (3) conviction for commission of a felony, (4) attempt to improperly secure any personal profit in connection with the business of the Company or its subsidiaries or (5) dishonesty or willful engagement in conduct which is injurious to the business or reputation of the Company or its subsidiaries, all as determined by the Committee in its sole discretion.

(h) Other Provisions. The Committee may impose such other conditions with respect to the exercise of options, including, without limitation, any conditions relating to the application of federal or state securities laws, as it may deem necessary or advisable.

6. Capital Changes, Reorganization, Sale.

(a) Adjustments Upon Changes in Capitalization. The aggregate number and class of shares for which options may be granted under the Plan, the maximum number of shares that may be granted to any individual during a fiscal year, and the number and class of shares covered by each outstanding option and the exercise price per share shall all be adjusted to reflect any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any like capital adjustment, or the payment of a stock dividend.

(b) Cash, Stock or Other Property for Stock. In the case of a merger, sale of assets or similar transaction which results in a replacement of the Company's shares of Common Stock with stock of another corporation, the Company will make a reasonable effort, but shall not be required, to replace any outstanding options with comparable options to purchase the stock of such other corporation, or will provide for immediate exercisability of all outstanding options, with all options not being exercised within the time period specified by the Board being terminated.

(c) Fractional Shares. In the event of any adjustment in the number of shares covered by any option pursuant to the provisions hereof, any fractional shares resulting from such adjustment will be disregarded and each such option will cover only the number of full shares resulting from the adjustment.

(d) Determination of Board to be Final. All adjustments under this paragraph 6 shall be made by the Board, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

7. Amendment and Termination of the Plan. Except as may otherwise be required by law, the Board, acting in its sole discretion and without further action on the part of the stockholders of the Company, may amend the Plan at any time and from time to time and may terminate the Plan at any time. No amendment or termination may affect adversely any outstanding option without the written consent of the option holder.

8. No Rights Conferred. Nothing contained herein will be deemed to give any individual a right to receive an option under the Plan or to be retained in the employ or service of the Company or any subsidiary.

9. Governing Law. The Plan and each option agreement shall be governed by the laws of the State of Delaware.

10. Decisions and Determinations to be Final. Any decision or determination made by the Board pursuant to the provisions hereof and, except to the extent rights or powers under this Plan are reserved specifically to the discretion of the Board, all decisions and determinations of the Committee are final and binding.

11. Term of the Plan. The Plan shall be effective on the date on which it is adopted by the Board, subject to the approval of the stockholders of the Company. The Plan will terminate on the date ten years after the date of adoption by the Board, unless sooner terminated by the Board. Options outstanding at the time of the termination of the Plan shall not be affected solely by reason of the termination and shall continue in force in accordance with their terms.

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