IPG PHOTONICS CORP
Form 8-K
March 02, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

February 23, 2011
Date of Report (Date of earliest event reported)

IPG PHOTONICS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	0001-33155 (Commission File No.)	04-3444218 (IRS Employer Identification No.)

50 Old Webster Road
Oxford, Massachusetts 01540
(Address of Principal Executive Offices, including Zip Code)

Registrant's telephone number, including area code: (508) 373-1100

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

The Compensation Committee (the “Committee”) of the Board of Directors of IPG Photonics Corporation (the “Company”) has taken the actions described below relating to the compensation of the “named executive officers,” as such term is defined in Item 402(a)(3) of Regulation S-K, of the Company as of December 31, 2010 and certain other executive officers of the Company.

On February 25, 2011, the Committee approved incentive payouts for 2010, increases in base salaries and determined performance measures and target incentive payouts for 2011 for the named executive officers and other executive officers.

The Committee reviewed the performance of the Company in 2010 against the Company’s Senior Executive Short-Term Incentive Plan (the “STIP”) for fiscal year 2010. Based upon the financial performance of the Company in 2010, the Committee approved the payments below in accordance with the 2010 STIP. Because the strong financial performance in 2010 exceeded both of the maximum objectives in the 2010 STIP, the incentive payments to the executives increased as determined by linear interpolation subject to a cap of 115% of base salary for the Chief Executive Officer and 100% for the other named executive officers.

Name and Title	2010 STIP Payout
Valentin P. Gapontsev, Ph.D., Chief Executive Officer and Chairman of the Board	$512,682
Eugene Shcherbakov, Ph.D., Managing Director of IPG Laser GmbH and Director	€257,000
Timothy P.V. Mammen, Chief Financial Officer and Vice President	$295,000
Angelo P. Lopresti, General Counsel, Secretary and Vice President	$295,000
Alexander Ovtchinnikov, Ph.D., Vice President-Telecommunications Products	$275,000

In accordance with the employment agreements with such executive officers, the Committee reviews each executive's performance and base salary annually in light of competitive data, the Company’s performance and the executive's performance, and determined to increase the salaries as set forth below. The table sets forth the base salaries effective January 1, 2011, for each named executive officer and other executive officers:

Name and Title	Old Base Salary	New Base Salary
Valentin P. Gapontsev, Ph.D., Chief Executive Officer and Chairman of the Board	$395,000	$414,000
Eugene Shcherbakov, Ph.D., Managing Director of IPG Laser GmbH and Director	EUR257,000	EUR270,000
Timothy P.V. Mammen, Chief Financial Officer and Vice President	$295,000	$324,500

Angelo P. Lopresti, General Counsel, Secretary and Vice President	$295,000	$309,750
Alexander Ovtchinnikov, Ph.D., Vice President-Telecommunications Products	$275,000	$288,750
William S. Shiner, Vice President-Indirect Markets	$262,000	$275,100
George H. BuAbbud, Ph.D., Vice President-Telecommunications Products	$262,000	$275,100

On February 25, 2011, the Committee approved targets and incentive payouts for the named executive officers and other executive officers under the under the STIP for fiscal year 2011. Employees of the Company who are at least at the level of vice president or director are eligible to receive awards under the STIP.

The Committee approved two financial performance measures, net sales and earnings before interest and taxes (excluding equity-based compensation expenses and expenses for budgeted litigation matters in excess of budgeted amounts), each as determined under the STIP, and assigned a 50% weighting factor to each performance measure. The Committee chose to focus on revenue growth and pretax profits so that our executive officers would be incentivized to deliver the types of growth that benefit our stockholders, namely increasing sales and profitability.

Upon the achievement of the objectives for each performance measure determined by the Committee, the Chief Executive Officer could receive a cash incentive payment ranging from 18.75% to 112.5% of his base salary, and other participants in the STIP could receive a cash incentive payment ranging from 12.5% to 75.0% of their respective base salaries, based upon achievement of the minimum to maximum objectives for both measures. The target award for the Chief Executive Officer is 75% if his base salary, and 50% of the respective base salaries for the other participants. The financial objectives are the same for all executive officers. No cash incentive payments for financial performance measures would be made if the minimum objectives established by the Committee in 2011 are not met.

The Chief Executive Officer and the other named executive officers are also eligible in 2011 under the STIP to receive awards of up to an additional 25.0% and 16.7% of their respective base salaries, respectively, based upon their individual performance. It is a condition to the payment of the individual performance awards that the minimum objectives for both financial measures be achieved.

The maximum possible payouts under the STIP for both financial and individual performance measures are 225% of base salary for the Chief Executive Officer and 150% for the other named executive officers.

Under the STIP, the Committee may make adjustments to our overall corporate performance goals and the ways that our actual performance results are calculated that may cause differences between the numbers used for our performance goals and the numbers reported in our financial statements. These adjustments may exclude all or a portion of both the positive or negative effect of external events that are outside the control of our executives, such as natural disasters, litigation or changes in accounting or taxation standards. These adjustments also may exclude all or a portion of both the positive or negative effect of unusual or significant strategic events that are within the control of our executives but that are undertaken with an expectation of improving our long-term financial performance, such as restructurings, acquisitions or divestitures.

On February 25, 2011, the Committee granted to certain executive officers non-qualified stock options and restricted stock units under the 2006 Incentive Compensation Plan. The stock options have an exercise price equal to $53.76 per share and expire February 28, 2021. The table below sets forth the stock options and restricted stock units granted and the vesting terms for each named executive officer:

Name	Stock Options (1)	Restricted Stock Units (1)
	0	0

Valentin P. Gapontsev, Ph.D., Chief Executive Officer and Chairman of the Board		
Eugene Shcherbakov, Ph.D., Managing Director of IPG Laser GmbH and Director	19,000	3,285
Timothy P.V. Mammen, Chief Financial Officer and Vice President	21,600	3,700
Angelo P. Lopresti, General Counsel, Secretary and Vice President	19,000	3,285
Alexander Ovtchinnikov, Ph.D., Vice President- Telecommunications Products	19,000	3, 285

(1) Vesting in four equal quarterly installments commencing on March 31, 2015.

On February 23, 2011, the Board of Directors of IPG Photonics Corporation (the "Company") amended the IPG Photonics Non-Employee Director Compensation Plan.

The amendments include: (1) an increase in annual retainer to all non-employee directors by $5,000 to $40,000, (2) an increase in the annual retainers to the Board committee chairs as follows: Audit Committee – increase of $2,500 to $22,500, Compensation Committee increase of $5,000 to $20,000 and Nominating and Corporate Governance Committee increase of $2,500 to $12,500.

The foregoing description of the amendments to the Non-Employee Director Compensation Plan does not purport to be complete and is qualified in its entirety by reference to the Non-Employee Director Compensation Plan, as amended, a copy of which is attached as an exhibit to this Current Report on Form 8-K and is incorporated herein by reference.

Item 8.01 Other Events

On February 23, 2011, the Company amended its 2006 Stock Incentive Plan. The Company plans to submit the amendments for stockholder approval at its 2011 Annual Meeting of Stockholders to be held June 7, 2011. If approved by the stockholders, the amendments, among things, would increase the maximum number of shares of common stock that may be issued or transferred to participants under the 2006 Stock Incentive Plan by 6,000,000 shares, from 4,000,000 shares to 10,000,000 shares.

The Company's 2006 Stock Incentive Plan was adopted by the Company's Board of Directors in June 2006 and approved by the stockholders of the Company in October 2006. The 2006 Stock Incentive Plan enables the Company to make stock-based and non-stock awards to its eligible employees, non-employee directors and independent contractors. The Amended Plan provides for the grant of (i) incentive stock options; (ii) non-qualified stock options; (iii) stock appreciation rights; (iv) restricted stock; (v) stock units; (vi) performance shares; (vii) performance units; (viii) cash awards; or (ix) any combination of the foregoing. In addition to the increase in the number of authorized shares, the Company approved minor changes to the 2006 Stock Incentive Plan to comply with updated laws and to incorporate certain best practices in executive compensation,

The foregoing descriptions of the 2006 Stock Incentive Plan and the amendments to it do not purport to be complete and are qualified in their entirety by reference to the 2006 Stock Incentive Plan, as amended, a copy of which is attached as an exhibit to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01 – Financial Statements and Exhibits.

(d) Exhibits.

10.1 Non-Employee Director Compensation Plan, as amended

10.2 2006 Stock Incentive Plan, as amended

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned thereunto duly authorized.

IPG PHOTONICS CORPORATION

March 2, 2011	/s/ Angelo P. Lopresti Angelo P. Lopresti
	Vice President, General Counsel & Secretary

Exhibits.

10.1 Non-Employee Director Compensation Plan, as amended

10.2 2006 Stock Incentive Plan, as amended

Exhibit 10.1

IPG PHOTONICS NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

A. Non-Employee Directors of IPG Photonics Corporation (the “Company”) will receive an annual cash retainer of $40,000, but will not receive separate fees for attending meetings of the Board of Directors or stockholders. Non-Employee Directors are expected to attend in person all Board meetings, except for telephonic meetings formally called.

B. The Chairman and Members of the Audit, Compensation, Nominating and Corporate Governance and Other Committees will also receive cash annual retainers as set forth below, but will not receive separate fees for attending meetings of Committees. Non-Employee Director Committee Members are expected to attend in person all Committee meetings, except for telephonic meetings formally called.

	Chairman	Member
Audit	$22,500	$10,000
Compensation	$20,000	$7,500
Nominating & Corporate Governance	$12,500	$5,000
Other Committees	$ 5,000	$2,500

C. Upon initial election to the Board, each new Non-Employee Director will be granted options to purchase 25,000 shares of the Company’s common stock at an exercise price equal to the fair market value of the shares of the Company’s common stock on the date of the grant. The options will have a term of ten (10) years and will vest 25% on the earlier of the first anniversary of the date of grant and 6.25% on each of the following twelve quarters.

D. Each Non-Employee Director continuing in office after an annual meeting of stockholders will be granted immediately following such meeting: (i) options to purchase 6,667 shares of the Company’s common stock at an exercise price equal to the closing price on the date of the annual stockholders meeting the fair market value of the shares of the Company’s common stock on the date of the grant, and (ii) restricted stock units representing 1,000 notional shares of the Company’s common stock. The options and restricted stock units will vest 100% on the earlier of the first anniversary of the date of grant or the next annual stockholders meeting and will have a ten year term.

E. Any unvested options or restricted stock units of a Non-Employee Director who retires, in accordance with the Non-Employee Directors Stock Plan, as amended from time to time, after eight years of service on the Board will vest on the last day of such Director’s service.   This will apply only to options granted on or after June 21, 2006 and restricted stock units granted on or after February 23, 2011.

F. In addition to the other compensation provided for herein, the presiding independent director will also receive (i) cash compensation equal to 50% of the annual cash retainer set forth in Section A above and (ii) equity compensation equal to 50% of the equity compensation set forth in Section D above and otherwise having the same conditions in such Section D (except that for the grant of equity compensation under this Section F in 2010, the date of grant shall be August 5, 2010).

Adopted June 21, 2006, as amended April 16, 2007, March 4, 2009, July 27, 2010, February 23, 2011

Exhibit 10.2

IPG PHOTONICS CORPORATION
2006 INCENTIVE COMPENSATION PLAN
(As Amended February 23, 2011)

IPG Photonics Corporation (the "Company") originally established the IPG Photonics Corporation 2006 Incentive Compensation Plan for the benefit of its eligible Participants (as hereinafter defined) for the purposes hereinafter set forth. The Plan permits the award of Stock Options, Restricted Stock, Performance Shares, Performance Units, Stock Units, Cash, and SARs. The Company adopted this amendment of the Plan effective February 23, 2011.

1. DEFINITIONS

The following terms shall have the following meanings unless the context indicates otherwise:

1.1. "Affiliate" shall mean a corporation that, for purposes of Section 422 of the Code, is a Parent or Subsidiary of the Company within the meaning of Sections 424(e) and 424(f) of the Code.

1.2. "Award" shall mean a Stock Option, a SAR, a Restricted Stock Award, a Stock Unit, a Performance Share, a Performance Unit, or a Cash Award.

1.3. "Award Agreement" shall mean an agreement between the Company and a Participant that establishes the terms, conditions, restrictions and/or limitations applicable to an Award, in addition to those established by the Plan and by the Committee. With respect to any Award, the date of the grant or award specified by the Committee in a resolution or other writing, duly adopted, and as set forth in the Award Agreement, shall be the "Award Date," provided that such Award Date will not be earlier than the date of the Committee action.

1.4. "Board" shall mean the Board of Directors of the Company.

1.5. "Cash Award" shall mean a grant by the Committee to a Participant of an award of cash as described in Section 11 below.

1.6. "Cause" shall have the meaning set forth in any employment, consulting, or other written agreement between the Participant and the Company, a Group Company or Affiliate. If there is no employment, consulting, or other written agreement between the Participant and the Company, a Group Company or Affiliate, or if such agreement does not define "Cause," then "Cause" shall have the meaning specified in the Award Agreement; provided, that if the Award Agreement does not so specify, "Cause" shall mean, as determined by the Committee in its sole discretion, the Participant: (i) engages in conduct that cause financial or reputational injury to the Company a Group Company or Affiliate; (ii) engages in any act of dishonesty or misconduct that results in damage to the Company, a Group Company or Affiliate, or their business or reputation or that the Committee determines to adversely affect the value, reliability or performance of the Participant to the Company, a Group Company or Affiliate; (iii) refuses or fails to substantially comply with the human resources rules, policies, directions and/or restrictions relating to harassment and/or discrimination, or with compliance or risk management rules, policies, directions and/or restrictions of the Company, a Group Company or Affiliate; (iv) fails to cooperate with the Company, a Group Company or Affiliate in any internal investigation or administrative, regulatory or judicial proceeding; or (v) continuously fails to perform his or her duties to the Company, a Group Company or Affiliate (which may include any sustained and unexcused absence of the Participant from the performance of such duties, which absence has not been certified in writing as due to physical or mental illness or Disability), after a written demand for performance has been delivered to the

Participant identifying the manner in which the Participant has failed to substantially perform his or her duties. If any part of the definition of Cause set forth in clauses (i) through (v) above is deemed applicable to a Participant, this shall not preclude or prevent the reliance by the Company or the Committee on any other part of the preceding sentence that also may be applicable. Unless otherwise defined in the Participant's employment or other agreement, an act or omission is "willful" for this purpose if it was knowingly done, or knowingly omitted to be done, by the Participant not in good faith and without reasonable belief that the act or omission was in the best interest of the Company. In addition, the Participant's Service will be deemed to have terminated for Cause if, based on facts and circumstances discovered after the Participant's employment has terminated, the Board determines in reasonable good faith, within one year after the Participant's employment terminated, that the Participant committed an act that would have justified a termination for Cause.

1.7. "Change in Control" shall mean the occurrence of any one or more of the following:

(a) Any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), including a "group" (as defined in Section 13(d)(3) of the Exchange Act), other than (i) the Company, (ii) any wholly-owned subsidiary of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company having fifty percent (50%) or more of the combined voting power of the then-outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business) (the "Company Voting Securities"); provided, however, that the event described in this paragraph (a) shall not be deemed to be a Change in Control by virtue of any underwriter temporarily holding securities pursuant to an offering of such securities;

(b) During any period of two consecutive years, individuals who at the beginning of any such period constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, unless the election, or the nomination for election by the stockholders of the Company, of each new director of the Company during such period was approved by a vote of at least two-thirds of the Incumbent Directors then still in office;

(c) As the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of all or substantially all of the assets or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then-outstanding securities of the Company or any successor corporation or entity entitled to vote generally in the election of the directors of the Company or such other corporation or entity after such transaction is held in the aggregate by the holders of the securities of the Company entitled to vote generally in the election of directors of the Company immediately prior to such transaction; or

(d) The shareholders of the Company approve a plan of complete liquidation of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than fifty percent (50%) of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, however, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control transaction shall then occur.

1.8. "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.9. "Committee" shall mean (i) the Board or (ii) a committee or subcommittee of the Board appointed by the Board from among its members. The Committee may be the Board's Compensation Committee. Unless the Board determines otherwise, the Committee shall be comprised solely of not less than two members who each shall qualify as:

(a) a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3) (or any successor rule) under the Exchange Act, and

(b) an "outside director" within the meaning of Code Section 162(m) and the Treasury Regulations thereunder.

1.10. "Common Stock" shall mean the voting, common stock, $0.0001 par value per share, of the Company.

1.11. "Company" shall mean IPG Photonics Corporation USA, a Delaware corporation.

1.12. "Disability" means the total and permanent disability of a Participant (incurred while in the active service of the Company, an Affiliate or a Group Company) based on proof satisfactory to the Committee. Total and permanent disability shall be as defined in the Company's long-term disability plan, if any, or as otherwise provided by the Company. Notwithstanding the foregoing, for purposes of determining the period of time after termination of Service during which a Participant may exercise an ISO, "Disability" will have the meaning set forth in Code Section 22(e)(3), which is, generally, that the Participant is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of at least twelve months.

1.13. "Dividend Equivalent Right" shall mean the right to receive an amount equal to the amount of any dividend paid with respect to a share of Common Stock multiplied by the number of shares of Common Stock underlying or with respect to a Stock Option, a SAR, a Stock Unit or a Performance Unit, and which shall be payable in cash, in Common Stock, in the form of Stock Units or Performance Units, or a combination of any or all of the foregoing.

1.14. "Effective Date" shall mean the date on which the Board adopts the Plan.

1.15. "Employee" shall mean an employee of the Company or any Affiliate, as described in Treasury Regulation Section 1.421-1(h).

1.16. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, including applicable regulations thereunder.

1.17. "Exercise Price" shall mean the price at which each share of Common Stock covered by a Stock Option may be purchased.

1.18. "Fair Market Value" shall mean:

(a) if the Common Stock is readily tradable on a national securities exchange or other market system, the closing price of the Common Stock on the date of calculation (or on the last preceding trading date if Common Stock was not traded on such date), or

(b) if the Common Stock is not readily tradable on a national securities exchange or other market system, the value as determined by the reasonable and consistent application of a reasonable valuation method, in good faith by the Board, in accordance with Code Section 409A and Treasury Regulation Section 1.409A-1(b)(5)(iv) (or any similar or successor provision), thereunder, as the Board or the Committee will in its discretion select and apply at the time of the Award Date, time of exercise, or other date of calculation.

1.19. "Group Company" shall mean any business entity deemed by the Board to be a member of the IPG Group, including, but not limited to, any business entity that has a significant financial interest in the Company and any business entity in which the Company has a significant financial interest, such entities to be referred to collectively as the "Group Companies".

1.20. "Group Employee" shall mean any employee of a Group Company who is not an Employee.

1.21. "Independent Contractor" shall mean a person (other than a person who is an Employee, Group Employee or a Nonemployee Director) or an entity that renders services to the Company, an Affiliate or a Group Company.

1.22. "IPO" shall mean the first date that the Common Stock is registered under the Securities Act of 1934 and offered for sale to the public.

1.23. "ISO" shall mean a right to purchase a specified number of shares of Common Stock at a specified price, which is intended to comply with the terms and conditions as an "incentive stock option" as set forth in Code Section 422, as such section may be in effect from time to time.

1.24. "Leave of Absence" means any leave of absence approved by the Company.

1.25. "Nonemployee Director" shall mean a member of the Board who is not an Employee.

1.26. "Nonqualified Stock Option" shall mean a Stock Option to purchase a specified number of shares of Common Stock at a specified price, which does not qualify as an ISO.

1.27. "Nonvoting Stock" shall mean the capital stock of any class or classes having no voting power to elect the directors of a corporation.

1.28. "Parent" shall mean a corporation or any other business entity that directly or indirectly has an ownership interest of 50 percent or more of the Voting Stock of the Company.

1.29. "Participant" shall mean any Employee, Group Employee, Nonemployee Director or Independent Contractor to whom an Award has been granted by the Committee under the Plan.

1.30. "Performance-Based Award" shall mean an Award subject to the achievement of certain performance goals as described in Section 12 below.

1.31. "Performance Share" shall mean the grant by the Committee to a Participant of an Award of shares of Common Stock subject to restrictions on transferability, a risk of forfeiture, and certain other terms and conditions under the Plan or specified by the Committee, as described in Section 10.1 below.

1.32. "Performance Unit" shall mean the grant by the Committee to a Participant of an Award of a hypothetical share of the value of the Company, represented by a notional account that shall be established and maintained (or caused to be established or maintained) by the Company for such Participant, as described in Section 10.2 below.

1.33. "Plan" shall mean the IPG Photonics 2006 Incentive Compensation Plan.

1.34. "Prior Plan" shall mean the IPG Photonics 2000 Incentive Compensation Plan.

1.35. "Recapitalization" shall mean any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the Company's outstanding shares of capital stock as a class without the Company's receipt of consideration.

1.36. "Reorganization" shall mean any of the following: (a) a merger or consolidation in which the Company is not the surviving entity; (b) a sale, transfer or other disposition of all or substantially all of the Company's assets; (c) a reverse merger in which the Company is the surviving entity but in which the Company's outstanding voting securities are transferred in whole or in part to a person or persons different from the persons holding those securities immediately prior to the merger; or (d) any transaction effected primarily to change the state in which the Company is incorporated or to create a holding company structure.

1.37. "Restricted Stock Award" shall mean a grant by the Committee to a Participant of an Award of shares of Common Stock subject to restrictions on transferability, a risk of forfeiture, and certain other terms and conditions under the Plan or specified by the Committee, as described in Section 9.1 below.

1.38. "Retirement" means retirement from active employment or other Service with the Company pursuant to the normal or early retirement policy and procedures of the Company.

1.39. "Stock Appreciation Right" or "SAR" shall mean a grant by the Committee to a Participant of a the contingent right to receive Common Stock or cash, as specified in the Award Agreement, in the future, based on the value, or the appreciation in the value, of Common Stock, as described in Section 8 below.

1.40. "Service" means the provision of services to the Company, an Affiliate or a Group Company in the capacity of (i) an Employee, (ii) a Group Employee, (iii) a Nonemployee Director, or (iv) an Independent Contractor.

1.41. "Stock Option" shall mean a grant by the Committee to a Participant of an option or right to purchase a specified number of shares of Common Stock at a specified price, as described in Section 7 below.

1.42. "Stock Unit" shall mean a grant by the Committee to a Participant of an Award of a hypothetical share of Common Stock represented by a notional account established and maintained (or caused to be established or maintained) by the Company for such Participant, as described in Section 9.2 below.

1.43. "Subsidiary" shall mean a corporation of which the Company directly or indirectly owns 50 percent or more of the Voting Stock or any other business entity in which the Company directly or indirectly has an ownership interest of 50 percent or more.

1.44. "Treasury Regulations" shall mean the regulations promulgated under the Code by the United States Department of the Treasury, as amended from time to time.