
**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**

Date of report (Date of earliest event reported): October 22, 2014

LSB INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-7677
(Commission
File Number)

73-1015226
(IRS Employer
Identification No.)

16 South Pennsylvania Avenue, Oklahoma City, Oklahoma
(Address of principal executive offices)

73107
(Zip Code)

Registrant's telephone number, including area code (405) 235-4546

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 (see General Instruction A.2. below):

- 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))
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Section 1 – Registrant’s Business and Operations

Item 1.01. Entry into a Material Definitive Agreement

The disclosures in Item 8.01 of this report are incorporated in this Item 1.01 by reference.

Section 8 – Other Events.

Item 8.01. Other Events

Non-Employee Director Compensation

On October 22, 2014, the Board of Directors of LSB Industries, Inc. (the “Company”) unanimously approved and adopted the Company’s Non-Employee Director Compensation and Stock Ownership Policy (the “Policy”), which was recommended by the Board’s Compensation and Stock Option Committee and the Nominating and Corporate Governance Committee as a means of further aligning the interests of the Company’s non-employee directors with the interests of the Company’s stockholders, promoting sound corporate governance, and building an ownership mentality among the non-employee directors of the Company. The Policy is effective as of June 5, 2014, and provides that annual compensation payable to non-employee directors will be based on the calendar year and will be as follows:

- An annual cash fee equal to \$125,000;
- For each non-employee director who is a member of the Audit Committee, an annual cash fee equal to \$10,000; and
- For the non-employee director serving as the Board’s Lead Director, an annual cash fee equal to \$10,000, except no additional fee will be paid to a Lead Director that is also a member of the Audit Committee.

Fees earned under the Policy will be earned on a calendar-quarterly basis and will be paid in arrears not later than the 15th day following the end of each calendar quarter.

The Policy also provides guidelines for non-employee directors’ ownership of the Company’s common stock. The guidelines encourage, but do not require, each non-employee director to own shares of the Company’s common stock having an aggregate value of at least \$200,000. Non-employee directors whose common stock ownership is less than such target ownership are encouraged to acquire \$50,000 of common stock for each full year served, based on the market value of the common stock, until such target ownership is attained.

Effective January 1, 2015, under the Policy each non-employee director may elect to receive all or any portion of such director fees in shares of the Company’s common stock pursuant to the Company’s Outside Directors Stock Purchase Plan, effective June 24, 1999 (the “Equity Plan”), and the terms of the Policy. Non-employee directors who have not attained the target ownership described above are encouraged, but not required, to elect to receive at least \$50,000 of the annual non-employee director fees in shares of the Company’s common stock. As provided in the Equity Plan, the number of shares issued in lieu of cash payment, if any, shall be calculated based upon the closing price of the Company’s common stock on the New York Stock Exchange on the business day immediately preceding the date that the fee is due. As of the date of this report, 280,000 shares are available for issuance under the Equity Plan.

The Policy may be amended, modified, or terminated by the Board at any time in the Board's sole discretion.

The foregoing description of the Policy is a general description only, does not purport to be complete, and is qualified in its entirety by reference to the terms of the Policy, attached hereto as Exhibit 99.1 and incorporated herein by this reference.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Non-Employee Director Compensation and Stock Ownership Policy, effective June 5, 2014.

99.2 Outside Directors Stock Purchase Plan, dated May 24, 1999 (originally filed as Exhibit "C" to the Company's Proxy Statement, dated May 24, 1999 for its 1999 Annual Meeting of Stockholders).

SIGNATURES

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

Dated: October 23, 2014

LSB INDUSTRIES, INC.

By: /s/ Tony M. Shelby

Tony M. Shelby,
Executive Vice President of Finance and
Chief Financial Officer

LSB INDUSTRIES, INC.

**NON-EMPLOYEE DIRECTOR COMPENSATION
AND STOCK OWNERSHIP POLICY**

(Adopted October 22, 2014)

The Compensation and Stock Option Committee (the "Committee") of the Board of Directors (the "Board") of LSB Industries, Inc. (the "Company") is authorized by its charter to review and make recommendations to the Board with respect to the compensation of all non-employee directors, including any compensation under the Company's equity-based plans. The Committee has recommended to the Board, and each of the Board and the Nominating and Corporate Governance Committee of the Board has approved and adopted, this Non-Employee Director Compensation and Stock Ownership Policy (the "Policy") for the purposes of further aligning the interests of the Company's non-employee directors with the interests of the Company's stockholders, promoting sound corporate governance, and building an ownership mentality among the non-employee directors.

The cash and equity compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board or the Compensation Committee, subject to the terms hereof, to each member of the Board who is not an employee of the Company or any subsidiary of the Company (each, a "Non-Employee Director") who may be eligible to receive such cash or equity compensation.

This Policy may be amended, modified, or terminated by the Board at any time in its sole discretion.

1. Annual Compensation. Effective as of June 5, 2014, annual compensation payable to Non-Employee Directors will be based on the 12-month period ending December 31 each calendar year and will be payable as provided below (collectively, the "Annual Compensation").

- 1.1 Base Fee. Each Non-Employee Director shall be eligible to receive an annual fee of \$125,000 for service on the Board (the "Base Fee").
- 1.2 Audit Committee Fee. In addition to the Base Fee, a Non-Employee Director serving as a member of the Audit Committee shall receive an annual fee of \$10,000 for such service ("Audit Committee Fee").
- 1.3 Lead Director Fee. In addition to the Base Fee, a Non-Employee Director serving as the Lead Director of the Board shall receive an annual fee of \$10,000 for such service, unless such Lead Director is also a member of the Audit Committee, in which case no additional fee shall be paid for serving as Lead Director.
- 1.4 Election to Receive Shares. Subject to the terms hereof from and after January 1, 2015, at the irrevocable election of the Non-Employee Director in accordance with paragraph 2.1 below, all or any portion of the Annual Compensation payable to Non-Employee Directors will be payable in shares of the common stock, par value \$.10 per share, of the Company (the "Common Stock") pursuant to the Company's Outside Directors Stock Purchase Plan, effective June 24, 1999, as may be amended from time to time (the "Equity Plan") and the terms of this Policy.

- 1.5 **Payment.** The Annual Compensation shall be earned on a calendar-quarterly basis and shall be paid by the Company in arrears not later than the 15th day following the end of each calendar quarter.
- 1.6 **Partial Years.** If a Non-Employee Director does not serve an entire calendar quarter as a Non-Employee Director or as a member of an applicable committee of the Board for purpose of paragraphs 1.1, 1.2 and 1.3, above, the Annual Compensation payable to such Non-Employee Director shall be prorated for the portion of such calendar quarter actually served as a Non-Employee Director or as a member of such committee, as applicable.
- 1.7 **Target Ownership.** If a Non-Employee Director's aggregate ownership of Common Stock is less than the Target Ownership described in paragraph 3 of this Policy, the Non-Employee Director is encouraged, but not required, to elect to receive at least \$50,000 of the Non-Employee Director's Annual Compensation in shares of Common Stock.

2. **Equity Plan Compliance.** The issuance of Common Stock to a Non-Employee Director as a portion or all of the Annual Compensation pursuant to such Non-Employee Director's election pursuant to paragraph 1.4, above, shall be subject to the terms and provisions of the Equity Plan and conditioned upon the availability of shares of Common Stock reserved for issuance under the Equity Plan. All applicable terms of the Equity Plan apply to this Policy as if fully set forth herein, and each issuance of Common Stock under the Equity Plan is subject in all respects to the terms of the Equity Plan, compliance with applicable federal and state securities laws, and compliance with the rules and regulations of the New York Stock Exchange.

- 2.1 **Method of Electing.** Effective as of January 1, 2015, the election of the Non-Employee Director described in paragraph 1.4 must be in writing and filed with the Company's Secretary at least 30 days prior to the first day of each calendar quarter during the Plan Year. Each election to receive a portion of the Annual Compensation in shares of Common Stock in lieu of cash shall be irrevocable. If, with respect to any calendar quarter, the Non-Employee Director fails to timely elect to receive shares of Common Stock in lieu of cash, the Non-Employee Director will be deemed to have elected to receive all of the Annual Compensation for that particular quarter in cash. **In addition, a Non-Employee Director may elect to receive a portion of the Annual Compensation in shares of Common Stock only in compliance with the terms and restrictions set forth in the Company's Statement of Policy Concerning Business Conduct of LSB Industries, Inc. and Subsidiaries – Pre-Clearance and Blackout Procedures, dated November 13, 2008, as amended from time to time (the "Blackout Procedures"). Any attempted election by a Non-Employee Director to receive any quarterly installment of the Annual Compensation in shares of Common Stock shall automatically be null and void, if, as of the date of the attempted election, the Non-Employee Director would be prohibited under the Blackout Procedures from trading in the Company's securities.**

- 2.2 Registration. If shares subject to the Equity Plan cease to be registered for any reason, the Board may require each Non-Employee Director receiving a portion of the Annual Compensation in shares of Common Stock in lieu of cash to represent to, and agree with, the Company in writing that each Non-Employee Director is acquiring the shares for investment without a view to distribution, and may condition the issuance of shares pursuant to the Equity Plan on such other representation or agreement as may be necessary or advisable solely to comply with the provisions of the Securities Act of 1933, as amended, or any other federal, state or local securities laws.
- 2.3 Share Certificates. The Company will not be required to issue or deliver any certificate for shares of Common Stock issued pursuant to this Policy or any portion thereof unless, in the opinion of the Company's counsel, there has been compliance with all applicable legal requirements. In addition, the Company will impose such restrictions on shares delivered to a Non-Employee Director under this Policy as it may deem advisable in order to comply with the Securities Act of 1933, as amended, the requirements of the New York Stock Exchange or any other stock exchange or automated quotation system upon which the shares are then listed or quoted, any state securities laws applicable to such, any transfer, any provisions of the Company's Certificate of Incorporation or Bylaws, or any other law, regulation, or binding contract to which the Company is a party.
3. Stock Ownership Guidelines. Subject to the following provisions of this paragraph 3, all Non-Employee Directors are encouraged, but not required, to own shares of the Company's Common Stock having an aggregate value of at least \$200,000 (the "Target Ownership").
- 3.1 Accumulation Period. Non-Employee Directors will have five years from the later of the Effective Date or the date of election to the Board to attain the Target Ownership. If a Non-Employee Director has served less than five years as a director, then the director is encouraged, but not required, to own shares of Common Stock having an aggregate market value of at least \$50,000 for each full year served, until the Target Ownership is attained.
- 3.2 Stock Ownership. Solely for purposes of these guidelines, the following shares of Common Stock will be included in the calculation of a Non-Employee Director's aggregate Common Stock ownership:
- Shares owned separately by the director or owned either jointly with, or separately by, the director's immediate family members residing in the same household;
 - Shares held in trust for the benefit of the director or his immediate family members;

- Shares purchased on the open market;
 - Shares obtained through stock option exercise or direct grant under any Company equity plan (and not thereafter sold); and
 - Shares reserved for issuance under vested but unexercised stock options.
- 3.3 Exceptions. If, in the good faith determination of the Compensation Committee, the stock ownership guidelines would place a financial or other substantial hardship on a director, the Compensation Committee may, in its discretion, modify the stock ownership guidelines with respect to the Non-Employee Director. A Non-Employee Director is not required to acquire shares of Common Stock in accordance with these ownership guidelines, if the acquisition of Common Stock at a particular time would result in a violation of the Blackout Procedures, in which event the Non-Employee Director is encouraged to comply with the guidelines as soon as reasonably feasible thereafter.
- 3.4 Valuation. For purposes of determining compliance with these guidelines, shares of Common Stock will be valued at the greater of: (a) the Common Stock closing price as of the date on which the determination is being made, and (b) the Common Stock closing price on the date the shares were acquired by the Non-Employee Director.
- 3.5 Administration. The guidelines set forth in this paragraph 3 shall be administered and interpreted by the Compensation Committee.

LSB INDUSTRIES, INC.
OUTSIDE DIRECTORS STOCK PURCHASE PLAN

1. **Purpose.** The purpose of this Outside Directors Stock Purchase Plan (the “Plan”) is (a) to advance the interests of the Company and its stockholders while providing a means to attract, retain and compensate non-employee directors and (b) to enable non-employee directors to increase their proprietary interest in the Company, thereby providing such persons additional incentives to achieve the growth objectives of the Company.

2. **Definitions.** In addition to the terms defined in paragraph 1, the following terms have the meanings set forth below:

- 2.1 “Board” means the Board of Directors of the Company.
- 2.2 “Company” means LSB Industries, Inc., a Delaware corporation.
- 2.3 “Fair Market Value” means, with respect to the Shares, the fair market value of such Shares determined by such methods or procedures as may be established from time to time by the Board. Unless otherwise determined by the Board, “Fair Market Value” will mean the closing price of a Share on the principal national securities exchange on which the Shares are listed on the day on which such value is to be determined, as reported in the composite quotations for securities traded on such exchange provided by the National Association of Securities Dealers or successor national quotation service. If no such quotations are available for the day in question, “Fair Market Value” shall be determined by reference to the appropriate prices on the next preceding day for which such prices are reported.
- 2.4 “Director Fee” means fees payable to a director in cash for the director’s service on the Board and on committees of the Board during any calendar year.
- 2.5 “Eligible Director” means any member of the Board who is not an employee of the Company or its subsidiaries.
- 2.6 “Option” means any option to purchase Shares which is awarded pursuant to the Plan and is not intended to be an “incentive stock option” within the meaning of Section 422 of the Internal Revenue Code of 1986 as amended.
- 2.7 “Option Agreement” means the written agreement between the Company and the Eligible Director, consisting of one or more documents, setting forth the terms and conditions of an option granted under this Plan.
- 2.8 “Permanent Disability” or “Permanently Disabled” means the inability of the Eligible Director to perform the Eligible Director’s usual duties as a Board Member by reason of medically determined terminal, physical or mental impairment expected to result in death or to be of continuous duration of 12 months or more.

- 2.9 “Plan Year” means each calendar year during which this Plan is in effect and, with respect to an Eligible Director’s initial election or appointment to the Board, the period commencing at the time of such election or appointment and ending on the succeeding December 31.
- 2.10 “Shares” means the common stock, par value \$.001 per share, of the Company or, if the outstanding Shares are hereafter changed into or exchanged for different stock or securities of the Company or some other corporation, such other stock or securities.
3. Participants. Each Eligible Director may participate in the Plan.
4. Shares Subject to Plan.
- 4.1 Limitations. Subject to any adjustment pursuant to the provisions of the Plan, the maximum number of Shares which may be issued and sold hereunder will not exceed 400,000.
- 4.2 Regrant. If any shares that are subject to an Option cease to be subject to such Option, such Shares will again be available for distribution in connection with future grants or issuances under this Plan. The number of shares available for distribution under this Plan will be reduced by the number of shares issued under this Plan upon exercise of an Option or upon issuance pursuant to the election by an Eligible Director in accordance with paragraph 9 of this Agreement.
- 4.3 Character of Shares. The Company may satisfy its obligations to an Eligible Director exercising an Option or electing to receive Shares in payment of the Director Fee by issuing authorized and unissued Shares, by transferring treasury shares, or in part by the issuance of authorized and unissued Shares and the balance by the transfer of treasury shares.
- 4.4 Board Determination. The adjustments described in this paragraph 4 and the manner of application thereof will be determined solely by the Board, and any such adjustment may provide for the elimination of fractional share interests. The adjustments required under this paragraph 4 will apply to any successor or successors of the Company and will be made regardless of the number or type of successive events requiring adjustments hereunder.
5. Grant of Options. The Board is authorized to grant Options which are governed by the terms and conditions specified in this paragraph 5 to any Eligible Director.

- 5.1 Exercise and Term of Options. Each Option will become exercisable at such time or times, during such period, and for the number of Shares as determined by the Board and set forth in the Option Agreement; provided however, unless the Option Agreement otherwise provides, no Option will be exercisable within the period ending six months and one day after the date the Option is granted. Notwithstanding the foregoing, each Option will have a maximum term of ten years measured from the date the Option is granted.
- 5.2 Notice of Exercise and Payment. Subject to any installment, exercise and waiting period provisions that are applicable in a particular case, Options granted under this Plan may be exercised, in whole or in part, at any time during the term of the Option, by giving written notice of such exercise to the Company identifying the Option being exercised and specifying the number of shares then being purchased. Such notice will be accompanied by payment in full of the exercise price, which shall be in cash or, unless otherwise provided in the Option Agreement, in whole Shares which are already owned by the Eligible Director or, unless otherwise provided in the Option Agreement, partly in cash and partly in such Shares. Cash payments will be made by wire transfer, certified check or bank check or personal check, in each case payable to the order of the Company; provided, however, that the Company will not be required to deliver certificates for Shares with respect to which an Option is exercised until the Company has confirmed the receipt of good and valuable funds in payment of the purchase price thereof. Payments in the form of Shares (which will be valued at the Fair Market Value of a Share on the date of exercise) will be made by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances, with signature guaranteed by a bank or investment banking firm.
- 5.3 Issuance of Shares. As soon as practicable after its receipt of notice and payment pursuant to paragraph 5.2, the Company will cause one or more certificates for the Shares so purchased to be delivered to the Eligible Director or the party exercising the Option, as the case may be.
- 5.4 Partial Exercise. An Option granted under this Plan may be exercised as to any part of the Shares for which it could be exercised. Such a partial exercise of an Option will not affect the right to exercise the Option from time to time in accordance with this Plan as to the remaining Shares subject to the Option.
- 5.5 Buyout and Settlement Provisions. The Board may at any time offer to buy out for cash or otherwise settle an Option previously granted, based upon such terms and conditions as the Board may establish and communicate to the Eligible Director at the time that such offer is made, including a settlement for exchange of a new award under the Plan for the surrender of the Option.

- 5.6 Limited Transferability of Options. Each Option granted under this Plan may, in connection with the Eligible Director's estate plan, be assigned in whole or in part during the Eligible Director's lifetime to one or more members of the Eligible Director's immediate family or to a trust established exclusively for one or more such family members. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the Option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the Option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Board may deem appropriate. The Eligible Director may also designate one or more persons as the beneficiary or beneficiaries of the Eligible Director's outstanding Options under this Plan, and those Options will, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Eligible Director's death while holding such Options. Such beneficiary or beneficiaries will take the transferred Options subject to all the terms and conditions of the Option Agreement including (without limitation) the limited time period during which the Option may be exercised following the Eligible Director's death.
- 5.7 Termination of Board Service. If the Eligible Director ceases Board service for any reason (other than death or Permanent Disability) while holding one or more Options awarded under this Plan, then each such Option will remain exercisable, for any or all of the shares for which the Option is exercisable at the time of such cessation of Board service, until the earlier of (a) the expiration of the term of the Option as set forth in the Option Agreement (b) the expiration of the three year period measured from the date of such cessation of Board service, and (c) the expiration of ten years from the date such Option was granted. However, each option held by the Eligible Director under this Plan at the time of the Eligible Director's cessation of Board service will immediately terminate and cease to remain outstanding with respect to any and all Shares for which the Option is not otherwise at that time exercisable.
- 5.8 Death or Permanent Disability.
- 5.8.1 Eligible Directors. If the Eligible Director's service as a Board member ceases by reason of death or Permanent Disability, then each Option held by such Eligible Director under this Plan will immediately become exercisable for all Shares at that time subject to that Option, and the Option may be exercised for any or all of those shares as fully-vested shares until the earlier of (a) the expiration of the term of the Option as set forth in the Option Agreement (b) the expiration of the three year period measured from the date of such cessation of Board service, and (c) the expiration of ten years from the date the Option was granted.

5.8.2 Former Eligible Directors. If the Eligible Director dies after cessation of Board service but while holding one or more Options under this Plan, then each such Option may be exercised, for any or all of the shares for which the Option is exercisable at the time of the Eligible Director's cessation of Board service (less any shares subsequently purchased by Eligible Director prior to death), by the personal representative of the Eligible Director's estate or by the person or persons to whom the option is transferred pursuant to the Eligible Director's will or in accordance with the laws of descent and distribution or by the designated beneficiary or beneficiaries of such Option. Such right of exercise will lapse, and the Option shall terminate, upon the earlier of (a) the expiration of the term of the Option as set forth in the Option Agreement, (b) the three year period measured from the date of the Eligible Director's cessation of Board service, or (c) the expiration of ten years from the date such Option was granted.

5.9 Cancellation and Regrant of Options. The Board is authorized to effect, at any time and from time to time, with the consent of the affected Option holders, the cancellation of any or all outstanding options under the Plan and to grant in substitution new Options covering the same or different number of Shares but with an exercise price per share based on the Fair Market Value per Share on the new grant date.

6. Acceleration of Options.

6.1 Acceleration Upon Change of Control. Unless the Option Agreement provides otherwise or unless the Eligible Director waives the application of this paragraph 6.1 prior to a Change of Control (as hereinafter defined), in the event of a Change of Control, each outstanding Option granted under the Plan will become exercisable in full immediately prior to the effective date of the Change of Control notwithstanding the vesting provisions contained in the Option Agreement and may be exercised for any or all of those Shares as fully-vested Shares.

6.2 Change of Control Defined. A "Change of Control" shall be deemed to have occurred upon any of the following events:

- (a) The consummation of any of the following transactions: any merger, reverse stock split, recapitalization or other business combination of the Company, with or into another corporation, or an acquisition of securities or assets by the Company, pursuant to which the Company is not the continuing or surviving corporation or pursuant to which Shares would be converted into cash, securities or other property, other than a transaction in which the majority of the holders of Shares immediately prior to such transaction will own at least 50 percent of the total voting power of the then-outstanding securities of the surviving corporation immediately after such transaction; or

- (b) A transaction in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, or any profit-sharing, employee ownership or other employee benefit plan sponsored by the Company or any Subsidiary, or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity, or any group comprised solely of such entities): (i) purchases any Shares (or securities convertible into Shares) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (ii) becomes the “beneficial owner” (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly (in one transaction or a series of transactions), of securities of the Company representing 50 percent or more of the total voting power of the then-outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) in the case of rights to acquire the Company’s securities); or
- (c) If, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board and any new director whose election by the Board, or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election by the stockholders was previously so approved, cease for any reason to constitute a majority thereof.

6.3 General Waiver by Board. The Committee may, after grant of an Option, accelerate the vesting of all or any part of any Option, and/or waive any limitations or restrictions, if any, for all or any part of an Option.

7. Adjustment Upon Change of Shares. Subject to any required action by the stockholders of the Company, the number of Shares for which Options may thereafter be granted, and the number of Shares then subject to Options previously granted, and the price per share payable upon exercise of such Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares or the payment of a stock dividend (but only on the Shares) or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company. In addition, adjustments will be made pursuant to the following:

- (a) If the Company is reorganized or consolidated or merged with another corporation, in which the Company is the non-surviving corporation, an Eligible Director holding of an outstanding Option granted under this Plan shall be entitled (subject to the provisions of this paragraph 7) to receive Options covering shares of such reorganized, consolidated or merged corporation in the same proportion as granted to the Eligible Director prior to such reorganization, consolidation or merger at an equivalent exercise price, and subject to the same terms and conditions as this Plan. For purposes of the preceding sentence, the excess of the aggregate Fair Market Value of Shares subject to the Option immediately after the reorganization, consolidation or merger over the aggregate exercise price of such shares shall not be more than the excess of the aggregate Fair Market Value of all Shares subject to the Option immediately before such reorganization, consolidation or merger over the aggregate exercise price of such Shares, and the new stock option or assumption of the old Option by any surviving corporation shall not give the Eligible Director additional benefits which the Eligible Director did not have under the old Option.
- (b) To the extent that the foregoing adjustments relate to the Shares, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.
- (c) Except as expressly provided in this paragraph 7, the Eligible Director will have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, consolidation, reorganization or spin-off of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to the Option.
- (d) The grant of an Option pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

8. Compensation Shares. For each quarter during the Plan Year, each Eligible Director may elect to apply all or any portion of the Director Fee payable during that Plan Year to the acquisition of Shares under this Plan.

- 8.1 Number of Award Shares. If the Eligible Director elects to receive a portion of such Eligible Director's Director Fee in Shares: (a) the Eligible Director will receive the number of Shares obtained by dividing the amount of the Director Fee subject to the Eligible Director's election by the Fair Market Value of a Share and (b) the Eligible Director will receive the balance of the Director Fee in cash or its equivalent. If the Eligible Director elects to receive 100% of the Director Fee in Shares the Eligible

Director will receive the number of Shares obtained by dividing the applicable Director's Fee by the Fair Market Value of a share. Fair Market Value as used in this paragraph 8, shall be determined on the business day immediately preceding the date that the Director Fee is due.

8.2 Method of Electing. The election of the Eligible Director described in paragraph 8.1 must be in writing and filed with the Company's Secretary prior to the first day of each calendar quarter during the Plan Year. If an Eligible Director fails to make such election in a timely manner, such Eligible Director will be deemed to have elected not to receive any of the Director Fee payable to such Eligible Director in Shares.

9. Amendments and Termination.

9.1 Amendments to Plan; Termination. The Board may at any time, and from time to time, amend or modify any of the provisions of the Plan, and may at any time suspend or terminate the Plan. Notwithstanding the foregoing sentence, any amendment to the Plan will not be effective unless and until it has been duly approved by the stockholders of the outstanding Shares if the failure to obtain such approval would adversely affect the compliance of the Plan with the requirements of Rule 16b-3 under the Exchange Act, or with the requirements of any other applicable law, rule or regulation.

9.2 Amendments to Individual Awards. The Board may amend the terms of any Option granted under the Plan; provided, however, that subject to paragraph 7 hereof, no such amendment may be made by the Board which in any material respect impairs the rights of the Eligible Director without the Eligible Director's consent.

10. Investment Intent. The Board may require each Eligible Director receiving Shares or Options to represent to, and agree with, the Company in writing that each Eligible Director is acquiring the Shares for investment without a view to distribution, and may condition the issuance of Shares pursuant to the Share Award on such other representation or agreement as may be necessary or advisable solely to comply with the provisions of the Securities Act of 1933, as amended, or any other federal, state or local securities laws.

11. Share Certificates. The Company will not be required to issue or deliver any certificate for Shares purchased hereunder or any portion thereof unless, in the opinion of the Company's counsel there has been compliance with all applicable legal requirements. In addition, the Company will impose such restrictions on Shares delivered to an Eligible Director under the Plan as it may deem advisable in order to comply with the Securities Act of 1933, as amended, the requirements of the New York Stock Exchange or any other stock exchange or automated quotation system upon which the shares are then listed or quoted, any state securities laws applicable to such, any transfer, any provisions of the Company's Certificate of Incorporation or Bylaws, or any other law, regulation, or binding contract to which the Company is a party.

12. Stockholder Rights. An Eligible Director will have no stockholder rights (a) with respect to the Shares subject to an Option until such person has exercised the Option, paid the exercise price, and become a holder of record of the purchased Shares, or (b) with respect to Shares subject to such person's election pursuant to paragraph 8.1, until the Director Fee is due and payable and such person has become a holder of record of the purchased Shares.

13. Effective Date, Stockholder Approval, and Plan Termination. The Plan will become effective on its approval by the stockholders of the Company. Unless earlier terminated by the Board, the Plan will remain in effect until such time as no Shares remain available for delivery under the Plan, and the Company has not further rights or obligations under the Plan with respect to Options under the Plan.

14. Relationship to Other Compensation Plans. The adoption of the Plan will neither affect any other stock option, incentive or other compensation plans in effect for the Company or any of its subsidiaries, nor will the adoption of the Plan preclude the Company from establishing any other forms of incentive or other compensation plan for directors of the Company.

15. Plan Binding on Successors. The Plan will be binding upon the successors and assigns of the Company.

16. Headings. Headings of paragraphs hereof are inserted for convenience and reference, and do not constitute a part of the Plan.

17. Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.