



**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) July 18, 2006

**CAPSTONE TURBINE CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation)

001-15957  
(Commission file number)

95-4180883  
(I.R.S. Employer  
Identification No.)

21211 Nordhoff Street, Chatsworth, California 91311  
(Address of principal executive offices) (Zip Code)

(818) 734-5300  
(Registrant's telephone number, including area code)

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))
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### **Section 1 — Registrant's Business and Operations**

#### **Item 1.01. Entry into a Material Definitive Agreement.**

In connection with the resignation of John R. Tucker as President, Chief Executive Officer and a director of Capstone Turbine Corporation (the "Company"), effective July 31, 2006, the Company and Mr. Tucker entered into a Consulting Agreement (the "Consulting Agreement") pursuant to which Mr. Tucker and the Company amended the Capstone Restricted Stock Purchase Agreement with John Tucker, dated August 4, 2003, and the Capstone Turbine Corporation Stock Option Agreement with John Tucker, dated August 1, 2003. The Consulting Agreement allows Mr. Tucker to exercise his options that are vested through July 31, 2007.

The Consulting Agreement also provides, among other matters, that (i) Mr. Tucker will provide consulting services to the Company for a one year period following the effective date of his resignation and, during this period, he will not solicit any employees, distributors, dealers or customers of the Company, (ii) Mr. Tucker's option is vested as to 1,500,000 shares and the right to exercise the vested portion of his option expires on July 31, 2007 or, if sooner, three months after termination the Consulting Agreement, (iii) the portion of the option that is not vested is cancelled, (iv) 375,000 shares of the August 4, 2003 restricted stock grant are vested and the right to accrue additional vesting of that restricted stock award is cancelled as of July 31, 2006 and (v) the option granted to Mr. Tucker on June 12, 2006 and the option proposed to be granted to Mr. Tucker on June 22, 2006 are cancelled.

The full text of the Consulting Agreement is furnished as Exhibit 10.1 to this Current Report on Form 8-K.

### **Section 5 — Corporate Governance and Management**

#### **Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

##### (b) Departure of Directors or Principal Officers

On July 18, 2006, John Tucker submitted his resignation as the Chief Executive Officer, President and a director of the Company, effective July 31, 2006. Mr. Tucker will not stand for reelection as a director at the Company's 2006 Annual Meeting of Stockholders. As of August 1, 2006, Mr. Tucker will serve the Company in a consulting capacity until July 31, 2007.

Effective August 1, 2006, Mark Gilbreth, 34, the Company's Executive Vice President and Chief Operating Officer, will serve as interim President and Chief Executive Officer until the Board of Directors acts to name a permanent replacement. Mr. Gilbreth joined the Company in 1995 and has held positions of increasing responsibilities in engineering, program management and customer service.

By action of its Board of Directors on July 24, 2006, the Board of Directors of the Company was decreased from nine to eight, effective August 1, 2006, and from eight to six, effective as of the election of directors at the 2006 Annual Meeting of Stockholders.

The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

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**Section 9 — Financial Statements and Exhibits**

**Item 9.01 Financial Statements and Exhibits.**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 10.1(1)                   | Consulting Agreement between Capstone Turbine Corporation and John R. Tucker, dated July 24, 2006. |
| 99.1(1)                   | Press Release of Capstone Turbine Corporation, dated July 24, 2006.                                |

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- (1) Filed herewith.
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**SIGNATURE**

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 hereunto duly authorized.

**CAPSTONE TURBINE CORPORATION**

(Registrant)

Date: July 24, 2006

By: /s/ Walter J. McBride

Walter J. McBride

Chief Financial Officer

July 24, 2006

Dear John,

Capstone Turbine Corporation (the "Company") is in receipt of your resignation as President, CEO and a director of the Company effective as of July 31, 2006. This letter sets forth certain agreements and understandings between you and the Company, all to be effective as of August 1, 2006.

In consideration of your agreement to serve the Company in a consulting capacity for a one-year period after the effective date of your resignation (the "Consulting Period"), the terms of your outstanding stock options will be revised as stated below to allow you to exercise your stock options that were vested as of that date until July 31, 2007. In exchange, you will agree to be available to the Company for consulting advice for up to ten hours per month, not to use any of the Company's confidential or proprietary information during the term of this agreement, except on behalf of the Company, and thereafter, and not to interfere with certain relationships of the Company during the term of this agreement and thereafter, as set forth in more detail below. In the event that you are requested to provide greater than ten hours per month of consulting advice, the Company shall compensate you at a rate of \$500 per hour. You will be reimbursed for your reasonable expenses incurred in providing such consulting services to the Company. Such payments and reimbursements shall be made within fifteen days of the Company's receipt of an invoice from you reflecting same, with supporting documentation regarding expenses attached. In addition, the Company will continue to provide medical benefits for you as currently provided for a one month period following the effective date of your resignation.

As an inducement to become the President and Chief Executive Officer of the Company, you were awarded an option to acquire 2,000,000 shares of the Company's common stock. Your right to exercise the option would expire three months following the termination of your employment with the Company. The terms of the option permit you, however, to continue to exercise the vested portion if you are providing services to the Company as a consultant. You and the Company hereby revise the Stock Option Agreement, dated August 1, 2003 and the Restricted Stock Agreement, dated August 4, 2003, both between you and the Company as follows: (i) you will provide consulting services to Capstone as outlined in this letter, (ii) the option is vested as to 1,500,000 shares of common stock and the remaining portion of the option is cancelled and the right to exercise the vested option will expire on July 31, 2007 or, if sooner, three months after the termination of your relationship as a consultant to the Company, (iii) you are vested as to 375,000 shares of restricted stock, and the right to accrue additional vesting of the restricted stock under the award granted to you on August 4, 2003 is hereby cancelled, and (iv) the options granted to you on June 12, 2006 and June 22, 2006 are hereby cancelled. The Company intends to exercise its repurchase option under the August 4, 2003 Restricted Stock Agreement to acquire the unvested shares under the terms described in the Restricted Stock Agreement.

By reason of your service as the President, CEO and a director of the Company, you have had access to and contact with the trade secrets and confidential and proprietary business information of the Company and its affiliates (the "Confidential Information"). You acknowledge that the Company

conducts its business in an industry that is highly competitive, and that the Confidential Information constitutes a valuable, special and unique asset of the Company, and therefore you covenant and agree that, for a period of five years:

(a) You will at all times use your best efforts and exercise diligence to protect and safeguard the Confidential Information, including, without limitation, customer-related information, including names, addresses, specifications or requirements and the identity of customers

and suppliers; arrangements with customers and suppliers; technical data, records, compilations of information, processes, intellectual property, patents, technology, computer software, and specifications relating to customers, suppliers, products and services; the manner of operation of the Company's, plans, policies, budgets, financial projections, business and/or marketing plans, concepts and/or projections; information about the finances and financial condition of the Company's business, costs, profits, profit margins, salaries and other financial information pertaining to the Company; and the trade secrets and other technical and non-technical information of the Company.

(b) You will not at any time disclose any of such Confidential Information, except as may be required by law.

(c) You will not at any time use, directly or indirectly, for your own benefit or for the benefit of another, any of such Confidential Information, except as is required in your capacity as consultant to the Company during the term of this agreement.

(d) The confidentiality provisions set forth above shall not be applicable to any information which is in the public domain, other than as a result of action by you in violation of such confidentiality provisions, or which was obtained from sources other than the Company or its affiliates who are not under a duty of nondisclosure. All files, records, documents, drawings, specifications, computer software, memoranda, notes, or other documents relating to the business of the Company and its affiliates, whether prepared by you or that otherwise came into your possession, shall be the exclusive property of the Company and its affiliates and shall not be retained by you for any reason whatsoever.

(e) You acknowledge that the confidentiality provisions set forth above are a reasonable and necessary protection of the legitimate business interests of the Company. In the event of any violation of the such confidentiality provisions, the Company shall be entitled to preliminary and permanent injunctive relief. Nothing herein contained shall be construed as prohibiting the Company from pursuing any other legal or equitable remedies available to the Company as a result of a violation of the confidentiality provisions set forth herein. The confidentiality provisions set forth above shall continue to be binding upon you for a period of five years and supplement, but do not replace or modify, any and all other legal obligations you have with respect to maintaining the confidentiality of information related to the Company.

(f) You will not assist any person or entity in any way to do, or attempt to do, anything prohibited by clauses (a) through (e) above.

By reason of your service as the President, CEO and a director of the Company, you have knowledge about, access to and/or contact with the Company's employees, dealers, distributors, customers, prospective customers, potential customers and other relationships that are or potentially are beneficial to the Company. You acknowledge that such relationships are a valuable, special and unique asset of the Company, and therefore you agree that, during the Consulting Period and for one year thereafter:

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(w) You will not, nor will your affiliates, solicit any person or entity that is a dealer, distributor, customer, prospective customer or potential customer of the Company or its affiliates as of July 31, 2006 or during the Consulting Period to purchase any goods or services sold by, or competitive with a type sold by the Company or its affiliates from anyone other than Company or its affiliates.

(x) You will not, nor will your affiliates, (i) solicit, recruit or hire any person employed by the Company or its affiliates on July 31, 2006 or during the Consulting Period and any person who has worked for Company or its affiliates on July 31, 2006 or during the Consulting Period unless such person's employment was involuntarily terminated by



such employer, or (ii) solicit or encourage any person employed by the Company or its affiliates on July 31, 2006 or during the Consulting Period to leave the employment of the Company or its affiliates.

(y) You acknowledge that the non-solicitation provisions set forth above are a reasonable and necessary protection of the legitimate business interests of the Company. In the event of any violation of the such non-solicitation provisions, the Company shall be entitled solely to preliminary and permanent injunctive relief.

(z) You will not, nor will your affiliates, assist any person or entity in any way to do, or attempt to do, anything prohibited by clauses (w) through (y) above.

On behalf of the Board of Directors and stockholders of the Company, I want to thank you for the valuable service you have provided to us during the past three years and express our appreciation for your willingness to continue to assist the Company in this new role. If this letter correctly reflects the agreement of the parties with respect to the matters addressed herein, please execute two copies of this letter and return one fully executed copy of this letter to the undersigned. This letter may be executed in two or more counterparts, each of which shall be deemed to be an original document and all of which, taken together, shall be deemed to constitute a single original document.

Sincerely,

CAPSTONE TURBINE CORPORATION

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Eliot Protsch  
Chairman, Board of Directors

Acknowledged and agreed to  
this \_\_\_\_ day of July, 2006

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John R. Tucker

**CAPSTONE TURBINE ANNOUNCES CHANGE IN CEO**

Chatsworth, Calif.--(BUSINESS WIRE)--July 24, 2006--Capstone Turbine Corporation(R) ([www.microturbine.com](http://www.microturbine.com)) (NASDAQ:CPST), the world's leading manufacturer of microturbine energy systems, announced today that its Chief Executive Officer John Tucker has submitted his resignation effective July 31 as President, Chief Executive Officer and a director of Capstone, citing personal reasons. Mr. Tucker does not intend to stand for election as a director at the Company's Annual Meeting of Stockholders.

Pending recruitment of a replacement for Mr. Tucker, Mark Gilbreth, the Company's Executive Vice President and Chief Operating Officer, will serve as President and Chief Executive Officer on an interim basis. Mark joined Capstone in 1995 and has held positions of increasing responsibilities in Engineering, Program Management and Customer Service. Mr. Tucker has agreed to serve in a consulting capacity until July 31, 2007 in order to assist with the transition.

"The Board regrets that John will be departing as CEO, but is pleased that he will provide appropriate continuity by staying on as a consultant," said Capstone's Chairman Eliot Protsch. "John has taken Capstone to a new level of achievement in many critical areas during his tenure of three years as our CEO, despite significant challenges. We are confident in Mark Gilbreth's leadership ability and knowledge of our Company and that of the other members of our leadership team."

About Capstone Turbine Corporation ([www.microturbine.com](http://www.microturbine.com)) (NASDAQ:CPST) is the world's leading producer of low-emission microturbine systems, and was the first to market commercially viable microturbine energy products. Capstone Turbine has shipped more than 3,500 Capstone MicroTurbine systems to customers worldwide. These award-winning systems have logged more than 11 million documented runtime operating hours. Capstone Turbine is a member of the U.S. Environmental Protection Agency's Combined Heat and Power Partnership, which is committed to improving the efficiency of the nation's energy infrastructure and reducing emissions of pollutants and greenhouse gases. A UL-Certified ISO 9001:2000 certified company, Capstone Turbine is headquartered in the Los Angeles area with sales and/or service centers in New York, Mexico City, Milan, Shanghai and Tokyo. CONTACT: Capstone Turbine Corporation Alice Barsomian, 818-407-3628 SOURCE: Capstone Turbine Corporation