

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-8

REGISTRATION STATEMENT

Under
The Securities Act of 1933

CAPSTONE TURBINE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

95-4180883
(IRS Employer Identification No.)

21211 Nordhoff Street
Chatsworth, California 91311
(818) 734-5300
(Address of principal executive offices) (Zip Code)

STOCK OPTION AGREEMENT WITH JOHN TUCKER
RESTRICTED STOCK PURCHASE AGREEMENT WITH JOHN TUCKER
(Full title of the Plans)

Susan N. Cayley
Vice President and General Counsel
Capstone Turbine Corporation
21211 Nordhoff Street
Chatsworth, California 91311
(818) 734-5300
(Name and address of agent for service)

Copies to:
Neil Wolff, Esq.
Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, California 94304
(650) 493-9300

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
--------------------------------------	----------------------------	---	---	----------------------------

Stock Option Agreement with John Tucker Common Stock, \$0.001 par value	2,000,000 shares	\$ 1.18(2)	\$2,360,000	\$ 190.92
Restricted Stock Purchase Agreement with John Tucker, Common Stock, \$0.001 par value	500,000	\$ 0.001	\$ 500.00	\$ 0.04
			Aggregate Registration Fee	\$ 190.96

- (1) The shares registered hereunder comprise of 2,000,000 shares of Capstone's common stock issuable at an exercise price of \$1.18 per share pursuant to options outstanding under the Stock Option Agreement with John Tucker and 500,000 shares of Capstone's common stock issued at a purchase price of \$0.001 per share pursuant to the Restricted Stock Purchase Agreement with John Tucker. In addition, pursuant to Rule 416(c) under the Securities Act of 1933, as amended (the "Securities Act"), this Registration Statement also covers an indeterminate number of additional shares of Capstone's common stock that may be issued in accordance with the provisions of the Stock Option Agreement with Mr. Tucker and the Restricted Stock Purchase Agreement with Mr. Tucker by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without Capstone's receipt of consideration, which results in an increase in the number of the outstanding shares of Capstone's common stock.
- (2) The Proposed Maximum Offering Price Per Share is based upon the exercise price per share (\$1.18) of outstanding options for 2,000,000 shares under the Stock Option Agreement with Mr. Tucker.
-

TABLE OF CONTENTS

PART II

Item 3. Incorporation of Documents by Reference

Item 4. Description of Securities

Item 5. Interests of Named Experts and Counsel

Item 6. Indemnification of Directors and Officers

Item 7. Exemption from Registration Claimed

Item 8. Exhibits

Item 9. Undertakings

SIGNATURES

EXHIBIT INDEX

EXHIBIT 4.1

EXHIBIT 4.2

EXHIBIT 5.1

EXHIBIT 23.1

PART II

Information Required in the Registration Statement

Item 3. Incorporation of Documents by Reference

Capstone Turbine Corporation hereby incorporates by reference into this Registration Statement the following documents previously filed with the Commission:

- (a) Capstone's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed with the Commission on March 31, 2003;
- (b) Capstone's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003, filed with the Commission on May 15, 2003;
- (c) Capstone's Current Reports on Form 8-K, filed with the Commission on April 30, 2003 and July 17, 2003; and
- (d) The description of Capstone's common stock contained in Capstone's Registration Statement on Form 8-A, filed with the Commission on June 22, 2000, pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any subsequent amendment or report filed for the purpose of amending such description.

All reports and definitive proxy or information statements filed pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities

The Common Stock is registered pursuant to Section 12 of the 1934 Act, and, therefore, the description of securities is incorporated by reference pursuant to Item 3 herein.

Item 5. Interests of Named Experts and Counsel

Not Applicable.

Item 6. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law (the "DGCL") generally allows for a corporation to indemnify directors and officers for all expenses, judgments, fines and amounts in settlement actually paid and reasonably incurred in connection with any proceedings so long as such party acted in good faith and in a manner reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal proceedings, if such party had no reasonable cause to believe his or her conduct to be unlawful. Indemnification may only be made by Capstone if the applicable standard of conduct set forth in Section 145 has been met by the indemnified party upon a determination made (i) by the Board of Directors by a majority vote of the directors who are not parties to such proceedings, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders.

Table of Contents

Capstone has adopted provisions in its Second Amended and Restated Certificate of Incorporation (the "Certificate"), which require Capstone, to the fullest extent permitted by the DGCL, to indemnify all directors and officers of Capstone, and such other persons as may be required by statute or by Capstone's bylaws (the "Bylaws"), against any liability and to advance indemnification expenses on behalf of all directors and officers of Capstone. The Certificate further requires Capstone to eliminate, to the fullest extent permitted by the DGCL, the liability for monetary damages of directors of Capstone for actions or inactions taken by them as directors. If the DGCL is later amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the Certificate provides that the liability of a director to Capstone shall be limited or eliminated to the fullest extent permitted by the DGCL, as so amended from time to time.

The Certificate also empowers Capstone, to the fullest extent permitted by the DGCL, to purchase and maintain insurance on behalf of any director or officer, or such other person as may be permitted by statute or the Bylaws, against any liability which may be asserted against any director, officer or such other person.

In addition, the Bylaws require that Capstone indemnify, in the manner and to the full extent permitted by law, any person (or the estate of any person) who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether or not by or in the right of Capstone, and whether civil, criminal, administrative, investigative or otherwise, by reason of the fact that such person is a director or officer of Capstone, and at the discretion of the board of directors may indemnify any person (or the estate of any person) who is such a party or threatened to be made such a party by reason of the fact that such person is or was an employee or agent of Capstone or is or was serving at Capstone's request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Capstone may, to the full extent permitted by law, purchase and maintain insurance on behalf of any such person against any liability which may be asserted against him and may enter into contracts providing for the indemnification of such person to the full extent permitted by law. To the full extent permitted by law, the indemnification provided under the Bylaws shall include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, and, in the manner provided by law, any such expenses may be paid by Capstone in advance of the final disposition of such action, suit or proceeding. The indemnification provided under the Bylaws shall not be deemed to limit Capstone's right to indemnify any other person for any such expenses to the full extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from Capstone may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Capstone has entered into indemnity agreements (the "Indemnity Agreements") with each Capstone director, including directors who are also officers and employees of Capstone, and certain senior officers of Capstone. The Indemnity Agreements provide that Capstone will pay any expenses which an indemnitee is or becomes legally obligated to pay in connection with any proceeding, including any threatened, pending or completed claim, action, suit or proceeding, whether brought by or in the right of Capstone or otherwise and whether of a civil, criminal, administrative or investigative nature, in which the indemnitee may be or may have been involved as a party or otherwise, by reason of the fact that the indemnitee is or was, or has agreed to become, a director or officer of Capstone, by reason of any actual or alleged error or misstatement or misleading statement made or suffered by the indemnitee, by reason of any action taken by him or of any inaction on his part while acting as such director or officer, or by reason of the fact that he was serving at the request of Capstone as a director, trustee, officer, employee or agent of Capstone or another corporation, partnership, joint venture, trust or other enterprise; provided, that in each such case the indemnitee acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of Capstone, and, in the case of a criminal proceeding, in addition had no reasonable cause to believe that his conduct was unlawful.

The payments to be made under the Indemnity Agreements include, but are not limited to, damages, judgments, fines, penalties, settlements and costs, attorneys' fees and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under the Indemnity Agreement, except Capstone is not liable to make any payment under the Indemnity Agreements in connection with

Table of Contents

any claim made against an indemnitee (a) to the extent that payment is actually made to the indemnitee under a valid, enforceable and collectible insurance policy, (b) to the extent that the indemnitee is indemnified and actually paid otherwise than pursuant to the Indemnity Agreement, (c) in connection with a judicial action by or in the right of Capstone, in respect of any claim, issue or matter as to which the indemnitee shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to Capstone unless and only to the extent that any court in which such action was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the indemnitee is fairly and reasonably entitled to indemnity for such expenses as such court shall deem proper, (d) if it is proved by final judgment in a court of law or other final adjudication to have been based upon or attributable to the indemnitee's in fact having gained any personal profit or advantage to which he was not legally entitled, (e) for a disgorgement of profits made from the purchase and sale by the indemnitee of securities pursuant to Section 16(b) of the Securities and Exchange Act of 1934 (the "Exchange Act") and amendments thereto or similar provisions of any state statutory law or common law, (f) brought about or contributed to by the dishonesty of the indemnitee seeking payment pursuant to the Indemnity Agreement; however, notwithstanding the foregoing, the indemnitee shall be protected under the Indemnity Agreement as to any claims upon which suit may be brought against him by reason of any alleged dishonesty on his part, unless a judgment or other final adjudication thereof adverse to the indemnitee shall establish that he committed (i) acts of active and deliberate dishonesty, (ii) with actual dishonest purpose and intent, (iii) which acts were material to the cause of action so adjudicated, or (g) for any judgment, fine or penalty which Capstone is prohibited by applicable law from paying as indemnity or for any other reason.

Item 7. Exemption from Registration Claimed

Not Applicable.

Item 8. Exhibits

<u>Number</u>	<u>Exhibit</u>
+4.1	Stock Option Agreement with John Tucker
+4.2	Restricted Stock Purchase Agreement with John Tucker
+5.1	Opinion of Wilson Sonsini Goodrich & Rosati
+23.1	Consent of Independent Auditors
+23.2	Consent of Wilson Sonsini Goodrich & Rosati (contained in Exhibit 5.1)
+24.1	Power of Attorney (reference is made to page S-1 of this Registration Statement)

+ Filed herewith.

Item 9. Undertakings

A. The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act,

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

Table of Contents

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that clauses (1)(i) and (1)(ii) shall not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the 1934 Act that are incorporated by reference in this Registration Statement;

(2) That for the purpose of determining any liability under the Securities Act each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the 1934 Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the 1934 Act) that is incorporated by reference into this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the indemnification provisions summarized in Item 6 or otherwise, the Registrant has been advised that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

[Table of Contents](#)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOHN JAGGERS</u> John Jagers	Director	August 1, 2003
<u>/s/ JEAN-RENE MARCOUX</u> Jean-Rene Marcoux	Director	August 1, 2003
<u>John G. McDonald</u>	Director	
<u>/s/ ELIOT G. PROTSCH</u> Eliot G. Protsch	Chairman of the Board	August 1, 2003
<u>/s/ ERIC YOUNG</u> Eric Young	Director	August 1, 2003

[Table of Contents](#)

EXHIBIT INDEX

<u>Number</u>	<u>Exhibit</u>
+4.1	Stock Option Agreement with John Tucker
+4.2	Restricted Stock Purchase Agreement with John Tucker
+5.1	Opinion of Wilson Sonsini Goodrich & Rosati
+23.1	Consent of Independent Auditors
+23.2	Consent of Wilson Sonsini Goodrich & Rosati (contained in Exhibit 5.1)
+24.1	Power of Attorney (reference is made to page S-1 of this Registration Statement)

+ Filed herewith.

CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH JOHN TUCKER

This Stock Option Agreement with John Tucker (the "Stock Option Agreement") is entered into as of August 1, 2003 to attract and retain Mr. Tucker for the position of President and Chief Executive Officer of Capstone Turbine Corporation (the "Company") to promote the success of the Company's business. This Stock Option Agreement constitutes a plan separate from the Capstone Turbine Corporation 2000 Equity Incentive Plan (as such plan has been and may be amended from time to time, the "2000 Plan") for all purposes, including with respect to the Company's filing obligations under the Securities Act of 1933, as amended ("Securities Act") on Form S-8. Although the Option (as defined below) granted hereunder is not granted under the 2000 Plan, it shall be governed by terms and conditions identical to those under the 2000 Plan, as further provided herein.

All capitalized terms used in this Stock Option Agreement without definition shall have the meanings ascribed to such terms in the 2000 Plan.

I. NOTICE OF STOCK OPTION GRANT

John Tucker
450 Ironwood Drive
Canonsburg, PA 15317

You, John Tucker ("Optionee"), have been granted an option (the "Option") to purchase shares of Common Stock of the Company, subject to the terms and conditions of the 2000 Plan and this Stock Option Agreement. The terms of your grant are set forth below:

Date of Grant:	August 1, 2003
Vesting Commencement Date:	August 1, 2003
Exercise Price per Share:	\$1.18 per Share
Total Number of Shares Granted:	2,000,000
Total Exercise Price:	\$2,360,000
Type of Option:	Non-Qualified Stock Option
Term:	10 years commencing on Date of Grant
Expiration Date:	August 1, 2013

Exercise and Vesting Schedule:

The Shares (as defined below) subject to this Option shall vest according to the following schedule:

Twenty-five percent (25%) of the Shares subject to the Option (rounded down to the next whole number of shares) shall vest one year after the Date of Grant, and 1/48th of the Shares subject to the Option (rounded down to the next whole number of shares) shall vest each month thereafter on the date corresponding to the Date of Grant, so that all of the Shares shall be vested on the forty-eighth (48th) month anniversary of the Date of Grant, subject to, with respect to each vesting date, Optionee continuing to be either an Employee or a Consultant (as such terms are defined in the 2000 Plan) to the Company on such vesting date; provided, however, that if Optionee is terminated by the Company other than for Cause (as such term is defined in the 2000 Plan) prior to the one-year anniversary of the Date of Grant, 1/48th of the Shares subject to the Option (rounded down to the next whole number of shares) shall be deemed to have vested on the one-month anniversary of the Date of Grant and on each monthly anniversary thereafter until the date of such termination.

Optionee agrees to be bound by the terms of the Option as set forth in this Stock Option Agreement. Optionee hereby acknowledges receipt of a copy of the official prospectus for the 2000 Plan. A copy of the 2000 Plan is available upon request made to the Corporate Secretary at the Company's principal offices at 21211 Nordhoff Street, Chatsworth, California 91311.

Termination Period:

The Option shall terminate on the Expiration Date; provided, however, that if Optionee ceases to be either an Employee or a Consultant prior to the Expiration Date, then the Option shall terminate earlier pursuant to Sections 5, 6, and 7 of Article II below.

II. AGREEMENT

1. **Grant of Option.** The Company hereby grants to the Optionee an Option to purchase the Common Stock (the "Shares") as set forth in the Notice of Stock Option Grant in Article I above, at the exercise price per Share set forth in the Notice of Stock Option Grant (the "Exercise Price"). Notwithstanding anything to the contrary in this Stock Option Agreement, the Option is subject to the terms, definitions and provisions of the 2000 Plan, which are incorporated herein by reference.

2. **Exercise of Option.** The Option is exercisable as follows:

(a) **Right to Exercise.**

(i) The Option shall be exercisable cumulatively according to the vesting schedule set forth in the Notice of Stock Option Grant. For purposes of this Stock Option Agreement, Shares subject to this Option shall vest based on Optionee's continued status as an Employee or a Consultant.

(ii) The Option may not be exercised for a fraction of a Share.

2

(iii) In the event of Optionee's death, disability or other termination of the Optionee's status as an Employee or a Consultant, the exercisability of the Option is governed by Sections 5, 6 and 7 of this Article II.

(iv) In no event may the Option be exercised after the Expiration Date of the Option as set forth in the Notice of Stock Option Grant in Article I above.

(b) **Method of Exercise.** The Option shall be exercisable by written Notice (in the form attached as Exhibit A). The Notice must state the number of Shares for which the Option is being exercised, and such other representations and agreements with respect to such Shares as may be required by the Company pursuant to the provisions of the 2000 Plan. The Notice must be signed by the Optionee and shall be delivered in person or by certified mail to the Corporate Secretary of the Company. The Notice must be accompanied by payment of the Exercise Price, including payment of any applicable withholding tax. The Option shall be deemed to be exercised upon receipt by the Company of such written Notice accompanied by the Exercise Price and payment of any applicable withholding tax.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

3. **Lock-Up Period.** Optionee hereby agrees that if so requested by the Company or any representative of the underwriters (the "Managing Underwriter") in connection with any registration of the offering of any securities of the Company under the Securities Act or any applicable state laws, Optionee shall not sell or otherwise transfer any Shares or other securities of the Company during the 180-day period (or such longer period as may be requested in writing by the Managing Underwriter and agreed to in writing by the Company) (the "Market Standoff Period") following the effective date of a registration

statement of the Company filed under the Securities Act. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

4. *Method of Payment.* Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) with the consent of the Administrator, a full recourse promissory note bearing interest (at no less than such rate as shall then preclude the imputation of interest under the Code) and payable upon such terms as may be prescribed by the Administrator;

(d) with the consent of the Administrator, surrender of other Shares which (A) in the case of Shares acquired from the Company, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised;

3

(e) with the consent of the Administrator, surrendered Shares issuable upon the exercise of the Option having a Fair Market Value on the date of exercise equal to the aggregate Exercise Price of the Option or exercised portion thereof;

(f) with the consent of the Administrator, property of any kind which constitutes good and valuable consideration; or

(g) with the consent of the Administrator, delivery of a notice that the Optionee has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate Exercise Price; provided, that payment of such proceeds is then made to the Company upon settlement of such sale.

5. *Termination of Relationship.* If Optionee ceases to be either an Employee or a Consultant (other than for Cause or by reason of the Optionee's death or the total and permanent disability of the Optionee as defined in Code Section 22(e)(3)), the Option, to the extent vested as of the date on which Optionee ceases to be either an Employee or a Consultant, shall remain exercisable for three (3) months from such date (but in no event later than the Expiration Date of the term of the Option as set forth in the Notice of Stock Option Grant). To the extent that the Option is not vested at the date on which Optionee ceases to be either an Employee or a Consultant, or if Optionee does not exercise the Option within the time specified herein, the Option shall terminate. If Optionee's status as either an Employee or a Consultant is terminated for Cause, the Option, whether vested (in whole or in part) or unvested, shall immediately terminate.

6. *Disability of Optionee.* If Optionee ceases to be either an Employee or a Consultant as a result of his total and permanent disability as defined in Code Section 22(e)(3), the Option, to the extent vested as of the date on which Optionee ceases to be either an Employee or Consultant, shall remain exercisable for twelve (12) months from such date (but in no event later than the Expiration Date of the term of the Option as set forth in the Notice of Stock Option Grant). To the extent that the Option is not vested as of the date on which Optionee ceases to be either an Employee or Consultant, or if Optionee does not exercise such Option within the time specified herein, the Option shall terminate.

7. *Death of Optionee.* If Optionee ceases to be either an Employee or Consultant as a result of the Optionee's death, the Option, to the extent vested as of the date of death, shall remain exercisable for twelve (12) months following the date of death (but in no event later than the Expiration Date of the term of the Option as set forth in the Notice of Stock Option Grant) by Optionee's estate or by a person who acquires the right to exercise the Option by bequest or inheritance. To the extent that the Option is not vested as of the date of death, or if the Option is not exercised within the time specified

herein, the Option shall terminate.

8. *Non-Transferability of Option.* The Option may not be transferred in any manner except by will or by the laws of descent or distribution. It may be exercised during the lifetime of Optionee only by Optionee. The terms of the Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

9. *Term of Option.* The Option may be exercised only within the term set forth in the Notice of Stock Option Grant.

4

This Stock Option Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one document.

CAPSTONE TURBINE CORPORATION

By: /s/ KAREN CLARK

Name: Karen Clark

Title: Senior Vice President, Chief
Financial Officer

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING EMPLOYMENT OR CONSULTANCY AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THE OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS STOCK OPTION AGREEMENT, NOR IN THE CAPSTONE TURBINE CORPORATION 2000 EQUITY INCENTIVE PLAN, WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the 2000 Plan and represents that he is familiar with the terms and provisions thereof. Optionee hereby accepts the Option subject to all of the terms and provisions hereof. Optionee has reviewed the 2000 Plan and this Stock Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Stock Option Agreement and fully understands all provisions of the Stock Option Agreement and the Option granted hereunder. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the 2000 Plan or the Stock Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: August 1, 2003

/s/ JOHN TUCKER

John Tucker, OPTIONEE

Residence Address:

450 Ironwood Drive
Canonsburg, PA 15317

5

EXHIBIT A

CAPSTONE TURBINE CORPORATION

EXERCISE NOTICE

Capstone Turbine Corporation
21211 Nordhoff Street
Chatsworth, CA 91311

Attention: Corporate Secretary

1. **Exercise of Option.** Effective as of today, _____, 20___, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____ shares of the Common Stock (the "Shares") of Capstone Turbine Corporation (the "Company") under and pursuant to the terms of that certain Option granted to me on August 1, 2003 under the Stock Option Agreement of the same date (the "Stock Option Agreement").

The Stock Option Agreement constitutes a plan separate from the Capstone Turbine Corporation 2000 Equity Incentive Plan (as such plan has been and may be amended from time to time, the "2000 Plan") for all purposes, including with respect to the Company's filing obligations under the Securities Act of 1933, as amended ("Securities Act") on Form S-8. Although the Option granted under the Stock Option Agreement is not granted under the 2000 Plan, it shall be governed by terms and conditions identical to those under the 2000 Plan, which are incorporated into the Stock Option Agreement by reference. Optionee agrees to be bound by the terms of the Option as set forth in the Stock Option Agreement.

Optionee hereby further acknowledges receipt of a copy of the official prospectus for the 2000 Plan. A copy of the 2000 Plan is available upon request made to the Corporate Secretary at the Company's principal offices at 21211 Nordhoff Street, Chatsworth, California 91311.

2. **Representations of Optionee.** Optionee acknowledges that Optionee has received, read and understands the 2000 Plan and the Stock Option Agreement. Optionee agrees to abide by and be bound by the terms and conditions of the 2000 Plan and the Stock Option Agreement.

3. **Rights as Stockholder.** Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to Shares subject to the Option, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 15 of the 2000 Plan. Optionee shall enjoy rights as a stockholder until such time as Optionee disposes of the Shares.

4. **Tax Consultation.** Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with

the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

5. **Successors and Assigns.** The Company may assign any of its rights under this Notice to single or multiple assignees, and this Notice shall inure to the benefit of the successors and assigns of the Company. This Notice shall be binding upon Optionee and his heirs, executors, administrators, successors and assigns.

6. **Interpretation.** Any dispute regarding the interpretation of this Notice shall be submitted by Optionee or by the Company forthwith to the Company's Board of Directors or the committee thereof that administers the 2000 Plan (the "Administrator"), which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on the Company and on Optionee.

7. **Governing Law; Severability.** This Notice shall be governed by and construed in accordance with the laws of the State of Delaware excluding that body of law pertaining to conflicts of law. Should any provision of this Notice be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

8. **Notices.** Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to the other party at its address as shown below beneath its

signature, or to such other address as such party may designate in writing from time to time to the other party.

9. *Further Instruments.* The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Notice.

10. *Delivery of Payment.* Optionee herewith delivers to the Company the full Exercise Price for the Shares, as well as any applicable withholding tax.

11. *Entire Agreement.* The 2000 Plan and the Stock Option Agreement are incorporated herein by reference. This Notice, the 2000 Plan and the Stock Option Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof.

[Signature page follows]

Submitted by:

OPTIONEE: John Tucker

Accepted by:

CAPSTONE TURBINE CORPORATION

By: _____

Name: _____

Title: _____

Residence Address:

450 Ironwood Drive
Canonsburg, PA 15317

CAPSTONE TURBINE CORPORATION

RESTRICTED STOCK PURCHASE AGREEMENT

I. NOTICE OF GRANT OF RESTRICTED STOCK

NAME: JOHN TUCKER

ADDRESS: 450 IRONWOOD DRIVE
CANONSBURG, PA 15317

You have been granted a right to purchase Shares of Restricted Stock, subject to the terms and conditions of this Agreement, as follows:

Date of Grant	August 4, 2003
Exercise Price Per Share	\$0.001
Total Number of Shares of Restricted Stock	500,000
Total Purchase Price	\$500.00
Expiration Date	August 31, 2003

YOU MUST EXERCISE THIS STOCK PURCHASE RIGHT BEFORE THE EXPIRATION DATE OR IT WILL TERMINATE AND YOU WILL HAVE NO FURTHER RIGHT TO PURCHASE THE SHARES.

II. AGREEMENT

1. **PURCHASE AND SALE OF SHARES.** The undersigned (the "PURCHASER") hereby purchases from the Company, and the Company hereby issues and sells to Purchaser, an aggregate of 500,000 shares of Common Stock (as hereinafter defined) (the "SHARES"), at a price of \$0.001 per share (an aggregate purchase price of \$500.00). The Company shall, promptly after execution of this Agreement, issue a certificate representing the Shares registered in the name of Purchaser, which certificate shall be held in escrow pursuant to the provisions of Section 6 hereof. In return, the Purchaser shall deliver to the Company (a) an executed counterpart of this Agreement, and (b) the purchase price of the Shares in the form of a check payable to the Company.

2. **STOCK SPLITS, ETC.** If, from time to time during the term of this Agreement (i) there is any stock dividend or liquidating dividend of cash and/or property, stock split or other change in the character or amount of any of the outstanding securities of the Company; or (ii) there is any consolidation, merger or sale of all, or substantially all, of the assets of the Company, then, in such event, any and all new, substituted or additional securities or other property to which Purchaser is entitled by reason of his ownership of the Shares shall be immediately subject to this Agreement and

be included in the word "Shares" for all purposes with the same force and effect as the Shares presently subject to the terms of this Agreement.

3. **DEFINITIONS.** As used herein, the following definitions shall apply:

(a) "BOARD" means the Board of Directors of the Company or any committee of the Board that has been designated by the Board to administer this Agreement.

(b) "CODE" means the Internal Revenue Code of 1986, as amended.

(c) "COMMON STOCK" means the Common Stock of the Company.

(d) "CONSULTANT" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(e) "DIRECTOR" means a member of the Board or a member of the Board of Directors of any Parent or Subsidiary of the Company.

(f) "DISABILITY" means that Purchaser has been unable to perform the principal functions of Purchaser's duties due to a physical or mental impairment, but only if such inability has lasted or is reasonably expected to last for at least six months. Whether Purchaser has a Disability will be determined by the Board based on evidence provided by one or more physicians selected by the Board and reasonably acceptable to Purchaser.

(g) "EMPLOYEE" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. An Employee shall not cease to be such in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(h) "PARENT" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(i) "SUBSIDIARY" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

(j) "UNVESTED SHARES" means those Shares that, as of any particular date, have not vested in accordance with the vesting schedule set forth in Section 4 below.

(k) "VESTED SHARES" means those Shares that, as of any particular date, have vested in accordance with the vesting schedule set forth in Section 4 below.

-2-

4. VESTING.

Subject to any acceleration provisions provided for in the Company's Change of Control Severance Plan or any other agreements between Purchaser and the Company, the Shares shall vest and be released from the Company's Repurchase Option (as hereinafter defined) in accordance with the following provisions:

(a) Twenty-five percent (25%) of the Shares (rounded down to the next whole number of shares) shall vest one year after the "Vesting Commencement Date" (as defined below), and 1/48th of the Shares (rounded down to the next whole number of shares) shall vest each month thereafter on the date corresponding to the Vesting Commencement Date, so that all of the Shares shall be vested on the forty-eighth (48th) month anniversary of the Vesting Commencement Date, subject to, with respect to each vesting date, Purchaser continuing to be either an Employee or a Consultant of the Company on such vesting date.

(b) Vesting under this Section shall cease in the event that Purchaser ceases to be either an Employee or a Consultant; provided, however, that if Purchaser is terminated by the Company other than for Cause (as such term is defined in the Company's Amended and Restated 2000 Equity Incentive Plan) prior to the one-year anniversary of the Vesting Commencement Date, 1/48th of the Shares (rounded down to the next whole number of shares) shall be deemed to have vested on the one-month anniversary of the Vesting Commencement Date and on each monthly anniversary thereafter until the date of such termination. At such times, the repurchase provisions of Section 5 hereof shall apply to all Shares that are Unvested Shares as of the date of such termination.

(c) The Vesting Commencement Date shall be August 1, 2003.

5. REPURCHASE OPTION.

(a) If Purchaser's status as an Employee or a Consultant terminates for any or no reason, the Company shall have the right and option (the "REPURCHASE OPTION") to purchase from Purchaser all of Purchaser's Shares which are Unvested Shares as of the date of such termination, at the price paid by Purchaser for such Shares (the "REPURCHASE PRICE").

(b) The Repurchase Option shall be exercised by the Company by delivering written notice to the Purchaser or the Purchaser's executor (with a copy to the Escrow Agent (as defined below)) AND, at the Company's option, (i) by delivering to the Purchaser or the Purchaser's executor a check in the amount of the aggregate Repurchase Price, or (ii) by canceling an amount of the Purchaser's indebtedness to the Company equal to the aggregate Repurchase Price, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals the aggregate Repurchase Price. Upon delivery of such notice and the payment of the aggregate Repurchase Price, the Company shall become the legal and beneficial owner of the Shares being repurchased and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Shares being repurchased by the Company.

-3-

(c) If the Company does not elect to exercise the Repurchase Option conferred above by giving the requisite notice within ninety (90) days following the termination, the Repurchase Option shall terminate.

6. TRANSFER OF SHARES; ESCROW.

(a) Purchaser hereby authorizes and directs the Escrow Agent (as defined below) to transfer any Unvested Shares as to which the Repurchase Option has been exercised from Purchaser to the Company.

(b) To ensure the availability for delivery of Purchaser's Unvested Shares upon repurchase by the Company pursuant to the Repurchase Option under Section 5 above, Purchaser hereby appoints the Corporate Secretary of the Company, or any other person designated by the Company, as escrow agent (the "ESCROW AGENT") and as Purchaser's attorney-in-fact to sell, assign and transfer unto the Company such Unvested Shares, if any, as may be repurchased by the Company pursuant to the Repurchase Option and shall, upon execution of this Agreement, deliver and deposit with the Escrow Agent the share certificates representing the Shares, together with two stock assignments duly endorsed in blank and in the form attached hereto as Exhibit A-1. The share certificates representing the Shares and stock assignment shall be held by the Escrow Agent in escrow pursuant to Joint Escrow Instructions in the form attached hereto as Exhibit A-2, until (i) the Company exercises its Repurchase Option as provided in Section 5 above or (ii) such time as this Agreement no longer is in effect. Notwithstanding any of the foregoing, however, the Escrow Agent shall nevertheless retain such certificate or certificates as Escrow Agent if so required pursuant to other restrictions imposed pursuant to this Agreement.

(c) The Escrow Agent shall not be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

(d) Transfer or sale of the Shares is subject to restrictions on transfer imposed by any applicable state and federal securities laws. Any transferee shall hold such Shares subject to all the provisions hereof and shall acknowledge the same by signing a copy of this Agreement.

(e) No Shares may be sold, pledged, hypothecated or otherwise transferred by Purchaser until such Shares have become Vested Shares and are no longer subject to any security agreement for the benefit of the Company.

7. OWNERSHIP, VOTING RIGHTS, DUTIES. This Agreement shall not affect in any way the ownership, voting rights or other rights or duties of Purchaser, except as specifically provided herein. Purchaser shall enjoy rights as a stockholder until such time as Purchaser disposes of the Shares or the Company and/or its assignee(s) exercises the Repurchase Option hereunder. Upon any such exercise, Purchaser shall have no further rights as a holder of the Shares so purchased except the right to receive payment for the Shares so purchased in accordance with the provisions of this Agreement, and Purchaser or the Escrow Agent, as the case may be, shall forthwith cause the certificate(s) evidencing the Shares so purchased to be surrendered to the Company for transfer or cancellation.

-4-

8. RESTRICTIVE LEGENDS; STOP-TRANSFER ORDERS.

(a) LEGENDS. Purchaser understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by state or federal securities laws:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND RIGHTS OF REPURCHASE FOR THE BENEFIT OF CAPSTONE TURBINE CORPORATION OR ITS ASSIGNEE(S) AS SET FORTH IN A RESTRICTED STOCK PURCHASE AGREEMENT BETWEEN CAPSTONE TURBINE CORPORATION AND THE ORIGINAL HOLDER OF THESE SHARES, COPIES OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF CAPSTONE TURBINE CORPORATION. SUCH TRANSFER RESTRICTIONS AND RIGHTS OF REPURCHASE ARE BINDING ON TRANSFEREES OF THESE SHARES.

(b) STOP-TRANSFER NOTICES. Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

9. SECTION 83(b) ELECTIONS. Purchaser understands that Section 83 of the Code, taxes as ordinary income the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the right of the Company to buy back the Shares pursuant to the Repurchase Option. Because the Company has registered equity securities under the Securities Exchange Act of 1934 (the "EXCHANGE ACT"), "restriction" with respect to officers, directors, and ten percent (10%) stockholders also includes the six-month period after the purchase of the Shares during which sales of certain securities by such officers, directors, and ten percent (10%) stockholders would give rise to liability under Section 16(b) of the Exchange Act. Purchaser understands that he may elect to be taxed at the time the Shares are purchased rather than when any restrictions applicable to the Shares lapse, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days from the date of purchase. Even if the fair market value of the Shares equals the amount paid for the Shares, the election may be made to avoid adverse tax consequences in the future. Purchaser understands that failure to make this filing in a timely manner shall result in the recognition of ordinary income by Purchaser, as any restrictions applicable to the Shares lapse, on any difference between the purchase price and the fair market value of the Shares at the time such restrictions lapse. A form of Election under Section 83(b) is attached to the Agreement as Exhibit A -3 for reference.

PURCHASER ACKNOWLEDGES THAT IT IS PURCHASER'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b) OF THE CODE, EVEN IF PURCHASER REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO MAKE THIS FILING ON PURCHASER'S BEHALF.

-5-

10. ADDITIONAL ACTIONS. The parties shall execute such further instruments and take such further action as may reasonably be necessary to carry out the intent of this Agreement.

11. ASSIGNMENT. The Company may assign its rights and delegate its duties under this Agreement. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer herein set forth, be binding upon Purchaser, Purchaser's heirs, executors, administrators, successors and assigns.

12. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the Joint Escrow Instructions executed in connection herewith constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof, and no party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement

of any such amendment, waiver, discharge or termination is sought.

13. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California as they apply to contracts entered into and wholly to be performed within such state.

Purchaser represents that Purchaser has read this Agreement and is familiar with its terms and provisions. Purchaser hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under this Agreement.

14. NO GUARANTEE OF CONTINUED SERVICE. PURCHASER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREUNDER DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR A CONSULTANT OF THE COMPANY FOR ANY PERIOD OR AT ALL. NOTHING IN THIS AGREEMENT SHALL AFFECT IN ANY MANNER WHATSOEVER OR INTERFERE WITH THE RIGHT OR POWER OF THE COMPANY, OR A PARENT OR SUBSIDIARY OF THE COMPANY, TO TERMINATE PURCHASER'S RELATIONSHIP WITH THE COMPANY AT ANY TIME, FOR ANY OR NO REASON, WITH OR WITHOUT CAUSE.

15. ADVICE OF COUNSEL. Purchaser has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of independent counsel prior to executing this Agreement and fully understands all provisions hereof.

16. AUTHORIZATION OF TRANSFER. Purchaser hereby authorizes and directs the Secretary or transfer agent of the Company to transfer the Stock as to which the Repurchase Option has been exercised from Purchaser to the Company or the Company's assignees.

17. WAIVER. Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The

-6-

rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

-7-

IN WITNESS WHEREOF, this Agreement is deemed made as of the date first set forth above.

CAPSTONE TURBINE CORPORATION

By: _____

Name: Karen Clark

Title: Senior Vice President, Chief Financial Officer

PURCHASER

John Tucker

ADDRESS:

450 Ironwood Drive
Canonsburg, PA 15317

[SIGNATURE PAGE FOR RESTRICTED STOCK PURCHASE AGREEMENT]

-8-

EXHIBIT A-1

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, John Tucker hereby sells, assigns and transfers unto Capstone Turbine Corporation, an aggregate of _____ shares of the Common Stock of Capstone Turbine Corporation standing in the undersigned's name on the books of said corporation represented by Certificate No. _____, and does hereby irrevocably constitute and appoint _____ to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Restricted Stock Purchase Agreement between Capstone Turbine Corporation and the undersigned dated August ____, 2003 (the "AGREEMENT").

Dated:

John Tucker

INSTRUCTIONS: Please do not fill in the blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its "Repurchase Option," as set forth in the Agreement, without requiring additional signatures on the part of the Purchaser.

EXHIBIT A-2

JOINT ESCROW INSTRUCTIONS

August _____, 2003

Capstone Turbine Corporation
Attn: Corporate Secretary
21211 Nordhoff Street
Chatsworth, CA 91311

Dear Corporate Secretary:

As Escrow Agent for both Capstone Turbine Corporation, a Delaware corporation (the "COMPANY"), and the undersigned purchaser of stock of the Company ("PURCHASER"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Restricted Stock Purchase Agreement (the "AGREEMENT"), dated as of August ____, 2003, between the Company and the undersigned, in accordance with the following instructions:

1. In the event that the Company and/or any assignee of the Company (referred to collectively for convenience herein as the "COMPANY") exercises the Company's "Repurchase Option" set forth in the Agreement, the Company shall give to Purchaser and you a written notice specifying the number of shares of stock to be purchased, the purchase price, and the time for a closing hereunder at the principal office of the Company. Purchaser and the Company hereby irrevocably authorize and direct you to close the transaction contemplated by such notice in accordance with the terms of said notice.
2. At the closing, you are directed (a) to date the stock assignments necessary for the transfer in question, (b) to fill in the number of shares being transferred, and (c) to deliver same, together with the certificate evidencing the shares of stock to be transferred, to the Company or its assignee, against the simultaneous delivery to you of the purchase price (as permitted in the Agreement) for the number of shares of stock being purchased pursuant to the exercise of the Company's Repurchase Option.
3. Purchaser irrevocably authorizes the Company to deposit with you any certificates evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as defined in the Agreement. Purchaser does hereby irrevocably constitute and appoint you as Purchaser's attorney-in-fact and agent for the term of this escrow to execute with respect to such securities all documents necessary or appropriate to make such securities negotiable and to complete any transaction herein contemplated, including but not limited to the filing with any applicable state blue sky

authority of any required applications for consent to, or notice of transfer of, the securities. Subject to the provisions of this paragraph 3, Purchaser shall exercise all rights and privileges of a stockholder of the Company while the stock is held by you.

4. Upon written request of Purchaser, but no more than once per calendar year, unless the Company's repurchase option has been exercised, you shall deliver to Purchaser a certificate or certificates representing so many shares of stock as are not then subject to the Company's

Repurchase Option. Within 120 days after cessation of Purchaser's continuous employment by or services to the Company, or any parent or subsidiary of the Company, you shall deliver to Purchaser a certificate or certificates representing the aggregate number of shares held or issued pursuant to the Agreement and not purchased by the Company or its assignees pursuant to exercise of the Company's Repurchase Option.

5. If at the time of termination of this escrow you should have in your possession any documents, securities, or other property belonging to Purchaser, you shall deliver all of the same to Purchaser and shall be discharged of all further obligations hereunder.

6. Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

7. You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Purchaser while acting in good faith, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

8. You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

9. You shall not be liable in any respect on account of the identity, authorities or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

10. You shall not be liable for the outlawing of any rights under the Statute of Limitations with respect to these Joint Escrow Instructions or any documents deposited with you.

11. You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder, may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor.

12. Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be an officer or agent of the Company or if you shall resign by written notice to each party. In the event of any such termination, the Company shall appoint a successor Escrow Agent.

13. If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

14. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in

your possession without liability to anyone all or any part of said securities until such disputes shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

15. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, or (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, and shall be addressed to each of the other parties thereunto entitled at the following addresses or at such other addresses as a party may designate by ten days' advance written notice to each of the other parties hereto.

COMPANY: Capstone Turbine Corporation
21211 Nordhoff Street
Chatsworth, CA 91311
Attn: Chairman of the Board of Directors

with a copy to:

Capstone Turbine Corporation
21211 Nordhoff Street
Chatsworth, CA 91311
Attn: Chief Financial Officer

PURCHASER: John Tucker
450 Ironwood Drive
Canonsburg, PA 15317

ESCROW AGENT: Capstone Turbine Corporation
21211 Nordhoff Street
Chatsworth, CA 91311
Attn: Corporate Secretary

16. By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

17. This instrument shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and permitted assigns.

18. These Joint Escrow Instructions shall be governed by, and construed and enforced in accordance with, the laws of the State of California as they apply to contracts entered into and wholly to be performed within such state.

-3-

Very truly yours,

CAPSTONE TURBINE CORPORATION

PURCHASER:

John Tucker

ESCROW AGENT:

Corporate Secretary

-4-

EXHIBIT A-3

The undersigned taxpayer hereby elects, pursuant to the above-referenced Federal Tax Code, to include in taxpayer's gross income for the current taxable year, the amount of any compensation taxable to taxpayer in connection with his receipt of the property described below:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

NAME : TAXPAYER: SPOUSE:

ADDRESS:

IDENTIFICATION NO.: TAXPAYER: SPOUSE:

TAXABLE YEAR: Calendar Year _____

2. The property with respect to which the election is made is described as follows: _____ shares (the "SHARES") of the Common Stock of Capstone Turbine Corporation, a Delaware corporation (the "COMPANY").

3. The date on which the property was transferred is: _____, ____.

4. The property is subject to the following restrictions:

The Shares may be repurchased by the Company, or its assignee, on certain events. This right lapses with regard to a portion of the Shares based on the continued performance of services by the taxpayer over time.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: \$_____.

6. The amount (if any) paid for such property is: \$_____.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____, _____
Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____, _____
Spouse of Taxpayer

OPINION OF WILSON SONSINI GOODRICH & ROSATI

650 PAGE MILL ROAD
PALO ALTO, CALIFORNIA 94304-1050
TELEPHONE 650-493-9300 FACSIMILE 650-493-6811

August 4, 2003

Capstone Turbine Corporation
21211 Nordhoff Street
Chatsworth, CA 91311

Re: Registration Statement on Form S-8

Ladies and Gentlemen:

This opinion is given in connection with the Registration Statement on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the potential issuance to John Tucker of up to 2,500,000 shares of your Common Stock, \$0.001 par value per share (the "Shares"), pursuant to an individual restricted stock grant and an individual stock option agreement, each in the form specified in the Registration Statement.

It is our opinion that, when issued and sold in the manner described in the agreements which accompany each grant, the Shares will be legally and validly issued, fully paid and non-assessable.

We hereby consent to the filing of the opinion as an exhibit to the Registration Statement and further consent to the use of our name wherever appearing in the Registration Statement.

Sincerely,

/S/ WILSON SONSINI GOODRICH & ROSATI

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Registration Statement of Capstone Turbine Corporation on Form S-8 of our reports dated March 26, 2003, appearing in the Annual Report on Form 10-K of Capstone Turbine Corporation for the year ended December 31, 2002.

DELOITTE & TOUCHE LLP
/s/ Deloitte & Touche LLP

Los Angeles, California
July 31, 2003