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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM S-8**

**REGISTRATION STATEMENT UNDER THE  
SECURITIES ACT OF 1933**

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**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)

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**STOCK OPTION AGREEMENT WITH SHARON FALTEMIER  
STOCK OPTION AGREEMENT WITH JOHN FINK  
STOCK OPTION AGREEMENT WITH MICHAEL REDMOND  
STOCK OPTION AGREEMENT WITH SID CONRAD  
STOCK OPTION AGREEMENT WITH DAVID GILLISPIE  
STOCK OPTION AGREEMENT WITH MARTY SEGARI  
STOCK OPTION AGREEMENT WITH ALLEN MCNAIR**  
(Full title of the Plan(s))

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**Karen Clark**  
**Senior Vice President, Chief Financial Officer and Secretary**  
**Capstone Turbine Corporation**  
**21211 Nordhoff Street**  
**Chatsworth, California 91311**  
**(818) 734-5300**  
(Name and Address of Agent For Service)

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**Copies to:**  
**J. Chase Cole, Esq.**  
**Waller Lansden Dortch & Davis**  
**A Professional Limited Liability Company**  
**511 Union Street, Suite 2100**  
**P.O. Box 198966**  
**Nashville, TN 37219-8966**  
**(615) 244-6380**

**CALCULATION OF REGISTRATION FEE**

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Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
Stock Option Agreement with Sharon Faltemier Common Stock, \$0.001 par value	250,000 shares(1)	\$ 1.66(2)	\$ 415,000(3)	\$ 34
Stock Option Agreement with John Fink Common Stock, \$0.001 par value	800,000 shares(1)	\$ 1.66(2)	\$1,328,000(3)	\$ 108

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Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
Stock Option Agreement with Michael Redmond Common Stock, \$0.001 par value	800,000 shares(1)	\$ 1.66(2)	\$1,328,000(3)	\$ 108
Stock Option Agreement with Sid Conrad Common Stock, \$0.001 par value	100,000 shares (1)	\$ 1.85(2)	\$ 185,000(3)	\$ 15
Stock Option Agreement with David Gillispie Common Stock, \$0.001 par value	60,000 shares(1)	\$ 1.89(2)	\$ 113,400(3)	\$ 10
Stock Option Agreement with Marty Segari Common Stock, \$0.001 par value	100,000 shares(1)	\$ 1.71(2)	\$ 171,000(3)	\$ 14
Stock Option Agreement with Allen McNair Common Stock, \$0.001 par value	85,000 shares(1)	\$ 1.71(2)	\$ 145,350(3)	\$ 12
			Aggregate Registration Fee	\$ 301

- (1) The shares registered hereunder include 1,850,000 shares of Common Stock of Capstone Turbine Corporation (“Capstone”) issuable at an exercise price of \$1.66 per share pursuant to options granted under the Stock Option Agreements with Sharon Faltemier, John Fink and Michael Redmond, 100,000 shares of Capstone’s Common Stock issuable at an exercise price of \$1.85 per share pursuant to options granted under the Stock Option Agreement with Sid Conrad, 60,000 shares of Capstone’s Common Stock issuable at an exercise price of \$1.89 per share pursuant to options granted under the Stock Option Agreement with David Gillispie and 185,000 shares of Capstone’s Common Stock issuable at an exercise price of \$1.71 per share pursuant to options granted under the Stock Option Agreements with Marty Segari and Allen McNair. In addition, pursuant to Rule 416(a) 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 Agreements with Sharon Faltemier, John Fink, Michael Redmond, Sid Conrad, David Gillispie, Marty Segari and Allen McNair unless otherwise expressly provided.
- (2) The Proposed Maximum Offering Price per Share is based upon the \$1.66 exercise price per share for outstanding options for an aggregate of 1,850,000 shares under the Stock Option Agreements with Sharon Faltemier, John Fink and Mike Redmond, the \$1.85 exercise price per share for outstanding options for 100,000 shares under the Stock Option Agreement with Sid Conrad, the \$1.89 exercise price per share for outstanding options for 60,000 shares under the Stock Option Agreement with David Gillispie and the \$1.71 exercise price per share for outstanding options for an aggregate of 185,000 shares under the Stock Option Agreements with Marty Segari and Allen McNair pursuant to rule 457(h) of the Securities Act.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h) of the Securities Act.

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**PART I**  
**INFORMATION REQUIRED IN THE**  
**SECTION 10(a) PROSPECTUS**

**Item 1. Plan Information.**

The document(s) containing the information specified in this Part I will be sent or given to employees as specified by Rule 428(b)(1) under the Securities Act. Such documents need not be filed with the United States Securities and Exchange Commission (the "Commission") either as part of this Registration Statement or as prospectuses or prospectus supplements pursuant to Rule 424 under the Securities Act. These documents and the documents incorporated by reference pursuant to Item 3 of Part II of this Registration Statement, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

**Item 2. Registrant Information and Employee Plan Annual Information.**

Capstone will provide participants, upon written or oral request and without charge, a copy of the documents incorporated by reference in Item 3 of Part II of this Registration Statement, which are incorporated by reference in the Section 10(a) prospectus, and all documents required to be delivered to employees pursuant to Rule 428(b) under the Securities Act. Request for such documents should be directed to Capstone Turbine Corporation, 21211 Nordhoff Street, Chatsworth, California 91311, Attention: Karen Clark, telephone number: (818) 734-5300.

**PART II**  
**INFORMATION REQUIRED IN THE**  
**REGISTRATION STATEMENT**

**Item 3. Incorporation of Documents by Reference.**

Capstone 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 Reports on Form 10-Q for the fiscal quarters ended March 31, 2003, June 30, 2003 and September 30, 2003 filed with the Commission on May 15, 2003, August 14, 2003 and November 14, 2003 respectively;
- (c) Capstone's Current Reports on Form 8-K, filed with the Commission on April 30, 2003, July 17, 2003 and November 6, 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 "Exchange 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 Exchange 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 Exchange 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 (including attorney's fees), judgments, fines and amounts in settlement actually paid and reasonably incurred in connection with any actions, suits or 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 actions or 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 ordered by a court or if the applicable standard of conduct set forth in Section 145 has been met by the indemnified party upon a determination made (i) by a majority vote of the directors who are not parties to such actions, suits or proceedings, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even

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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.

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, as defined within such Indemnity Agreements, 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 any claim made against an indemnitee (a) to the extent that payment is actually made to the indemnitee under a



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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 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.**

Number	Exhibit
4.1	Stock Option Agreement with Sharon Faltemier
4.2	Stock Option Agreement with John Fink
4.3	Stock Option Agreement with Michael Redmond
4.4	Stock Option Agreement with Sid Conrad
4.5	Stock Option Agreement with David Gillispie
4.6	Stock Option Agreement with Marty Segari
4.7	Stock Option Agreement with Allen McNair
5.1	Opinion of Waller Lansden Dortch & Davis, PLLC
23.1	Consent of Independent Auditors
23.2	Consent of Waller Lansden Dortch & Davis, PLLC (contained in Exhibit 5.1)
24.1	Power of Attorney (reference is made to page S-1 of this Registration Statement)

### **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.

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(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 Exchange 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 Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange 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.

**SIGNATURES**

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chatsworth, State of California, on this 1st day of December, 2003.

**CAPSTONE TURBINE CORPORATION**

By: /s/ KAREN CLARK

Karen Clark, Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)

**POWER OF ATTORNEY**

**KNOW ALL PERSONS BY THESE PRESENTS:**

That the undersigned officers and directors of Capstone Turbine Corporation, a Delaware corporation, do hereby constitute and appoint Karen Clark and John Tucker and each of them, the lawful attorneys-in-fact and agents with full power and authority to do any and all acts and things and to execute any and all instruments which said attorneys and agents, and any one of them, determine may be necessary or advisable or required to enable said corporation to comply with the Securities Act, as amended, and any rules or regulations or requirements of the Commission in connection with this Registration Statement. Without limiting the generality of the foregoing power and authority, the powers granted include the power and authority to sign the names of the undersigned officers and directors in the capacities indicated below to this Registration Statement, to any and all amendments, both pre-effective and post-effective, and supplements to this Registration Statement, and to any and all instruments or documents filed as part of or in conjunction with this Registration Statement or amendments or supplements thereof, and each of the undersigned hereby ratifies and confirms that all said attorneys and agents, or any one of them, shall do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Power of Attorney as of the date indicated.

Pursuant to the requirements of the Securities Act, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOHN TUCKER</u> John Tucker	President and Chief Executive Officer (Principal Executive Officer)	December 1, 2003
<u>/s/ KAREN CLARK</u> Karen Clark	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)	December 1, 2003
<u>/s/ ELIOT G. PROTSCH</u> Eliot G. Protsch	Chairman of the Board	December 1, 2003
<u>/s/ JOHN JAGGERS</u> Jean-Rene Marcoux	Director	December 1, 2003
<u>/s/ JEAN-RENE MARCOUX</u> Jean-Rene Marcoux	Director	December 1, 2003
<u>/s/ ERIC YOUNG</u> Eric Young	Director	December 1, 2003

**EXHIBIT INDEX**

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24.1	Power of Attorney (reference is made to page S-1 of this Registration Statement)

CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH SHARON FALTEMIER

This Stock Option Agreement (the "Stock Option Agreement") is entered into as of August 25, 2003 to attract and retain Ms. Faltemier for the position of Vice President of Human Resources 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

Sharon Faltemier  
1563 Larkfield Ave.  
Thousand Oaks, CA 91362

You, Sharon Faltemier ("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:

<TABLE>

<S>	<C>
Date of Grant:	August 25, 2003
Vesting Commencement Date:	August 25, 2003
Exercise Price per Share:	\$1.66 per Share
Total Number of Shares Granted:	250,000
Total Exercise Price:	\$415,000
Type of Option:	Non-Qualified Stock Option
Term:	10 years commencing on Date of Grant
Expiration Date:	August 25, 2013

</TABLE>

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.

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.

(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.

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(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;

(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;

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(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 Optionee's 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: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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 Optionee 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: \_\_\_\_\_

Sharon Faltemier, OPTIONEE

Residence Address:

1563 Larkfield Ave.  
Thousand Oaks, CA 91362

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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 \_\_\_\_\_, 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 Optionee's 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:*

*Accepted by:*

*OPTIONEE: Sharon Faltemier*

*CAPSTONE TURBINE CORPORATION*

*By:*

*Name:*

*Title:*

*Residence Address:*

*1563 Larkfield Ave.  
Thousand Oaks, CA 91362*

CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH JOHN FINK

This Stock Option Agreement (the "Stock Option Agreement") is entered into as of August 25, 2003 to attract and retain Mr. Fink for the position of Senior Vice President, Sales and Marketing 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 Fink  
30 Barcardi Cir  
York, PA 17404

You, John Fink ("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:

<TABLE>  
<S>

Date of Grant:	<C> August 25, 2003
Vesting Commencement Date:	August 25, 2003
Exercise Price per Share:	\$1.66 per Share
Total Number of Shares Granted:	800,000
Total Exercise Price:	\$1,328,000
Type of Option:	Non-Qualified Stock Option
Term:	10 years commencing on Date of Grant
Expiration Date:	August 25, 2013

</TABLE>

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.

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.

(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.

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(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;

(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;

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(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 Optionee's 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.

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CAPSTONE TURBINE CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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 Optionee 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: \_\_\_\_\_

John Fink, OPTIONEE

Residence Address:

30 Barcardi Cir  
York, PA 17404

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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 \_\_\_\_\_, 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 Optionee's 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:

Accepted by:

OPTIONEE: John Fink

CAPSTONE TURBINE CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Residence Address:

30 Barcardi Cir  
York, PA 17404



CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH MICHAEL REDMOND

This Stock Option Agreement (the "Stock Option Agreement") is entered into as of August 25, 2003 to attract and retain Mr. Redmond for the position of Senior Vice President, Engineering and Operations 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

Michael Redmond  
15533 Waynita Way NE, A201  
Bothell, WA 98011

You, Michael Redmond ("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:

<TABLE>	<S>	<C>
	Date of Grant:	August 25, 2003
	Vesting Commencement Date:	August 25, 2003
	Exercise Price per Share:	\$1.66 per Share
	Total Number of Shares Granted:	800,000
	Total Exercise Price:	\$1,328,000
	Type of Option:	Non-Qualified Stock Option
	Term:	10 years commencing on Date of Grant
	Expiration Date:	August 25, 2013

</TABLE>

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.

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.*

*(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.*

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*(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;

(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;

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(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 Optionee's 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.

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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: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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 Optionee 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: \_\_\_\_\_

Michael Redmond, OPTIONEE

Residence Address:

15533 Waynita Way NE, A201  
Bothell, WA 98011

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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 \_\_\_\_\_, 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 Optionee's 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:

Accepted by:

OPTIONEE: Michael Redmond

CAPSTONE TURBINE CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Residence Address:

15533 Waynita Way NE, A201  
Bothell, WA 98011

CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH SID CONRAD

This Stock Option Agreement (the "Stock Option Agreement") is entered into as of September 29, 2003 to attract and retain Mr. Conrad for the position of Vice President of Manufacturing & Supply 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

Sid Conrad  
319 Sycamore Grove Street  
Simi Valley, CA 93065

You, Sid Conrad ("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:

<TABLE>

<S>		<C>
Date of Grant:		September 29, 2003
Vesting Commencement Date:		September 29, 2003
Exercise Price per Share:		\$1.85 per share
Total Number of Shares Granted:		100,000
Total Exercise Price:		\$185,000
Type of Option:		Non-Qualified Stock Option
Term:		10 years commencing on Date of Grant
Expiration Date:		September 29, 2013

</TABLE>

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.

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.

(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.

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(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;

(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;

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(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 Optionee's 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.

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: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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 Optionee 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: \_\_\_\_\_

Sid Conrad, OPTIONEE

Residence Address:

319 Sycamore Grove Street  
Simi Valley, CA 93065

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 \_\_\_\_\_, 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 Optionee's 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:

Accepted by:

OPTIONEE: Sid Conrad

CAPSTONE TURBINE CORPORATION

-----

By:

-----

Name:

-----

Title:

-----

Residence Address:

319 Sycamore Grove Street  
Simi Valley, CA 93065

CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH DAVID GILLISPIE

This Stock Option Agreement (the "Stock Option Agreement") is entered into as of October 1, 2003 to attract and retain Mr. Gillispie for the position of Director of Program Management 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

David Gillispie  
1130 SE Sandalwood Drive  
Pullman, WA 99163

You, David Gillispie ("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:

<TABLE>	
<S>	<C>
Date of Grant:	October 1, 2003
Vesting Commencement Date:	October 1, 2003
Exercise Price per Share:	\$1.89 per Share
Total Number of Shares Granted:	60,000
Total Exercise Price:	\$113,400
Type of Option:	Non-Qualified Stock Option
Term:	10 years commencing on Date of Grant
Expiration Date:	October 1, 2013
</TABLE>	

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.

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.

(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.

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(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;

(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;

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(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 Optionee's 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:

Name:

Title:

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 Optionee 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:

David Gillispie, OPTIONEE

Residence Address:

1130 SE Sandalwood Drive  
Pullman, WA 99163

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 \_\_\_\_\_, 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 Optionee's 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:

Accepted by:

OPTIONEE: David Gillispie

CAPSTONE TURBINE CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Residence Address:

1130 SE Sandalwood Drive  
Pullman, WA 99163

CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH MARTY SEGARI

This Stock Option Agreement (the "Stock Option Agreement") is entered into as of November 24, 2003 to attract and retain Mr. Segari for the position of Vice President of Quality 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

Marty Segari  
1125 Chase Circle  
Corona, CA 92992

You, Marty Segari ("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:

<TABLE>

<S>		<C>
Date of Grant:		November 24, 2003
Vesting Commencement Date:		November 24, 2003
Exercise Price per Share:		\$1.71 per Share
Total Number of Shares Granted:		100,000
Total Exercise Price:		\$171,000
Type of Option:		Non-Qualified Stock Option
Term:		10 years commencing on Date of Grant
Expiration Date:		November 24, 2013

</TABLE>

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.

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.

(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.

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(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;

(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;

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(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 Optionee's 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: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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 Optionee 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: \_\_\_\_\_

\_\_\_\_\_  
Marty Segari, OPTIONEE

Residence Address:

1125 Chase Circle  
Corona, CA 92882

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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 \_\_\_\_\_, 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 Optionee's 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: Marty Segari

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Accepted by:

CAPSTONE TURBINE CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Residence Address:

1125 Chase Circle  
Corona, CA 92882



CAPSTONE TURBINE CORPORATION

STOCK OPTION AGREEMENT WITH ALLEN MCNAIR

This Stock Option Agreement (the "Stock Option Agreement") is entered into as of November 24, 2003 to attract and retain Mr. McNair for the position of Sales Director, Eastern Region 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

Allen McNair  
430 West Street  
Vienna, VA 22180

You, Allen McNair ("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:

<TABLE>

<S>		<C>
Date of Grant:		November 24, 2003
Vesting Commencement Date:		November 24, 2003
Exercise Price per Share:		\$1.71 per Share
Total Number of Shares Granted:		85,000
Total Exercise Price:		\$145,350
Type of Option:		Non-Qualified Stock Option
Term:		10 years commencing on Date of Grant
Expiration Date:		November 24, 2013

</TABLE>

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.

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.

(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.

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(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;

(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;

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(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 Optionee's 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.

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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:

Name:

Title:

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 Optionee 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:

Allen McNair, OPTIONEE

Residence Address:

430 West Street  
Vienna, VA 22180

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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 \_\_\_\_\_, 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 Optionee's 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:

Accepted by:

OPTIONEE: Allen McNair

CAPSTONE TURBINE CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Residence Address:

430 West Street  
Vienna, VA 22180

EXHIBIT 5.1  
OPINION OF WALLER LANSDEN DORTCH & DAVIS  
A PROFESSIONAL LIMITED LIABILITY COMPANY

[WALLER LANSDEN DORTCH & DAVIS LETTERHEAD]

December 1, 2003

Capstone Turbine Corporation  
21211 Nordhoff Street  
Chatsworth, CA 91311

Re: Registration Statement on Form S-8

Ladies and Gentlemen:

We are acting as counsel to Capstone Turbine Corporation, a Delaware corporation (the "Company"), in connection with the registration under the Securities Act of 1933 (the "Act") of an aggregate of 2,195,000 shares of the Company's Common Stock, par value \$0.001 per share (the "Shares"), pursuant to a Registration Statement on Form S-8 (the "Registration Statement").

We have examined and relied upon such records, documents and other instruments as in our judgment are necessary and appropriate in order to express the opinion hereinafter set forth, and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as certified or photostatic copies.

Based upon the foregoing, we are of the opinion that the Shares, when issued and delivered in the manner and on the terms described in the Registration Statement, will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and further consent to the reference to us under the caption "Legal Matters" in the prospectus included in the Registration Statement. This consent is not to be construed as an admission that we are a party whose consent is required to be filed with the Registration Statement under the provisions of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Waller Lansden Dortch & Davis, PLLC

EXHIBIT 23.1  
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  
November 26, 2003