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FORM 8-K

COMPOSITE TECHNOLOGY CORP - CPTC

Filed: February 10, 2009 (period: February 10, 2009)

Report of unscheduled material events or corporate changes.

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 10, 2009 (February 4, 2009)

COMPOSITE TECHNOLOGY CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation)

000-10999
(Commission
File Number)

59-2025386
(IRS Employer
Identification No.)

2026 McGaw Avenue
Irvine, California
(Address of principal executive offices)

92614
(Zip Code)

Registrant's telephone number, including area code: (949) 428-8500

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

Benton Wilcoxon

On February 4, 2009, the registrant and Mr. Wilcoxon, the registrant's Chief Executive Officer, entered into a revised option agreement and notice to amend the expiration date of options issued under the registrant's 2002 Non-Qualified Stock Compensation Plan (the "2002 Plan") on June 11, 2001 by the registrant to Mr. Wilcoxon to purchase up to 635,216 shares of the registrant's common stock at \$0.35 per share. The options vested according to the following schedule: 33.33% on June 11, 2002, June 11, 2003, and June 11, 2004. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Wilcoxon entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on September 27, 2006 by the registrant to Mr. Wilcoxon to purchase up to 2,000,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.00 to \$0.35 per share. The options vested according to the following schedule: 33.33% on September 27, 2007, September 27, 2008, and September 27, 2009. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Wilcoxon entered into a revised notice to amend the exercise price of options issued under the registrant's 2008 Stock Option Plan (the "2008 Plan") on August 5, 2008 by the registrant to Mr. Wilcoxon to purchase up to 2,200,000 shares of the registrant's common stock. The exercise price of all unexercised shares as of January 21, 2009, whether vested or unvested, underlying such options was changed from \$1.25 to \$0.35 per share. The options vest according to the following schedule: 33.33% on August 5, 2009, August 5, 2010, and August 5, 2011. The options expire on December 31, 2016.

Marvin Sepe

On February 4, 2009, the registrant and Mr. Sepe, the registrant's Chief Operating Officer, entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on January 9, 2006 by the registrant to Mr. Sepe to purchase up to 400,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.04 to \$0.35 per share. The options vested according to the following schedule: 33.33% on January 9, 2007, January 9, 2008, and January 9, 2009. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Sepe entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on April 27, 2006 by the registrant to Mr. Sepe to purchase up to 600,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.01 to \$0.35 per share. The options vested according to the following schedule: 33.33% on April 27, 2007, April 27, 2008, and April 27, 2009. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Sepe entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on April 6, 2007 by the registrant to Mr. Sepe to purchase up to 500,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.30 to \$0.35 per share. The options vested according to the following schedule: 33.33% on April 6, 2008, April 6, 2009, and April 6, 2010. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Sepe entered into a revised notice to amend the exercise price of options issued under the 2008 Plan on August 5, 2008 by the registrant to Mr. Sepe to purchase up to 1,250,000 shares of the registrant's common stock. The exercise price of all unexercised shares as of January 21, 2009, whether vested or unvested, underlying such options was changed from \$1.25 to \$0.35 per share. The options vest according to the following schedule: 33.33% on August 5, 2009, August 5, 2010, and August 5, 2011. The options expire on December 31, 2016.

Dominic J. Carney

On February 4, 2009, the registrant and Mr. Carney, the registrant's Chief Financial Officer, entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on May 9, 2005 by the registrant to Mr. Carney to purchase up to 500,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$0.90 to \$0.35 per share. The options vested according to the following schedule: 33.33% on May 9, 2006, May 9, 2007, and May 9, 2008. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Carney entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on May 2, 2006 by the registrant to Mr. Carney to purchase up to 250,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.01 to \$0.35 per share. The options vested according to the following schedule: 33.33% on May 2, 2007, May 2, 2008, and May 2, 2009. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Carney entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on April 6, 2007 by the registrant to Mr. Carney to purchase up to 500,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.30 to \$0.35 per share. The options vested according to the following schedule: 33.33% on April 6, 2008, April 6, 2009, and April 6, 2010. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Carney entered into a revised notice to amend the exercise price of options issued under the 2008 Plan on August 5, 2008 by the registrant to Mr. Carney to purchase up to 1,000,000 shares of the registrant's common stock. The exercise price of all unexercised shares as of January 21, 2009, whether vested or unvested, underlying such options was changed from \$1.25 to \$0.35 per share. The options vest according to the following schedule: 33.33% on August 5, 2009, August 5, 2010, and August 5, 2011. The options expire on December 31, 2016.

Robert Rugh

On February 4, 2009, the registrant and Mr. Rugh, the President of DeWind, a subsidiary of the registrant, entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on December 4, 2007 by the registrant to Mr. Rugh to purchase up to 500,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.75 to \$0.35 per share. The options vested according to the following schedule: 33.33% on December 4, 2008, December 4, 2009, and December 4, 2010. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. Rugh entered into a revised notice to amend the exercise price of options issued under the 2008 Plan on August 5, 2008 by the registrant to Mr. Rugh to purchase up to 750,000 shares of the registrant's common stock. The exercise price of all unexercised shares as of January 21, 2009, whether vested or unvested, underlying such options was changed from \$1.25 to \$0.35 per share. The options vest according to the following schedule: 33.33% on August 5, 2009, August 5, 2010, and August 5, 2011. The options expire on December 31, 2016.

Michael D. McIntosh

On February 4, 2009, the registrant and Mr. McIntosh, a member of the registrant's board of directors, entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on January 9, 2006 by the registrant to Mr. McIntosh to purchase up to 325,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.04 to \$0.35 per share. The options vested according to the following schedule: 8.33% quarterly from the grant date of January 9, 2006. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. McIntosh entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on September 27, 2006 by the registrant to Mr. McIntosh to purchase up to 1,000,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.00 to \$0.35 per share. The options vested according to the following schedule: 8.33% quarterly from the grant date of September 27, 2006. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. McIntosh entered into a revised notice to amend the exercise price of options issued under the 2008 Plan on August 5, 2008 by the registrant to Mr. McIntosh to purchase up to 800,000 shares of the registrant's common stock. The exercise price of all unexercised shares as of January 21, 2009, whether vested or unvested, underlying such options was changed from \$1.25 to \$0.35 per share. The options vest according to the following schedule: 33.33% on August 5, 2009, August 5, 2010, and August 5, 2011. The options expire on December 31, 2016.

John P. Mitola

On February 4, 2009, the registrant and Mr. Mitola, a member of the registrant's board of directors, entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on October 31, 2007 by the registrant to Mr. Mitola to purchase up to 500,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$2.09 to \$0.35 per share. The options vested according to the following schedule: 8.33% quarterly from the grant date of October 31, 2007. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

D. Dean McCormick III

On February 4, 2009, the registrant and Mr. McCormick, a member of the registrant's board of directors, entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on January 9, 2006 by the registrant to Mr. McCormick to purchase up to 325,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.04 to \$0.35 per share. The options vested according to the following schedule: 8.33% quarterly from the grant date of January 9, 2006. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. McCormick entered into a revised option agreement and notice to amend the exercise price and expiration date of options issued under the 2002 Plan on September 27, 2006 by the registrant to Mr. McCormick to purchase up to 175,000 shares of the registrant's common stock. The exercise price of all vested but unexercised shares as of January 20, 2009 and all unvested shares as of January 20, 2009 underlying such options was changed from \$1.00 to \$0.35 per share. The options vested according to the following schedule: 8.33% quarterly from the grant date of September 27, 2006. The expiration date of the options changed from December 31, 2011 to December 31, 2016.

On February 4, 2009, the registrant and Mr. McCormick entered into a revised notice to amend the exercise price of options issued under the 2008 Plan on August 11, 2008 by the registrant to Mr. McCormick to purchase up to 181,000 shares of the registrant's common stock. The exercise price of all unexercised shares as of January 21, 2009, whether vested or unvested, underlying such options was changed from \$1.25 to \$0.35 per share. The options vested according to the following schedule: 8.33% quarterly from the grant date of August 11, 2008. The options expire on December 31, 2016.

The foregoing discussion provides only a brief description of the documents described above. The discussion is qualified in its entirety by the full text of the forms of agreement, which are attached to this Current Report on Form 8-K as Exhibits 10.1, 10.2, 10.3, and 10.4.

Item 5.02(e) Compensatory Arrangements of Certain Officers

Benton Wilcoxon

The information called for by this item relating to the revised option agreements and notices entered into by the registrant and Mr. Wilcoxon is contained in Item 1.01, which is incorporated herein by reference.

Marvin Sepe

The information called for by this item relating to the revised option agreements and notices entered into by the registrant and Mr. Sepe is contained in Item 1.01, which is incorporated herein by reference.

Domonic J. Carney

The information called for by this item relating to the revised option agreements and notices entered into by the registrant and Mr. Carney is contained in Item 1.01, which is incorporated herein by reference.

Robert Rugh

The information called for by this item relating to the revised option agreements and notices entered into by the registrant and Mr. Rugh is contained in Item 1.01, which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

<u>Exh. No.</u>	<u>Description</u>
10.1	Form of 2002 Non-Qualified Stock Compensation Plan Master Option Agreement
10.2	Form of 2002 Non-Qualified Stock Compensation Plan Stock Option Notice of Modification and Reissuance
10.3	Form of 2008 Stock Option Plan Stock Option Grant Notice
10.4	Form of 2008 Stock Option Plan Master Option Agreement

SIGNATURES

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

COMPOSITE TECHNOLOGY
CORPORATION
(Registrant)

Date: February 10, 2009

/s/ Benton H Wilcoxon
Benton H Wilcoxon, Chief Executive Officer

**MASTER OPTION AGREEMENT
2002 NON-QUALIFIED STOCK COMPENSATION PLAN**

Composite Technology Corporation ("Company") has granted to the individual (the "Optionee") named in the Stock Option Notice of Modification and Reissuance (the "Notice") to which this Master Option Agreement (the "Option Agreement") is attached an option (the "Option") to purchase certain shares of the Company's \$.001 par value common stock, subject to the terms and conditions of the Composite Technology Corporation 2002 Non-Qualified Stock Compensation Plan, as amended (the "Plan"), this Option Agreement, and the Notice. By signing this Option Agreement and the Notice, the Optionee: (a) represents that the Optionee has read, is familiar with and agrees to the terms and conditions of the Notice, the Plan and this Option Agreement, including the Effect of Termination of Service set forth in Section 4, (b) accepts the Option subject to all of the terms and conditions of the Notice, the Plan and this Option Agreement, (c) agrees to accept all interpretations of the Plan by the Company's Board of Directors ("Board") as binding, conclusive and final, and (d) acknowledges receipt of a copy of the Notice, the Plan and this Option Agreement.

WHEREAS, pursuant to a decision of the Board, acting as the Compensation Committee of the Board ("Committee") administrating the Plan, and having considered the at will employment arrangement, employment agreement, consulting agreement or other arrangement between the parties, as the case may be (the "Optionee Relationship"), the Board has agreed to provide the Optionee with options to acquire shares in the common stock of the Company, subject to the terms and conditions of this Option Agreement, the Notice and the Plan.

NOW, THEREFORE, the parties agree as follows:

1. Option

Pursuant to the provisions of the Plan, the Company hereby grants to the Optionee, subject to the terms and conditions set forth or incorporated herein and in the Notice and the Plan, the right to purchase from the Company all or any part of an aggregate of the number of shares indicated on the Notice of the Company's \$.001 par value common stock, as such common stock is now constituted, ("Shares") at the purchase price set forth in Section 2 below.

The vested portion of the Option may be exercised at any time, whether in a single transaction or in multiple transactions, and in the amounts and at the times determined by the Optionee, provided however, that the exercise of such Options is not prohibited by regulations of the Securities and Exchange Commission ("SEC"), or other applicable laws, or regulations at the time of exercise, including without limitation, Company-imposed non-trading or blackout periods in which event the exercise date shall be deemed to be the first business day in which the exercise is permissible under such laws, rules, regulations, and restrictions. The provisions of the Plan governing the terms and conditions of the Option granted hereby are incorporated in full herein by reference.

This Option is granted to the Optionee pursuant to the Optionee Relationship to provide incentive to the Optionee in the performance of his duties and responsibilities under the Optionee Relationship.

2. Purchase Price

The purchase price for each Share subject to the Option shall be as set forth in the Notice. The purchase price shall be subject to adjustments in the event of an adjustment or change in the capitalization of the Company in accordance with Section 8 hereof.

3. Vesting

The Option shall be exercisable in whole or in part on or before December 31, 2016 for the number of options according to the vesting schedule set forth in the Notice, provided that the cumulative number of vested Shares as to which this Option may be exercised (except in the event of a change of control as provided in paragraph 8.2 of the Plan and/or section 7 below) shall not exceed the vested amounts on any given date.

The Board or the Committee may, at its sole and entire discretion, accelerate the vesting of all or any portion of any unvested Options.

4. Effect of Termination of Optionee Relationship

If the Optionee voluntarily terminates the Optionee Relationship, or if the Company terminates the Optionee Relationship for any reason, then as of the effective date of such termination, the unvested portion of the Option shall terminate and shall be of no force or effect. This paragraph shall not apply to a termination by the Optionee as a result of a Change in Control specified in Section 7 below.

If the Optionee voluntarily terminates the Optionee Relationship, or if the Company terminates the Optionee Relationship for any reason, then as of the effective date of such termination, the vested portion of the Option as of the date of termination shall terminate 91 days after the date of termination and thereafter shall be of no force or effect. This paragraph shall not apply to a termination by the Optionee as a result of a Change in Control specified in Section 7 below.

The termination of the Optionee Relationship shall not affect the Optionee's right to exercise the vested portion of the Option at any time prior to December 31, 2016.

5. Exercise

A. Form of Exercise: If at any time the Optionee elects to exercise all or any part of the vested portion of the Option, it shall so notify Company in writing. Such written notice shall specify the number of Shares to be purchased, the Optionee's address of residence, the Optionee's social security number and the address to which the shares are to be sent.

B. Consideration: Acceptable consideration for the exercise cost, calculated as the number of Shares exercised multiplied by the exercise price, shall be:

i. Cash or by cashiers' check, certified check, bank draft or money order or wire transfer.

C. Withholding:

i. Requirements: Before the delivery of any shares pursuant to an exercise, the Company shall be entitled to deduct or withhold, or require an Optionee to remit to the Company, an amount sufficient to satisfy any federal, state and local taxes required to be paid or withheld with respect to such exercise.

ii. Withholding arrangements: The Board, in its sole discretion and pursuant to such procedures as it may specify from time to time may permit the Optionee to satisfy any tax withholding obligations, in whole or in part by (a) electing to have the Company withhold otherwise deliverable Common Shares or (b) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld.

At no time shall the Company allow cashless exercise rights for any Options granted or exercisable under this Option Agreement.

Not less than 100 Common Shares may be purchased under any option exercise unless the number purchased is the total number at the time available for purchase under the Option Agreement.

6. Issuance of Certificates

As soon as practicable after the exercise of any portion of the Option and provided that the Company is in receipt of full payment of cleared funds representing the full exercise price and any required tax withholding, the Company shall deliver to the Optionee a certificate evidencing the Shares so purchased.

Upon such delivery the Optionee shall have all rights, powers, and interests of a shareholder of the Company with respect to the Shares so acquired.

For a period not less than two years from the later of the date of exercise or termination of the Optionee relationship, the Optionee shall report to the Company as soon as possible in writing to: Attn: Company Secretary at the Corporate Headquarters address when any Shares acquired through the exercise of the Option are sold or transferred. Information provided shall include the Optionee's name, address, number of shares sold, the date of the sale and the transfer price. The Optionee shall, at all times abide by the Company's policies and SEC regulations regarding trading windows and the appropriateness of buying or selling the Company's stock.

7. Change in Control

Notwithstanding Section 3 above, in the event of a Change in Control of the Company the unvested portion of the Option shall be fully and immediately vested as of the earlier of (i) the date any proposed Change in Control has been approved by the Company's board of directors, whether or not all of the terms of such transaction have been determined, (ii) the date Change in Control has actually occurred, or (iii) the occurrence of an event specified in subsection (c) below.

As used herein, "Change in Control" shall mean any of the following:

- (a) The sale or transfer of more than fifty percent (50%) of the assets of the Company, whether in a single transaction or a series of transactions.
- (b) The sale or transfer to any person or Common Group, or acquisition by any person or Common Group, of the larger of (i) thirty percent (30%) or more of the outstanding common stock of the Company or (ii) 80 million shares, whether in a single transaction or a series of transactions occurring within a six (6) month period. "Common Group" means five or fewer persons. This subsection shall not apply to common stock acquired by Benton Wilcoxon.
- (c) The death, disability, retirement, or other termination of employment of Benton H Wilcoxon.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by persons who held the Company's securities immediately before such transaction.

8. Adjustments or Changes in Capitalization

If at any time before all Shares subject to the Option have been delivered to the Optionee, the Company shall modify its outstanding Shares or exchange for a different number or kind of shares or other securities ("capital adjustment") by reason of merger, consolidation, other reorganization, recapitalization, reclassification, combination or division (split) of its outstanding common stock, or any distribution of stock as a dividend, the Company shall adjust the amount of the Remaining Shares such that the value of the Remaining Shares immediately after such capital adjustment is equal to the value of the Remaining Shares immediately before such capital adjustment or reorganization. As used herein, "Remaining Shares" shall mean (i) the unexercised portion of the Option, whether vested or nonvested; and (ii) Shares which have been exercised but which have not yet been delivered to the Optionee.

The foregoing adjustments and the manner of the application of these provisions will be decided and determined solely by the Committee (or in its absence, by the Board); their determination shall be final, binding, and conclusive.

9. Nonalienation.

Except for the exercise provisions allowable for the death of an Optionee as described in Sections 6.8 and 6.9 of the Plan, neither the Option nor any rights granted under the Plan or hereunder may be transferred, assigned, pledged or hypothecated in any way, whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process.

10. No Rights as a Shareholder:

Except as otherwise specifically set forth herein, no Optionee (nor any beneficiary) shall have any of the rights or privileges of a stockholder of the Company, including voting and dividend rights, with respect to any Shares issuable pursuant to an Option Grant (or exercise thereof), unless and until certificates representing such Shares shall have been issued, recorded on the books of the Company or of a duly authorized transfer agent of the Company, and delivered to the Optionee (or beneficiary). No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate is issued, except as otherwise provided herein.

11. Entire Agreement

This Option Agreement, the Notice and the Plan represents the entire agreement of the parties with respect to the subject matter hereof, and supersedes any prior or contemporaneous written or oral agreement with respect thereto.

12. Choice of Law

This Option Agreement shall be governed by the laws of the State of Nevada.

13. Amendment

This Option Agreement may be amended only by a writing executed by the parties hereto.

14. Attorney's Fees

In the event either party incurs legal expenses to enforce or interpret any provision of this Option Agreement, the prevailing party shall be entitled to recover its legal expenses, including, without limitation, reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party shall be entitled.

In WITNESS WHEREOF, the parties have entered into this Option Agreement on the date first above written.

Composite Technology Corporation

By: _____
Benton H Wilcox
Chairman of the Board of Directors and
Chief Executive Officer

By: _____
Domonic J. Carney
Chief Financial Officer

The Optionee:

By: _____

Dated: _____

The Optionee hereby acknowledges receipt of a copy of the Plan and accepts this Option subject to each and every term and provision of such Plan.

COMPOSITE TECHNOLOGY CORPORATION
STOCK OPTION NOTICE OF MODIFICATION AND REISSUANCE
2002 NON-QUALIFIED STOCK COMPENSATION PLAN

Between October 15, 2008 and January 20, 2009 the Board of Directors of Composite Technology Corporation (“Board”), approved one modification of the Composite Technology Corporation (“Company”) 2002 Non-Qualified Stock Compensation Plan (“2002 Plan”) and agreed to reduce the exercise price for certain options granted under the 2002 Plan Option Agreement(s) (“Option Agreement”) previously entered into between the Optionee listed below and the Company. The changes affect the terms of the original Option Agreements, consisting of modification of sections 2, Purchase Price; and Section 4, Effect of Termination of Optionee Relationship. Other Option Agreements may also have had modifications made to vesting schedules that may be different from the original Option Agreement. This Notice of Modification and Reissuance (“Notice”) and the revised 2002 Master Option Agreement (“Master Option Agreement”) serve to supersede the original Stock Option Grant Notice and Option Agreement between the parties. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Master Option Agreement.

The intent of this Notice is to supersede and modify the original Option Agreement as follows:

- i) To change the Exercise Price of the Option to \$0.35 per share for all vested but unexercised shares as of January 20, 2009 and all unvested shares outstanding as of January 20, 2009; and
- ii) To change the expiration date of the Option from December 31, 2011 to December 31, 2016; and
- iii) To clarify vesting schedule as set forth below.

Optionee:

Option Grant #:

Original Date of Grant:

Original Exercise Price:

Original Number of Shares Subject to Option:

Date of Repricing:	January 21, 2009
Number of Shares subject to Option that are Repriced:	
Revised Exercise Price (Per Share):	US\$ 0.35
Total Exercise Price:	
Expiration Date:	December 31, 2016

Vesting Schedule for Shares unvested as of January 20, 2009:

INSERT TABLE FOR REMAINING VESTING

Accelerated vesting may apply under certain events, as defined in the Master Agreement and the 2002 Plan.

Payment: By cash or check
Same day sale program (if permitted by the Board)
Tender of Common Stock (if permitted by the Board)

Additional Terms/Acknowledgements: The Optionee acknowledges receipt of, and understands and agrees that his or her Option is modified as described and remains subject to this Notice, the revised Master Option Agreement and the 2002 Plan except for the rights conveyed to shareholders for options granted under the original Option Agreement and which were exercised prior to this Notice. The Optionee warrants and represents that they have either i) lost the original option agreement or ii) returned the original option agreement to the Company.

The Optionee further acknowledges that as of the Date of Repricing set forth herein, this Notice, the Master Agreement and the 2002 Plan set forth the entire understanding between Optionee and the Company regarding the acquisition of the Company's Shares covered by this Notice and these documents supersede all prior oral and written agreements on that subject with the exception of (i) additional option grants with differing original dates of grant than this Notice which are previously or subsequently granted and delivered to Optionee under the 2002 Plan or the Company's 2008 Stock Option Plan, and (ii) the agreements, if any, listed below. To the extent that this Notice varies the terms of the Master Agreement, this Notice will prevail only with respect to Options granted pursuant to this Notice.

COMPOSITE TECHNOLOGY CORPORATION

OPTIONEE:

By: Benton H. Wilcoxon,

By: (Insert Optionee Name)

Title: Chief Executive Officer

Date:

Date:

Spouse of Optionee (if applicable)

By:

Date:

COMPOSITE TECHNOLOGY CORPORATION
STOCK OPTION GRANT NOTICE
2008 STOCK OPTION PLAN

Composite Technology Corporation (“Company”), pursuant to its 2008 Stock Option Plan (“2008 Plan”) and the 2008 Stock Option Plan Stock Option Agreement (“Master Agreement”) previously entered into by the parties, hereby grants to the “Optionee” identified below an option to purchase the number of shares of the Company’s common stock (“Shares”) set forth below. This option is subject to all of the terms and conditions set forth in this Stock Option Grant Notice (the “Notice”), the Master Agreement and the Plan, all of which are incorporated herein in their entirety. Any capitalized terms not defined herein shall have the meaning provided to such terms in the Plan.

Optionee:

Original Date of Grant:

Original Exercise Price:

Original Number of Shares Subject to Option:

Date of Repricing: January 21, 2009

Number of Shares subject to Option that are Repriced:

Revised Exercise Price (Per Share): US\$ 0.35

Total Exercise Price:

Expiration Date:

Type of Grant [check one]: Incentive Stock Option Nonstatutory Stock Option

Vesting Schedule:

33.33% of the Shares vest on each of the first and second anniversary of the Original Date of Grant and 33.34% on the third anniversary of the Original Date of Grant.

Accelerated vesting may apply under certain events, as defined in the Master Agreement and the 2008 Plan.

Payment: By cash or check

 Same day sale program (if permitted by the Board)

 Tender of Common Stock (if permitted by the Board)

Additional Terms/Acknowledgements: The undersigned Optionee acknowledges receipt of, and understands and agrees that his or her Option is modified as to exercise price only and remains subject to this Notice, the Master Agreement and the 2008 Plan. The Revised Exercise Price set forth herein supersedes all previous grant notices, and option grants with different prices on the Original Date of Grant are null and void in that they are superseded by this Notice. The undersigned Optionee warrants and represents that they have either i) lost the original option grant notice or ii) returned the original grant notice to the Company; and further warrants and understands and agrees that this Notice is a repricing of the options under the original option grant that are unexercised as of the Date of Repricing set forth herein, whether vested or unvested; and further warrants, understands, and agrees that any options exercised prior to January 21, 2009 will not be repriced.

The Optionee further acknowledges that as of the Date of Repricing set forth herein, this Notice, the Master Agreement and the 2008 Plan set forth the entire understanding between Optionee and the Company regarding the acquisition of Shares covered by this Notice and supersedes all prior oral and written agreements on that subject with the exception of (i) additional option grants with differing original dates of grant than this Notice which are previously or subsequently granted and delivered to Optionee under the 2002 Non-Qualified Stock Compensation Plan or the 2008 Plan, and (ii) the agreements, if any, listed below. To the extent that this Notice varies the terms of the Master Agreement, this Notice will prevail only with respect to options granted pursuant to this Notice.

COMPOSITE TECHNOLOGY CORPORATION

Optionee:

By: Benton H. Wilcoxon,

By: (Insert Optionee Name)

Title: Chief Executive Officer

Date:

Date:

Spouse of Optionee (if applicable)

By:

Date:

COMPOSITE TECHNOLOGY CORPORATION

2008 STOCK OPTION PLAN STOCK OPTION AGREEMENT, (Immediately Exercisable)

Composite Technology Corporation, has granted to the individual (the "*Optionee*") named in the *Notice of Grant of Stock Option* (the "*Notice*") to which this Stock Option Agreement (the "*Option Agreement*") is attached an option (the "*Option*") to purchase certain shares of Stock upon the terms and conditions set forth in the Notice and this Option Agreement. The Option has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Composite Technology Corporation, 2008 Stock Option Plan (the "*Plan*"), as amended to the Date of Option Grant, the provisions of which are incorporated herein by reference. By signing the Notice, the Optionee: (a) represents that the Optionee has read and is familiar with the terms and conditions of the Notice, the Plan and this Option Agreement, including the Effect of Termination of Service set forth in Section 7, the Unvested Share Repurchase Option set forth in Section 11 and the Right of First Refusal set forth in Section 12, (b) accepts the Option subject to all of the terms and conditions of the Notice, the Plan and this Option Agreement, (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Notice, the Plan or this Option Agreement, and (d) acknowledges receipt of a copy of the Notice, the Plan and this Option Agreement.

1. *Definitions and Construction.*

1.1 *Definitions.* Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Notice or the Plan.

1.2 *Construction.* Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Option Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. *Tax Consequences.*

2.1 *Tax Status of Option.* This Option is intended to have the tax status designated in the Notice.

(a) *Incentive Stock Option.* If the Notice so designates, this Option is intended to be an Incentive Stock Option within the meaning of Section 422(b) of the Code, but the Company does not represent or warrant that this Option qualifies as such. The Optionee should consult with the Optionee's own tax advisor regarding the tax effects of this Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. (NOTE TO OPTIONEE: If the Option is exercised more than three (3) months after the date on which you cease to be an Employee in accordance with Section 7.1(c) of this Option Agreement (other than by reason of your death or permanent and total disability as defined in Section 22(e)(3) of the Code), the Option will be treated as a Nonstatutory Stock Option and not as an Incentive Stock Option to the extent required by Section 422 of the Code.)

(b) *Nonstatutory Stock Option.* If the Notice so designates, this Option is intended to be a Nonstatutory Stock Option and shall not be treated as an Incentive Stock Option within the meaning of Section 422(b) of the Code.

2.2 *ISO Fair Market Value Limitation.* If the Notice designates this Option as an Incentive Stock Option, then to the extent that the Option (together with all Incentive Stock Options granted to the Optionee under all stock option plans of the Participating Company Group, including the Plan) becomes exercisable for the first time during any calendar year for shares having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such options which exceeds such amount will be treated as Nonstatutory Stock Options. For purposes of this Section 2.2, options designated as Incentive Stock Options are taken into account in the order in which they were granted, and the Fair Market Value of stock is determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 2.2, such different limitation shall be deemed incorporated herein effective as of the date required or permitted by such amendment to the Code. If the Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section 2.2, the Optionee may designate which portion of such Option the Optionee is exercising. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option. (NOTE TO OPTIONEE: If the aggregate Exercise Price of the Option (that is, the Exercise Price multiplied by the Number of Option Shares) plus the aggregate exercise price of any other Incentive Stock Options you hold (whether granted pursuant to the Plan or any other stock option plan of the Participating Company Group) is greater than \$100,000, you should contact the Chief Financial Officer of the Company to ascertain whether the entire Option qualifies as an Incentive Stock Option.)

2.3 *Election Under Section 83(b) of the Code.* If the Optionee exercises this Option to purchase shares of Stock that are both nontransferable and subject to a substantial risk of forfeiture, the Optionee understands that the Optionee should consult with the Optionee's tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date on which the Optionee exercises the Option. Shares acquired upon exercise of the Option are nontransferable and subject to a substantial risk of forfeiture if, for example, they are unvested and are subject to a right of the Company to repurchase such shares at the Optionee's original purchase price if the Optionee's Service terminates. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to the Optionee. The Optionee acknowledges that the Optionee has been advised to consult with a tax advisor prior to the exercise of the Option regarding the tax consequences to the Optionee of the exercise of the Option. AN ELECTION UNDER SECTION 83(b) MUST BE FILED WITHIN 30 DAYS AFTER THE DATE ON WHICH THE OPTIONEE PURCHASES SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. THE OPTIONEE ACKNOWLEDGES THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS THE OPTIONEE'S SOLE RESPONSIBILITY, EVEN IF THE OPTIONEE REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON HIS OR HER BEHALF.

3. *Administration.* All questions of interpretation concerning this Option Agreement shall be determined by the Board. All determinations by the Board shall be final and binding upon all persons having an interest in the Option. Any officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, or election.

4. *Exercise of the Option.*

4.1 *Right to Exercise.* Except as otherwise provided herein, the Option shall be exercisable on and after the Initial Exercise Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Option Shares less the number of shares previously acquired upon exercise of the Option, subject to the Company's repurchase rights set forth in Section 11 and Section 12. In no event shall the Option be exercisable for more shares than the Number of Option Shares.

4.2 *Method of Exercise.* Exercise of the Option shall be by written notice to the Company which must state the election to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Optionee's investment intent with respect to such shares as may be required pursuant to the provisions of this Option Agreement. The written notice must be signed by the Optionee and must be delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Chief Financial Officer of the Company, or other authorized representative of the Participating Company Group, prior to the termination of the Option as set forth in Section 6, accompanied by full payment of the aggregate Exercise Price for the number of shares of Stock being purchased and (ii) an executed copy, if required herein of the then current form of escrow agreement reference below. The Option shall be deemed to be exercised upon receipt by the Company of such written notice, the aggregate Exercise Price, and, if required by the Company, such executed agreement.

4.3 *Payment of Exercise Price.*

(a) *Forms of Consideration Authorized.* Except as otherwise provided below, payment of the aggregate Exercise Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash, by check, or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of whole shares of Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the aggregate Exercise Price, (iii) by means of a Cashless Exercise, as defined in Section 4.3(b), or (iv) by any combination of the foregoing.

(b) *Limitations on Forms of Consideration.*

(i) *Tender of Stock.* Notwithstanding the foregoing, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. The Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

(ii) *Cashless Exercise.* A "**Cashless Exercise**" means the delivery of a properly executed notice together with irrevocable instructions to a broker in a form acceptable to the Company providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares of Stock acquired upon the exercise of the Option pursuant to a program or procedure approved by the Company (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to decline to approve or terminate any such program or procedure.

4.4 *Tax Withholding.* At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company, the Optionee hereby authorizes withholding from payroll and any other amounts payable to the Optionee, and otherwise agrees to make adequate provision for (including by means of a Cashless Exercise to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Participating Company Group, if any, which arise in connection with the Option, including, without limitation, obligations arising upon (i) the exercise, in whole or in part, of the Option, (ii) the transfer, in whole or in part, of any shares acquired upon exercise of the Option, (iii) the operation of any law or regulation providing for the imputation of interest, or (iv) the lapsing of any restriction with respect to any shares acquired upon exercise of the Option. The Company shall have no obligation to deliver shares of Stock or to release shares of Stock from an escrow established pursuant to this Option Agreement until the tax withholding obligations of the Participating Company Group have been satisfied by the Optionee.

4.5 *Certificate Registration.* Except in the event the Exercise Price is paid by means of a Cashless Exercise, the certificate for the shares as to which the Option is exercised shall be registered in the name of the Optionee, or, if applicable, in the names of the heirs of the Optionee.

4.6 *Restrictions on Grant of the Option and Issuance of Shares.* The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. **THE OPTIONEE IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE OPTIONEE MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED.** The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Optionee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4.7 *Fractional Shares.* The Company shall not be required to issue fractional shares upon the exercise of the Option.

5. *Nontransferability of the Option.* The Option may be exercised during the lifetime of the Optionee only by the Optionee or the Optionee's guardian or legal representative and may not be assigned or transferred in any manner except by will or by the laws of descent and distribution. Following the death of the Optionee, the Option, to the extent provided in Section 7, may be exercised by the Optionee's legal representative or by any person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution.

6. *Termination of the Option.* The Option shall terminate and may no longer be exercised on the first to occur of (a) the Option Expiration Date, (b) the last date for exercising the Option following termination of the Optionee's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

7. *Effect of Termination of Service.*

7.1 *Option Exercisability.*

(a) *Disability.* If the Optionee's Service with the Participating Company Group terminates because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

(b) *Death.* If the Optionee's Service with the Participating Company Group terminates because of the death of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee's legal representative or other person who acquired the right to exercise the Option by reason of the Optionee's death at any time prior to the expiration of twelve (12) months after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. The Optionee's Service shall be deemed to have terminated on account of death if the Optionee dies within three (3) months after the Optionee's termination of Service.

(c) *Other Termination of Service.* If the Optionee's Service with the Participating Company Group terminates for any reason, except Disability or death, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee at any time prior to the expiration of three (3) months (or such other longer period of time as determined by the Board, in its discretion) after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

7.2 *Additional Limitation on Option Exercise.* Notwithstanding the provisions of Section 7.1, the Option may not be exercised after the Optionee's termination of Service to the extent that the shares to be acquired upon exercise of the Option would be subject to the Unvested Share Repurchase Option as provided in Section 11.

7.3 *Extension if Exercise Prevented by Law.* Notwithstanding the foregoing, if the exercise of the Option within the applicable time periods set forth in Section 7.1 is prevented by the provisions of Section 4.6, the Option shall remain exercisable until three (3) months after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

7.4 *Extension if Optionee Subject to Section 16(b).* Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 7.1 of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Optionee's termination of Service, or (iii) the Option Expiration Date.

7.5 *Certain Definitions.*

(a) "*Termination After Change in Control*" shall mean either of the following events occurring within twelve (12) months after a Change in Control:

- (i) termination by the Participating Company Group of the Optionee's Service with the Participating Company Group for any reason other than for Cause (as defined below); or

(ii) the Optionee's resignation for Good Reason (as defined below) from all capacities in which the Optionee is then rendering Service to the Participating Company Group within a reasonable period of time following the event constituting Good Reason. Notwithstanding any provision herein to the contrary, Termination After Change in Control shall not include any termination of the Optionee's Service with the Participating Company Group which (1) is for Cause (as defined below); (2) is a result of the Optionee's death or disability; (3) is a result of the Optionee's voluntary termination of Service other than for Good Reason; or (4) occurs prior to the effectiveness of a Change in Control.

(b) " *Cause* " shall mean any of the following: (i) the Optionee's theft, dishonesty, or falsification of any Participating Company documents or records; (ii) the Optionee's improper use or disclosure of a Participating Company's confidential or proprietary information; (iii) any action by the Optionee which has a detrimental effect on a Participating Company's reputation or business; (iv) the Optionee's failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (v) any material breach by the Optionee of any employment agreement between the Optionee and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vi) the Optionee's conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs the Optionee's ability to perform his or her duties with a Participating Company.

(c) " *Good Reason* " shall mean any one or more of the following:

(i) without the Optionee's express written consent, the assignment to the Optionee of any duties, or any limitation of the Optionee's responsibilities, substantially inconsistent with the Optionee's positions, duties, responsibilities and status with the Participating Company Group immediately prior to the date of the Change in Control;

(ii) without the Optionee's express written consent, the relocation of the principal place of the Optionee's Service to a location that is more than fifty (50) miles from the Optionee's principal place of Service immediately prior to the date of the Change in Control, or the imposition of travel requirements substantially more demanding of the Optionee than such travel requirements existing immediately prior to the date of the Change in Control;

(iii) any failure by the Participating Company Group to pay, or any material reduction by the Participating Company Group of, (1) the Optionee's base salary in effect immediately prior to the date of the Change in Control (unless reductions comparable in amount and duration are concurrently made for all other employees of the Participating Company Group with responsibilities, organizational level and title comparable to the Optionee's), or (2) the Optionee's bonus compensation, if any, in effect immediately prior to the date of the Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by the Optionee); or

(iv) any failure by the Participating Company Group to (1) continue to provide the Optionee with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee or service provider group which customarily includes a person holding the employment or service provider position or a comparable position with the Participating Company Group then held by the Optionee, in any benefit or compensation plans and programs, including, but not limited to, the Participating Company Group's life, disability, health, dental, medical, savings, profit sharing, stock purchase and retirement plans, if any, in which the Optionee was participating immediately prior to the date of the Change in Control, or their equivalent, or (2) provide the Optionee with all other fringe benefits (or their equivalent) from time to time in effect for the benefit of any employee or service provider group which customarily includes a person holding the employment or service provider position or a comparable position with the Participating Company Group then held by the Optionee.

8. *Change in Control.*

8.1 *Definitions.*

(a) An "**Ownership Change Event**" shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than thirty percent (30%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; (iv) a liquidation or dissolution of the Company, or (v) the termination of employment of Benton H Wilcoxon.

(b) A "**Change in Control**" shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, a "**Transaction**") wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than thirty percent (30%) of the total combined voting power of the outstanding voting stock of the Company or the corporation or corporations to which the assets of the Company were transferred (the "**Transferee Corporation(s)**"), as the case may be. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Corporation(s), as the case may be, either directly or through one or more subsidiary corporations. The Board shall have the right to determine whether multiple sales or exchanges of the voting stock of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

8.2 *Effect of Change in Control on Option.*

(a) In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "**Acquiring Corporation**"), may, without the consent of any Optionee, either

- i) assume the Company's rights and obligations under outstanding Options;
- ii) substitute for outstanding Options substantially equivalent options for the Acquiring Corporation's stock or
- iii) pay consideration, in cash or a form and manner consistent with the consideration given in exchange for common shares of the Company and equal to the fair value of the outstanding Options (defined as the consideration given or closing market price of a share of common stock valued as of the date of the Change in Control, reduced by the exercise price of the option).

(b) In the event the Acquiring Corporation elects not to assume or substitute for outstanding Options or pay the Optionee the fair value of the outstanding Options, as defined in section 8.2(a) in connection with a Change in Control, the exercisability and vesting of each such outstanding Option and any shares acquired upon the exercise thereof held by Optionees whose Service has not terminated prior to such date shall be accelerated, effective as of the date ten (10) days prior to the date of the Change in Control, to such extent, if any, as shall have been determined by the Committee, in its discretion, and set forth in the Option Agreement evidencing such Option. In such an event, the Optionee shall have twelve (12) months from the date of the Change in Control to exercise the Option and upon such exercise shall have the rights to any financial consideration given or provided to an equivalent share of Stock as of the date of the Change in Control.

(c) The exercise or vesting of any Option and any shares acquired upon the exercise thereof that was permissible solely by reason of this Section 8.2 and the provisions of such Option Agreement shall be conditioned upon the consummation of the Change in Control. Notwithstanding the foregoing, shares acquired upon exercise of an Option prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such shares shall continue to be subject to all applicable provisions of the Option Agreement evidencing such Option except as otherwise provided in such Option Agreement.

8.3 *Fair Market Value Limitation.* Should the exercisability of this Option be accelerated in connection with a Change in Control in accordance with Section 8.2, then to the extent that the aggregate Fair Market Value of the shares of Stock with respect to which the Optionee may exercise the Option for the first time during the calendar year of such acceleration, when added to the aggregate Fair Market Value of the shares subject to any other options designated as Incentive Stock Options granted to the Optionee under all stock option plans of the Participating Company Group prior to the Date of Option Grant with respect to which such options are exercisable for the first time during the same calendar year, exceeds One Hundred Thousand Dollars (\$100,000) (or such other limit, if any, imposed by Section 422 of the Code), the portion of the Option which exceeds such amount shall be treated as a Nonstatutory Stock Option. For purposes of the preceding sentence, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of shares of stock shall be determined as of the time the option with respect to such shares is granted.

9. *Adjustments for Changes in Capital Structure.* In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification, or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number, Exercise Price and class of shares of stock subject to the Option. If a majority of the shares which are of the same class as the shares that are subject to the Option are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "*New Shares*"), the Board may unilaterally amend the Option to provide that the Option is exercisable for New Shares. In the event of any such amendment, the Number of Option Shares and the Exercise Price shall be adjusted in a fair and equitable manner, as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 9 shall be rounded down to the nearest whole number, and in no event may the Exercise Price be decreased to an amount less than the par value, if any, of the stock subject to the Option. The adjustments determined by the Board pursuant to this Section 9 shall be final, binding and conclusive.

10. *Rights as a Stockholder, Employee or Consultant.* The Optionee shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of a certificate for the shares for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 9. If the Optionee is an Employee, the Optionee understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Optionee, the Optionee's employment is "at will" and is for no specified term. Nothing in this Option Agreement shall confer upon the Optionee any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Optionee's Service as an Employee or Consultant, as the case may be, at any time.

11. *Unvested Share Repurchase Option.*

11.1 *Grant of Unvested Share Repurchase Option.* In the event the Optionee's Service with the Participating Company Group is terminated for any reason or no reason, with or without cause, or, if the Optionee, the Optionee's legal representative, or other holder of shares acquired upon exercise of the Option attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to an Ownership Change Event) any Unvested Shares, as defined in Section 11.2 below (the "**Unvested Shares**"), the Company shall have the right to repurchase the Unvested Shares under the terms and subject to the conditions set forth in this Section 11 (the "**Unvested Share Repurchase Option**").

11.2 *Unvested Shares Defined.* The "**Unvested Shares**" shall mean, on any given date, the number of shares of Stock acquired upon exercise of the Option which exceed the Vested Shares determined as of such date.

11.3 *Exercise of Unvested Share Repurchase Option.* The Company may exercise the Unvested Share Repurchase Option by written notice to the Optionee within sixty (60) days after (a) termination of the Optionee's Service (or exercise of the Option, if later) or (b) the Company has received notice of the attempted disposition of Unvested Shares. If the Company fails to give notice within such sixty (60) day period, the Unvested Share Repurchase Option shall terminate unless the Company and the Optionee have extended the time for the exercise of the Unvested Share Repurchase Option. The Unvested Share Repurchase Option must be exercised, if at all, for all of the Unvested Shares, except as the Company and the Optionee otherwise agree.

11.4 *Payment for Shares and Return of Shares to Company.* The purchase price per share being repurchased by the Company shall be an amount equal to the Optionee's original cost per share, as adjusted pursuant to Section 9 (the "**Repurchase Price**"). The Company shall pay the aggregate Repurchase Price to the Optionee in cash within thirty (30) days after the date of the written notice to the Optionee of the Company's exercise of the Unvested Share Repurchase Option. For purposes of the foregoing, cancellation of any purchase money indebtedness of the Optionee to any Participating Company for the shares shall be treated as payment to the Optionee in cash to the extent of the unpaid principal and any accrued interest canceled. The shares being repurchased shall be delivered to the Company by the Optionee at the same time as the delivery of the Repurchase Price to the Optionee.

11.5 *Assignment of Unvested Share Repurchase Option.* The Company shall have the right to assign the Unvested Share Repurchase Option at any time, whether or not such option is then exercisable, to one or more persons as may be selected by the Company.

11.6 *Ownership Change Event.* Upon the occurrence of an Ownership Change Event, any and all new, substituted or additional securities or other property to which the Optionee is entitled by reason of the Optionee's ownership of Unvested Shares shall be immediately subject to the Unvested Share Repurchase Option and included in the terms "Stock" and "Unvested Shares" for all purposes of the Unvested Share Repurchase Option with the same force and effect as the Unvested Shares immediately prior to the Ownership Change Event. While the aggregate Repurchase Price shall remain the same after such Ownership Change Event, the Repurchase Price per Unvested Share upon exercise of the Unvested Share Repurchase Option following such Ownership Change Event shall be adjusted as appropriate. For purposes of determining the Vested Shares following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

12. *Right of First Refusal.*

12.1 *Grant of Right of First Refusal.* Except as provided in Section 11.7 below, in the event the Optionee, the Optionee's legal representative, or other holder of shares acquired upon exercise of the Option proposes to sell, exchange, transfer, pledge, or otherwise dispose of any Vested Shares (the "**Transfer Shares**") to any person or entity, including, without limitation, any stockholder of a Participating Company, the Company shall have the right to repurchase the Transfer Shares under the terms and subject to the conditions set forth in this Section 12 (the "**Right of First Refusal**").

12.2 *Notice of Proposed Transfer.* Prior to any proposed transfer of the Transfer Shares, the Optionee shall deliver written notice (the "**Transfer Notice**") to the Company describing fully the proposed transfer, including the number of Transfer Shares, the name and address of the proposed transferee (the "**Proposed Transferee**") and, if the transfer is voluntary, the proposed transfer price, and containing such information necessary to show the bona fide nature of the proposed transfer. In the event of a bona fide gift or involuntary transfer, the proposed transfer price shall be deemed to be the Fair Market Value of the Transfer Shares, as determined by the Board in good faith. If the Optionee proposes to transfer any Transfer Shares to more than one Proposed Transferee, the Optionee shall provide a separate Transfer Notice for the proposed transfer to each Proposed Transferee. The Transfer Notice shall be signed by both the Optionee and the Proposed Transferee and must constitute a binding commitment of the Optionee and the Proposed Transferee for the transfer of the Transfer Shares to the Proposed Transferee subject only to the Right of First Refusal.

12.3 *Bona Fide Transfer.* If the Company determines that the information provided by the Optionee in the Transfer Notice is insufficient to establish the bona fide nature of a proposed voluntary transfer, the Company shall give the Optionee written notice of the Optionee's failure to comply with the procedure described in this Section 12, and the Optionee shall have no right to transfer the Transfer Shares without first complying with the procedure described in this Section 12. The Optionee shall not be permitted to transfer the Transfer Shares if the proposed transfer is not bona fide.

12.4 *Exercise of Right of First Refusal.* If the Company determines the proposed transfer to be bona fide, the Company shall have the right to purchase all, but not less than all, of the Transfer Shares (except as the Company and the Optionee otherwise agree) at the purchase price and on the terms set forth in the Transfer Notice by delivery to the Optionee of a notice of exercise of the Right of First Refusal within thirty (30) days after the date the Transfer Notice is delivered to the Company. The Company's exercise or failure to exercise the Right of First Refusal with respect to any proposed transfer described in a Transfer Notice shall not affect the Company's right to exercise the Right of First Refusal with respect to any proposed transfer described in any other Transfer Notice, whether or not such other Transfer Notice is issued by the Optionee or issued by a person other than the Optionee with respect to a proposed transfer to the same Proposed Transferee. If the Company exercises the Right of First Refusal, the Company and the Optionee shall thereupon consummate the sale of the Transfer Shares to the Company on the terms set forth in the Transfer Notice within sixty (60) days after the date the Transfer Notice is delivered to the Company (unless a longer period is offered by the Proposed Transferee); provided, however, that in the event the Transfer Notice provides for the payment for the Transfer Shares other than in cash, the Company shall have the option of paying for the Transfer Shares by the present value cash equivalent of the consideration described in the Transfer Notice as reasonably determined by the Company. For purposes of the foregoing, cancellation of any indebtedness of the Optionee to any Participating Company shall be treated as payment to the Optionee in cash to the extent of the unpaid principal and any accrued interest canceled.

12.5 *Failure to Exercise Right of First Refusal.* If the Company fails to exercise the Right of First Refusal in full (or to such lesser extent as the Company and the Optionee otherwise agree) within the period specified in Section 12.4 above, the Optionee may conclude a transfer to the Proposed Transferee of the Transfer Shares on the terms and conditions described in the Transfer Notice, provided such transfer occurs not later than ninety (90) days following delivery to the Company of the Transfer Notice. The Company shall have the right to demand further assurances from the Optionee and the Proposed Transferee (in a form satisfactory to the Company) that the transfer of the Transfer Shares was actually carried out on the terms and conditions described in the Transfer Notice. No Transfer Shares shall be transferred on the books of the Company until the Company has received such assurances, if so demanded, and has approved the proposed transfer as bona fide. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance by the Optionee with the procedure described in this Section 12.

12.6 *Transferees of Transfer Shares.* All transferees of the Transfer Shares or any interest therein, other than the Company, shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold such Transfer Shares or interest therein subject to all of the terms and conditions of this Option Agreement, including this Section 12 providing for the Right of First Refusal with respect to any subsequent transfer. Any sale or transfer of any shares acquired upon exercise of the Option shall be void unless the provisions of this Section 12 are met.

12.7 *Transfers Not Subject to Right of First Refusal.* The Right of First Refusal shall not apply to any transfer or exchange of the shares acquired upon exercise of the Option if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of stock of a Participating Company, such consideration shall remain subject to the Right of First Refusal unless the provisions of Section 12.9 below result in a termination of the Right of First Refusal.

12.8 *Assignment of Right of First Refusal.* The Company shall have the right to assign the Right of First Refusal at any time, whether or not there has been an attempted transfer, to one or more persons as may be selected by the Company.

12.9 *Early Termination of Right of First Refusal.* The other provisions of this Option Agreement notwithstanding, the Right of First Refusal shall terminate and be of no further force and effect upon (a) the occurrence of a Change in Control, unless the Acquiring Corporation assumes the Company's rights and obligations under the Option or substitutes a substantially equivalent option for the Acquiring Corporation's stock for the Option, or (b) the existence of a public market for the class of shares subject to the Right of First Refusal. A "**public market**" shall be deemed to exist if (i) such stock is listed on a national securities exchange (as that term is used in the Exchange Act) or (ii) such stock is traded on the over-the-counter market and prices therefor are published daily on business days in a recognized financial journal.

13. *Escrow.*

113.1 *Establishment of Escrow.* To ensure that shares subject to the Unvested Share Repurchase Option will be available for repurchase, the Company may require the Optionee to deposit the certificate evidencing the shares which the Optionee purchases upon exercise of the Option with an agent designated by the Company under the terms and conditions of an escrow agreement approved by the Company. If the Company does not require such deposit as a condition of exercise of the Option, the Company reserves the right at any time to require the Optionee to so deposit the certificate in escrow. Upon the occurrence of an Ownership Change Event or a change, as described in Section 9, in the character or amount of any of the outstanding stock of the corporation the stock of which is subject to the provisions of this Option Agreement, any and all new, substituted or additional securities or other property to which the Optionee is entitled by reason of the Optionee's ownership of shares of Stock acquired upon exercise of the Option that remain, following such Ownership Change Event or change described in Section 9, subject to the Unvested Share Repurchase Option shall be immediately subject to the escrow to the same extent as such shares of Stock immediately before such event. The Company shall bear the expenses of the escrow.

13.2 *Delivery of Shares to Optionee.* As soon as practicable after the expiration of the Unvested Share Repurchase Option, but not more frequently than twice each calendar year, the escrow agent shall deliver to the Optionee the shares and any other property no longer subject to such restriction.

13.3 *Notices and Payments.* In the event the shares and any other property held in escrow are subject to the Company's exercise of the Unvested Share Repurchase Option or the Right of First Refusal, the notices required to be given to the Optionee shall be given to the escrow agent, and any payment required to be given to the Optionee shall be given to the escrow agent. Within thirty (30) days after payment by the Company, the escrow agent shall deliver the shares and any other property which the Company has purchased to the Company and shall deliver the payment received from the Company to the Optionee.

14. *Stock Distributions Subject to Option Agreement.* If, from time to time, there is any stock dividend, stock split or other change, as described in Section 9, in the character or amount of any of the outstanding stock of the corporation the stock of which is subject to the provisions of this Option Agreement, then in such event any and all new, substituted or additional securities to which the Optionee is entitled by reason of the Optionee's ownership of the shares acquired upon exercise of the Option shall be immediately subject to the Unvested Share Repurchase Option and the Right of First Refusal with the same force and effect as the shares subject to the Unvested Share Repurchase Option and the Right of First Refusal immediately before such event.

15. *Notice of Sales Upon Disqualifying Disposition.* The Optionee shall dispose of the shares acquired pursuant to the Option only in accordance with the provisions of this Option Agreement. In addition, *if the Notice designates this Option as an Incentive Stock Option*, the Optionee shall (a) promptly notify the Chief Financial Officer of the Company if the Optionee disposes of any of the shares acquired pursuant to the Option within one (1) year after the date the Optionee exercises all or part of the Option or within two (2) years after the Date of Option Grant and (b) provide the Company with a description of the circumstances of such disposition. Until such time as the Optionee disposes of such shares in a manner consistent with the provisions of this Option Agreement, unless otherwise expressly authorized by the Company, the Optionee shall hold all shares acquired pursuant to the Option in the Optionee's name (and not in the name of any nominee) for the one-year period immediately after the exercise of the Option and the two-year period immediately after Date of Option Grant. At any time during the one-year or two-year periods set forth above, the Company may place a legend on any certificate representing shares acquired pursuant to the Option requesting the transfer agent for the Company's stock to notify the Company of any such transfers. The obligation of the Optionee to notify the Company of any such transfer shall continue notwithstanding that a legend has been placed on the certificate pursuant to the preceding sentence.

16. *Legends.* The Company may at any time place legends referencing the Unvested Share Repurchase Option and the Right of First Refusal and any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Option Agreement. The Optionee shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Optionee in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

16.1 "THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 OR RULE 701 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT."

16.2 "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AN UNVESTED SHARE REPURCHASE OPTION IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

16.3 "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

16.4 "THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON EXERCISE OF AN INCENTIVE STOCK OPTION AS DEFINED IN SECTION 422 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED ("ISO "). IN ORDER TO OBTAIN THE PREFERENTIAL TAX TREATMENT AFFORDED TO ISOs, THE SHARES SHOULD NOT BE TRANSFERRED PRIOR TO [*INSERT DISQUALIFYING DISPOSITION DATE HERE*]. SHOULD THE REGISTERED HOLDER ELECT TO TRANSFER ANY OF THE SHARES PRIOR TO THIS DATE AND FOREGO ISO TAX TREATMENT, THE TRANSFER AGENT FOR THE SHARES SHALL NOTIFY THE CORPORATION IMMEDIATELY. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE INCENTIVE STOCK OPTION IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE) PRIOR TO THIS DATE OR UNTIL TRANSFERRED AS DESCRIBED ABOVE."

17. *Lock-Up Agreement.* The Optionee hereby agrees that in the event of any underwritten public offering of stock, including an initial public offering of stock, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Optionee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any shares of stock of the Company or any rights to acquire stock of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering. The foregoing limitation shall not apply to shares registered in the public offering under the Securities Act.

18. *Restrictions on Transfer of Shares.* No shares acquired upon exercise of the Option may be sold, exchanged, transferred (including, without limitation, any transfer to a nominee or agent of the Optionee), assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Option Agreement and, except pursuant to an Ownership Change Event, until the date on which such shares become Vested Shares, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any shares which will have been transferred in violation of any of the provisions set forth in this Option Agreement or (b) to treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares will have been so transferred.

19. *Miscellaneous Provisions.*

19.1 *Binding Effect.* Subject to the restrictions on transfer set forth herein, this Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

19.2 *Termination or Amendment.* The Board may terminate or amend the Plan or the Option at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may adversely affect the Option or any unexercised portion hereof without the consent of the Optionee unless such termination or amendment is necessary to comply with any applicable law or government regulation or is required to enable the Option, if designated an Incentive Stock Option in the Notice, to qualify as an Incentive Stock Option. No amendment or addition to this Option Agreement shall be effective unless in writing.

19.3 *Notices.* Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature or at such other address as such party may designate in writing from time to time to the other party.

19.4 *Integrated Agreement.* The Notice, this Option Agreement and the Plan constitute the entire understanding and agreement of the Optionee and the Participating Company Group with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties among the Optionee and the Participating Company Group with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Notice and the Option Agreement shall survive any exercise of the Option and shall remain in full force and effect.

19.5 *Applicable Law.* This Option Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

19.6 *Counterparts.* The Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Incentive Stock Option
Nonstatutory Stock Option

Optionee: _____
Date: _____

**STOCK OPTION EXERCISE NOTICE
(IMMEDIATELY EXERCISABLE)**

Composite Technology Corporation.
Attention: Chief Financial Officer

Ladies and Gentlemen:

1. **Option .** I was granted an option (the "**Option**") to purchase shares of the common stock (the "**Shares**") of Composite Technology Corporation (the "**Company**") pursuant to the Company's 2008 Stock Option Plan (the "**Plan**"), my Notice of Grant of Stock Option (the "**Notice**") and my Stock Option Agreement (the "**Option Agreement**") as follows:

Grant Number: _____
Date of Option Grant: _____
Number of Option Shares: _____
Exercise Price per Share: \$ _____

2. **Exercise of Option .** I hereby elect to exercise the Option to purchase the following number of Shares:

Vested Shares: _____
Unvested Shares: _____
Total Shares Purchased: _____
Total Exercise Price (Total Shares × Price per Share) \$ _____

3. **Payments .** I enclose payment in full of the total exercise price for the Shares in the following form(s), as authorized by my Option Agreement:

TM Cash: \$ _____

TM Check: \$ _____

TM Tender of Company Stock: Contact Plan Administrator

4. **Tax Withholding .** I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding obligations of the Company, if any, in connection with the Option. If I am exercising a Nonstatutory Stock Option, I enclose payment in full of my withholding taxes, if any, as follows:

(Contact Plan Administrator for amount of tax due.)

Cash: \$ _____

Check: \$ _____

5. **Optionee Information .**

My address is: _____

My Social Security Number is: _____

6. **Notice of Disqualifying Disposition .** If the Option is an Incentive Stock Option, I agree that I will promptly notify the Chief Financial Officer of the Company if I transfer any of the Shares within one (1) year from the date I exercise all or part of the Option or within two (2) years of the Date of Option Grant.

7. **Binding Effect .** I agree that the Shares are being acquired in accordance with and subject to the terms, provisions and conditions of the Option Agreement, including the Unvested Share Repurchase Option and the Right of First Refusal set forth therein, to all of which I hereby expressly assent. This Agreement shall inure to the benefit of and be binding upon the my heirs, executors, administrators, successors and assigns. If required by the Company, I agree to deposit the certificate(s) evidencing the Shares, along with a blank stock assignment separate from certificate executed by me, with an escrow agent designated by the Company, to be held pursuant to the Company's standard Joint Escrow Instructions.

8. **Transfer .** I understand and acknowledge that the Shares have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and that consequently the Shares must be held indefinitely unless they are subsequently registered under the Securities Act, an exemption from such registration is available, or they are sold in accordance with Rule 144 or Rule 701 under the Securities Act. I further understand and acknowledge that the Company is under no obligation to register the Shares. I understand that the certificate or certificates evidencing the Shares will be imprinted with legends which prohibit the transfer of the Shares unless they are registered or such registration is not required in the opinion of legal counsel satisfactory to the Company.

I am aware that Rule 144 under the Securities Act, which permits limited public resale of securities acquired in a nonpublic offering, is not currently available with respect to the Shares and, in any event, is available only if certain conditions are satisfied. I understand that any sale of the Shares that might be made in reliance upon Rule 144 may only be made in limited amounts in accordance with the terms and conditions of such rule and that a copy of Rule 144 will be delivered to me upon request.

9. **Election Under Section 83(b) of the Code .** I understand and acknowledge that if I am exercising the Option to purchase Unvested Shares (i.e., shares that remain subject to the Company's Unvested Share Repurchase Option), that I should consult with my tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date on which I exercise the Option. I acknowledge that I have been advised to consult with a tax advisor prior to the exercise of the Option regarding the tax consequences to me of exercising the Option. AN ELECTION UNDER SECTION 83(b) MUST BE FILED WITHIN 30 DAYS AFTER THE DATE ON WHICH I PURCHASE SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. I ACKNOWLEDGE THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS MY SOLE RESPONSIBILITY, EVEN IF I REQUEST THE COMPANY OR ITS REPRESENTATIVES TO FILE SUCH ELECTION ON MY BEHALF.

I understand that I am purchasing the Shares pursuant to the terms of the Plan, the Notice and my Option Agreement, copies of which I have received and carefully read and understand.

Very truly yours,

(Signature)

Receipt of the above is hereby acknowledged.

Composite Technology Corporation.

By: _____

Title: _____

Dated: _____