

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

COMPOSITE TECHNOLOGY CORP

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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): March 10, 2011 (March 4, 2011)

COMPOSITE TECHNOLOGY CORPORATION

(Exact name of registrant as specified in Charter)

Nevada

000-10999

59-2025386

(State or other jurisdiction of
incorporation or organization)

(Commission File No.)

(IRS Employee Identification No.)

2026 McGaw Avenue
Irvine, California 92614
(Address of Principal Executive Offices)

(949) 428-8500
(Issuer Telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

Forward Looking Statements

This Form 8-K and other reports filed by the Registrant from time to time with the Securities and Exchange Commission (collectively the “Filings”) contain or may contain forward looking statements and information that are based upon beliefs of, and information currently available to, the Registrant’s management as well as estimates and assumptions made by the Registrant’s management. When used in the filings the words “anticipate”, “believe”, “estimate”, “expect”, “future”, “intend”, “plan” or the negative of these terms and similar expressions as they relate to the Registrant or the Registrant’s management identify forward looking statements. Such statements reflect the current view of the Registrant with respect to future events and are subject to risks, uncertainties, assumptions and other factors (including the risks contained in the section of the Registrant’s Form 10-K entitled “Risk Factors”) relating to the Registrant’s industry, the Registrant’s operations and results of operations and any businesses that may be acquired by the Registrant. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Although the Registrant believes that the expectations reflected in the forward looking statements are reasonable, the Registrant cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, the Registrant does not intend to update any of the forward-looking statements to conform these statements to actual results.

Item 1.01 Entry into a Material Definitive Agreement

The following discussion provides only a brief description of the applicable documents described below. The discussion is qualified in its entirety by the full text of the loan agreement and other documents, which are attached to this Current Report on Form 8-K as exhibits 10.1 through 10.3.

Loan and Note Agreements

Between March 4, 2011 and March 8, 2011 Composite Technology Corporation (the “Company”) entered into individual Loan and Promissory Note Agreements (“Loan Agreements”) with four accredited investors, none of whom are affiliates of the Company (“the Lenders”). Pursuant to the terms and subject to the conditions set forth in the Loan Agreements, the Lenders have provided a bridge loan totaling \$600,000 (“Loan”) to the Company. Pursuant to the Loan Agreements, interest in the amount of 12% per annum, calculated on a 360 day year, will be paid as well as payment in kind interest of 5% due upon maturity. The Loan is due the earlier of 30 days from the date of issuance or upon the closing a financing in excess of \$2,000,000. No cash fees were paid to any party to the transaction in exchange for lending the money.

Warrants

In addition, between March 4, 2001 and March 8, 2011, in conjunction with the Loan Agreements, the Company entered into Warrant Agreements with the Lenders and issued warrants to purchase 1,200,000 shares of the Company’s common stock at \$0.25 per share, exercisable until March 2014. The warrants may be exercised in a “cashless” manner unless registered for resale under an effective registration statement. The warrants have “full ratchet” antidilution protection while the corresponding notes are outstanding and “weighted average price” antidilution protection after the corresponding notes are repaid in full.

The Company valued the warrants at \$0.1171 per warrant for a total value of \$140,520. It used the Black-Scholes Merton option pricing model to value the fair value of the warrants issued using the following assumptions. The market price was \$0.21, the average closing price between March 4 and March 8, 2011. The volatility was estimated at 95%, the life of the warrants was 3 years, the risk free rate was 0.74% and the dividend yield was 0%.

Item 2.03. Creation of a Direct Financial Obligation

As described more fully under Item 1.01 and incorporated herein by reference, pursuant to the terms and subject to the conditions set forth in the Loan Agreements, the Lenders provided a bridge loan in the amount of \$600,000 to the Company. The transactions were closed between March 4, 2011 and March 8, 2011. The Loan is due on April 8, 2011 but repayment is accelerated upon the closure of a financing of at least \$2,000,000. If an Event of Default occurs, the Lenders have the right to declare the principal of the loan, all accrued interest and any other amounts due under the Loan Agreement immediately due and payable. An Event of Default includes a failure to pay principal or interest within 5 days of the date due; a determination that materially false or incorrect representations or warranties were made by the Company in the Loan Agreements; or the commencement of an insolvency proceeding by or against the Company or a Major Subsidiary that is not dismissed within 90 days.

Item 3.02. Unregistered Sales of Equity Securities

Between March 4, 2011 and March 8, 2011, the Company issued (i) warrants in favor of the Lenders to purchase 1,200,000 shares of the Company's common stock at \$0.25 per share. The Company relied upon the exemption from registration as set forth in Section 4(2) of the Securities Act for the issuance of these securities. The recipients represented that they took the securities for investment purposes without a view to distribution and had access to information concerning the Company and its business prospects, as required by the Securities Act. In addition, there was no general solicitation or advertising for the acquisition of these securities. These securities have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

<u>Exh. No.</u>	<u>Description</u>
10.1	Form of Loan Agreement by and among the Registrant and the Lenders dated March, 2011.
10.2	Form of Promissory Note by and among the Registrant and the Lenders dated March, 2011.
10.3	Form of Warrant

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

By: /s/ Benton H Wilcoxon
Benton H Wilcoxon
Chief Executive Officer

Dated: March 10, 2011

Exhibit Index

Exh. No.	Description
10.1	Form of Loan Agreement by and among the Registrant and the Lenders dated as of March 2011.
10.2	Form of Promissory Note by and among the Registrant and the Lenders dated as of March 2011.
10.3	Form of Warrant

LOAN AGREEMENT

This Loan Agreement (this "Agreement") is dated as of March ____, 2011, by and between Composite Technology Corporation, a Nevada corporation (the "Borrower"), and _____ (the "Lender" and, together with the Borrower, the "Parties").

WITNESSETH

WHEREAS, the Borrower wishes to borrow from the Lender _____ Dollars (\$_____) for the purpose described in Section 2.1 hereof; and

WHEREAS, the Lender desires to make a loan to the Borrower for such purpose;

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the Lender and the Borrower agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 General Definitions.

"Business Day" means a day on which banks are open for business in The City of New York.

"Code" means the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

"Common Stock" means the common stock of the Borrower.

"Default" means any event which, at the giving of notice, lapse of time or fulfillment of any other applicable condition (or any combination of the foregoing), would constitute an Event of Default.

"Dollars" and the "\$" sign mean the lawful currency of the United States of America.

"Excluded Taxes" means all income taxes, minimum or alternative minimum income taxes, withholding taxes imposed on gross amounts, any tax determined based upon income, capital gains, gross income, sales, net profits, windfall profits or similar items, franchise taxes (or any other tax measured by capital, capital stock or net worth), gross receipts taxes, branch profits taxes, margin taxes (or any other taxes imposed on or measured by net income, or imposed in lieu of net income) payable by the Lender in any jurisdiction to any Government Authority (or political subdivision or taxing authority thereof) in connection with any payments received under this Agreement by the Lender, or any such tax imposed in connection with the execution and delivery of, and the performance of its obligations under, this Agreement.

“Financing Documents” means this Agreement, the Note, and any other document or instrument delivered in connection with any of the foregoing, whether or not specifically mentioned herein or therein.

“Government Authority” means any government, governmental department, ministry, cabinet, commission, board, bureau, agency, tribunal, regulatory authority, instrumentality, judicial, legislative, fiscal, or administrative body or entity, domestic or foreign, federal, state or local having jurisdiction over the matter(s), person(s), individual(s) and/or entity(ies) in question, including, without limitation, the SEC.

“Interest Rate” means twelve percent (12%) per annum.

“Lien” means any lien, pledge, preferential arrangement, mortgage, security interest, deed of trust, charge, assignment, hypothecation, title retention, privilege or other encumbrance on or with respect to property or interest in property having the practical effect of constituting a security interest, in each case with respect to the payment of any obligation with, or from the proceeds of, any asset or revenue of any kind.

“Loan” means the loan to be made available by the Lender to the Borrower pursuant to this Agreement.

“Major Subsidiary” means CTC Cable Corporation and Stribog, Inc.

“Management Loan” means the bridge loan in the aggregate amount of \$236,274 made to Borrower by certain officers and directors of Borrower, pursuant to the Loan Agreements, dated February 22, 2011, by and between such parties.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, prospects, condition (financial or otherwise) or property of the Borrower and its Major Subsidiary taken as a whole; provided, however, that none of the following shall be deemed either alone or in combination to constitute, and none of the following shall be taken into account in determining whether there has been or would be, a Material Adverse Effect: (A) any adverse effect that results directly or indirectly from general economic, business, financial or market conditions; and (B) any adverse effect arising directly or indirectly from or otherwise relating to any of the industries or industry sectors in which the Borrower or its Major Subsidiary operates.

“Maturity Date” means the earlier of (i) the date on which the Borrower closes any financing in excess of Two Million Dollars (\$2,000,000), or (ii) the 30th day after the date of this Agreement, or (iii) before the Management Loan is paid

“Note” means the note issued to the Lender evidencing the Loan in the form attached hereto as Exhibit A.

“Obligations” means all obligations (monetary or otherwise) of the Borrower arising under or in connection with the Financing Documents.

“Organizational Documents” means the Articles of Incorporation (or Certificate of Incorporation, as applicable) and Bylaws of the Borrower or Major Subsidiary, as the case may be.

“Partners for Growth Debt Documents” means the Loan and Security Agreement by and among the Borrower, certain of its subsidiaries, and Partners for Growth II, L.P. (“PFG”), dated as of April 12, 2010, pursuant to which the Borrower borrowed \$10 million from PFG under a secured loan, and the Loan Documents as filed in Form 8K with the SEC.

“Payment in Kind” means the payment to be made by the Borrower to the Lender on the Maturity Date in the amount of five percent (5%) of the original principal amount of the Loan. “Additional PIK” means the amount of 20% of the original principal amount of the Loan to be paid by the Borrower to the Lender in the event that the Loan is not repaid in full on the Maturity Date or upon the occurrence of an Event of Default, unless otherwise agreed to in writing by the Borrower and Lender.

“Subsidiary” or “Subsidiaries” means, as to the Borrower, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

“Taxes” means all deductions or withholdings for any and all present and future taxes, levies, imposts, stamp or other duties, fees, assessments, deductions, withholdings, all other governmental charges, and all liabilities with respect thereto.

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires, (i) all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties requires and the verb shall be read and construed as agreeing with the required word and pronoun; (ii) the division of this Agreement into Articles and Sections and the use of headings and captions is for convenience of reference only and shall not modify or affect the interpretation or construction of this Agreement or any of its provisions; (iii) the words “herein,” “hereof,” “hereunder,” “hereinafter” and “hereto” and words of similar import refer to this Agreement as a whole and not to any particular Article or Section hereof; (iv) the words “include,” “including,” and derivations thereof shall be deemed to have the phrase “without limitation” attached thereto unless expressly stated otherwise; (v) references to a specified Article, Exhibit or Section shall be construed as a reference to that specified Article, Exhibit or Section of this Agreement; and (vi) any reference to any of the Financing Documents means such agreement or document as the same shall be amended, supplemented or modified and from time to time in effect.

Section 1.3 Business Day Adjustment. If the day by which a payment is due to be made is not a Business Day, that payment shall be made by the next succeeding Business Day unless that next succeeding Business Day falls in a different calendar month, in which case that payment shall be made by the Business Day immediately preceding the day by which such payment is due to be made.

ARTICLE II AGREEMENT FOR THE LOAN

Section 2.1 Use of Proceeds. The Borrower shall use the Loan for general corporate purposes.

Section 2.2 Disbursement. The Lender agrees to disburse the Loan on the date of this Agreement.

Section 2.3 Repayment. On the Maturity Date, the Borrower shall pay the Lender the entire unpaid principal amount of the Loan, all accrued and unpaid interest, the Payment in Kind and any other amounts owing by the Borrower to the Lender pursuant to the Financing Documents. Notwithstanding anything to the contrary herein, the Borrower may prepay all or any portion of the Loan, including principal, interest and the Payment in Kind, at any time and from time to time on or prior to the Maturity Date. All amounts used to prepay the Loan shall be applied first to accrued and unpaid interest, second to the Payment in Kind, and third to the outstanding principal amount. Repayment in full occurs when the Borrower pays off all outstanding principal, accrued interest, the Payment in Kind and any other amounts owing by the Borrower to the Lender pursuant to the Financing Documents. The Borrower agrees to repay the Loan in full before paying all or any portion of the Management Loan.

Section 2.4 Interest. The outstanding principal amount of the Loan shall bear interest at the Interest Rate, calculated on the basis of the actual number of days elapsed, payable on the Maturity Date. Notwithstanding anything to the contrary herein, the Borrower shall be obligated to pay the Lender a minimum amount of interest that equals to one percent (1%) of the principal amount of the Loan.

Section 2.5 Payments. Payments of any amounts due to the Lender under this Agreement shall be made in Dollars in immediately available funds prior to 4:00 p.m. New York City time on such date that any such payment is due, at such bank or places, as the Lender shall from time to time designate in writing. The Borrower shall pay any and all costs (administrative or otherwise) imposed by banks, clearing houses, or other financial institutions, in connection with making any payments under the Financing Documents, except for any costs imposed by the Lender's banking institutions.

Section 2.6 **Late Payment.** Without limiting the remedies available to the Lender under the Financing Documents or otherwise, to the maximum extent permitted by applicable law, if the Borrower fails to make any payment with respect to the Loan when due, the Borrower shall pay interest on such late payment, at the rate per annum equal to the Interest Rate plus four hundred (400) basis points, for so long as such payment remains outstanding. Such interest shall be payable on demand. In the event that the Loan is not repaid in full on the Maturity Date or upon the occurrence of an Event of Default, the Borrower shall pay the Lender Additional PIK, unless otherwise agreed to in writing by the Borrower and Lender.

Section 2.7 **Taxes, Duties and Fees.**

(a) The Borrower shall pay or cause to be paid any and all present and future Taxes (other than Excluded Taxes) on or in connection with the payment of any and all amounts due under this Agreement. All payments of principal and other amounts due under this Agreement shall be made without deduction for or on account of any Taxes (except for Excluded Taxes, which may be deducted or withheld from payments made by the Borrower only if such deduction or withholding is required by applicable law).

(b) If the Borrower is required to withhold any such amount or is prevented by operation of law or otherwise from paying or causing to be paid any Taxes (except for Excluded Taxes), the principal or other amounts due under this Agreement, as applicable, shall be increased to such amount as shall be necessary to yield and remit to the Lender the full amount it would have received taking into account any such Taxes (except for Excluded Taxes) payable on amounts payable by the Borrower under this Section 2.7(b) had such payment been made without deduction of such Taxes (such additional amounts are herein referred to as the “Additional Amounts”).

(c) If Section 2.7(b) above applies and the Lender so requires, the Borrower shall deliver to the Lender official tax receipts evidencing payment or a copy of the filed Tax return reporting such payment (or certified copies thereof) of the Additional Amounts as soon as practicable.

(d) If the Lender receives a refund from a Government Authority to which the Borrower has paid withholding Taxes pursuant to this Section 2.7 or relating to Taxes in respect of which the Borrower paid Additional Amounts, the Lender shall promptly pay such refund to the Borrower.

Section 2.8 **Costs, Expenses and Losses.** The Borrower shall pay Lender all reasonable out-of-pocket fees, charges, costs and expenses incurred by Lender in connection with the Loan. If, as a result of any failure by the Borrower to pay any sums due under this Agreement on the due date therefor, the Lender shall incur costs, expenses and/or losses, by reason of the liquidation or redeployment of deposits from third parties or in connection with obtaining funds to maintain the Loan, the Borrower shall pay to the Lender upon request by the Lender, the amount of such costs, expenses and/or losses within fifteen (15) days after receipt by it of a certificate from the Lender setting forth in reasonable detail such costs, expenses and/or losses. For the purposes of the preceding sentence, “costs, expenses and/or losses” shall include, without limitation, any interest paid or payable to carry any unpaid amount and any loss, premium, penalty or expense which may be incurred in obtaining, liquidating or employing deposits of or borrowings from third parties in order to make, maintain or fund the Loan or any portion thereof.

Section 2.9 Warrants. Subject to the terms and conditions as more fully set forth in the Warrants to Purchase Common Stock executed by Borrower on the date hereof, Borrower agrees to issue to Lender two warrants for each dollar loaned exercisable for an aggregate of 200,000 shares of Borrower's common stock. Each of the foregoing warrants will have an exercise price of \$0.25 per share and will be exercisable within two years from the date of issuance.

Section 2.10 Security. To secure the payment and performance of all of the Obligations when due, Borrower hereby grants to Lender a continuing security interest in all of Borrower's assets.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Borrower. Except as otherwise disclosed, the Borrower represents and warrants as of the date hereof as follows:

(a) The Borrower is a corporation duly organized and validly existing under the laws of the State of Nevada. The Borrower and each Major Subsidiary is conducting its business in compliance with its Organizational Documents. The Organizational Documents of the Borrower and each Major Subsidiary (including all amendments thereto) as currently in effect have been made available to the Lender and remain in full force and effect with no defaults outstanding thereunder. All authorizations, consents, approvals, registrations, exemptions and licenses with or from Government Authorities that are necessary for the conduct of the business of the Borrower and each Major Subsidiary as currently conducted and as proposed to be conducted have been obtained and are in full force and effect.

(b) The Borrower has full power and authority to enter into each of the Financing Documents and to make the borrowings and the other transactions contemplated thereby. All authorizations, consents, approvals, registrations, exemptions and licenses that are necessary for the borrowing hereunder, the execution and delivery of the Financing Documents and the performance by the Borrower of its obligations thereunder have been obtained and are in full force and effect, except for registrations and filings in connection with the issuance of the warrants and shares of Common Stock pursuant to the Financing Documents, and filings necessary to comply with laws, rules, regulations and orders required in the ordinary course of business.

(c) Neither the entering into any of the Financing Documents nor the compliance with any of its terms conflicts with, violates or results in a breach of any of the terms of, or constitutes a default or event of default (however described) or requires any consent under, to the extent applicable, (i) any agreement to which the Borrower is a party or by which it is bound, (ii) any of the terms of the Organizational Documents, or (iii) any judgment, decree, resolution, award or order or any statute, rule or regulation applicable to the Borrower or its assets.

(d) Neither the Borrower nor any Major Subsidiary (i) is bankrupt or insolvent or (ii) has taken action, and no such action has been taken by a third party, for the winding up, dissolution, or liquidation or similar proceeding or for the appointment of a liquidator, custodian, receiver, trustee, administrator or other similar officer, in each case for the Borrower or any Major Subsidiary or all of their respective businesses or assets.

(e) The obligation of the Borrower to make any payment under this Agreement (together with all charges in connection therewith) is absolute and unconditional, and there exists no right of setoff or recoupment, counterclaim, cross-claim or defense of any nature whatsoever to any such payment.

ARTICLE IV COVENANTS AND EVENTS OF DEFAULT

Section 4.1 Affirmative Covenants. Unless the Lender shall otherwise agree:

(a) The Borrower and each Major Subsidiary shall (i) maintain its existence and qualification to do business in such jurisdictions as may be required to conduct its business, except where the failure to so maintain such qualification would not reasonably be expected to have a Material Adverse Effect; (ii) maintain all approvals necessary for the Financing Documents to be in effect; (iii) comply in material respects with applicable laws, rules, regulations and orders of Government Authority; (iv) obtain, make and keep in full force and effect all licenses, consents, approvals and authorizations from and registrations with Government Authorities that are required to conduct its business.

Section 4.2 General Acceleration upon Events of Default. If one or more of the events specified in this Section 4.2 (each an “Event of Default”) shall have happened, the Lender, by written notice to the Borrower, (any such notice, an “Acceleration Notice”), may declare the principal of, accrued interest on, the Loan or any part thereof (together with any other amounts accrued or payable under this Agreement) to be, and the same shall thereupon become, immediately due and payable, without any further notice and without any presentment, demand, or protest of any kind, all of which are hereby expressly waived by the Borrower, and take any further action available at law or in equity, including without limitation the sale of the Loan and all other rights acquired in connection with the Loan: (a) Lender shall have failed to receive payment of any amounts, including principal and accrued interest, due under the Note within five (5) Business Days of their due date; (b) any representation or warranty made by the Borrower in any Financing Document shall have been incorrect or false in a material respect as of the date it was made, deemed made, reaffirmed or confirmed; (c) the commencement by the Borrower or a Major Subsidiary of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the commencement of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, intervention or other similar relief under any applicable law, or the consent by it to the filing of any such petition or to the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator or other similar official or of all or substantially all of their respective assets, or the commencement against the Borrower or a Major Subsidiary or all or substantially all of its assets of a proceeding in any court of competent jurisdiction under any bankruptcy or other applicable law, as now or hereafter in effect, seeking its liquidation, winding up, dissolution, reorganization, arrangement, adjustment, or the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator or other similar official, and any such proceeding shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall continue unstayed or otherwise in effect, for a period of ninety (90) days, or any other event shall have occurred which under applicable law would have an effect analogous to any of the events listed above in this subsection.

Section 4.3 Automatic Acceleration on Dissolution or Bankruptcy. Notwithstanding any other provisions of this Agreement, if an Event of Default under Section 4.2(c) shall occur, the principal of the Loan, together with any other amounts accrued or payable under this Agreement, shall thereupon become immediately due and payable without any presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 4.4 Recovery of Amounts Due. If any amount payable hereunder is not paid as and when due, the Borrower hereby authorizes the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien or counterclaim, against any moneys or other assets of the Borrower to the full extent of all amounts payable to the Lender.

**ARTICLE V
MISCELLANEOUS**

Section 5.1 Notices. Any notice, request or other communication to be given or made under this Agreement shall be in writing. Such notice, request or other communication shall be deemed to have been duly given or made when it shall be delivered by hand, courier, or facsimile (with a hard copy delivered within two (2) Business Days) to the Party to which it is required or permitted to be given or made, at such Party's address specified below or at such other address as such Party shall have designated by notice to the other Parties.

To the Borrower:
Composite Technology Corporation
2026 McGaw Avenue
Irvine, California 92614
Attention: Benton Wilcoxon
Facsimile: (949) 660-1533

To the Lender:

Section 5.2 Waiver of Notice. Whenever any notice is required to be given to the Lender or the Borrower under any of the Financing Documents, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 5.3 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to any conflict of law principles. The Parties agree to submit to the exclusive jurisdiction of the courts in Orange County, California for any dispute arising out of, relating to, or in connection with any Financing Documents.

Section 5.4 Successor and Assigns. This Agreement shall bind and inure to the respective successors and assigns of the Parties, except that neither Party may assign or otherwise transfer all or any part of its rights or obligations under this Agreement without the prior written consent of the other Party.

Section 5.5 Entire Agreement. The Financing Documents contain the entire understanding of the Parties with respect to the matters covered thereby and supersede any and all other written and oral communications, negotiations, commitments and writings with respect thereto. The provisions of this Agreement may be waived, modified, supplemented or amended only by an instrument in writing signed by authorized officers of both Parties.

Section 5.6 Severability. If any provision contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The Parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provision.

Section 5.7 Counterparts. This Agreement may be executed in several counterparts, and by each Party on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 5.8 Survival. This Agreement and all agreements, representations and warranties made in the Financing Documents, and in any document, certificate or statement delivered pursuant thereto or in connection therewith shall be considered to have been relied upon by the Parties and shall survive the execution and delivery of this Agreement and the making of the Loan regardless of any investigation made by any other Party or on its behalf, and shall continue in force until all amounts payable under the Financing Documents shall have been fully paid in accordance with the provisions hereof and thereof, and the Lender shall not be deemed to have waived, by reason of making the Loan, any Default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that the Lender may have had notice or knowledge of any such Default or may have had notice or knowledge that such representation or warranty was false or misleading at the time made hereunder. The obligations of the Borrower under Section 2.7 and the obligations of the Borrower and the Lender under this Section 5.8 hereof shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loan, or the termination of this Agreement or any provision hereof.

Section 5.9 **Waiver.** Neither the failure of, nor any delay on the part of, any Party in exercising any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, preclude other or further exercise thereof or the exercise of any other right, power or privilege; nor shall any waiver of any right, power, privilege or default hereunder, or under any agreement, document or instrument mentioned herein, constitute a waiver of any other right, power, privilege or default or constitute a waiver of any default of the same or of any other term or provision. No course of dealing and no delay in exercising, or omission to exercise, any right, power or remedy accruing to the Lender upon any default under this Agreement or any other agreement shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of the Lender in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or remedy of the Lender in respect of any other default. All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

Section 5.10 **Indemnity.**

(a) The Parties shall, at all times, indemnify and hold harmless (the “Indemnity”) each other and each of their respective directors, officers, employees, agents, counsel and advisors (each, an “Indemnified Person”) in connection with any losses, claims, damages, liabilities, penalties, and expenses incurred by or asserted against an Indemnified Person arising out of any investigation, litigation or proceeding relating to the Financing Documents (each, a “Loss”), the extension of credit hereunder or the Loan or the use or intended use of the Loan, which an Indemnified Person may incur or to which an Indemnified Person may become subject. The Indemnity shall not apply to the extent that a court or tribunal with jurisdiction over the subject matter of the Loss, and over the Lender or the Borrower, as applicable, and such other Indemnified Person that had an adequate opportunity to defend its interests, determines that such Loss resulted from the gross negligence or willful misconduct of the Indemnified Person, which determination results in a final, non-appealable judgment or decision of a court or tribunal of competent jurisdiction. The Indemnity is independent of and in addition to any other agreement of any Party under any Financing Document to pay any amount to the Lender or the Borrower, as applicable, and any exclusion of any obligation to pay any amount under this subsection shall not affect the requirement to pay such amount under any other section hereof or under any other agreement. Without prejudice to the survival of any other agreement of any of the Parties hereunder, this Agreement and the obligations of the Parties contained in this Section 5.10 shall survive the termination of each other provision hereof and the payment of all amounts payable to the Lender hereunder.

Section 5.11 **No Usury.** The Financing Documents are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration or otherwise, shall the amount paid or agreed to be paid to the Lender for the Loan exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever, fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Lender shall ever receive anything which might be deemed interest under applicable law, that would exceed the highest lawful rate, such amount that would be deemed excessive interest shall be applied to the reduction of the principal amount owing on account of the Loan, or if such deemed excessive interest exceeds the unpaid balance of principal of the Loan, such deemed excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Lender for the Loan shall, to the extent permitted by applicable law, be deemed to be amortized, prorated, allocated and spread throughout the full term of the Loan until payment in full so that the deemed rate of interest on account of the Loan is uniform throughout the term thereof. The terms and provisions of this paragraph shall control and supersede every other provision of this Agreement and the Note.

Section 5.12 **Further Assurances.** From time to time, the Borrower shall perform any and all acts and execute and deliver to the Lender such additional documents as may be necessary to carry out the purposes of the Financing Documents or to preserve and protect the Lender' rights as set forth therein.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representative as of the date first above written

LENDER
[LENDER NAME]

By: _____
Name:
Title:

BORROWER
COMPOSITE TECHNOLOGY CORPORATION

By: _____
Name: Benton H Wilcoxon
Title: Chairman and CEO

THE ISSUANCE AND SALE OF THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS.

PROMISSORY NOTE

March ____, 2011

FOR VALUE RECEIVED, COMPOSITE TECHNOLOGY CORPORATION, a Nevada corporation (the "Maker"), by means of this Promissory Note (this "Note"), hereby unconditionally promises to pay to the order of _____ (the "Payee") the principal amount of \$_____ in lawful money of the United States of America and in immediately available funds, on the dates provided in the Loan Agreement (defined below).

This Note is a "Note" referred to in the Loan Agreement dated as of March ____, 2011 among the Maker and the Payee (as modified and supplemented and in effect from time to time, the "Loan Agreement"), with respect to the Loan made by the Payee thereunder. Capitalized terms used and not expressly defined herein shall have the respective meanings assigned to them in the Loan Agreement.

This Note shall bear interest on the outstanding principal amount hereof, at the rates and pursuant to the provisions set forth in the Loan Agreement.

The Maker shall make all payments to the Payee of interest and principal under this Note in the manner provided in and otherwise in accordance with the Loan Agreement. The outstanding principal amount of this Note shall be due and payable in full on the Maturity Date.

If default is made in the punctual payment of principal or any other amount under this Note in accordance with the Loan Agreement, or if any other Event of Default has occurred, this Note shall, at the Payee's option exercised at any time upon or after the occurrence of any such payment default or other Event of Default and in accordance with the applicable provisions of the Loan Agreement, become immediately due and payable.

The Maker shall pay all costs of collection, including, without limitation, all reasonable, documented legal expenses and attorneys' fees, paid or incurred by the Payee in collecting and enforcing this Note.

The Maker and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, and notice of dishonor or default with respect to this Note and the Loan Agreement or the performance of the obligations under this Note and/or the Loan Agreement. No renewal or extension of this Note or the Loan Agreement, no release of any individual or entity primarily or secondarily liable on this Note or the Loan Agreement, including the Maker and any endorser, no delay in the enforcement of payment of this Note or the Loan Agreement, and no delay or omission in exercising any right or power under this Note or the Loan Agreement shall affect the liability of the Maker or any endorser of this Note.

No delay or omission by the Payee in exercising any power or right hereunder shall impair such right or power or be construed to be a waiver of any default, nor shall any single or partial exercise of any power or right hereunder preclude the full exercise thereof or the exercise of any other power or right. The provisions of this Note may be waived or amended only in a writing signed by the Maker and the Payee. This Note may be prepaid in whole or in part without premium or penalty.

This Note shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts made and to be performed in such State, without giving effect to the conflicts of laws principles. The Payee and the Maker hereby irrevocably agree that any legal action, suit or other proceeding arising out of or relating to this Note shall be brought in the courts located in Orange County, California.

IN WITNESS WHEREOF, an authorized representative of the Maker has executed this Note as of the date first written above.

COMPOSITE TECHNOLOGY CORPORATION

By: _____
Name: Benton H Wilcoxon
Title: Chairman and CEO

WARRANT

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

COMPOSITE TECHNOLOGY CORPORATION

WARRANT TO PURCHASE COMMON STOCK

Warrant No.: 2011-03__

Date of Issuance: March __, 2011 (“**Issuance Date**”)

Warrant Shares: This Warrant shall be exercisable for _____ shares of Common Stock (as defined below)

COMPOSITE TECHNOLOGY CORPORATION, a Nevada corporation (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged _____ the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the “**Warrant**”), at any time or times on or after the date hereof, but not after 5:00 p.m., Pacific time, on the Expiration Date (as defined below), the number of validly issued, fully paid and nonassessable shares of Common Stock (as defined below) determined in accordance with Section 1(a) below (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 12. This Warrant is granted in connection with a Loan Agreement, dated as of March __, 2011, by and between the Company and the Holder (the “**Loan Agreement**”).

COMMON STOCK WARRANT – COMPOSITE TECHNOLOGY CORPORATION

1. EXERCISE OF WARRANT.

(a) Warrant Shares. This Warrant shall be exercisable for _____ shares of Common Stock (as defined below) (the "**Warrant Shares**").

(b) Mechanics of Exercise. Subject to the terms and conditions hereof, this Warrant may be exercised by the Holder on any day on or after the date hereof, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the "**Exercise Notice**"), of the Holder's election to exercise this Warrant and (ii) payment to the Company of an amount equal to the Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or wire transfer of immediately available funds or (iii) if applicable under a cashless exercise in the manner described in section 1.(d) below in writing by designating the warrants wished to be exercised in this manner. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the third Business Day following the date on which the Company has received each of the Exercise Notice and the Aggregate Exercise Price (the "**Exercise Delivery Documents**"), the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Delivery Documents to the Holder and the Company's transfer agent (the "**Transfer Agent**"). On or before the fifth Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the "**Share Delivery Date**"), the Company shall issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Notice and Aggregate Exercise Price referred to in clause (ii) above, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(b) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than five Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 5(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded up to the nearest whole number.

(c) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means \$0.25 per share, subject to adjustment as provided herein.

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary, if at any time after a registration statement covering the Warrant Shares that are the subject of an Exercise Notice (the "**Unavailable Warrant Shares**") is not available for the resale of such Unavailable Warrant Shares at the time of exercise, the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "**Cashless Exercise**"):

COMMON STOCK WARRANT – COMPOSITE TECHNOLOGY CORPORATION

$$\text{Net Number} = (A \times B) - (A \times C)$$

B

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the Closing Sale Price of the shares of Common Stock (as reported by Bloomberg) on the date immediately preceding the date of the Exercise Notice.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 10.

(f) Insufficient Authorized Shares. If at any time while any of the Warrants remain outstanding, the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of the Warrants at least a number of shares of Common Stock equal to 100% (the “**Required Reserve Amount**”) of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Warrants then outstanding (an “**Authorized Share Failure**”), then the Company shall immediately take all action necessary to increase the Company’s authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for the Warrants then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders’ approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal.

COMMON STOCK WARRANT – COMPOSITE TECHNOLOGY CORPORATION

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Organic Change. If, at any time while this Warrant is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (each “Organic Change”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Organic Change, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and/or any additional consideration (the “Alternate Consideration”) receivable as a result of such merger, consolidation or disposition of assets by a Holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Organic Change (if applicable), and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Organic Change, then the Holder shall be given the same choice (no later than the time of the Organic Change) as to the Alternate Consideration it receives upon any exercise of this Warrant following such Organic Change. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Organic Change shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder’s right to exercise such warrant into Alternate Consideration. The terms of any agreement pursuant to which an Organic Change is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 2(b) and insuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to an Organic Change.

(b) Antidilution protection: The Holder shall have “weighted average antidilution protection as listed under section 2.(b)(1) below throughout the term of the warrant for all issuances except for Excluded Securities or unless “full ratchet” antidilution protection applies. The Holder shall have “full ratchet” antidilution protection under section 2.(b) (2) only for dilutive issuances of securities issued, except for Excluded Securities, while any of the corresponding Notes Payable remains outstanding after the issuance of such securities and where the proceeds are not used to repay the Notes Payable in full including accrued interest, principal, and any penalties or fees. Issuance of Dilutive Issuances where the proceeds are used in whole or in part to repay all of the Notes Payable shall be evaluated as “weighted average” under section 2.(b)(1) below .

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(1) Weighted Average Adjustment of Exercise Price upon Issuance of Dilutive Securities. If the Company issues any Dilutive Securities as described in section 2.2 below (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding shares of Common Stock deemed to have been issued or sold by the Company in connection with any Excluded Securities) for a consideration per share (the "**New Issuance Price**") less than the Exercise Price in effect immediately prior to such issue or sale (the foregoing a "**Dilutive Issuance**"), then immediately after such Dilutive Issuance, the Exercise Price then in effect shall be reduced to an amount equal to a price determined by multiplying such Exercise Price by a fraction, the numerator of which shall be a sum equal to the number of shares of Common Stock outstanding and deemed issued pursuant to Section 2(b) immediately prior to such issuance, plus the number of shares of Common Stock that the aggregate consideration received by this Company for such issuance would purchase at such Exercise Price; and the denominator of which shall be the number of shares of Common Stock outstanding and deemed issued pursuant to Section 2(b) immediately prior to such issuance plus the number of shares of such Additional Stock.

(2) Full Ratchet Adjustment upon Issuance of shares of Dilutive Securities. As described in 2.1(b) above, on or after the Issuance Date the Company issues or sells, or in accordance with this Section 2 is deemed to have issued or sold, any shares of securities described in Section 2.2 below (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding shares of Common Stock deemed to have been issued by the Company in connection with any Excluded Securities for a consideration per share (the "**New Issuance Price**") less than a price (the "**Applicable Price**") equal to the Exercise Price in effect immediately prior to such issue or sale or deemed issuance or sale (the foregoing a "**Dilutive Issuance**"), then immediately after such Dilutive Issuance, the Exercise Price then in effect shall be reduced to an amount equal to the New Issuance Price. Upon each such adjustment of the Exercise Price hereunder, the number of Warrant Shares shall be adjusted to the number of shares of Common Stock determined by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares acquirable upon exercise of this Warrant immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

2.2. Provisions Applicable to Exercise Price Adjustments. For purposes of determining the adjusted Exercise Price under Section 2(b) above, the following provisions shall apply:

(1) Issuance of Options. If the Company in any manner grants or sells any Options (other than any Excluded Securities) and the lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Option or upon conversion or exchange or exercise of any Convertible Securities issuable upon exercise of such Option is less than the Exercise Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option for such price per share. For purposes of this Section 2.2(1), the "lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Option or upon conversion or exchange or exercise of any Convertible Securities issuable upon exercise of such Option" shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to anyone share of Common Stock upon granting or sale of the Option, upon exercise of the Option and upon conversion or exchange or exercise of any Convertible Security issuable upon exercise of such Option. No further adjustment of the Exercise Price shall be made upon the actual issuance of such share of Common Stock or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such Common Stock upon conversion or exchange or exercise of such Convertible Securities.

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(2) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities (other than Excluded Securities) and the lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise thereof is less than the Exercise Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section 2.2 (2), the “price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise” shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to anyone share of Common Stock upon the issuance or sale of the Convertible Security and upon the conversion or exchange or exercise of such Convertible Security. No further adjustment of the Exercise Price shall be made upon the actual issuance of such share of Common Stock upon conversion or exchange or exercise of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustment of the Exercise Price had been or are to be made pursuant to other provisions of this Section 2(b), no further adjustment of the Exercise Price shall be made by reason of such issue or sale.

(3) Change in Option Price or Rate of Conversion. If the purchase price provided for in any Options (other than Excluded Securities), the additional consideration, if any, payable upon the issue, conversion, exchange or exercise of any Convertible Securities, or the rate at which any Convertible Securities (other than Excluded Securities) are convertible into or exchangeable or exercisable for Common Stock is changed, the Exercise Price in effect at the time of such change shall be adjusted to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 2.2 (3), if the terms of any Option or Convertible Security that was outstanding as of the Closing Date are changed in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change. No adjustment shall be made if such adjustment would result in an increase of the Exercise Price then in effect.

(4) Definition of Excluded Securities. For purposes of this Agreement, “**Excluded Securities**” shall mean:

(A) shares of Common Stock issued or issuable pursuant to a transaction described in Section 2(b) hereof;

(B) shares of Common Stock issued, issuable, or deemed issued to employees, consultants, attorneys, officers or directors (if in transactions with primarily non-financing purposes) of this Company directly or pursuant to any equity compensation plan which has been approved by the Board of Directors of the Company, pursuant to which the Company’s securities may be issued to any employee, officer, consultant or director for services provided to the Company (“Approved Stock Plan”);

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(C) shares of Common Stock issued or issuable (1) in a bona fide, underwritten public offering under the Act resulting in aggregate gross proceeds of at least \$10,000,000, or (2) upon exercise of warrants or rights granted to underwriters in connection with such a public offering;

(D) shares of Common Stock issued pursuant to the conversion or exercise of convertible or exercisable securities outstanding as of the date hereof (including without limitation, the Warrant) or subsequently issued, provided such securities are not amended after the date hereof to increase the number of shares of Common Stock issuable thereunder or to lower the exercise price thereof;

(E) shares of Common Stock issued or issuable in connection with a bona fide business acquisition of or by this Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, each as approved by the Board of Directors of this Company, however, excluding shares issued or issuable in connection with a transaction between the Company and an Affiliate; or

(F) shares of Common Stock issued or issuable in connection with any transaction where such securities so issued are deemed included in the definition of “Excluded Securities” by the affirmative vote or written consent of the Required Holders.

(5) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(6) Dividends. In case the Company shall declare a dividend or make any other distribution upon any stock of the Company (other than the Common Stock) payable in Common Stock, Options or Convertible Securities, then any Common Stock, Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration; provided, that if any adjustment is made to the Exercise Price as a result of a declaration of a dividend and such dividend is rescinded, the Exercise Price shall be appropriately readjusted to the Exercise Price in effect had such dividend not been declared;

(7) Calculation of Consideration. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for cash, the consideration received therefore shall be deemed to be the net amount received by the Company therefore, after deduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined in good faith by the Board, after deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any Options shall be issued in connection with the issuance and sale of other securities of the Company, together comprising one integral transaction in which no specific consideration is allocated to such Options by the parties thereto, such Options shall be deemed to have been issued for such consideration as determined in good faith by the Board of Directors of the Company. If Common Stock, Options or Convertible Securities shall be issued or sold by the Company and, in connection therewith, other Options or Convertible Securities (the “Additional Rights”) are issued, then the consideration received or deemed to be received by the Company shall be reduced by the fair market value of the Additional Rights (as determined using the Black-Scholes option pricing model or another method mutually agreed to by the Company and the Holder). The Board shall respond promptly, in writing, to an inquiry by the Holder as to the fair market value of the Additional Rights.

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2.3. If the Company, at any time while this Warrant is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (B) subdivides outstanding shares of Common Stock into a larger number of shares, (C) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be adjusted by multiplying the Exercise Price by a fraction, of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted to result in the same Aggregate Exercise Price as existed immediately prior to such event. Any adjustment made pursuant to this Section 2(c) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution or shall become effective immediately after the effective date of such subdivision, combination or re classification, as applicable.

3. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrants, 100% of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Warrants then outstanding (without regard to any limitations on exercise).

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4. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 4, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

5. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 5(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 5(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred. Applicable transfer taxes, if any, shall be paid by the Holder.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 5(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 5(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional shares of Common Stock shall be given.

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(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 5(a) or Section 5(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), and (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date.

6. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with the Settlement Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

7. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Required Holders; provided that no such action may (i) increase the exercise price of any Warrants or decrease the number of shares or change the class of stock obtainable upon exercise of any Warrants, (ii) modify Section 1(d) of this Warrant or (iii) disproportionately affect the Holder in a materially and adversely manner (except as a result of holding a greater percentage of Warrant Shares) without the written consent of the Holder. No such amendment shall be effective to the extent that it applies to less than all of the holders of the Warrants then outstanding.

8. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California without regard to the choice of law principles thereof.

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9. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and all the Holders and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

10. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile the disputed determination of the Exercise Price to a mutually agreeable independent, reputable investment bank, or such other Person as the Holder and the Company may mutually agree. The Company shall cause at its expense the investment bank or other Person, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or other Person's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

11. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company, except that the Warrant may not be offered for sale, sold, assigned or transferred unless (A) the Warrant is subsequently registered, (B) such transferor shall have delivered to the Company an opinion of counsel, in a generally acceptable form, to the effect that the Warrant to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, (C) such transferor provides the Company with reasonable assurance that the Warrant can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A promulgated under the 1933 Act, as amended (or a successor rule thereto) (collectively, "Rule 144"), or (D) the sale, assignment, or transfer meets the requirement of Regulation S under the 1933 Act, as amended.

12. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) **"Bloomberg"** means Bloomberg Financial Markets.

(b) **"Business Day"** means any day other than Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

(c) **"Closing Bid Price"** and **"Closing Sale Price"** means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or last trade price, respectively, of such security prior to 4:00 p.m., New York Time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 10. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

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(d) “**Common Stock**” means (i) the Company’s shares of Common Stock, par value \$0.001 per share, and (ii) any share capital into which such Common Stock shall have been changed or any share capital resulting from a reclassification of such Common Stock.

(e) “**Convertible Securities**” means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for shares of Common Stock.

(f) “**Eligible Market**” means the Principal Market, the American Stock Exchange, The New York Stock Exchange, Inc., the Nasdaq National Market or The Nasdaq SmallCap Market.

(g) “**Expiration Date**” means the date thirty-six (36) months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next date that is not a Holiday.

(h) “**Fundamental Transaction**” means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company, including intellectual property, to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than fifty percent (50%) of either the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than fifty percent (50%) of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), (v) reorganize, recapitalize or reclassify its Common Stock (other than a forward or reverse stock split), or (vi) any “person” or “group” (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) of the aggregate ordinary voting power represented by issued and outstanding Common Stock.

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Convertible Securities. (i) “**Options**” means any rights, warrants or options to subscribe for or purchase shares of Common Stock or

(j) “**Organic Change**” means a transaction as described in section 2(a).

(k) “**Parent Entity**” of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(l) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(m) “**Principal Market**” means the OTC Bulletin Board.

(n) “**Required Holders**” means the holders of the Warrants representing at least a majority of shares of Common Stock underlying the Warrants then outstanding.

(o) “**Successor Entity**” means the Person (or, if so elected by the Required Holders, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Required Holders, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

COMPOSITE TECHNOLOGY CORPORATION

By: _____
Benton H Wilcoxon
Chief Executive Officer

COMMON STOCK WARRANT – COMPOSITE TECHNOLOGY CORPORATION

EXHIBIT A

EXERCISE NOTICE

**TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE COMMON STOCK
COMPOSITE TECHNOLOGY CORPORATION**

The undersigned holder hereby exercises the right to purchase _____ shares of Common Stock (“**Warrant Shares**”) of Composite Technology Corporation, a Nevada corporation (the “**Company**”), evidenced by the attached Warrant to Purchase Common Stock (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. Complete One:

a. The Holder intends that payment of the Exercise Price shall be made as “Cash Exercise” with respect to _____ Warrant Shares.

b. The Holder intends to exercise a total net exercise of _____ Warrant Shares on a cashless basis under the following formula:

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised. Insert number of warrants: _____

B= the Closing Sale Price of the shares of Common Stock (as reported by Bloomberg) on the date immediately preceding the date below: \$ _____

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise. \$ _____

2. Payment of Exercise Price. For Cash Exercises, the holder shall pay the Aggregate Exercise Price in the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

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ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs **[Insert Name of Transfer Agent]** to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____ from the Company and acknowledged and agreed to by **[Insert Name of Transfer Agent]**.

COMPOSITE TECHNOLOGY CORPORATION

By: _____
Benton H. Wilcoxon
Chief Executive Officer

COMMON STOCK WARRANT – COMPOSITE TECHNOLOGY CORPORATION
