

AMERICAN SUPERCONDUCTOR CORP /DE/
Form DEF 14A
June 24, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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American Superconductor Corporation

(Name of Registrant as Specified in Its Charter)

N/A

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AMERICAN SUPERCONDUCTOR CORPORATION

Two Technology Drive

Westborough, Massachusetts 01581

Notice of Annual Meeting of Stockholders to

be Held on Thursday, July 29, 2004

The Annual Meeting of Stockholders of American Superconductor Corporation (the Company) will be held at the Company's principal office, Two Technology Drive, Westborough, MA 01581, on Thursday, July 29, 2004 at 9:00 a.m., local time, to consider and act upon the following matters:

1. To elect directors for the ensuing year.
2. To approve an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of the Company's Common Stock from 50,000,000 to 100,000,000.
3. To approve the 2004 Stock Incentive Plan, as described in the accompanying Proxy Statement.
4. To approve an amendment to the Company's Second Amended and Restated 1997 Director Stock Option Plan, as amended, to increase the number of shares of Common Stock authorized for issuance under such plan from 640,000 to 790,000.
5. To ratify the selection by the Audit Committee of PricewaterhouseCoopers LLP as the Company's independent auditors for the current fiscal year.
6. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on June 9, 2004 will be entitled to notice of and to vote at the meeting or any adjournment thereof. The stock transfer books of the Company will remain open.

By Order of the Board of Directors,
Ross S. Gibson, *Secretary*

Westborough, Massachusetts

June 24, 2004

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

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AMERICAN SUPERCONDUCTOR CORPORATION

Two Technology Drive

Westborough, Massachusetts 01581

Proxy Statement for the Annual Meeting of Stockholders

to be Held on Thursday, July 29, 2004

GENERAL INFORMATION ABOUT ANNUAL MEETING

Distribution of Information and Solicitation of Proxies

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of American Superconductor Corporation (the "Company") for use at the Annual Meeting of Stockholders to be held on Thursday, July 29, 2004 (the "Annual Meeting") and at any adjournment of the Annual Meeting. All executed proxies will be voted in accordance with the stockholders' instructions, and if no choice is specified, executed proxies will be voted in favor of the matters set forth in the accompanying Notice of Meeting. Any proxy may be revoked by a stockholder at any time before its exercise by delivery of written revocation or a subsequently dated proxy to the Secretary of the Company or by voting in person at the Annual Meeting.

On June 9, 2004, the record date for the determination of stockholders entitled to vote at the Annual Meeting, there were outstanding and entitled to vote an aggregate of 27,724,349 shares of Common Stock of the Company (constituting all of the voting stock of the Company). Holders of Common Stock are entitled to one vote per share.

The Company's Annual Report for the fiscal year ended March 31, 2004 ("fiscal 2004") is being mailed to stockholders, along with these proxy materials, on or about June 24, 2004.

The text of the Company's Annual Report on Form 10-K for the year ended March 31, 2004, as filed with the Securities and Exchange Commission (the "SEC"), is included without exhibits in the Company's Annual Report. Exhibits will be provided upon written request addressed to the Company, Attention: Investor Relations, at no charge.

Votes Required

The holders of a majority of the shares of Common Stock outstanding and entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock represented in person or by proxy (including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining

whether a quorum is present at the Annual Meeting.

The affirmative vote of the holders of a plurality of the shares of Common Stock voting on the matter is required for the election of directors (Proposal 1). The affirmative vote of the holders of a majority of the shares of Common Stock outstanding as of the Record Date is required for approval of the amendment to the Restated Certificate of Incorporation (Proposal 2). The affirmative vote of the holders of a majority of the shares of Common Stock voting on the matter is required for approval of the 2004 Stock Incentive Plan (Proposal 3), the amendment to the 1997 Director Stock Option Plan, as amended (Proposal 4) and the ratification of the selection by the Audit Committee of PricewaterhouseCoopers LLP as the Company's independent auditors for the current fiscal year (Proposal 5).

Shares that abstain from voting as to a particular matter, and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter, and will also not be counted as shares

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voting on such matter. Accordingly, abstentions and broker non-votes will have the same effect on the proposed amendment to the Restated Certificate of Incorporation as a vote against such matter. However, abstentions and broker non-votes will have no effect on the outcome of voting with respect to the election of directors, which requires the vote of a plurality of the Common Stock voting, or (i) the amendment to the Restated Certificate of Incorporation (Proposal 2), (ii) the 2004 Stock Incentive Plan (Proposal 3), (iii) the amendment to the 1997 Director Stock Option Plan, as amended (Proposal 4) or (iv) the ratification of the selection by the Audit Committee of PricewaterhouseCoopers LLP as the Company's independent auditors for the current fiscal year (Proposal 5), all of which require an affirmative vote of a majority of the Common Stock voting on the matter.

Beneficial Ownership of Common Stock

The following table sets forth the beneficial ownership of the Company's Common Stock as of May 15, 2004 by (i) each person who is known by the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each director or nominee for director, (iii) each of the executive officers named in the Summary Compensation Table set forth under the caption "Executive Compensation" below (the "Senior Executives"), and (iv) all current directors and executive officers as a group:

<u>Name of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned (1)</u>	<u>Percentage of Common Stock Outstanding (2)</u>
<i>Five Percent Stockholders</i>		
Massachusetts Financial Services Company (3)	2,682,908	9.7%
500 Boylston Street		
Boston, MA 02116		
<i>Directors or Nominees</i>		
Gregory J. Yurek (4)	1,331,086	4.6%
Albert J. Baciocco, Jr. (5)	47,000	*
Vikram S. Budhreja	0	*
Peter O. Crisp (6)	152,603	*
Richard Drouin (7)	115,000	*
Andrew G.C. Sage, II (8)	121,000	*
John B. Vander Sande (9)	192,562	*
<i>Other Senior Executives</i>		
David Paratore (10)	144,667	*
Kevin M. Bisson (11)	48,334	*
Alexis P. Malozemoff (12)	226,417	*
Ross S. Gibson (13)	51,417	*
All directors and current executive officers as a group (13 persons) (14)	2,498,413	8.4%

* Less than 1%.

- (1) The inclusion of any shares of Common Stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. In accordance with the rules of the SEC, each stockholder is deemed to beneficially own any shares subject to stock options that are currently exercisable or exercisable within 60 days after May 15, 2004, and any reference below to shares subject to outstanding stock options held by the person in question refers only to such stock options.

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- (2) To calculate the percentage of outstanding shares of Common Stock held by each stockholder, the number of shares deemed outstanding includes 27,712,119 shares outstanding as of May 15, 2004, plus any shares subject to outstanding stock options currently exercisable or exercisable within 60 days after May 15, 2004 held by the stockholder in question.

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- (3) Information is derived from a Schedule 13G filed with the SEC by Massachusetts Financial Services Company on February 11, 2004.
- (4) Includes 22,452 shares held by Dr. Yurek's wife and children, 1,148,334 shares subject to outstanding stock options and 55,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company. Dr. Yurek disclaims beneficial ownership of the shares held by his wife and children.
- (5) Includes 40,000 shares subject to outstanding stock options.
- (6) Includes 3,000 shares held by Mr. Crisp's wife and 96,000 shares subject to outstanding stock options. Mr. Crisp disclaims beneficial ownership of the shares held by his wife.
- (7) Includes 106,000 shares subject to outstanding stock options.
- (8) Comprised of 35,000 shares owned by a limited partnership of which Mr. Sage is the general partner and 86,000 shares subject to outstanding stock options.
- (9) Includes 96,000 shares subject to outstanding stock options.
- (10) Comprised of 104,667 shares subject to outstanding stock options and 40,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.
- (11) Comprised of 33,334 shares subject to outstanding stock options and 15,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.
- (12) Includes 4,500 shares held in two trusts of which Dr. Malozemoff is the co-trustee, 121,667 shares subject to outstanding stock options and 14,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.
- (13) Includes 44,667 shares subject to outstanding stock options and 5,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.
- (14) Includes 1,930,896 shares subject to outstanding stock options and 143,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.

CORPORATE GOVERNANCE

The Company's Board has long believed that good corporate governance is important to ensure that the Company is managed for the long-term benefit of stockholders. During the past year, the Company's Board has continued to review its governance practices in light of the Sarbanes-Oxley Act of 2002, new SEC rules and regulations and the new listing standards of NASDAQ. Complete copies of the committee charters and code of conduct described below are available on the Company's website at www.amsuper.com. Alternatively, you can request a copy of any of these documents by writing to American Superconductor Corporation, Two Technology Drive, Westborough, MA 01581, Attention: Investor Relations.

Members of the Board of Directors

Set forth below, for each director, are his name and age, his positions (if any) with the Company, his principal occupation and business experience during the past five years, the names of other public companies of which he serves as a director and the year of the commencement of his term as a director of the Company.

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Gregory J. Yurek, age 57, co-founded the Company in 1987 and has been Chief Executive Officer since December 1989 and Chairman of the Board since October 1991. Dr. Yurek also served as President from March 1989 until February 2004, Vice President and Chief Technical Officer from August 1988 until March 1989 and as Chief Operating Officer from March 1989 until December 1989. Prior to joining the Company, Dr. Yurek was a Professor of Materials Science and Engineering at MIT for 12 years. Dr. Yurek has been a director of the Company since 1987 and is currently a member of the Board of Directors of Nanosys, Inc.

Albert J. Baciocco, Jr., age 73, has been President of The Baciocco Group, Inc., a technical and management consulting practice in strategic planning, technology investment and implementation, since 1987. Preceding this, he served in the U.S. Navy for 34 years, principally within the nuclear submarine force and directing the Department of the Navy research and technology development enterprise, achieving the rank of Vice Admiral. Admiral Baciocco serves on several boards and committees of government, industry and academe. During the past 16 years, he has served as a director of several public corporations and currently serves as a director of several private companies. He is also a trustee of the South Carolina Research Authority and a director of the Foundation for Research Development of the Medical University of South Carolina. Admiral Baciocco has been a director of the Company since April 1997.

Vikram S. Budhraj, age 56, has been President of Electric Power Group, LLC, a Pasadena, California-based consulting firm that provides management and strategic consulting services to the electric power industry since January 2000. From 1977 to January 2000, Mr. Budhraj served in several key senior management positions at Edison International, the parent company of Southern California Edison, including: President of Edison Technology Solutions; Senior Vice President and Head of the Power Grid Business Unit of Southern California Edison; and Vice President of System Planning, Fuels and Operations of Southern California Edison. He chairs the Consortium for Electric Reliability Technology Solutions (CERTS) and worked with the U.S.-Canadian Power Systems Outage Task Force that was formed to investigate the root causes of the August 14, 2003 power blackout in the Northeast. Mr. Budhraj has served as a director of Soft Switching Technologies since 2000. Mr. Budhraj has been a director of the Company since March 2004.

Peter O. Crisp, age 71, served as Vice Chairman of Rockefeller Financial Services, Inc. from December 1997 until September 2003 and is currently a consultant. From 1969 to 1997, he was a General Partner of Venrock Associates, a venture capital firm based in New York. Mr. Crisp is also a director of United States Trust Company, as well as other private companies. Mr. Crisp has been a director of the Company since 1987.

Richard Drouin, age 72, has been chairman of Stelco Inc., a steel manufacturer, and Abitibi Consolidated, the world's largest newsprint manufacturer, since 2000. Mr. Drouin was a partner at McCarthy Tétrault, a Canadian law firm, from December 1995 until December 2003. Mr. Drouin was the Chairman and Chief Executive Officer of Hydro-Quebec, a public electric utility based in Canada, from April 1988 to September 1995. Mr. Drouin is a director of Nstein Technologies and Chairman of the Board of Trustees of the North American Electric Reliability Council. Mr. Drouin has been a director of the Company since February 1996.

Andrew G.C. Sage, II, age 78, has been President of Sage Capital Corporation since 1974. Immediately prior to that time, he served as President of the investment banking firm of Lehman Brothers. Presently, Mr. Sage is Chairman of Robertson Ceco Corporation, a prefabricated metal buildings company, and a director of Tom's Foods, Inc. Throughout his career, Mr. Sage has served in board and executive positions for numerous public companies. Mr. Sage has been a director of the Company since April 1997.

John B. Vander Sande, age 60, co-founded the Company. He has been the Cecil and Ida Green Distinguished Professor of Material Science at MIT since 1971 specializing in the microstructure of materials and was Associate Dean and Acting Dean of Engineering at MIT from 1992 to 1999. He was the Executive Director of the University of Cambridge MIT Institute from 1999 to January 2003. Dr. Vander Sande has been a director of the Company since 1990.

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Board Determination of Independence

Under NASDAQ rules that become applicable to the Company on the date of the annual meeting, a director of the Company will only qualify as an independent director if, in the opinion of the Company's Board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Company's Board has determined that none of Admiral Baciocco or Messrs. Budhraj, Crisp, Drouin or Sage or Dr. Vander Sande has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an independent director as defined under Rule 4200(a)(15) of the NASDAQ Stock Market, Inc. Marketplace Rules.

Director Candidates

The process followed by the Nominating Committee to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Committee and the Board.

In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended director nominees, the Nominating Committee applies criteria such as the candidate's integrity, business acumen, knowledge of the Company's business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. The Company believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Stockholders may recommend individuals to the Nominating Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of the Company's Common Stock for at least a year as of the date such recommendation is made, to Nominating Committee, c/o Corporate Secretary, American Superconductor Corporation, Two Technology Drive, Westborough, MA 01581. Assuming that appropriate biographical and background material has been provided on a timely basis, the Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

At the Annual Meeting, stockholders will be asked to consider the election of Mr. Budhraj, who has been nominated for election as director for the first time. Mr. Budhraj was originally proposed to the Committee by a non-management director and he was elected to the Board in March 2004 to fill a vacancy created by the resignation of Mr. Gérard Menjon from the Board on October 30, 2003. Mr. Menjon's resignation was not as a result of any disagreement with the Company.

Board Meetings and Attendance

The Board met 13 times during fiscal 2004, either in person or by teleconference. During fiscal 2004, each director attended at least 75% of the aggregate of the number of Board meetings and the number of meetings held by all committees on which he then served.

Director Attendance at Annual Meeting of Stockholders

Four directors attended the fiscal 2003 annual meeting of stockholders. The Company has since adopted a policy that directors are expected to attend the Annual Meeting of Stockholders.

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Board Committees

The Board has established three standing committees – Audit, Compensation, and Nominating – each of which operates under a charter that has been approved by the Board. A copy of the Restated Audit Committee charter, as in effect on the date of this proxy statement, is attached as *Appendix A*.

The Board has determined that all of the members of each of the Board’s three standing committees are independent as defined under the new rules of the NASDAQ Stock Market that become applicable to the Company on the date of the Annual Meeting, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act). In addition, all of the members of the Audit Committee are independent as defined by the rules of the NASDAQ Stock Market that apply to the Company until the date of the Annual Meeting and otherwise satisfy NASDAQ’s eligibility requirements for Audit Committee membership.

Audit Committee

The Audit Committee’s responsibilities include:

appointing, approving the compensation of, and assessing the independence of the Company’s independent auditors;

overseeing the work of the Company’s independent auditors, including through the receipt and consideration of certain reports from the independent auditors;

reviewing and discussing with management and the independent auditors the Company’s annual and quarterly financial statements and related disclosures;

monitoring the Company’s internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

overseeing the Company’s internal audit function;

discussing the Company’s risk management policies;

establishing policies regarding hiring employees from the independent auditors and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with the Company’s internal auditing staff, independent auditors and management; and

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preparing the audit committee report required by SEC rules (which is included on page 8 of this proxy statement).

The Board has determined that Mr. Sage is an audit committee financial expert as defined in Item 401(h) of Regulation S-K.

The members of the Audit Committee are Dr. Vander Sande (Chairman), Mr. Sage and Admiral Baciocco. The Audit Committee met nine times during fiscal 2004.

Compensation Committee

The Compensation Committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to CEO compensation;

reviewing and making a recommendation to the Board with respect to the CEO's compensation;

reviewing and approving the compensation of the Company's other executive officers;

overseeing an evaluation of the Company's executive officers;

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overseeing and administering the Company's cash and equity incentive plans; and

reviewing and making recommendations to the Board with respect to director compensation.

The members of the Compensation Committee are Messrs. Crisp (Chairman) and Drouin and Dr. Vander Sande. The Compensation Committee met eight times during fiscal 2004.

Nominating Committee

The Nominating Committee's responsibilities include:

identifying individuals qualified to become Board members;

recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees; and

reviewing and making recommendations to the Board with respect to certain senior executive succession planning.

The members of the Nominating Committee are Messrs. Drouin (Chairman) and Crisp and Admiral Baciocco. The Nominating Committee met four times during fiscal 2004.

Communicating with the Independent Directors

The Board will give appropriate attention to written communications that are submitted by stockholders and will respond if and as appropriate. The Chief Financial Officer is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Under procedures approved by a majority of the independent directors, communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chief Financial Officer considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which the Company tends to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to Board of Directors c/o Chief Financial Officer, American Superconductor Corporation, Two Technology Drive, Westborough, MA 01581.

Compensation of Directors

Effective April 1, 2004, directors of the Company who are not employees of the Company or any subsidiary (Outside Directors) receive cash compensation as follows: each Outside Director will receive \$20,000 as an annual retainer; the Chairman of both the Audit and Compensation Committees will each receive an annual retainer of \$3,000; each Outside Director who attends an in person meeting of the Board or a committee of the Board (including the *ad hoc* finance committee) will receive \$1,200 per meeting; each Outside Director who participates in a teleconference meeting of the Board or a committee of the Board (including the *ad hoc* finance committee) will receive \$800 per meeting; and each Outside Director who participates in an in person meeting of the Board or a committee of the Board (including the *ad hoc* finance committee) via teleconference will earn \$800 per meeting.

In fiscal 2004, the Outside Directors received \$4,000 per quarter as compensation for their services as directors and \$1,000 for each Board meeting attended pursuant to a director compensation plan implemented as of May 12, 2003. Under this compensation plan, the Outside Directors received the following amounts: Admiral Baciocco \$28,000; Mr. Frank Borman (who did not stand for re-election on October 1, 2003) \$14,000;

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Mr. Crisp \$28,000; Mr. Drouin \$26,000; Mr. Menjon (who resigned from the Board on October 30, 2003) \$17,333; Mr. Sage \$27,000; and Dr. Vander Sande \$28,000. In addition, each member of a committee of the Board received up to \$1,500 for his attendance at such committee meetings. In fiscal 2004, members of the Compensation Committee earned the following amounts for their services on such committee: Mr. Crisp \$8,000; Mr. Drouin \$6,500; and Dr. Vander Sande \$6,500. In fiscal 2004, members of the Nominating Committee earned the following amounts for their services on such committee: Mr. Drouin \$4,500; Admiral Baciocco \$3,000; and Mr. Crisp \$3,000. In fiscal 2004, members of the Audit Committee earned the following amounts for their services on such committee: Dr. Vander Sande \$12,500; Admiral Baciocco \$7,000; Mr. Menjon \$500; and Mr. Sage \$8,500. In addition, Messrs. Crisp, Drouin and Sage were each paid \$1,000 for their services on an *ad hoc* finance committee of the Board.

Pursuant to the Second Amended and Restated 1997 Director Plan (the 1997 Director Plan), Outside Directors are granted options on the following terms: (i) each Outside Director of the Company who is initially elected to the Board after September 5, 1997 is granted an option to purchase 20,000 shares of Common Stock upon his or her initial election to the Board, and (ii) each Outside Director is granted an option to purchase 10,000 shares of Common Stock of the Company three days following each Annual Meeting of the Stockholders of the Company, provided that such Outside Director has served as a director of the Company for at least one year. Each option granted under the 1997 Director Plan has an exercise price equal to the fair market value of the Common Stock on the date of grant. Options granted under the 1997 Director Plan upon an Outside Director's election to the Board become exercisable in equal annual installments over a two-year period. Notwithstanding such vesting schedule, such options become exercisable in full in the event of an acquisition of the Company. Options granted to continuing Outside Directors following Annual Meetings of Stockholders are immediately exercisable in full. The term of each option granted under the 1997 Director Plan is ten years, provided that, in general, an option may be exercised only while the director continues to serve as a director of the Company or within 60 days thereafter. In accordance with the terms of the 1997 Director Plan, Admiral Baciocco, Messrs. Crisp, Drouin, Menjon and Sage and Dr. Vander Sande were each granted an option to purchase 10,000 shares of Common Stock, at an exercise price of \$10.95 per share, under the 1997 Director Plan in October 2003. In addition, Mr. Budhreja was granted an option to purchase 20,000 shares of Common Stock, at an exercise price of \$11.65, under the 1997 Director Plan in March 2004.

Code of Business Conduct and Ethics

The Company has adopted a written Code of Business Conduct and Ethics that applies to the Company's directors, officers and employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Company has posted a current copy of the code on its website, which is located at www.amsuper.com. In addition, the Company intends to post on its website all disclosures that are required by law or NASDAQ stock market listing standards concerning any amendments to, or waivers from, any provision of the code.

Audit Committee Report

The Audit Committee has reviewed the Company's audited financial statements for the fiscal year ended March 31, 2004 and has discussed these financial statements with the Company's management and the Company's independent auditors.

Management is responsible for the Company's internal controls and the financial reporting process, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles (GAAP). The Company's independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with GAAP and issuing a report on those financial statements. As appropriate, the Audit Committee reviews and evaluates, and discusses with the Company's management, internal accounting, financial and auditing personnel, and the independent auditors, the following:

the plan for, and the independent auditors report on, each audit of the Company's financial statements;

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the Company's financial disclosure documents, including all financial statements and reports filed with the SEC or sent to shareholders;

changes in the Company's accounting practices, principles, controls or methodologies;

significant developments or changes in accounting rules applicable to the Company; and

the adequacy of the Company's internal controls and accounting, financial and auditing personnel.

Management represented to the Audit Committee that the Company's financial statements had been prepared in accordance with GAAP.

The Audit Committee also discussed with PricewaterhouseCoopers LLP, the Company's independent auditors, the Company's audited financial statements and the matters required to be discussed by applicable accounting standards and Audit Committee rules, including the matters required by Statement on Auditing Standards 61 (*Communication with Audit Committees*).

The Company's independent auditors also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*). Independence Standards Board Standard No. 1 requires auditors annually to disclose in writing all relationships that in the auditor's professional opinion may reasonably be thought to bear on independence, confirm their perceived independence and engage in a discussion of independence. In addition, the Audit Committee discussed with the independent auditors their independence from the Company. The Audit Committee also considered whether the independent auditors provision of certain non-audit services to the Company is compatible with maintaining such auditors' independence.

Based on its discussions with management and the independent auditors, and its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to the Company's Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2004.

By the Audit Committee of the Board of American Superconductor Corporation.

John B. Vander Sande, *Chairman*

Albert J. Baciocco, Jr.

Andrew G.C. Sage, II

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation**

The following table sets forth certain information concerning the compensation for each of the last three fiscal years of (i) the Company's Chief Executive Officer and (ii) the Company's four other most highly compensated executive officers for fiscal 2004 who were serving as executive officers on March 31, 2004 (the "Senior Executives").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation (1)			Long-Term Compensation		All Other Compensation
	Fiscal Year	Salary	Bonus	Awards		
				Restricted Stock Awards \$(2)	Number of Shares Underlying Options (#)	
Gregory J. Yurek (3)	2004	\$ 385,866	\$ 172,868		250,000	\$ 3,660 (4)
<i>Chairman of the Board and Chief Executive Officer</i>	2003	365,750			50,000	3,175 (4)
	2002	365,750			50,000	2,840 (4)
David Paratore (5)	2004	187,470	154,987	\$ 417,900	80,000	
<i>President and Chief Operating Officer</i>	2003	170,000		78,000		
	2002	164,123			80,000	