

AMERICAN SUPERCONDUCTOR CORP /DE/  
Form DEF 14A  
June 24, 2005  
Table of Contents

**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:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

.. Soliciting Material Pursuant to § 240.14a-12

**American Superconductor Corporation**

---

(Name of Registrant as Specified in Its Charter)

N/A

---

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

---

2. Aggregate number of securities to which transaction applies:

---

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

4. Proposed maximum aggregate value of transaction:

---

5. Total fee paid:

---

Edgar Filing: AMERICAN SUPERCONDUCTOR CORP /DE/ - Form DEF 14A

- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:

---

2. Form, Schedule or Registration Statement No.:

---

3. Filing Party:

---

4. Date Filed:

---

**Table of Contents**

**AMERICAN SUPERCONDUCTOR CORPORATION**

**Two Technology Drive**

**Westborough, Massachusetts 01581**

*Notice of Annual Meeting of Stockholders to*

*be Held on Thursday, July 28, 2005*

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 28, 2005 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 ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as the Company's registered public accounting firm for the current fiscal year.
3. 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 8, 2005 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,  
Thomas M. Rosa, *Secretary*

Westborough, Massachusetts

June 24, 2005

**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.**

**Table of Contents**

**Table of Contents**

	<b>Page</b>
	Preceding Page
<u>NOTICE OF ANNUAL MEETING OF STOCKHOLDERS</u>	1
<u>GENERAL INFORMATION ABOUT ANNUAL MEETING</u>	1
<u>Distribution of Information and Solicitation of Proxies</u>	1
<u>Votes Required</u>	1
<u>Beneficial Ownership of Common Stock</u>	2
<u>CORPORATE GOVERNANCE</u>	3
<u>Members of the Board</u>	3
<u>Board Determination of Independence</u>	5
<u>Director Nomination Process</u>	5
<u>Board Meetings and Attendance</u>	5
<u>Director Attendance at Annual Meeting of Stockholders</u>	5
<u>Board Committees</u>	5
<u>Audit Committee</u>	6
<u>Compensation Committee</u>	6
<u>Nominating Committee</u>	6
<u>Communicating with the Independent Directors</u>	7
<u>Compensation of Directors</u>	7
<u>Code of Business Conduct and Ethics</u>	8
<u>Audit Committee Report</u>	8
<u>EXECUTIVE COMPENSATION</u>	10
<u>Summary Compensation</u>	10
<u>Option Grants</u>	11
<u>Option Exercises and Holdings</u>	12
<u>Equity Compensation Plan Information</u>	12
<u>Employment and Severance Agreements with Senior Executives</u>	13
<u>Compensation Committee Interlocks and Insider Participation</u>	13
<u>Compensation Committee Report on Executive Compensation</u>	13
<u>Stock Performance Graph</u>	16
<u>ELECTION OF DIRECTORS (PROPOSAL 1)</u>	17
<u>RATIFICATION OF SELECTION OF REGISTERED PUBLIC ACCOUNTING FIRM (PROPOSAL 2)</u>	18
<u>Registered Public Accounting Firm's Fees</u>	18
<u>Pre-Approval Policies and Procedures</u>	18
<u>OTHER MATTERS</u>	19
<u>Additional Agenda Items</u>	19
<u>Solicitation of Proxies</u>	19
<u>Stockholder Proposals</u>	19
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	19
<u>Important Notice Regarding Delivery of Security Holder Documents</u>	20
<u>Electronic Voting</u>	20

**Table of Contents**

**AMERICAN SUPERCONDUCTOR CORPORATION**

**Two Technology Drive**

**Westborough, Massachusetts 01581**

*Proxy Statement for the Annual Meeting of Stockholders*

*to be Held on Thursday, July 28, 2005*

**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 (the **Board**) of American Superconductor Corporation (the **Company**) for use at the Annual Meeting of Stockholders to be held on Thursday, July 28, 2005 (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 8, 2005, 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 32,579,602 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, 2005 ( **fiscal 2005** ) is being mailed to stockholders, along with these proxy materials, on or about June 28, 2005.

**The text of the Company's Annual Report on Form 10-K for the year ended March 31, 2005, 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 voting on the matter is required for the ratification of the selection by the Audit Committee of PricewaterhouseCoopers LLP as the Company's registered public accounting firm for the current fiscal year (Proposal 2).

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 voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the outcome of voting with respect to the election of directors (Proposal 1), which requires the vote of a plurality of the common

**Table of Contents**

stock voting, or the ratification of the selection by the Audit Committee of PricewaterhouseCoopers LLP as the Company's registered public accounting firm for the current fiscal year (Proposal 2), which requires 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, 2005 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>		
Merrill Lynch Investment Managers Limited (3) 800 Scudders Mill Road Plainsboro, NY 08536	2,625,520	8.1%
IronBridge Capital Management, LLC (4) One Parkview Plaza, Suite 600 Oakbrook Terrace, IL 60181	2,328,205	7.1%
Massachusetts Financial Services Company(5) 500 Boylston Street Boston, MA 02116	2,005,570	6.2%
<i>Directors or Nominees</i>		
Gregory J. Yurek (6)	1,589,170	4.7%
Albert J. Baciocco, Jr. (7)	67,000	*
Vikram S. Budhraj (8)	11,000	*
Peter O. Crisp (9)	126,603	*
Richard Drouin (10)	125,000	*
Andrew G.C. Sage, II (11)	141,000	*
John B. Vander Sande (12)	166,562	*
<i>Other Senior Executives</i>		
David Paratore (13)	224,909	*
Kevin M. Bisson (14)	107,747	*
Alexis P. Malozemoff (15)	234,542	*
Stuart C. Karon (16)	58,743	*
All directors and current executive officers as a group (12 persons) (17)	2,894,712	8.3%



\* 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, 2005, and any reference below to shares subject to outstanding stock options held by the person in question refers only to such stock options.
- (2) To calculate the percentage of outstanding shares of common stock held by each stockholder, the number of shares deemed outstanding includes 32,579,102 shares outstanding as of May 15, 2005, plus any shares subject to outstanding stock options currently exercisable or exercisable within 60 days after May 15, 2005 held by the stockholder in question.

**Table of Contents**

- (3) Information is derived from responses to a questionnaire submitted to the Company by Merrill Lynch Investment Managers Limited on May 25, 2005.
- (4) Information is derived from responses to a questionnaire submitted to the Company by IronBridge Capital Management, LLC on May 18, 2005.
- (5) Information is derived from a Schedule 13G filed with the SEC by Massachusetts Financial Services Company on February 4, 2005.
- (6) Includes 22,452 shares held by Dr. Yurek's wife and child, 1,381,666 shares subject to outstanding stock options and 49,000 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 child.
- (7) Includes 60,000 shares subject to outstanding stock options.
- (8) Includes 10,000 shares subject to outstanding stock options.
- (9) Includes 3,000 shares held by Mr. Crisp's wife and 70,000 shares subject to outstanding stock options. Mr. Crisp disclaims beneficial ownership of the shares held by his wife.
- (10) Includes 116,000 shares subject to outstanding stock options.
- (11) Comprised of 35,000 shares owned by a limited partnership of which Mr. Sage is the general partner and 106,000 shares subject to outstanding stock options.
- (12) Includes 70,000 shares subject to outstanding stock options.
- (13) Includes 162,333 shares subject to outstanding stock options and 56,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company. Mr. Paratore's employment as President and Chief Operating Officer of the Company will terminate on June 28, 2005.
- (14) Includes 76,667 shares subject to outstanding stock options and 30,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.
- (15) Includes 4,500 shares held in two trusts of which Dr. Malozemoff is the co-trustee, 131,333 shares subject to outstanding stock options and 13,500 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.
- (16) Includes 42,600 shares subject to outstanding stock options and 6,000 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.
- (17) Includes 2,258,352 shares subject to outstanding stock options and 162,500 shares subject to certain restrictions on transfer and a repurchase right in favor of the Company.

**CORPORATE GOVERNANCE**

The Board has long believed that good corporate governance is important to ensure that the Company is managed for the long-term benefit of stockholders. This section describes key corporate governance guidelines and practices the Company has adopted. Complete copies of the committee charters and code of conduct described below are available on the Company's website at [www.amsuper.com](http://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**

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.

## Table of Contents

**Gregory J. Yurek**, age 58, co-founded the Company in 1987 and has been chief executive officer since December 1989 and chairman of the board of directors since October 1991. Dr. Yurek served as president from March 1989 to February 2004, and as vice president and chief technical officer from August 1988 until March 1989. Dr. Yurek also served as chief operating officer from March 1989 until December 1989. In connection with the termination of David Paratore's employment, Dr. Yurek has agreed to assume the role of President until Mr. Paratore's successor is found. Prior to joining the Company, Dr. Yurek was a professor of Materials Science and Engineering at MIT for 12 years. He is also a director of Nanosys, Inc. and HTS-110 Limited. Dr. Yurek has been a director of the Company since 1987.

**Albert J. Baciocco, Jr.**, age 74, 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 17 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 57, 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 previously served as a director of several organizations, including the California Independent System Operator Corporation and Soft Switching Technologies. Mr. Budhraj has been a director of the Company since March 2004.

**Peter O. Crisp**, age 72, served as vice chairman of Rockefeller Financial Services, Inc. from December 1997 until September 2004 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 served as a director of United States Trust Corporation until August 2004. He is also a director of several private companies. Mr. Crisp has been a director of the Company since 1987.

**Richard Drouin**, age 73, 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 79, 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 61, co-founded the Company. He is the Cecil and Ida Green Distinguished Professor of Material Science, emeritus, at MIT specializing in the microstructure of materials and was associate dean and acting dean of engineering at MIT from 1992 to 1999. He was founding executive director of the Cambridge-MIT Institute from 1999 to January 2003. Dr. Vander Sande has been a director of the Company

since 1990.

## **Table of Contents**

### **Board Determination of Independence**

Under applicable Nasdaq rules, a director of the Company will only qualify as an independent director if, in the opinion of the 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 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 Nomination Process**

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.

### **Board Meetings and Attendance**

The Board met nine times during fiscal 2005, either in person or by teleconference. During fiscal 2005, 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**

## Edgar Filing: AMERICAN SUPERCONDUCTOR CORP /DE/ - Form DEF 14A

All seven directors attended the fiscal 2004 annual meeting of stockholders. The Company has a policy that directors are expected to attend the Annual Meeting of Stockholders.

### **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. The Board has determined that all of the members of each of the Board’s three standing committees are independent as defined under the rules of the Nasdaq Stock Market, 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).

**Table of Contents**

*Audit Committee*

The Audit Committee's responsibilities include:

appointing, approving the compensation of, and assessing the independence of the Company's registered public accounting firm;

overseeing the work of the Company's registered public accounting firm, including through the receipt and consideration of certain reports from the registered public accounting firm;

reviewing and discussing with management and the registered public accounting firm 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;

establishing procedures for the receipt, retention and treatment of accounting related complaints and concerns;

meeting independently with the Company's internal auditing staff, registered public accounting firm and management;

reviewing all related party transactions; and

preparing the audit committee report required by SEC rules (which is included on pages 8-9 of this proxy statement).

The members of the Audit Committee are Dr. Vander Sande (Chairman), Mr. Sage and Admiral Baciocco. The Audit Committee met seven times during fiscal 2005. The Board has determined that Mr. Sage is an audit committee financial expert as defined in Item 401(h) of Regulation S-K.

*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;

overseeing and administering the Company's incentive-compensation and equity-based plans;

retaining any compensation consultant to be used to assist in the evaluation of executive officer compensation; 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 five times during fiscal 2005.

#### *Nominating Committee*

The Nominating Committee's responsibilities include:

establishing the criteria for selecting directors and guiding the director selection process;

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

overseeing an annual review by the Board with respect to certain senior executive succession planning.

## **Table of Contents**

The members of the Nominating Committee are Messrs. Drouin (Chairman) and Crisp and Admiral Baciocco. The Nominating Committee met twice during fiscal 2005.

## **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 the Board c/o Chief Financial Officer, American Superconductor Corporation, Two Technology Drive, Westborough, MA 01581.

## **Compensation of Directors**

Directors of the Company who are not employees of the Company or any subsidiary ( Outside Directors ) receive cash compensation as follows pursuant to a director compensation plan implemented as of April 1, 2004: each Outside Director receives \$20,000 as an annual retainer; the Chairman of both the Audit and Compensation Committees each receives an annual retainer of \$3,000; each Outside Director who attends an in person meeting of the Board or a committee of the Board receives \$1,200 per meeting; each Outside Director who participates in a teleconference meeting of the Board or a committee of the Board receives \$800 per meeting; and each Outside Director who participates in an in person meeting of the Board or a committee of the Board via teleconference receives \$800 per meeting.

In fiscal 2005, the Outside Directors received \$20,000 each as an annual retainer plus the following amounts for their attendance at Board meetings: Admiral Baciocco \$8,800; Mr. Budhraj \$8,800; Mr. Crisp \$8,400; Mr. Drouin \$8,000; Mr. Sage \$8,800; and Dr. Vander Sande \$8,800. In fiscal 2005, members of the Compensation Committee earned the following amounts for their services on such committee: Mr. Crisp \$5,600; Mr. Drouin \$5,600; and Dr. Vander Sande \$5,600. In fiscal 2005, members of the Nominating Committee earned the following amounts for their services on such committee: Mr. Drouin \$2,400; Admiral Baciocco \$2,400; and Mr. Crisp \$2,000; In fiscal 2005, members of the Audit Committee earned the following amounts for their services on such committee: Dr. Vander Sande \$7,600; Admiral Baciocco \$7,200; and Mr. Sage \$7,600. In addition, Mr. Crisp and Dr. Vander Sande were each paid \$3,000 for their services as chairmen of the Compensation and Audit Committees, respectively.

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 business days following each Annual Meeting of the Stockholders of the

## Edgar Filing: AMERICAN SUPERCONDUCTOR CORP /DE/ - Form DEF 14A

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

## **Table of Contents**

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, Mr. Budhraj was granted an option to purchase 20,000 shares of common stock, at an exercise price of \$11.65 per share, in March 2004, and Admiral Baciocco, Messrs. Crisp, Drouin and Sage and Dr. Vander Sande were each granted an option to purchase 10,000 shares of common stock, at an exercise price of \$9.38 per share, in August 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](http://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, 2005 and has discussed these financial statements with the Company's management and the Company's registered public accounting firm.

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 registered public accounting firm is 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 registered public accounting firm, the following:

the plan for, and the registered public accounting firm's report on, each audit of the Company's financial statements;

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 registered public accounting firm, 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 registered public accounting firm 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

**Table of Contents**

Audit Committee discussed with the registered public accounting firm its independence from the Company. The Audit Committee also considered whether the registered public accounting firm's provision of certain non-audit services to the Company is compatible with maintaining such firm's independence.

Based on its discussions with management and the registered public accounting firm, and its review of the representations and information provided by management and the registered public accounting firm, the Audit Committee recommended to the 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, 2005.

By the Audit Committee of the Board.

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 2005 who were serving as executive officers on March 31, 2005 (the "Senior Executives").

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Annual Compensation (1)			Long-Term Compensation		
	Fiscal Year	Salary	Bonus	Awards		
				Restricted Stock Awards (\$)(2)	Number of Shares Underlying Options (#)	All Other Compensation
Gregory J. Yurek (3) <i>Chairman of the Board and Chief Executive Officer</i>	2005	\$ 405,000	\$ 312,012	\$ 383,700	30,000	\$ 4,055(4)
	2004	385,866	172,868		250,000	3,660(4)
	2003	365,750			50,000	3,175(4)
David Paratore (5) <i>President and Chief Operating Officer</i>	2005	240,000	144,000			
	2004	187,470	154,987	417,900	80,000	
	2003	170,000		78,000		
Kevin M. Bisson (6) (7) <i>Senior Vice President, Chief Financial Officer and Treasurer</i>	2005	211,000	129,773		30,000	
	2004	182,036	75,104	52,050	100,000	
	2003					
Alexis P. Malozemoff (8) <i>Executive Vice President and Chief Technical Officer</i>	2005	209,823	62,099	125,370		
	2004	209,823	36,761		50,000	
	2003	198,884			30,000	
Stuart C. Karon (9) <i>Vice President, Business Development</i>	2005	160,000	54,528		27,000	
	2004	142,967	19,969	27,440		
	2003	138,603	30,000		4,000	

(1) In accordance with the rules of the SEC, other compensation in the form of perquisites and other personal benefits has been omitted because such perquisites and other personal benefits constituted less than the lesser of \$50,000 or 10% of the total annual salary and bonus of the Senior Executive.

(2) Represents the difference between the closing price of the common stock on the Nasdaq National Market on the date of grant and the per share purchase price, multiplied by the number of shares awarded.

## Edgar Filing: AMERICAN SUPERCONDUCTOR CORP /DE/ - Form DEF 14A

- (3) As of the end of fiscal 2005, Dr. Yurek held a total of 55,000 shares of restricted stock (of which 30,000 vested in April and May 2005), with a total value of \$548,350, based on the fair market value of the common stock on March 31, 2005 (\$9.98), net of the \$.01 consideration paid. Dr. Yurek subsequently received an additional 24,000 shares of restricted stock and options exercisable for 185,000 shares of common stock on May 5, 2005.
- (4) Represents insurance premiums paid by the Company for a term life insurance policy on Dr. Yurek. Dr. Yurek's wife is the beneficiary of this insurance policy.
- (5) As of the end of fiscal 2005, Mr. Paratore held a total of 35,000 shares of restricted stock, with a total value of \$348,950, based on the fair market value of the common stock on March 31, 2005 (\$9.98), net of the \$.01 consideration paid. Mr. Paratore subsequently received an additional 21,000 shares of restricted stock and options exercisable for 150,000 shares of common stock on May 5, 2005. Mr. Paratore's employment with the Company will terminate on June 28, 2005.



**Table of Contents**

- (6) Mr. Bisson joined the Company in May 2003 and consequently received compensation for only a portion of fiscal 2004.
- (7) As of the end of fiscal 2005, Mr. Bisson held a total of 15,000 shares of restricted stock, with a total value of \$149,550, based on the fair market value of the common stock on March 31, 2005 (\$9.98), net of the \$.01 consideration paid. Mr. Bisson subsequently received an additional 15,000 shares of restricted stock and options exercisable for 85,000 shares of common stock on May 5, 2005.
- (8) As of the end of fiscal 2005, Dr. Malozemoff held a total of 14,000 shares of restricted stock (of which 6,500 vested in April 2005), with a total value of \$139,580, based on the fair market value of the common stock on March 31, 2005 (\$9.98), net of the \$.01 consideration paid. Dr. Malozemoff subsequently received an additional 6,000 shares of restricted stock and options exercisable for 10,000 shares of common stock on May 5, 2005.
- (9) As of the end of fiscal 2005, Mr. Karon held a total of 4,000 shares of restricted stock (all of which vested in April 2005), with a total value of \$39,880, based on the fair market value of the common stock on March 31, 2005 (\$9.98), net of the \$.01 consideration paid. Mr. Karon subsequently received an additional 6,000 shares of restricted stock and options exercisable for 40,000 shares of common stock on May 5, 2005.

**Option Grants**

The following table sets forth certain information concerning the stock options granted by the Company during fiscal 2005 to each of the Senior Executives.

**OPTIONS GRANTED IN LAST FISCAL YEAR**

Executive Officer	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
	Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share (\$) (1)	Expiration Date	5%	10%
Gregory J. Yurek	30,000	5.78%	\$ 12.80	5/6/2014	\$ 241,496	\$ 611,997
David Paratore		0.00%				
Kevin M. Bisson	30,000	5.78%	\$ 13.94	4/26/2014	\$ 263,004	\$ 666,503
Alexis P. Malozemoff		0.00%				
Stuart C. Karon	27,000	5.20%	\$ 13.94	4/26/2014	\$ 236,703	\$ 599,853

- (1) The exercise price per share of each option was equal to the fair market value per share of common stock on the date of grant. Options become exercisable over a three-year period and generally terminate 60 days following termination of the Senior Executive's employment with the Company or ten years following the grant date, whichever occurs earlier. Stock options granted by the Company become immediately exercisable in full upon a change in control, as defined in such agreements.

(2)

## Edgar Filing: AMERICAN SUPERCONDUCTOR CORP /DE/ - Form DEF 14A

Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock price appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercises of the option or the sale of the underlying shares. The actual gains, if any, on the exercises of stock options will depend on the future performance of the common stock, the option holder's continued employment through the option period, and the date on which the options are exercised.

**Table of Contents****Option Exercises and Holdings**

The following table sets forth certain information concerning each exercise of a stock option during fiscal 2005 by the Senior Executives and the number and value of unexercised options held by each of the Senior Executives on March 31, 2005.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION VALUES**

<u>Executive Officer</u>	<u>Shares Acquired on Exercise</u>	<u>Value Realized (1)</u>	<u>Number of Shares of Common Stock Underlying Unexercised Options at Fiscal Year-End(#) Exercisable/Unexercisable</u>	<u>Value of Unexercised in-the- Money Options at Fiscal Year-End\$(2) Exercisable/Unexercisable</u>
Gregory J. Yurek	130,000	\$ 1,173,892	1,218,334 / 446,666	\$ 67,204 / 1,140,096
David Paratore			134,667 / 100,333	\$ 284,052 / 418,698
Kevin M. Bisson			33,334 / 96,666	\$ 216,671 / 433,329
Alexis P. Malozemoff			101,667 / 61,333	\$ 134,462 / 254,058
Stuart C. Karon			31,200 / 31,800	\$ 3,472 / 5,208

(1) Represents the difference between the exercise price and the fair market value of the common stock on the date of exercise.

(2) Based on the fair market value of the common stock on March 31, 2005, the last trading day on the Nasdaq National Market during fiscal 2005 (\$9.98 per share), less the option exercise price, multiplied by the number of shares underlying the options.

**Equity Compensation Plan Information**

The following table provides information about the shares authorized for issuance under the Company's equity compensation plans as of March 31, 2005.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders	4,471,161 (1)	\$ 15.37	3,186,059 (2)

Edgar Filing: AMERICAN SUPERCONDUCTOR CORP /DE/ - Form DEF 14A

Equity compensation plans not approved by security holders	2,000 (3)	\$ 28.75	173,000
<b>Total</b>	<b>4,473,161</b>	<b>\$ 15.37</b>	<b>3,359,059</b>

- (1) Excludes shares issuable under the Company's 2000 Employee Stock Purchase Plan in connection with the current offering period which ends on September 30, 2005. Such shares are included in column (c).
- (2) In addition to being available for future issuance upon exercise of options that may be granted after March 31, 2005, the 2,632,149 shares available for issuance under the Company's 1996 Stock Incentive Plan and 2004 Stock Incentive Plan may instead be issued in the form of restricted stock, unrestricted stock, stock appreciation rights, performance shares or other equity-based awards.
- (3) Represents 2,000 shares subject to outstanding non-qualified stock options granted to the former employees of Integrated Electronics, LLC ( IE ) in connection with the Company's purchase of substantially all the assets of IE in June 2000.

## **Table of Contents**

The Company granted non-qualified stock options to the former employees of IE in June 2000. Options exercisable for a total of 2,000 shares of common stock (out of a total of 175,000 authorized by the Board) are currently outstanding at an average exercise price of \$28.75 per share. The options become exercisable in five equal annual installments and expire 10 years from the date of grant or three months after the termination of the optionee's employment.

### **Employment and Severance Agreements with Senior Executives**

On October 14, 2004, the Company entered into severance agreements with each of the following individuals: Dr. Yurek, Mr. Paratore, Dr. Malozemoff, Mr. Bisson, Mr. Karon and Thomas M. Rosa, Vice President of Finance and Accounting and Secretary (each an executive, and collectively the executives). Each executive severance agreement provides for certain severance benefits to the executive in the event that such executive's employment is terminated: 1) by the Company without cause in the absence of a change in control of the Company; or 2) by the Company without cause or by the executive for good reason following a change in control of the Company (each term as defined in the executive severance agreements). These benefits primarily consist of the continuation of the executive's salary and employee benefits for a period of six months to three years following termination, depending on the executive. Each executive severance agreement expires on March 31, 2009; however, the executive severance agreements are subject to automatic one-year extensions on an annual basis, beginning April 1, 2006, unless either the executive or the Company provides notice to the other party that it has decided not to extend.

Dr. Yurek and Dr. Malozemoff are each party to an employment agreement with the Company, dated as of December 4, 1991. The terms of severance for Dr. Yurek and Dr. Malozemoff set forth in these employment agreements are superceded by the severance provisions in their respective executive severance agreements during the term of the executive severance agreements. Under the terms of their respective employment agreements (as amended by their executive severance agreements), Dr. Yurek and Dr. Malozemoff agree that, among other things, they will not engage in a business competitive with that of the Company for the post-employment period during which they are entitled to receive severance benefits from the Company.

Mr. Paratore's executive severance agreement includes a non-competition provision that prohibits Mr. Paratore from competing with the Company during his employment with the Company and for a period of twenty-four months after termination of his employment. On June 13, 2005, the Company gave notice to Mr. Paratore of the termination of his employment for cause. Under the terms of Mr. Paratore's executive severance agreement with the Company, his termination will take effect on June 28, 2005.

### **Compensation Committee Interlocks and Insider Participation**

Messrs. Crisp and Drouin and Dr. Vander Sande served as members of the Company's Compensation Committee during fiscal 2005. None of the Company's executive officers serves as a director or a member of the compensation committee (or other committee serving an equal function) of any other entity whose executive officers serve as a director of or member of the Compensation Committee of the Company.

### **Compensation Committee Report on Executive Compensation**

This report addresses the compensation policies of the Company applicable to its officers during fiscal 2005. The Company's executive compensation program is administered by the Compensation Committee of the Board (the Committee), which is comprised of three independent, non-employee directors. The Committee is responsible for determining the compensation package of each executive officer except the Chief

Edgar Filing: AMERICAN SUPERCONDUCTOR CORP /DE/ - Form DEF 14A

Executive Officer, for whom the Committee is responsible for presenting recommendations for the Chief Executive Officer's compensation to the full Board. In fiscal 2005, the Board did not modify in any material way or reject any action or recommendation of the Committee with respect to executive officer compensation.

## **Table of Contents**

The objectives of the Committee in determining executive compensation are (i) to recognize and reward exceptional performance by the Company's executives, (ii) to provide incentives for high levels of current and future performance, and (iii) to align the objectives and rewards of Company executives with those of the stockholders of the Company. The Committee believes that an executive compensation program that achieves these objectives will not only properly motivate and compensate the Company's current officers, including the Chief Executive Officer, but will enable the Company to attract other officers that may be needed by the Company in the future.

The executive compensation program is implemented through three principal elements: base salary, an annual incentive plan based on team and individual contributions to corporate success and stock option grants.

In establishing the salary of officers, including the Chief Executive Officer, the Committee considers the individual performance of the officer, the performance of the Company as a whole, the nature of the individual's responsibilities, historic salary levels of the individual, and the median level of cash compensation paid to officers in comparable positions at other companies whose business and/or financial position is similar to that of the Company. For purposes of this comparison, the Committee considers the executive compensation of a range of public technology-oriented companies whose business, stage of development, financial position and/or recent financial performance are similar to that of the Company, as well as the companies included in the Peer Index in the Stock Performance Graph.

The Committee has determined that the salaries paid to the Company's officers, including the Chief Executive Officer, are appropriately positioned relative to the median cash compensation levels for executives with comparable responsibilities in similar firms and the contributions of the individuals to the success of the firm.

Beginning in 1996, the Committee implemented an annual incentive compensation plan for all officers, including the Chief Executive Officer. Awards under the plan reflect team and individual contributions to the achievement of predetermined Company objectives, including financial objectives, product development objectives, and marketing and business development objectives. The Committee believes it is appropriate for officers to have a portion of their annual cash compensation dependent upon performance in that year, and the Committee may consider increasing the at risk portion of executive compensation over time. For fiscal 2005, payments were made from the plan that were commensurate with the goals set for the Company and each Senior Executive. For the Chief Executive Officer, a payment was made that reflected the Company's financial performance in fiscal 2005 and the Chief Executive Officer's achievement of personal objectives that had been set by the Committee as well as the Committee's evaluation of the Chief Executive Officer's overall performance.

The Committee uses stock options as a significant element of the compensation package of the officers, including the Chief Executive Officer, because they provide an incentive to executives to maximize stockholder value, because they reward the officers only to the extent that stockholders also benefit, and because the vesting of the options (the options generally become exercisable in installments over a three to five-year period) serves as a means of retaining these officers. In granting stock options to certain officers, the Committee considers a number of factors including the performance of the officer, the responsibilities of the officer, the officer's current stock or option holdings, and the median levels of long-term incentives paid to officers with comparable responsibilities in similar companies, including the companies included in the Peer Index in the Stock Performance Graph. It has been the practice of the Committee to fix the exercise price of options granted at 100% of the fair market value of the common stock on the date of grant.

The Committee also has periodically granted shares of restricted stock as another element of compensation that closely ties the long-term goals of the Company to an officer's compensation program. These restricted shares become vested upon the earlier of either (i) the achievement of specific revenue and profitability objectives that are designed to increase shareholder value or (ii) the fulfillment of a three- to six-year vesting schedule.





## **Table of Contents**

The Board recognizes that it is essential for officers of the Company to establish and maintain an ownership position in the Company. In order to ensure that this expectation is met, the Board has established guidelines relating to stock ownership and disposition for all officers under which an officer is strongly encouraged to establish and maintain ownership of shares in an amount directly proportional to the number of shares exercised. The Committee considers each officer's compliance with these guidelines in the establishment of ongoing option grants.

In evaluating corporate and individual performance for the purposes of determining salary levels, awarding bonuses and granting stock options, the Committee considers the progress and success of the Company with respect to financial metrics, such as revenue and net income, and to matters such as product development, strategic alliances, and enhancement of the Company's patent and licensing position, as well as changes in scope of responsibility for specific individuals.

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to the company's Chief Executive Officer and the four other most highly compensated officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain other requirements are met. The Committee takes into account, to the extent it believes appropriate, the limitations on the deductibility of executive compensation imposed by Section 162(m) in determining compensation levels and practices.

### THE COMPENSATION COMMITTEE

Peter O. Crisp, *Chairman*

Richard Drouin

John B. Vander Sande

**Table of Contents****Stock Performance Graph**

The following graph compares the cumulative total stockholder return on the common stock of the Company from March 31, 2000 to March 31, 2005 (the end of fiscal 2005) with the cumulative total return of (i) the CRSP Total Return Index for the Nasdaq Stock Market (U.S. Companies) (the Nasdaq Index), and (ii) an index of seven companies engaged in a line of business similar to the Company's (the Peer Index). The Peer Index is comprised of Ballard Power Systems, Inc., Energy Conversion Devices, Inc., FuelCell Energy, Inc. (formerly Energy Research Corporation), Intermagnetics General Corporation, Maxwell Technologies, Plug Power Inc. and SatCon Technology Corporation. This graph assumes the investment of \$100.00 on March 31, 2000 in the Company's common stock, the Peer Index and the Nasdaq Index, and assumes any dividends are reinvested. Measurement points are March 31, 2000, March 30, 2001, March 29, 2002, March 31, 2003, March 31, 2004 and March 31, 2005 (the last trading day of the Company's last five fiscal year ends).

	<b>March 2000</b>	<b>March 2001</b>	<b>March 2002</b>	<b>March 2003</b>	<b>March 2004</b>	<b>March 2005</b>
American Superconductor Corporation	\$ 100.00	\$ 36.10	\$ 16.97	\$ 8.09	\$ 28.85	\$ 22.43
Nasdaq Index	\$ 100.00	\$ 47.07	\$ 41.31	\$ 21.97	\$ 38.41	\$ 37.36
Peer Index	\$ 100.00	\$ 51.93	\$ 39.45	\$ 13.44	\$ 16.57	\$ 13.75

**Table of Contents**

**ELECTION OF DIRECTORS**

**(PROPOSAL 1)**

The persons named in the enclosed proxy will vote to elect as directors the seven nominees named below, all of whom are presently directors of the Company, unless authority to vote for the election of any or all of the nominees is withheld by marking the proxy to that effect. All of the nominees have indicated their willingness to serve, if elected, but if any of them should be unable or unwilling to serve, proxies may be voted for a substitute nominee designated by the Board. Each director will be elected to hold office until the next annual meeting of stockholders (subject to the election and qualification of his successor and to his earlier death, resignation or removal). Information about each nominee is set forth under Corporate Governance Members of the Board beginning on page 3.

**The Board recommends a vote FOR the election of Dr. Yurek, Admiral Baciocco, Messrs. Budhraj, Crisp, Drouin and Sage and Dr. Vander Sande as directors of the Company.**

**Table of Contents****RATIFICATION OF SELECTION OF REGISTERED PUBLIC ACCOUNTING FIRM****(PROPOSAL 2)**

The Audit Committee has selected the firm of PricewaterhouseCoopers LLP as the Company's registered public accounting firm for the current fiscal year. PricewaterhouseCoopers LLP or its predecessor company, Coopers & Lybrand LLP, has served as the Company's registered public accounting firm since the Company's inception. Although stockholder approval of the Audit Committee's selection of PricewaterhouseCoopers LLP is not required by law, the Board believes that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved at the Annual Meeting, the Audit Committee may reconsider its selection of PricewaterhouseCoopers LLP.

**The Board recommends a vote FOR ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as the Company's registered public accounting firm for the current fiscal year.**

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

**Registered Public Accounting Firm's Fees**

The following table summarizes the fees of PricewaterhouseCoopers LLP, the Company's registered public accounting firm, billed to the Company for each of the last two fiscal years:

Fee Category	Fiscal 2005	Fiscal 2004
Audit Fees (1)	\$ 581,329	\$ 262,212
Audit-Related Fees	0	0
Tax Fees (2)	30,976	26,325
All Other Fees	0	0
Total Fees	\$ 612,305	\$ 288,537

- (1) Audit fees consist of fees for the audit of the Company's financial statements, the audit of the Company's internal control over financial reporting, the review of the interim financial statements included in the Company's quarterly reports on Form 10-Q, and other professional services provided in connection with statutory and regulatory filings or engagements. These fees include \$101,861 and \$85,812 related to the Company's filing of two registration statements on Form S-3 in fiscal years 2005 and 2004, respectively, and \$273,568 of fees incurred in fiscal 2005 related to the audit of the Company's internal controls over financial reporting.
- (2) Tax fees consist of fees for tax compliance, tax advice and tax planning services. Tax compliance services, which relate primarily to the preparation of original and amended tax returns, accounted for \$25,496 of the total tax fees in fiscal 2005 and \$24,725 of the total tax fees in fiscal 2004. Tax advice and tax planning services amounted to \$5,480 in fiscal 2005 and \$1,600 in fiscal 2004.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by the Company's registered public accounting firm. This policy generally provides that the Company will not engage its registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

## **Table of Contents**

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to the Company by its registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The Audit Committee has also delegated to the chairman of the Audit Committee and each individual member of the Audit Committee the authority to approve any audit or non-audit services to be provided to the Company by its registered public accounting firm. Any approval of services by a member of the Audit Committee pursuant to this delegated authority is reported on at the next meeting of the Audit Committee.

## **OTHER MATTERS**

### **Additional Agenda Items**

The Board does not know of any other matters that may come before the Annual Meeting. However, if any other matters are properly presented to the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

### **Solicitation of Proxies**

All costs of solicitation of proxies will be borne by the Company. In addition to solicitations by mail, the Company's directors, officers and employees, without additional remuneration, may solicit proxies by telephone, telegraph and personal interviews. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and, as required by law, the Company will reimburse them for their out-of-pocket expenses in this regard.

### **Stockholder Proposals**

Proposals of stockholders intended to be presented at the fiscal 2006 Annual Meeting of Stockholders must be received by the Company at its principal office in Westborough, Massachusetts not later than February 28, 2006 for inclusion in the proxy statement for that meeting; provided that if the fiscal 2006 Annual Meeting is more than 30 days from the date of the fiscal 2005 Annual Meeting, such proposals must be received a reasonable time before the Company begins to print and mail the proxy statement for the fiscal 2005 Annual Meeting.

Stockholders who wish to make a proposal at the fiscal 2006 Annual Meeting other than one that will be included in the Company's proxy materials should notify the Company no later than May 14, 2006; provided that if the fiscal 2006 Annual Meeting is more than 30 days from the date of the fiscal 2005 Annual Meeting, such notice must be received a reasonable time before the Company begins to print and mail the proxy statement for the fiscal 2006 Annual Meeting. If a stockholder who wishes to present a proposal fails to notify the Company by this date, the proxies that management solicits for the meeting will have discretionary authority to vote on the stockholder's proposal if it is properly brought before the meeting. If a stockholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC's proxy rules.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely on review of the copies of such reports furnished to the Company and written representations regarding the filing of required reports, the Company is not aware that any of its officers, directors or holders of 10% or more of the Company's common stock failed to comply in a timely manner during fiscal 2005 with Section 16(a) filing requirements.

## Table of Contents

### **Important Notice Regarding Delivery of Security Holder Documents**

The Company has adopted the cost saving practice of householding proxy statements and annual reports. Some banks, brokers and other nominee record holders are also householding proxy statements and annual reports for their customers. This means that only one copy of the Company's proxy statement or annual report may have been sent to multiple shareholders in your household unless the Company has received instructions otherwise. The Company will promptly deliver a separate copy of either document to you if you write to or call the Company at the following address or phone number: Investor Relations, American Superconductor Corporation, Two Technology Drive, Westborough, Massachusetts 01581, (508) 836-4200. If you want to receive separate copies of the annual report and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact the Company at the above address and phone number.

### **Electronic Voting**

Any stockholder who owns shares of common stock of record may authorize the voting of its shares over the Internet at [www.voteproxy.com](http://www.voteproxy.com) and by following the instructions on the enclosed proxy card. Authorizations submitted over the Internet must be received by 11:59 p.m. on Wednesday, July 27, 2005.

If a stockholder owns shares held in street name by a bank or brokerage firm, the stockholder's bank or brokerage firm will provide a vote instruction form to the stockholder with this proxy statement that may be used to direct how the shares will be voted. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by the stockholder's bank or brokerage firm on the vote instruction form.

By Order of the Board of Directors,  
Thomas M. Rosa, *Secretary*

June 24, 2005

**THE BOARD HOPES THAT STOCKHOLDERS WILL ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN IF THEY HAVE SENT IN THEIR PROXIES.**



**Table of Contents**

**Table of Contents**

