

AMERICAN SUPERCONDUCTOR CORP /DE/  
Form DEF 14A  
June 26, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 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)

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

Payment of Filing Fee (check the appropriate box):

x No fee required

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

.. 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:

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**AMERICAN SUPERCONDUCTOR CORPORATION**

**64 Jackson Road**

**Devens, Massachusetts 01434**

*Notice of Annual Meeting of Stockholders to*

*be Held on Friday, July 27, 2012*

The Annual Meeting of Stockholders of American Superconductor Corporation ( AMSC ) will be held at AMSC 's corporate headquarters, located at 64 Jackson Road, Devens, Massachusetts 01434, on Friday, July 27, 2012 at 8:30 a.m., local time, to consider and act upon the following matters:

1. To elect Vikram S. Budhraj, Richard Drouin, Pamela F. Lenehan, Daniel P. McGahn, David R. Oliver, Jr., John B. Vander Sande and John W. Wood, Jr. as directors of AMSC for a term of office expiring at the 2013 annual meeting of stockholders.
2. To approve amendments to AMSC 's 2007 Stock Incentive Plan to add 7,500,000 shares to the total number of shares available for issuance under the plan and to decrease the existing fungible share ratio for future awards.
3. To approve the issuance by AMSC of all shares of AMSC 's common stock issuable upon conversion of AMSC 's 7.0% Senior Convertible Notes (including those notes we have the right to require the purchaser thereof to purchase on October 4, 2012 upon satisfaction of certain conditions) or otherwise (including in connection with the payment of interest or principal thereof) and upon exercise of the warrants to purchase shares of common stock issued to the purchasers of such notes.
4. To ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as AMSC 's independent registered public accounting firm for the current fiscal year.
5. To transact such other business as may properly come before the meeting or any continuation, postponement or adjournment thereof. Stockholders of record at the close of business on May 29, 2012 will be entitled to notice of and to vote at the annual meeting or any continuation, postponement or adjournment thereof. The stock transfer books of AMSC will remain open.

By Order of the Board of Directors,

John W. Powell, Secretary

Devens, Massachusetts

June 26, 2012

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE SUBMIT YOUR PROXY (1) OVER THE INTERNET, (2) BY TELEPHONE, OR (3) BY MAIL. FOR SPECIFIC INSTRUCTIONS, PLEASE REFER TO THE QUESTIONS AND ANSWERS BEGINNING ON THE FIRST PAGE OF THE PROXY STATEMENT AND THE INSTRUCTIONS ON THE PROXY**

**CARD RELATING TO THE ANNUAL MEETING.**

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**AMERICAN SUPERCONDUCTOR CORPORATION**

**64 Jackson Road**

**Devens, Massachusetts 01434**

**PROXY STATEMENT**

**For the Annual Meeting of Stockholders to be Held on Friday, July 27, 2012**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors, or Board, of American Superconductor Corporation ( "AMSC" ) for use at the Annual Meeting of Stockholders, or Annual Meeting, to be held on Friday, July 27, 2012, beginning at 8:30 a.m., local time, at AMSC's corporate headquarters, located at 64 Jackson Road, Devens, Massachusetts 01434, and at any continuation, postponement or adjournment of the Annual Meeting. On or about June 28, 2012, we are mailing these proxy materials together with an annual report, consisting of our Annual Report on Form 10-K for the fiscal year ended March 31, 2012, and other information required by the rules of the Securities and Exchange Commission. Our Annual Report on Form 10-K is provided without exhibits. Exhibits will be provided, at no charge, upon written request addressed to American Superconductor Corporation, 64 Jackson Road, Devens, MA 01434, Attention: Investor Relations.

Our fiscal year begins on April 1 and ends on March 31. When we refer to a particular fiscal year, we are referring to the fiscal year ended on March 31 of the following year. For example, fiscal 2011 refers to the fiscal year ended March 31, 2012.

**Important Notice Regarding the Availability of Proxy Materials**

**for the Stockholder Meeting to be Held on July 27, 2012**

**AMSC's proxy statement and annual report are available at**

**[www.proxyvote.com](http://www.proxyvote.com)**

The following proxy materials are available for review at [www.proxyvote.com](http://www.proxyvote.com):

our 2012 proxy statement;

our annual report for the fiscal year ended March 31, 2012; and

any amendments or supplements to our proxy materials that are required to be furnished to stockholders.

## INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

### *What is the purpose of the Annual Meeting?*

At our Annual Meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of directors, approval of amendments to our 2007 Stock Incentive Plan, approval of the issuance of common stock pursuant to our 7.0% Senior Convertible Note financing transaction and ratification of the selection of our independent registered public accounting firm. Stockholders may also consider such other business as may properly come before the meeting. We are not aware of any other business to be brought before the meeting. If any other business is properly brought before the meeting, the designated officers serving as proxies will vote in accordance with their best judgment.

### *Who is entitled to vote?*

Only stockholders of record at the close of business on the record date, May 29, 2012, are entitled to receive notice of the Annual Meeting and to vote their shares of our common stock at the Annual Meeting or any continuation, postponement or adjournment of the Annual Meeting. The number of stockholders of record as of the May 29, 2012 record date was 426. Holders of shares of our common stock are entitled to one vote per share.



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### ***Who can attend the meeting?***

All stockholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Please note that if you hold your shares in street name (through a bank, broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership in AMSC as of the record date to be admitted to the Annual Meeting. You may obtain directions to the location of our Annual Meeting by writing our Investor Relations department at 64 Jackson Road, Devens, Massachusetts 01434 or by calling (978) 842-3177.

### ***What constitutes a quorum?***

The holders of a majority of the shares of common stock outstanding and entitled to vote at the Annual Meeting will 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 as present and entitled to vote for purposes of determining whether a quorum is present at the Annual Meeting. As of the May 29, 2012 record date, 51,994,311 shares of our common stock were outstanding and entitled to vote.

### ***How do I vote?***

If you are a record holder, meaning your shares are registered in your name, you may vote:

(1) **Over the Internet:** Go to the website of our tabulator, Broadridge, at [www.proxyvote.com](http://www.proxyvote.com). Use the vote control number printed on your enclosed proxy card to access your account and vote your shares. You must specify how you want your shares voted or your Internet vote cannot be completed and you will receive an error message. Your shares will be voted according to your instructions.

(2) **By Telephone:** Call 1-800-690-6903, toll free from the U.S. and Canada, and follow the instructions on your enclosed proxy card. You must specify how you want your shares voted and confirm your vote at the end of the call or your telephone vote cannot be completed. Your shares will be voted according to your instructions.

(3) **By Mail:** Complete and sign your enclosed proxy card and mail it in the enclosed postage prepaid envelope to Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Your shares will be voted according to your instructions. If you do not specify how you want your shares voted, they will be voted as recommended by our Board of Directors.

(4) **In Person at the Annual Meeting:** If you attend the Annual Meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which we will provide to you at the Annual Meeting.

If your shares are held in street name, meaning they are held for your account by a bank, broker or other nominee, you may vote:

(1) **Over the Internet or by Telephone:** You will receive instructions from your bank, broker or other nominee if they permit Internet or telephone voting. You should follow those instructions.

(2) **By Mail:** You will receive instructions from your bank, broker or other nominee explaining how you can vote your shares by mail. You should follow those instructions.

(3) **In Person at the Annual Meeting:** To be able to vote your shares held in street name in person at the Annual Meeting, you will need to obtain a legal proxy (separate from the proxy card supplied by us) that is prepared and supplied by your bank, broker or other nominee. **You will not be able to vote in person at the Annual Meeting unless you have a proxy from your bank, broker or other nominee issued in your name giving you the right to vote your shares.**

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***Can I change my proxy after I return my proxy card?***

Yes. You may revoke your proxy and change your vote at any time before the Annual Meeting. To do so, you must do one of the following:

- (1) Vote over the Internet or by telephone as instructed above. Only your latest Internet or telephone vote is counted.
- (2) Sign a new proxy and submit it as instructed above. Only your latest dated proxy will be counted.
- (3) Attend the Annual Meeting, request that your proxy be revoked and vote in person as instructed above. Attending the Annual Meeting will not revoke your proxy unless you specifically request it.

***Will my shares be voted if I don't return my proxy?***

If your shares are registered directly in your name, your shares will not be voted if you do not vote over the Internet, by telephone, by returning your proxy or voting by ballot at the Annual Meeting. If your shares are held in street name by a bank, broker or other nominee, that person, as the record holder of your shares, is required to vote your shares according to your instructions. Your bank, broker or other nominee will send you directions on how to vote those shares. Under applicable stock exchange rules, if you do not give instructions to your bank, broker or other nominee, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. In the case of non-discretionary items, shares for which your bank, broker or other nominee does not receive voting instructions will be treated as broker non-votes.

**Discretionary Items**

Proposal 4 Ratification of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm

**Non-Discretionary Items**

Proposal 1 Election of Directors  
 Proposal 2 Approval of Amendments to 2007 Stock Incentive Plan, as amended  
 Proposal 3 Approval of the Issuance of Common Stock Pursuant to AMSC's 7.0% Senior Convertible Note financing transaction

***What is the vote required to approve each matter?***

- (1) **Election of Directors.** Directors will be elected by a plurality of the votes cast. This means that the seven nominees receiving the most affirmative votes will be elected as directors at the Annual Meeting. Abstentions, votes withheld and broker non-votes will have no effect on the outcome of the election of directors.
- (2) **Approve Amendments to our 2007 Stock Incentive Plan, as amended.** 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 amendments to our 2007 Stock Incentive Plan. Abstentions and broker non-votes will have no effect on the outcome of this proposal.
- (3) **Approval of issuance of shares of common stock in connection with financing transaction.** 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 issuance by AMSC of additional shares of common stock in excess of 20% of AMSC's outstanding shares of common stock upon conversion of the Notes or otherwise (including in connection with the payment of interest or principal thereof). Abstentions and broker non-votes will have no effect on the outcome of this proposal.
- (4) **Ratification of our Independent Registered Public Accounting Firm.** 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 our independent registered public accounting firm for the current fiscal year. Abstentions will have no effect on the outcome of the proposal. Because brokers have discretionary authority to vote on the ratification of the selection of our independent registered public accounting firm, we do not expect any broker non-votes in connection with this proposal.

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*Are there other matters to be voted on at the meeting?*

As of the date of this proxy statement, our Board of Directors does not know of any other matters which may come before the meeting, other than the matters described in this proxy statement. Should any other matter requiring a vote of our stockholders arise and be properly presented at the Annual Meeting, the proxy for the Annual Meeting confers upon the persons named in the proxy and designated to vote the shares discretionary authority to vote, or otherwise act, with respect to any such matter in accordance with their best judgment.

**Our Board encourages stockholders to attend the Annual Meeting. Whether or not you plan to attend, you are urged to submit your proxy. Prompt response will greatly facilitate arrangements for the meeting and your cooperation will be appreciated. Stockholders who attend the Annual Meeting may vote their stock personally even though they may have sent in their proxies.**

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The following table sets forth the beneficial ownership of our common stock as of May 31, 2012, or such earlier date as indicated below, by:

each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of the outstanding shares of our common stock;

each of our directors;

each of our named executive officers (as defined in Compensation Discussion and Analysis ); and

all directors and executive officers as a group.

Unless otherwise provided, the address of each individual listed below is c/o American Superconductor Corporation, 64 Jackson Road, Devens, Massachusetts 01434.

Name of Beneficial Owner	Number of Shares Beneficially Owned (1)	Percentage of Common Stock Outstanding (2)
<i>Five Percent Stockholders</i>		
Kevin Douglas and related group (3) c/o 125 East Sir Francis Drake Blvd.  Suite 400, Larkspur, CA 94903	11,735,500	22.6%
BlackRock, Inc. (4) 40 East 52nd Street, New York, NY 10022	3,026,032	5.8%
<i>Directors</i>		
Daniel P. McGahn (5)	229,706	*
Vikram S. Budhreja	53,000	*
Peter O. Crisp (6)	158,603	*
Richard Drouin	31,000	*
David R. Oliver, Jr. (7)	38,400	*
Pamela F. Lenehan (8)	5,000	*
John B. Vander Sande (9)	62,000	*
John W. Wood, Jr. (10)	37,000	*
<i>Other Named Executive Officers</i>		
Gregory J. Yurek (11)	262,310	*
David A. Henry (12)	207,654	*
Timothy D. Poor (13)	154,150	*
Susan J. DiCecco (14)	72,358	*
Charles W. Stankiewicz (15)	145,331	*
Angelo R. Santamaria (16)	113,668	*
All directors and executive officers as a group (14 persons) (17)	1,570,180	3.0%

\* 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 31, 2012, and any reference below to shares subject to outstanding stock options held by the person in question refers only to such stock options. Except as indicated by the footnotes below, we believe that the persons and entities named in the table above have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.
- (2) To calculate the percentage of outstanding shares of common stock held by each stockholder, the number of shares deemed outstanding includes 52,047,149 shares outstanding as of May 31, 2012, plus any shares

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subject to outstanding stock options currently exercisable or exercisable within 60 days after May 31, 2012 held by the stockholder in question.

- (3) Information is derived from the Schedule 13D/A filed on February 1, 2012 by Kevin Douglas, Michelle Douglas, James E. Douglas III, K&M Douglas Trust, Douglas Family Trust, James Douglas and Jean Douglas Irrevocable Descendants Trust, KGD 2010 Annuity Trust I and MMD 2010 Annuity Trust I and is as of January 21, 2012. According to the Schedule 13D/A, Kevin Douglas has sole voting and dispositive power with respect to 657,332 shares, shared voting power with respect to 7,273,684 shares and shared dispositive power with respect to 11,078,168 shares; Michelle Douglas has sole voting power with respect to 657,332 shares, shared voting power with respect to 7,273,684 shares and shared dispositive power with respect to 7,931,016 shares; James E. Douglas III has sole voting power and shared dispositive power with respect to 1,175,310 shares; K&M Douglas Trust has sole voting and dispositive power with respect to 3,567,864 shares; Douglas Family Trust has sole voting and shared dispositive power with respect to 1,971,842 shares; James Douglas and Jean Douglas Irrevocable Descendants Trust has sole voting and dispositive power with respect to 3,705,820 shares; KGD 2010 Annuity Trust I has sole voting and dispositive power with respect to 657,332 shares; and MMD 2010 Annuity Trust I has sole voting and shared dispositive power with respect to 657,332 shares.
- (4) Information is derived from the Schedule 13G/A filed on February 13, 2012 by BlackRock, Inc. and is as of December 30, 2011. As reported in the Schedule 13G/A, Blackrock has sole dispositive and voting power for all such shares.
- (5) Includes 116,500 shares subject to outstanding stock options, 65,000 shares subject to certain restrictions on transfer and a risk of forfeiture in favor of AMSC and 2,690 shares held indirectly through AMSC's 401(k) plan.
- (6) Includes 3,000 shares held by Mr. Crisp's wife and 40,000 shares subject to outstanding stock options. Mr. Crisp disclaims beneficial ownership of the shares held by his wife.
- (7) Includes 20,000 shares subject to outstanding stock options.
- (8) Includes 5,000 shares subject to outstanding stock options.
- (9) Includes 40,000 shares subject to outstanding stock options.
- (10) Includes 20,000 shares subject to outstanding stock options.
- (11) Includes 176,012 shares held by Dr. Yurek and 86,298 shares subject to outstanding stock options. Stock ownership information is as of August 15, 2011, the last day on which Dr. Yurek served as a director of the Company. Stock option information is as of May 31, 2012 and is based on the Company's records.
- (12) Includes 125,000 shares subject to outstanding stock options, 28,000 shares subject to certain restrictions on transfer and risk of forfeiture in favor of the Company and 1,904 shares held indirectly through AMSC's 401(k) plan.
- (13) Includes 80,334 shares subject to outstanding stock options, 26,666 shares subject to certain restrictions on transfer and risk of forfeiture in favor of the Company and 2,445 shares held indirectly through AMSC's 401(k) plan.

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- (14) Includes 30,533 shares subject to outstanding stock options, 19,800 shares subject to certain restrictions on transfer and risk of forfeiture in favor of the Company and 2,568 shares held indirectly through AMSC's 401(k) plan.
  
- (15) Includes 80,000 shares subject to outstanding stock options. Stock ownership information is as of August 23, 2011, the last day of Mr. Stankiewicz's employment with the Company. Stock option information is as of May 31, 2012 and is based on the Company's records.
  
- (16) Includes 80,000 shares subject to outstanding stock options. Stock ownership information is as of August 12, 2011, the last day of Mr. Santamaria's employment with the Company. Stock option information is as of May 31, 2012 and is based on the Company's records.
  
- (17) Includes 723,665 shares subject to outstanding stock options, 139,466 shares subject to certain restrictions on transfer and risk of forfeiture in favor of the Company and 9,607 shares held indirectly through AMSC's 401(k) plan.

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### CORPORATE GOVERNANCE

Our Board has long believed that good corporate governance is important to ensure that AMSC is managed for the long-term benefit of our stockholders. This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of our committee charters, corporate governance guidelines and code of conduct described below have been posted in the Governance section of the Investors page of our website at [www.amsc.com](http://www.amsc.com). Alternatively, you can request a copy of any of these documents by writing our Investor Relations department at 64 Jackson Road, Devens, Massachusetts 01434 or by calling (978) 842-3177.

#### Members of the Board

Set forth below, for each director, are his or her name and age, his or her positions (if any) with us, his or her principal occupation and business experience during the past five years, the names of other public companies of which he or she has served as a director during the past five years and the year of the commencement of his or her term as a director of AMSC. Each of the individuals named below is a nominee for election to our Board at the Annual Meeting.

**Vikram S. Budhraja**, age 64, has been president of Electric Power Group, LLC, a Pasadena, California-based consulting firm that provides management and strategic consulting services, smart grid synchrophasor technology services and applications, and power grid reliability monitoring solutions to the electric power industry, since January 2000. From 1977 to January 2000, Mr. Budhraja served in key executive and 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 is a founding member of 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. Budhraja has previously served as a director of several organizations, including the California Independent System Operator Corporation, which manages California's power transmission system, and SoftSwitching Technologies, which provides scalable power quality and monitoring solutions. He also holds a Professional Director Certification from the American College of Corporate Directors, a national public company director education organization. We believe Mr. Budhraja's qualifications to sit on our Board include his extensive operational knowledge of, and executive level management experience in, the electric power industry. Mr. Budhraja has been a director of our company since 2004.

**Richard Drouin**, age 80, is counsel at McCarthy Tétrault LLP, a Canadian law firm. 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. From September 1999 to February 2009, he was also chairman of the North American Electric Reliability Corporation which oversees the reliability of the Bulk Power Transmission Systems in North America. He is chairman of the board of Stonebridge Financial. He is a director of the British Airport Authority in London, Gesca Limitée, a company that publishes seven newspapers in the provinces of Quebec and Ontario, in Montreal, and President's Choice Bank in Toronto. He was also chairman of the board of the World Energy Congress which was held in Montreal in September 2010. He is Honorary Consul for Great Britain in Quebec. We believe Mr. Drouin's qualifications to sit on our Board include his experience serving as a director of other public and private companies and his extensive legal skill and expertise developed as counsel to public and private companies over the past 35 years. Mr. Drouin has been a director of our company since 1996.

**Pamela F. Lenehan**, age 60, has been president of Ridge Hill Consulting, a strategy and financial consulting firm, since June 2002. From September 2001 until June 2002, Ms. Lenehan was self-employed as a private investor. From March 2000 until September 2001, she served as vice president and chief financial officer of Convergent Networks, Inc., a manufacturer of switching equipment. From February 1995 until January 2000, she was senior vice president of corporate development and treasurer of Oak Industries, Inc., a manufacturer of telecommunications components until it was acquired by Corning. Prior to that time, Ms. Lenehan was a Managing Director in Credit Suisse First Boston's Investment Banking division and a vice president of Corporate Banking at Chase Manhattan Bank. Ms. Lenehan is currently a director of publicly traded Spartech Corporation, a leading supplier of sustainable plastic sheet, compounding and packaging solutions, and Monotype Imaging Holdings Inc., a software company that provides typefaces, technology and expertise for creative applications and



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consumer devices, and privately held National Mentor Holdings, which provides home and community-based health and human services. She previously served as a director of Avid Technology. She also holds a Masters Professional Director Certification from the American College of Corporate Directors, a national public company director education organization. We believe Ms. Lenehan's qualifications to sit on our Board include her experience serving as a director for other public and private companies, her extensive financial and strategic management experience, and her particular knowledge of equity and debt financing and mergers and acquisitions. Ms. Lenehan has been a director of our company since March 2011.

**Daniel P. McGahn**, age 40, has been our chief executive officer since June 2011 and president since December 2009. Mr. McGahn also served as our chief operating officer from December 2009 until May 2011, as senior vice president and general manager of our AMSC Superconductors business unit from May 2008 until December 2009 and vice president of our AMSC Superconductors business unit from January 2008 to May 2008. Previously, Mr. McGahn was our vice president of strategic planning and development from December 2006 to January 2008. From 2003 to 2006, Mr. McGahn served as executive vice president and chief marketing officer of Konarka Technologies, which develops and commercializes Konarka Power Plastic<sup>®</sup>, a material that converts light to electricity. We believe Mr. McGahn's qualifications to sit on our Board include his extensive experience with our company, including serving as our president since December 2009, experience in the power electronics industry and strategic planning expertise gained while working in senior management and as a consultant for other public and private companies. Mr. McGahn has been a director of our company since June 2011.

**David R. Oliver, Jr.**, age 70, has served as a strategic advisor, mergers and acquisitions, for European Aeronautic Defense and Space Company North America (EADS NA), a European aerospace corporation, since January 2012. From January 2008 until December 2011, Mr. Oliver served as executive vice president and chief operating officer for EADS NA. Mr. Oliver also served as chief executive officer of the defense division of EADS NA for most of the four years preceding January 2008 except when he was running the EADS portion of the capture effort for the Air Force Tanker program. Before joining EADS NA, Mr. Oliver was stationed in Baghdad as Director of Management and Budget for the Coalition Forces. Prior to that, he served as the United States Principal Deputy Under Secretary of Defense for Acquisition and Technology. Mr. Oliver also previously held management positions at both Westinghouse Electric and Northrop Grumman. In the Navy, he commanded both diesel and nuclear submarines as well as two submarine groups in the Cold War. His last Navy appointment was as Principal Deputy to the Assistant Secretary of the Navy for Research, Development and Acquisition. Rear Admiral (retired) Oliver's military decorations include the Defense and Navy Distinguished Service Medals as well as six awards of the Legion of Merit. Mr. Oliver is a director of EADS NA, which is a publicly traded entity, and Pittsburgh Electric Engineering Company, which is a privately held entity. We believe Mr. Oliver's qualifications to sit on our Board include his extensive leadership, management and budgeting experience gained while serving as a senior officer in the United States Navy. Mr. Oliver has been a director of our company since September 2006.

**John B. Vander Sande**, age 68, co-founded AMSC, but has never had day-to-day operational responsibilities at our company. Dr. Vander Sande is the Cecil and Ida Green Distinguished Professor, Department of Materials Science and Engineering, emeritus, at the Massachusetts Institute of Technology (MIT), specializing in the analysis of the microstructure of materials. He was Associate Dean and Acting Dean of Engineering at MIT from 1992 to 1999 and was founding Executive Director of the Cambridge (England)-MIT Institute from 1999 to 2003. He was Acting Provost at Reykjavik University, Iceland in 2009-10. We believe Dr. Vander Sande's qualifications to sit on our Board include his extensive knowledge of materials, the power technologies industry and his long-time tenure as a professor and administrator at a leading research university. Dr. Vander Sande has been a director of our company since 1990.

**John W. Wood, Jr.**, age 68, has been chairman of our Board since August 2011 and is currently an independent consultant. He served as chief executive officer of Analogic Corporation, a designer and manufacturer of medical imaging and security systems, from 2003 through 2006. Prior to joining Analogic, he held senior executive positions over a 22-year career at Thermo Electron Corporation. Most recently, Mr. Wood served as president of Peek Ltd., a division of Thermo Electron Corporation, and as a senior vice president of the parent company. He previously served as president and chief executive officer of Thermedics, a subsidiary of Thermo Electron. Mr. Wood is a director of FLIR Systems, Inc., which is a publicly traded company that

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designs, manufactures and markets thermal imaging infrared cameras, and ESCO Corporation, which is a privately held company that manufactures engineered metal wearparts and components for industrial applications, including mining, construction, power generation and aerospace. He also holds an Advanced Director Certification from the American College of Corporate Directors, a national public company director education organization. We believe Mr. Wood's qualifications to sit on our Board include his extensive executive-level management experience and significant financial experience. Mr. Wood has been a director of our company since December 2006.

### **Corporate Governance Guidelines**

Our Board has adopted corporate governance guidelines to assist in the exercise of its duties and responsibilities and to serve the best interests of AMSC and our stockholders. These guidelines, which provide a framework for the conduct of our Board's business, provide that:

the principal responsibility of our directors is to oversee the management of our company;

a majority of the members of our Board shall be independent directors;

the independent directors meet regularly in executive session;

our Board, in conjunction with the Compensation Committee, shall be responsible for reviewing and approving a management succession plan, including succession planning for our chief executive officer;

directors have full and free access to management and, as necessary and appropriate, independent advisors;

new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and

at least annually, our Board and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

### **Board Determination of Independence**

Under applicable NASDAQ rules, a director will only qualify as an independent director if, in the opinion of our Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board has determined that Mr. Budhraj, Mr. Crisp, Mr. Drouin, Ms. Lenehan, Mr. Oliver, Dr. Vander Sande and Mr. Wood do not have relationships 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 5605(a)(2) of the NASDAQ Stock Market, Inc. Listing Rules.

### **Director Nomination Process**

The process followed by our Nominating and Corporate Governance 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 Nominating and Corporate Governance Committee and our Board.

In considering whether to recommend any particular candidate for inclusion in our Board's slate of recommended director nominees, the Nominating and Corporate Governance Committee applies criteria set forth in our corporate governance guidelines, such as the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, interest and ability to understand conflicting interests of our various constituencies and ability to act in the interests of all stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the

backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our Board to fulfill its responsibilities.

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Our Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, but believes that our Board, taken as a whole, should embody a diverse set of skills, experiences and backgrounds.

Stockholders may recommend director candidates for consideration by the Nominating and Corporate Governance Committee of our Board by submitting the stockholder's name, address and number of shares of our stock held, and the candidate's name, age, address and resume to our Corporate Secretary at American Superconductor Corporation, 64 Jackson Road, Devens, Massachusetts 01434. Our Board will evaluate stockholder-recommended candidates using the criteria described above. If our Board decides to nominate a stockholder-recommended candidate, then we will include his or her name in the proxy statement and proxy card for the next annual meeting.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or our Board, by following the procedures set forth under Stockholder Proposals for 2013 Annual Meeting. Candidates nominated by stockholders in accordance with the procedures set forth in our bylaws will not be included in our proxy statement or proxy card for the next annual meeting.

## **Board Meetings and Attendance**

Our Board met twenty-two times during fiscal 2011, either in person or by teleconference. During fiscal 2011, each director attended at least 97% of the aggregate number of Board meetings and meetings held by all committees on which he or she then served.

## **Director Attendance at Annual Meeting of Stockholders**

Each of our directors attended the 2011 Annual Meeting of Stockholders. Our corporate governance guidelines provide that directors are expected to attend the Annual Meeting of Stockholders.

## **Board Leadership Structure**

Mr. Wood, a non-employee independent director, has served as the chairman of our Board since August 2011, while Mr. McGahn serves as our chief executive officer and president. We elected to separate these positions in August 2011 when our chairman, Dr. Yurek, retired from his position as chief executive officer. Separating these positions allows our chief executive officer to focus on our day-to-day business, while allowing the chairman of our Board to lead the Board in its fundamental role of providing advice to, and independent oversight of, management. The Board recognizes the time, effort and energy that the chief executive officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our chairman. While our bylaws and corporate governance guidelines do not require that our chairman and chief executive officer positions be separate, the Board believes that having separate positions and having an independent director serve as chairman of the Board is the appropriate leadership structure for our company at this time.

## **Board Committees**

Our Board has established three standing committees—Audit, Compensation, and Nominating and Corporate Governance—each of which operates under a charter that has been approved by our Board. Current copies of each committee's charter are posted in the Governance section of the Investors page of our website, [www.amsco.com](http://www.amsco.com). Our Board has determined that all of the members of each of our 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(c) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

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### *Audit Committee*

The Audit Committee's responsibilities include:

sole and direct responsibility for appointing, compensating, evaluating, retaining and, when necessary, terminating the engagement of our independent registered public accounting firm;

taking, or recommending that the full Board take, appropriate action to oversee the independence of our independent registered public accounting firm;

sole and direct responsibility for overseeing the work of our independent registered public accounting firm, including resolution of disagreements between our management and independent registered public accounting firm regarding financial reporting;

reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

monitoring our internal control over financial reporting, disclosure controls and procedures, and code of business conduct and ethics;

discussing policies with respect to our assessment and management of risk (both financial and non-financial), including guidelines and policies to govern the process by which our exposure to risk is monitored, controlled and reported;

overseeing our internal audit function;

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

meeting independently with our internal auditing staff, independent registered public accounting firm and management;

reviewing and approving or ratifying related person transactions; and

preparing the Audit Committee Report required by SEC rules (which is included on page 13 of this proxy statement).

The current members of the Audit Committee are Ms. Lenehan (chairman), Dr. Vander Sande, Mr. Oliver and Mr. Wood. The Audit Committee met sixteen times during fiscal 2011. Our Board has determined that Ms. Lenehan is an audit committee financial expert as defined in applicable SEC rules.

### *Compensation Committee*

The Compensation Committee's responsibilities include:

reviewing and making a recommendation to our Board with respect to the chief executive officer's compensation;

reviewing and approving the compensation of our other executive officers;

overseeing an evaluation of our senior executives;

overseeing and administering our incentive compensation and equity-based plans;

retaining, if desired, any compensation consultant to be used to assist in the evaluation of executive officer compensation;

reviewing and making recommendations to our Board with respect to director compensation;

reviewing and making recommendations, upon our Board's request, to our Board relating to management succession planning;

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reviewing and discussing annually with management our Compensation Discussion and Analysis, which is included beginning on page 15 of this proxy statement; and

preparing the Compensation Committee Report required by SEC rules, which is included on page 36 of this proxy statement. The current members of the Compensation Committee are Mr. Crisp (chairman), Mr. Drouin, Dr. Vander Sande and Mr. Budhraj. The Compensation Committee met twelve times during fiscal 2011.

### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee's responsibilities include:

identifying individuals qualified to become Board members, consistent with criteria approved by our Board and recommending to our Board the persons to be nominated for election as directors at any meeting of stockholders and the persons to be elected by our Board to fill any vacancies on our Board;

recommending to our Board the persons to be elected to each of our Board's committees;

developing and recommending to our Board a set of corporate governance guidelines applicable to us;

periodically assessing our Board's leadership structure, including whether the offices of chairman of the Board and chief executive officer should be separate; and

overseeing the evaluation of our Board.

The current members of the Nominating and Corporate Governance Committee are Mr. Wood (chairman), Mr. Crisp and Mr. Drouin. The Nominating and Corporate Governance Committee met four times during fiscal 2011.

### **Oversight of Risk**

Our Board oversees our risk management processes directly and through its committees. Our management is responsible for risk management on a day-to-day basis. The role of our Board and its committees is to oversee the risk management activities of management. In accordance with its charter, our Audit Committee discusses policies with respect to our assessment and management of risk (both financial and non-financial), including guidelines and policies to govern the process by which our exposure to risk is monitored, controlled and reported, and reports regularly to the Board on these matters. In general, our Board focuses its oversight on risk management activities relating to business strategy, acquisitions, capital allocation, organizational structure and certain operational risks. Our Compensation Committee oversees risk management activities relating to our compensation policies and practices and management succession planning. Our Nominating and Corporate Governance Committee oversees risk management activities relating to Board composition. Each committee reports to the full Board on a regular basis, including reports with respect to the committee's risk oversight activities as appropriate. Our Board does not believe that its role in the oversight of our risks affects the Board's leadership structure.

### **Executive Compensation Process**

The Compensation Committee has implemented an annual performance review program for our executives, under which annual performance objectives are determined and set forth in writing at the beginning of each fiscal year for AMSC as a whole and for each executive individually. Annual corporate objectives are proposed by management, reviewed by our Compensation Committee and approved by our Board. These corporate objectives target the achievement of specific operational milestones. Annual individual objectives focus on contributions that facilitate the achievement of the corporate objectives and are set during the first quarter of each fiscal year. Individual measurable objectives are proposed by each executive, reviewed by the chief executive officer, and formed on the basis of recommendations to our Compensation Committee and

our Board with regard to executive compensation. Annual salary levels, annual bonuses, and annual stock option grants and restricted stock awards to our executives are tied to the achievement of these corporate and individual performance objectives.



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Our Board has delegated to Mr. McGahn the authority to grant options and award restricted stock, subject to the terms and conditions of our 2007 Stock Incentive Plan and any other limitations set by the Board, to employees other than executive officers.

Our Compensation Committee has the authority to retain compensation consultants and other outside advisors to assist in the evaluation of executive officer compensation.

### **Communicating with the Independent Directors**

Our Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. Our Corporate Secretary is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the 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 our Corporate Secretary 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 we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to our Board should address such communications to our Board c/o Corporate Secretary, American Superconductor Corporation, 64 Jackson Road, Devens, Massachusetts 01434.

### **Code of Business Conduct and Ethics**

We have adopted a written Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial and accounting officer, or persons performing similar functions. We have posted a current copy of the code in the Corporate Governance section of the Investors page of our website, [www.amsc.com](http://www.amsc.com). In addition, we intend to post on our website all disclosures that are required by law or NASDAQ Stock Market listing standards concerning any amendments to, or waivers from, any provision of our code.

### **Audit Committee Report**

The Audit Committee has reviewed AMSC's audited financial statements for the fiscal year ended March 31, 2012 and has discussed these financial statements with management and AMSC's independent registered public accounting firm.

Management is responsible for AMSC's internal control over financial reporting and the financial reporting process, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP. AMSC's independent registered public accounting firm is responsible for performing an audit of AMSC's financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing a report on those financial statements. As appropriate, the Audit Committee reviews and evaluates, and discusses with AMSC's management, internal accounting, financial and auditing personnel, and the independent registered public accounting firm, the following:

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

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

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

significant developments or changes in accounting rules applicable to us; and

the adequacy of AMSC's internal control over financial reporting and accounting, financial and auditing personnel.

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

The Audit Committee also discussed with PricewaterhouseCoopers LLP, AMSC's independent registered public accounting firm, AMSC'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, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from AMSC's independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding AMSC's independent registered public accounting firm's communication with the Audit Committee concerning independence, and has discussed with AMSC's independent registered public accounting firm their independence.

Based on its discussions with management and the independent registered public accounting firm, and its review of the representations and information provided by management and the independent registered public accounting firm, the Audit Committee recommended to the Board of Directors of AMSC that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

By the Audit Committee of the Board.

Pamela F. Lenehan, *Chairman*

David R. Oliver, Jr.

John B. Vander Sande

John W. Wood, Jr.

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**INFORMATION ABOUT EXECUTIVE AND DIRECTOR COMPENSATION**

**Compensation Discussion and Analysis**

***Introduction***

This Compensation Discussion and Analysis ( CD&A ) describes the principles of our executive compensation program, how we applied those principles in compensating our named executive officers for the fiscal year ended March 31, 2012, or fiscal 2011, and how our compensation program drives performance.

Our named executive officers for fiscal 2011 are:

Daniel P. McGahn, President and Chief Executive Officer;

Gregory J. Yurek, who was our Chief Executive Officer until May 31, 2011 and Chairman until August 15, 2011;

David A. Henry, Senior Vice President, Chief Financial Officer and Treasurer;

Timothy Poor, Executive Vice President, Sales, Business Development and Wind Segment;

Susan J. DiCecco, Senior Vice President, Corporate Administration;

Charles W. Stankiewicz, who was our Executive Vice President, Operations and Grid Segment, until August 23, 2011; and

Angelo R. Santamaria, who was our Senior Vice President, Global Manufacturing Operations, until August 12, 2011.

In this CD&A, we first provide an executive summary of our program for fiscal 2011. We then describe our compensation philosophy and the objectives of our executive compensation program and how the Compensation Committee of our Board oversees our compensation program. We discuss the compensation determination process and describe how we determine each element of compensation.

**Executive Summary**

***Overview of Our Executive Compensation Program***

The Compensation Committee of our Board has designed our executive compensation program to attract and retain superior employees in key positions to enable our company to succeed in the highly competitive market for talent, while simultaneously maximizing stockholder value. We intend to continue to provide a competitive compensation package to our executives, tie a significant portion of pay to performance and utilize components that best align the interests of our executives with those of our stockholders.

The following is a summary of important aspects of our executive compensation program discussed later in this CD&A:

*Key Elements of Our Compensation Program.* Our compensation program is designed to achieve these objectives through a combination of the following types of compensation:

Base salary;

Performance-based annual cash bonuses;

Long-term equity incentives; and

Severance and change-in-control benefits.

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Each element of our executive compensation program is discussed in greater detail below.

*We Intend to Pay for Performance.* A significant portion of our named executive officers' total compensation, as shown below, ties compensation directly to the achievement of corporate and individual objectives. We emphasize pay for performance in order to align executive compensation with our business strategy and the creation of long-term stockholder value.

*Our Compensation Program Supports Our Corporate Objectives and Stockholder Interests.* Our compensation program is designed to align executive officer compensation with our short- and long-term business objectives and building long-term stockholder value by rewarding successful execution of our business plan and by tying a portion of total compensation opportunities to equity incentives.

### ***Overview of Fiscal 2011 Performance***

Fiscal 2011 has been a very difficult year for our company. Toward the end of our first quarter of fiscal 2011, we discovered what we believe to be the theft of certain of our intellectual property by Sinovel Wind Group Co. Ltd., or Sinovel, who up until then was our largest customer, but was refusing to accept deliveries of contracted shipments. This discovery changed our management's view regarding Sinovel continuing as a customer, and as a result, we undertook significant cost reduction actions in fiscal 2011. While our company generated a significant net loss in fiscal 2011, our overall fiscal 2011 financial performance was in line with our company's objectives established after our company changed its view about Sinovel as a customer.

### ***Fiscal 2011 Compensation Programs and Decisions***

In line with our executive compensation program's emphasis on pay for performance, compensation awarded to our named executive officers for fiscal 2011 reflected our financial results and overall compensation philosophy:

*Adjustments to Base Salary.* During fiscal 2011, our named executive officers received increases to their base salaries based on factors such as the level of job responsibility, individual, business unit and overall company performance, and competitiveness with salaries paid to executive officers in similar positions, industries and geographic locations.

*Performance-Based Annual Cash Bonuses.* For fiscal 2011, our company primarily focused on decreasing Non-GAAP Net Loss (as such performance measure is described in more detail below), operating loss and operating expense and increasing revenues, cash flows and orders. Our compensation program for fiscal 2011 was designed to support our company's focus on these performance measures. For our annual bonus program for fiscal 2011, the Compensation Committee selected these objectives as key corporate objectives because the Compensation Committee believes they encourage executives to achieve superior operating results.

*Long-Term Equity Incentive.* The Compensation Committee granted long-term equity awards to our named executive officers in fiscal 2011 based on such factors as performance and contribution during the prior fiscal year, recommendations made by our management, competitive practices, and the overall compensation package for each executive officer.

Though we generated a significant net loss in 2011, we believe that management has swiftly and effectively responded to challenges arising from the Sinovel situation. The Compensation Committee believes that the named executive officers' fiscal 2011 compensation was appropriate given the performance and steps taken by management to reposition the company including cost control, revenue generation, new orders and customer diversification.

### ***Compensation Program Philosophy and Objectives***

The Compensation Committee of our Board oversees our executive compensation program, pursuant to authority established in the Compensation Committee Charter. The Compensation Committee reviews and approves all compensation decisions relating to our executive officers, except for the chief executive officer. The Compensation Committee reviews the compensation for our chief executive officer and makes a recommendation to our Board, and our Board determines the compensation of our chief executive officer.



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Our executive compensation program is designed to meet three principal objectives:

Attract and retain executive officers who contribute to our long-term success;

Align compensation with our short- and long-term business objectives; and

Motivate the executive officers to provide superior performance that will build long-term stockholder value.

These objectives collectively seek to link executive compensation to our overall company performance, which helps to ensure that the interests of our executives are aligned with the interests of our stockholders.

The Compensation Committee's decisions regarding executive compensation during fiscal 2011 were based on achieving the above objectives, with an emphasis on:

Increasing long-term stockholder value by decreasing net loss before amortization of acquisition-related intangibles, restructuring and impairments, stock-based compensation expense, other unusual charges and any tax effects related to these items, which we refer to as Non-GAAP Loss;

Improving operational performance by increasing revenue, operating income, cash flow and orders and decreasing operating expense;

Taking into account the nature and scope of the executive officer's position and responsibilities, including considerations of pay equity among the executive officers; and

Providing compensation opportunities that are competitive in the marketplace.

In setting executive compensation for fiscal 2011, the Compensation Committee established salary levels, approved annual equity awards and established an executive incentive cash bonus plan with performance metrics that reflected our annual operating plan and strategic priorities for fiscal 2011. For fiscal 2011, the Compensation Committee established Non-GAAP Net Loss and individualized objectives relating to revenue, operating expense, operating loss, cash flow, orders and internal customer service measurements, to promote our short-term and long-term business success. In setting objectives for each of the foregoing metrics, the Compensation Committee considered multiple factors so that its decisions were informed and equitable and that our executive compensation program achieved its objectives.

### *Stockholder Say-On-Pay Votes*

At our Annual Meeting of Stockholders held on December 8, 2011, we provided our stockholders with the opportunity to cast an advisory vote on executive compensation, and in future years such advisory vote will occur triennially. Over 95% of the votes cast on this "say on pay" vote were voted in favor of the proposal. We have considered the results of such vote and believe the support of our stockholders for the vote proposal indicates that our stockholders are generally supportive of our approach to executive compensation. Thus we did not make changes to our executive compensation arrangements in response to the vote. In the future, we will continue to consider the outcome of our "say on pay" votes when making compensation decisions regarding our named executive officers.

### **The Compensation Committee's Process**

The Compensation Committee has a process to help ensure that our executive compensation program meets its principal objectives. In making compensation decisions, the Compensation Committee considers a wide variety of information, including how each compensation decision ties to its total compensation philosophy, the advice of our senior vice president, corporate administration, and the thoughts of our chief executive officer and other Board members.



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Our senior vice president, corporate administration, regularly attends Compensation Committee meetings to provide information and recommendations regarding our executive compensation program. Among other things, she performs extensive analyses of marketplace practices for executive pay, makes recommendations to our chief executive officer on compensation matters for all officers (other than herself) and compiles other relevant data at the request of the Compensation Committee.

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Our chief executive officer is actively involved in the executive compensation process. Our chief executive officer reviews the performance of each of the executive officers (other than his own) and makes recommendations to the Compensation Committee regarding the salary and long-term incentive awards for executive officers other than himself, as well as the executive compensation program's impact on attracting, retaining and motivating the level of executive talent necessary to achieve and exceed our company goals. The Compensation Committee is not bound by such recommendations, but generally takes them into consideration before making final determinations about the compensation of executive officers other than our chief executive officer.

The Compensation Committee reviews the compensation for our chief executive officer and makes a recommendation to the full Board. The full Board determines the compensation of our chief executive officer.

The Compensation Committee also considers information relevant to each executive's specific situation including the executive's marketability and the availability or scarcity of other qualified candidates, inside and outside our company, who could replace the executive should he or she leave the Company.

In determining equity compensation, the Compensation Committee considers levels of past performance, performance potential, retention risk and the value of the equity compensation needed to keep the total compensation opportunity level competitive and consistent with our compensation philosophy.

*Role of Independent Compensation Consultant.* The Compensation Committee engaged Pearl Meyer & Partners in 2008 as its independent outside compensation consultant, to advise it and develop an executive compensation strategy, to assess the competitiveness of our executive compensation and to provide recommendations with respect to both the levels and structure of compensation for our executives. Pearl Meyer & Partners assessed the competitiveness of executive compensation through comparisons with peer groups and survey sources while additionally assessing our performance to ensure compensation levels were appropriately tied to performance. With the assistance of Pearl Meyer & Partners, in June 2011, the Compensation Committee reviewed the compensation levels of our executive officers against compensation levels at peer group companies that were selected based on the following criteria:

companies whose product and service offerings are similar, though not necessarily identical, to ours;

companies with revenues of approximately one-third to three times our revenues, of which approximately 67% have higher revenues and 33% have lower revenues than we had (at the time of selection in February 2011); and

companies with market capitalization of approximately one-fourth to four times our market capitalization, of which 20% have a higher market capitalization and 80% have a lower market capitalization than we had (at the time of selection in February 2011).

For the analysis of our fiscal 2011 executive compensation packages, the peer group was approved by the Compensation Committee in fiscal 2011 and consisted of the following fifteen companies:

**Peer Group Companies**

Advanced Energy Industries, Inc.  
AZZ, Inc.  
Cirrus Logic, Inc.  
EnerNOC, Inc.  
ESCO Technologies, Inc.  
Generac Holdings, Inc.  
GT Solar International, Inc.  
ITC Holdings Corporation

Kaydon Corporation  
Microsemi Corporation  
National Instruments Corporation  
Powell Industries, Inc.  
Power-One, Inc.  
SunPower Corporation  
Vicor Corporation

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The selection criteria and peer group companies are reviewed each year by the Compensation Committee and may change from year to year depending on changes in the marketplace, acquisitions, divestitures and business focus of us and/or our peer group companies. In order to perform the analysis of our fiscal 2011 compensation, our Compensation Committee added nine new companies, Advanced Energy Industries, Inc., Cirrus Logic, Inc., ESCO Technologies, Inc., Generac Holdings, Inc., GT Solar International, Inc., Kaydon Corporation, Microsemi Corporation, National Instruments Corporation and Power-One, Inc., to our peer group, and removed eight companies, Broadwind Energy, Inc., Comverge, Inc., Echelon Corporation, Energy Conversion Devices, Inc., Evergreen Solar, Inc., FuelCell Energy, Inc., SatCon Technology Corporation and Zoltek Companies, Inc., from our peer group. These changes were made in order to maintain closer similarity between us and our peer group companies based upon the comparable company criteria described above.

The Compensation Committee utilized the peer group to provide context for its compensation decision-making. The compensation paid by peer group companies to their respective executive officers does not factor into the Compensation Committee's determination of the peer group. After the peer group companies are selected, Pearl Meyer & Partners prepares and presents a report to the Compensation Committee summarizing the competitive data and comparisons of our executive officers to the comparable company market data utilizing publicly available data from the comparable companies and broad survey data (reflecting companies of similar size in the general and high-technology industries). We use the broad survey data in conjunction with peer group data in evaluating our executive compensation practices. Survey data sources include the CHiPS Executive and Senior Management Total Compensation Survey and Towers Watson's Top Management Compensation Survey. The Compensation Committee does not rely upon data from any individual company participating in any of these surveys in making compensation decisions and uses the general survey data as only a reference point for evaluating our executive compensation practices, as opposed to benchmarking our executive compensation practices against the general survey data. Each of our elements of compensation is reviewed as part of this analysis and evaluation.

The above review provided the Compensation Committee with general affirmation that its compensation decisions are aligned with the marketplace and our compensation program was achieving the Compensation Committee's objectives, as described above.

During early fiscal 2011, Pearl Meyer & Partners advised the Compensation Committee on compensation matters for all officers and directors and met with the Compensation Committee in executive session without the presence of management, as requested by the Compensation Committee. Pearl Meyer & Partners did not perform services for the Company that were unrelated to Compensation Committee matters during fiscal 2011.

### **Risk Considerations in our Compensation Program**

Our Compensation Committee does not believe that any risks arising from our employee compensation policies and practices are reasonably likely to have a material adverse effect on our company. Our Compensation Committee believes that any risks arising from our compensation policies and practices are mitigated by:

the multiple elements of our compensation packages, including base salary, annual bonus programs and, for many of our employees, equity awards vesting over multiple years, that are intended to motivate employees to take a long-term view of our business;

the structure of our annual cash bonus program, which is based on (i) a number of different performance measures (including Non-GAAP Net Loss, revenue, operating expense, operating income, cash flow, orders and internal customer service measurements), to avoid employees placing undue emphasis on any particular performance metric at the expense of other aspects of our business, and (ii) performance targets that we believe are somewhat aggressive yet reasonable and should not require undue risk-taking to achieve; and

management process, controls and decision authorities established for different types and levels of decisions.

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**Compensation Mix**

The Compensation Committee relies upon its judgment and not upon rigid guidelines or formulas in determining the amount and mix of compensation elements for each executive officer. We seek to achieve our executive compensation objectives through the use of four compensation components, which are summarized in the table below.

<b>Compensation Component</b>	<b>Principal Contributions to</b>	<b>Compensation Objectives</b>	<b>Comments</b>
<i>Base salary</i>	Attracts and retains talented executives with annual salary that reflects the executive's performance, skill set and opportunities in the marketplace.	Only component of compensation that is guaranteed.	Can be most influenced by individual performance.
<i>Performance-based annual cash bonuses</i>	Focuses executives on annual financial and operating results.  Links compensation to stockholder interests.	Payout target for named executive officers ranges from 50% to 100% of base salary and depends upon Non-GAAP Net Loss, individual objectives, and contribution to our financial and non-financial objectives.	Comprised 11% to 41% of total compensation for our named executive officers in fiscal 2011.  0% to 156% of target payout can be achieved.
<i>Long-term equity incentives</i>	Retains a successful and tenured management team.	Total cash compensation (base salary plus performance-based annual cash bonus) comprised 11% to 68% of total compensation for our named executive officers in fiscal 2011.	Time-based stock options and restricted stock.  Long-term equity incentives comprised 0% to 50% of total compensation for our named executive officers in fiscal 2011.  Long-term equity incentives combined with performance-based annual cash bonus brings at risk fiscal 2011 compensation to a range of 0% to 76% of total compensation for the named executive officers.



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**Principal Contributions to**

**Compensation Component**

*Severance and change-in-control benefits*

**Compensation Objectives**

Helps to attract and retain talented executives with benefits that are comparable to those offered by companies with whom we compete for talent.

**Comments**

Each severance agreement provides for certain severance benefits, primarily salary, health benefits and, in certain cases, prorated cash bonus, in the event that the executive's employment is terminated under certain circumstances. The severance periods (other than for Dr. Yurek) range from 12 months to 24 months.

Incentivizes management to maximize stockholder value.

The stock options and restricted stock awards we grant to our executive officers provide for full acceleration of vesting upon a change in control of our company.

While the Compensation Committee independently evaluates each of the compensation components discussed in the above table, it places greater emphasis on the sum of base salary, performance-based annual cash bonuses and long-term equity incentives rather than any one component because of their combined greater potential to influence our named executive officers' performance. The Compensation Committee believes, and our pay mix is designed to reflect, that a substantial portion of the compensation for our named executive officers should be at risk and aligned with our stockholders' interests.

***Base salary***

Base salaries are set once per year as part of the compensation review process. The Compensation Committee assessed a number of factors in determining base salary adjustments for our executive officers for fiscal 2011 including:

level of job responsibility;

individual, business unit and overall company performance; and

competitiveness with salaries paid to executive officers in similar positions, industries and geographic locations.

Based on its assessment of the foregoing factors, together with its own business experience and judgment, the Compensation Committee approved the changes below to the annual base salaries of our executive officers, other than our chief executive officer, effective as of May 1, 2011.

*David A. Henry* increased from \$295,000 to \$306,000.

*Timothy D. Poor* increased from \$240,000 to \$290,000.

*Susan J. DiCecco* increased from \$225,000 to \$242,000.

*Charles W. Stankiewicz* increased from \$321,000 to \$345,000.

*Angelo R. Santamaria* increased from \$240,000 to \$250,000.

In addition, on May 23, 2011, the Compensation Committee recommended, and the Board approved, an increase to Mr. McGahn's base salary from \$330,000 to \$480,000, effective June 1, 2011, in connection with his promotion to chief executive officer of the Company.

Dr. Yurek did not receive an increase to his base salary of \$600,000 in fiscal 2011.

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The following table reflects a comparison of the fiscal 2010 base salary and fiscal 2011 base salary received by each named executive officer and the relative change from fiscal 2010 to fiscal 2011.

Name	Fiscal 2010 Base Salary	Fiscal 2011 Base Salary	% Increase
Daniel P. McGahn	\$ 330,000	\$ 457,039	38.5%(1)
Gregory J. Yurek	\$ 600,000	\$ 99,231(2)	
David A. Henry	\$ 295,000	\$ 306,288(3)	3.8%
Timothy D. Poor	\$ 240,000	\$ 287,077	19.6%
Susan J. DiCecco	\$ 225,000	\$ 241,558	7.4%
Charles W. Stankiewicz	\$ 321,000	\$ 134,735(2)	
Angelo R. Santamaria	\$ 240,000	\$ 96,308(2)	

- (1) Reflects the increase in Mr. McGahn's base salary based on his promotion to chief executive officer.
- (2) Reflects the fiscal 2011 base salary received by Dr. Yurek and Messrs. Stankiewicz and Santamaria prior to termination of their employment.
- (3) Mr. Henry's base salary is \$306,000. The amount actually received is in excess of his base salary due to an additional work day during a leap year at his new base salary.

**Cash Promotion Bonus**

In June 2011, Mr. McGahn received a cash promotion bonus in the amount of \$100,000 in connection with his promotion to chief executive officer of our company.

**Performance-Based Annual Cash Bonuses**

The Compensation Committee believes cash bonuses are an important factor in rewarding and motivating our executive officers. The Compensation Committee establishes a cash incentive plan for our executive officers on an annual basis, typically early in the fiscal year.

On August 9, 2011, the Compensation Committee, and on August 10, 2011, our Board, approved an executive incentive plan for fiscal 2011 covering all of our executive officers. Under the plan, the Compensation Committee established Non-GAAP Net Loss; individualized objectives relating to revenue, operating expense, operating income, cash flow, orders and internal customer service measurements; and individual contributions to our financial and non-financial objectives as the performance metrics for the payment of cash bonus awards for fiscal 2011. For each executive officer, the Compensation Committee assigned the following weighting to each such metric:

our company's Non-GAAP Net Loss for fiscal 2011 as compared to the established target 40%;

the executive's achievement of individual measurable objectives during fiscal 2011 as determined by our Board (in the case of our chief executive officer) or the Compensation Committee, which varied among the executive officers 40%; and

the executive's overall contribution during fiscal 2011 toward the achievement of our company's financial and non-financial objectives 20%.



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Under the terms of the fiscal 2011 executive incentive plan, the Compensation Committee designated for each named executive officer a target cash bonus amount between 50% and 100% of such named executive officer's then current base salary. The amount of the target cash bonus award paid to each named executive officer could have been less than or greater than the executive's target cash bonus incentive, with the amount capped at 156% of the target cash bonus amount. If less than a specified percentage, generally 80%, of a particular quantitative objective was achieved, no payment was received with respect to that component of the bonus plan.

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The following table sets forth each named executive officer's target cash bonus for fiscal 2011:

Name	Target Cash Bonus	
	as % of Base Salary	Target Cash Bonus
Daniel P. McGahn	100%	\$ 480,000
Gregory J. Yurek (1)		
David A. Henry	50%	\$ 153,000
Timothy D. Poor	75%	\$ 217,500
Susan J. DiCecco	50%	\$ 121,000
Charles W. Stankiewicz (1)		
Angelo R. Santamaria (1)		

(1) Dr. Yurek, Mr. Stankiewicz and Mr. Santamaria were not participants in the fiscal 2011 executive incentive plan and were not eligible to receive a performance-based cash bonus payment with respect to fiscal 2011.

The Compensation Committee is responsible for determining the cash payout under the plan to each executive officer other than the chief executive officer. Our Board determines the cash payout under the plan for the chief executive officer, taking into account the recommendation of the Compensation Committee.

The following summarizes the cash bonus opportunity for the named executive officers under each performance metric under the fiscal 2011 executive incentive plan.

*Milestones and achievement for the Non-GAAP Net Loss (40%) bonus measure:* All of the named executive officers had the same Non-GAAP Net Loss threshold that had to be met before payout could be earned. The fiscal 2011 milestones and achievement levels for our company's Non-GAAP Net Loss measure are shown below. An executive's payout on this measure was determined through a numerical calculation based on our company's Non-GAAP Net Loss so the Compensation Committee (or, in the case of our chief executive officer, our Board) did not need to apply discretion.

**Fiscal 2011 Milestones and Achievement for Company Non-GAAP Net Loss**

		Threshold (80%)	Target (100%)	Maximum (156%)
Non-GAAP Net Loss	Non-GAAP Net Loss Milestones:	(\$ 117.4M)	(\$ 105.7M)	(\$ 32.5M)
	Non-GAAP Net Loss Result:		(\$ 85.5M)	
Bonus Opportunity	Achievement (% of Target):		119%	
	% of Target Bonus Opportunity:		116%	

Our company's Non-GAAP Net Loss achievement for fiscal 2011 exceeded target-level expectations, resulting in a bonus payout that was 116% of the target bonus opportunity for this measure. The Compensation Committee (or, in the case of our chief executive officer, our Board) awarded bonuses under the Non-GAAP Net Loss measure to each named executive officer as follows:

Name	Target Bonus for Metric	Total Payout for Metric	% of Target Bonus Opportunity
Daniel P. McGahn	\$ 192,000	\$ 222,720	116%
Gregory J. Yurek	\$	\$	
David A. Henry	\$ 61,200	\$ 70,992	116%
Timothy D. Poor	\$ 87,000	\$ 100,920	116%

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Susan J. DiCecco	\$	48,400	\$	56,144	116%
Charles W. Stankiewicz	\$		\$		
Angelo R. Santamaria	\$		\$		

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*Individual measurable objectives (40%):* The cash bonus payment to each named executive officer under this measure depended upon achievement of performance objectives specific to each named executive officer. These performance objectives were established at the beginning of fiscal 2011 and relate specifically to each officer's function and department. The Compensation Committee (or, in the case of our chief executive officer, our Board) awarded bonuses under this measure to each named executive officer as follows:

<b>Fiscal 2011 Individual Measurable Objectives</b>					
<b>Name</b>	<b>Measure</b>	<b>Target</b>	<b>Achievement (% of Target)</b>	<b>Payout for Metric</b>	<b>% of Target Bonus Opportunity</b>
Daniel P. McGahn	AMSC Revenue (30%)	\$93.4M	82%	\$21,888	38%
	New Orders (30%)	\$134.0M	112%	85,248	148%
	Operating Expense (2) (30%)	\$91.9M	114%(4)	89,856	156%
	Operating Cash Flow (3) (10%)	(\$128.0M)	102%	20,736	108%
	Total Payout			\$217,728	113%
Gregory J. Yurek (1)					
David A. Henry	Internal Customer Service Measurement (40%)	20% improvement from baseline survey	114%(4)	\$38,189	156%
	Operating Expense (2) (30%)	\$91.9M	114%(4)	28,642	156%
	Operating Cash Flow (3) (10%)	(\$128.0M)	102%	6,610	108%
	Wind Operating Income (10%)	(\$80.4M)	114%(4)	9,547	156%
	Grid Operating Income (10%)	(\$29.4M)	106%	7,589	124%
	Total Payout			\$90,577	148%
Timothy D. Poor	Wind Operating Income (50%)	(\$80.4M)	114%(4)	\$67,860	156%
	AMSC Revenue (20%)	\$93.4M	82%	6,612	38%
	New Orders (20%)	\$134.0M	112%	25,752	148%
	Operating Cash Flow (3) (10%)	(\$128.0M)	102%	9,396	108%
		Total Payout			\$109,620
Susan J. DiCecco	Operating Expense for HR/IT/EH&S (25%)	\$18.5M	114%(4)	\$18,876	156%
	Annual Recordable Injury Rate (25%)	25% below industry average	114%(4)	18,876	156%
	Annual Voluntary Turnover (25%)	at industry average	100%	12,100	100%
	Internal Customer Service Measurement (25%)	5% improvement from baseline survey	106%	15,004	124%
		Total Payout			\$64,856
Charles W. Stankiewicz (1)					
Angelo R. Santamaria (1)					

- (1) Dr. Yurek, Mr. Stankiewicz and Mr. Santamaria were not participants in the fiscal 2011 executive incentive plan and did not receive a performance-based cash bonus payment.
- (2) Operating expense metric defined as operating expense less (i) stock compensation expense, (ii) restructuring and impairment expenses, (iii) termination fee incurred in connection with the termination of the acquisition of The Switch Engineering Oy, a limited liability company incorporated and existing under the laws of Finland, and (iv) legal expense incurred in connection with Sinovel matter.
- (3) Operating cash flow metric defined as operating cash flow less cash outflows related to adverse purchase commitments and legal expense incurred in connection with Sinovel matter.

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(4) Achievement as a % of target is at or exceeds 114%, which results in maximum payout of 156% of target bonus opportunity.

*Executive contribution to company's achievement of financial and non-financial objectives – subjective performance measure (20%):* Each named executive officer was also evaluated upon his or her overall contribution during fiscal 2011 toward the achievement of our company's financial and non-financial objectives. Assessment of achievement for these objectives was evaluated on the basis of a number of pre-determined factors relating to outcomes, timing, process, communication and leadership. The Compensation Committee (or, in the case of our chief executive officer, our Board) had discretionary authority to determine whether, and to what extent, these objectives had been achieved.

The Compensation Committee (or, in the case of our chief executive officer, our Board) awarded bonuses under this measure to each named executive officer as follows:

Name	Target Bonus for Metric	Total Payout for Metric	% of Target Bonus Opportunity
Daniel P. McGahn	\$ 96,000	\$ 149,760	156%
Gregory J. Yurek	\$	\$	
David A. Henry	\$ 30,600	\$ 28,764	94%
Timothy D. Poor	\$ 43,500	\$ 53,940	124%
Susan J. DiCecco	\$ 24,200	\$ 33,880	140%
Charles W. Stankiewicz	\$	\$	
Angelo R. Santamaria	\$	\$	

*Overall payout results:* In June 2012, the Compensation Committee (or, in the case of our chief executive officer, our Board) approved the following payouts under the fiscal 2011 executive incentive plan:

Name	Fiscal 2011 Target Cash Bonus	Fiscal 2011 Total Cash Payout	% of Target Bonus Opportunity
Daniel P. McGahn	\$ 480,000	\$ 590,208	123%
Gregory J. Yurek (1)	\$	\$	
David A. Henry	\$ 153,000	\$ 190,332	124%
Timothy D. Poor	\$ 217,500	\$ 264,480	122%
Susan J. DiCecco	\$ 121,000	\$ 154,880	128%
Charles W. Stankiewicz (1)	\$	\$	
Angelo R. Santamaria (1)	\$	\$	

(1) Dr. Yurek, Mr. Stankiewicz and Mr. Santamaria were not participants in the fiscal 2011 executive incentive plan and were not eligible to receive a performance-based cash bonus payment with respect to fiscal 2011.

**Long Term Equity Incentives**

The Compensation Committee uses stock-based awards to retain executive officers and align their interests with those of our stockholders. Historically, the Compensation Committee granted stock-based awards to our executive officers purely in the form of stock options that vested in installments over multiple years, with an exercise price equal to the closing market price of our common stock on the date of grant. While we continue to use stock options as a form of incentive for employees and executive officers, the Compensation Committee has increasingly relied on the award of shares of restricted stock to our executive officers. The Compensation Committee awards both time-based and performance-based restricted stock awards. A time-based restricted stock award typically will vest in equal annual installments over a three-year period. A performance-based restricted stock award typically will vest upon the achievement of specific objectives relating to our performance within a specified period. The Compensation Committee believes shares of restricted stock provide an equally motivating form of incentive compensation, minimize stock compensation expenses and reduce the potential dilution of our shares.



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We generally grant options and shares of restricted stock to executive officers and other employees upon their initial hire, in connection with a promotion, and annually based on merit. To determine the amount of stock-based awards granted to executive officers, our Compensation Committee considers the performance of the individual and our company, historic stock-based awards and the awards made to those in similar positions at comparable companies.

Our Board and Compensation Committee typically meet in early May to review company performance for the prior fiscal year. At such time, the Compensation Committee (or, in the case of our chief executive officer, our Board) also reviews the performance of the executive officers over the prior fiscal year and grants restricted stock or stock options to the executive officers. In fiscal 2011, the Board and Compensation Committee met after our company became current in its filings with the Securities and Exchange Commission on September 23, 2011.

In September 2011, when considering equity grants, the Compensation Committee considered:

each executive officer's performance and contribution during the prior fiscal year;

recommendations made by our management;

competitive practices; and

the overall compensation package for each executive officer.

Based on such considerations, the Compensation Committee granted time-based restricted stock awards and stock options. Messrs. Henry and Poor each received time-based restricted stock awards for 25,000 shares, each of which vest in full on June 24, 2014. Ms. DiCecco received a time-based restricted stock award for 18,000 shares, which vests in equal annual installments over a three-year period. Messrs. Henry and Poor and Ms. DiCecco also received option grants for 42,000, 45,000 and 30,000 shares, respectively, with each grant becoming exercisable in equal annual installments over a three-year period. Mr. McGahn had received a time-based restricted stock award of 60,000 shares and an option grant for 90,000 shares, each of which vests in equal annual installments over a three-year period, in connection with his promotion to chief executive officer in May 2011 and, as a result, he did not receive any additional restricted stock awards or option grants in September 2011.

### ***Benefits***

We offer a comprehensive benefits package to all full-time employees, including health and dental insurance, life and disability insurance and a 401(k) plan. Executive officers are eligible to participate in all of our employee benefit plans. The 401(k) plan includes a matching component where we will match \$0.50 on each dollar of an employee's contribution up to a maximum of 6 percent of his or her wages in the form of our stock. The employee contributions are subject to the maximum limitations as set forth in the Internal Revenue Code of 1986, as amended, or the Code.

### ***Severance and Change-in-Control Benefits***

We have entered into agreements with each of our executive officers that provide them with severance benefits in the event of the termination of their employment under specified circumstances, including termination following a change in control of our company. In addition, the stock options and restricted stock awards we grant to our executive officers provide for full acceleration of vesting upon a change in control of our company. These agreements, along with estimates of the value of the benefits payable under them, are described below under the caption

Employment Agreements and Severance Agreements with Executive Officers. We believe providing these benefits helps us compete for and retain executive talent and that our severance and change-in-control benefits are generally in line with those provided to executives by comparable companies.

**Table of Contents****Tax Considerations**

The Internal Revenue Service, pursuant to Section 162(m) of the Code, generally disallows a tax deduction for compensation in excess of \$1,000,000 paid to our chief executive officer and to certain other officers (other than our chief financial officer). Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. We generally structure our stock option awards to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to us. We periodically review the potential consequences of Section 162(m) on the other components of our executive compensation program. We generally will structure arrangements to comply with the Section 162(m) exceptions where we believe it to be feasible. However, the Compensation Committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent or is otherwise in the best interests of the Company.

**Summary Compensation Table**

The following table contains information with respect to the compensation for fiscal 2011 of our principal executive officer, our former principal executive officer, our principal financial officer, our other remaining two executive officers who were serving as executive officers on March 31, 2012 and two additional individuals who served as executive officers during part of fiscal 2011 for whom disclosure is required pursuant to SEC rules.

Name and Principal Position	Fiscal Year (1)	Salary	Bonus	Stock Awards (2)	Option Awards (2)	Non-Equity Incentive		Total
						Plan (3)	All Other Compensation (4)	
Daniel P. McGahn <i>President and Chief Executive Officer</i>	2011	\$ 457,039	\$ 100,000(6)	\$ 615,000	\$ 563,706	\$ 590,208	\$ 9,234	\$ 2,335,187
	2010	\$ 330,000				\$ 4,976	\$ 9,304	\$ 344,280
	2009	\$ 281,288		\$ 1,118,990	\$ 2,545,559	\$ 161,520	\$ 8,955	\$ 4,116,312
Gregory J. Yurek <i>Former Chairman and Chief Executive Officer (5)</i>	2011	\$ 99,231				\$ 0	\$ 832,002	\$ 931,233
	2010	\$ 600,000		\$ 614,040	\$ 657,713		\$ 14,106	\$ 1,885,859
	2009	\$ 600,000		\$ 303,480	\$ 768,070	\$ 561,600	\$ 9,704	\$ 2,242,854
David A. Henry <i>Senior Vice President, Chief Financial Officer and Treasurer</i>	2011	\$ 306,288		\$ 116,500	\$ 130,616	\$ 190,332	\$ 7,552	\$ 751,288
	2010	\$ 295,000		\$ 263,160	\$ 274,047		\$ 7,039	\$ 839,246
	2009	\$ 280,000		\$ 128,979	\$ 322,589	\$ 208,992	\$ 6,741	\$ 947,301
Timothy D. Poor <i>Executive Vice President, Sales, Business Development Wind Segment</i>	2011	\$ 287,077		\$ 116,500	\$ 139,946	\$ 264,480	\$ 9,203	\$ 817,206
	2010	\$ 240,000		\$ 146,200	\$ 146,158	\$ 7,488	\$ 8,933	\$ 548,779
	2009	\$ 220,000		\$ 189,675	\$ 460,842	\$ 145,640	\$ 8,277	\$ 1,024,434
Susan J. DiCecco <i>Senior Vice President, Corporate Administration</i>	2011	\$ 241,558		\$ 83,880	\$ 93,297	\$ 154,880	\$ 8,908	\$ 582,523
	2010	\$ 225,000		\$ 157,896	\$ 164,428	\$ 44,190	\$ 8,149	\$ 599,663
	2009	\$ 192,333		\$ 250,600	\$ 185,868	\$ 99,521	\$ 7,284	\$ 735,606
Charles W. Stankiewicz <i>Former Executive Vice President, Operations and Grid Segment (7)</i>	2011	\$ 134,735			\$ 202,435	\$ 0	\$ 274,934	\$ 612,104
	2010	\$ 321,000		\$ 175,440	\$ 182,698		\$ 9,366	\$ 688,504
	2009	\$ 312,000		\$ 278,190	\$ 322,589	\$ 243,360	\$ 11,308	\$ 1,167,448
Angelo R. Santamaria <i>Former Senior Vice President, Global Manufacturing (8)</i>	2011	\$ 96,308		\$ 0	\$ 261,834	\$ 0	\$ 217,709	\$ 575,851
	2010	\$ 240,000		\$ 146,200	\$ 146,158	\$ 20,268	\$ 8,089	\$ 560,715
	2009	\$ 228,000		\$ 189,675	\$ 460,842	\$ 143,914	\$ 8,021	\$ 1,030,452

(1) Refers to the fiscal years ended March 31, 2012 (fiscal 2011), March 31, 2011 (fiscal 2010) and March 31, 2010 (fiscal 2009).

(2) The amounts shown reflect the grant date fair value of awards granted during the applicable fiscal year computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 11 to our audited consolidated financial statements for fiscal 2011 included in our Annual Report on Form 10-K/A for the fiscal year ended March 31, 2012, filed with the SEC on June 26, 2012.

(3) The included amounts in this column reflect cash bonuses paid under our executive incentive plans for fiscal 2011, fiscal 2010 and fiscal 2009. See Compensation Discussion and Analysis Compensation Mix Performance-Based Annual Cash Bonuses above for a description of the plan for fiscal 2011.





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(4) All Other Compensation is comprised of the following amounts:

Name	Fiscal Year	Life Insurance Premiums (1)	Defined Contributions for 401(k) Stock Match	Severance Payments	Other
Daniel P. McGahn	2011	\$ 1,942	\$ 7,292	\$	\$
	2010	1,954	7,350		
	2009	1,958	6,997		
Gregory J. Yurek (1)	2011	2,951		829,051(2)	
	2010	8,106	6,000		
	2009	6,935	2,769		
David A. Henry	2011	1,941	5,611		
	2010	1,945	5,094		
	2009	1,905	4,836		
Timothy D. Poor	2011	1,747	7,456		
Susan J. DiCecco	2011	1,707	7,201		
	2010	1,683	6,466		
	2009	1,545	5,735		
Charles W. Stankiewicz	2011	809	5,473	266,652(3)	2,000(5)
	2010	1,954	7,412		
	2009	1,958	9,350		
Angelo R. Santamaria	2011	732	3,196	213,781(4)	

- (1) The life insurance premium amounts in the table above reflect premiums paid by us for life insurance for which the named executive is the named beneficiary. The amounts disclosed with respect to Dr. Yurek include \$2,466 of premiums paid by us for a term life insurance policy for which his wife is the beneficiary.
- (2) Represents the aggregate severance payments and benefits received by Dr. Yurek in the fiscal 2011, consisting of \$818,001 in cash, and \$11,050 in continued health care benefits.
- (3) Represents the aggregate severance payments and benefits received by Mr. Stankiewicz in the fiscal 2011, consisting of \$257,564 in cash, and \$9,088 in continued health care benefits.
- (4) Represents the aggregate severance payments and benefits received by Mr. Santamaria in the fiscal 2011, consisting of \$201,154 in cash and \$5,277 in continued health care benefits and \$7,350 in outplacement services.
- (5) Represents payments made to Mr. Stankiewicz for serving as a member of the board of directors of one of our Company's minority investments subsequent to August 23, 2011.
- (5) Dr. Yurek resigned his employment with the Company effective June 1, 2011.
- (6) Represents a cash promotion bonus received by Mr. McGahn in connection with Mr. McGahn's promotion to chief executive officer, effective June 1, 2011.
- (7) Mr. Stankiewicz mutually agreed to end his employment with the Company, effective August 23, 2011.
- (8) Mr. Santamaria mutually agreed to end his employment with the Company, effective August 12, 2011.



**Table of Contents****Grants of Plan-Based Awards Table**

The following table contains information concerning potential future payouts under our fiscal 2011 executive incentive plan and each grant of an option or restricted stock award made during fiscal 2011 to the named executive officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Under- lying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (10)
		Threshold \$ (2)	Target \$ (3)	Maximum \$ (4)				
Daniel P. McGahn	5/23/11	144,000	480,000	748,800				\$ 615,000
	5/23/11				60,000(5)			563,706
Gregory J. Yurek								
David A. Henry	9/26/11	45,900	153,000	238,680	25,000(6)			116,500
	9/26/11					42,000(8)	4.66	130,615
Timothy D. Poor	9/26/11	65,250	217,500	339,300	25,000(6)			116,500
	9/26/11					45,000(8)	4.66	139,945
Susan J. DiCecco	9/26/11	36,300	121,000	188,760	18,000(6)			83,880
	9/26/11					30,000(8)	4.66	93,297
Charles W. Stankiewicz	9/12/11					80,000(9)	14.55	202,435
Angelo R. Santamaria	8/22/11					80,000(9)	14.55	261,834

- (1) Reflects the threshold, target and maximum cash bonus amounts under our executive incentive plan for fiscal 2011. See Compensation Discussion and Analysis Compensation Mix Performance- Based Annual Cash Bonuses above for a description of this plan. The amounts actually paid to the named executive officers under this plan are shown above in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (2) Reflects the total minimum amount that would have been earned if the minimum targets for all of the annual metrics had been achieved.
- (3) Reflects the total amount that would have been earned if the targeted annual metrics had been achieved.
- (4) Reflects the total maximum amount that would have been earned if the maximum targets for all of the annual metrics had been achieved.
- (5) Restricted stock award vests in equal annual installments over a 3-year period with the first tranche vesting on May 23, 2012.

- (6) Restricted stock award vests in equal annual installments over a 3-year period with the first tranche vesting on June 24, 2012.
- (7) Options vest in equal annual installments over a 3-year period with the first tranche vesting on May 23, 2012.
- (8) Options vest in equal annual installments over a 3-year period with the first tranche vesting on June 24, 2012.

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(9) Options held by Messrs. Stankiewicz and Santamaria for which the period to exercise was extended until May 14, 2017. See Employment Agreements and Severance Agreements with Executive Officers below for a description of such extension.

(10) Grant date fair value represents the FASB ASC Topic 718 value of the restricted stock award or option as of the grant date.

**Outstanding Equity Awards at Fiscal Year-End Table**

The following table contains information regarding unexercised stock options and unvested restricted stock awards held by our named executive officers as of March 31, 2012.

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested (\$)(19)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Stock That Have Not Vested (\$)(19)	
Daniel P. McGahn	40,000(1) 25,500(2) 14,000(3)	7,000(3)	11.00 14.55 25.29	12/11/2016 5/15/2017 5/12/2019			
							25,000(16) 103,000
					2,000(14) 60,000(18)	8,240 247,200	
		100,000(6) 90,000(11)	38.69 10.25	12/11/2019 5/23/2021			
Gregory J. Yurek							
David A. Henry	80,000(5) 14,000(3)	7,000(3)	21.87 25.29	7/9/2017 5/12/2019			
					25,000(20) 1,700(14) 6,000(13)	103,000 7,004 24,720	
	5,000(4)	10,000(4) 42,000(10)	29.24 4.66	5/12/2020 9/26/2021			
Timothy D. Poor	20,000(12) 20,000(3)	10,000(12) 10,000(3)	14.90 25.29	4/25/2017 5/12/2019			
					25,000(20) 2,499(14) 3,333(13)	103,000 10,296 13,732	
	2,667(4)	5,333(4) 45,000(10)	29.24 4.66	5/12/2020 9/26/2021			
Susan J. DiCecco	1,200(7) 1,333(9) 8,000(8)	4,000(8)	3.44 14.77 25.50	4/17/2013 4/26/2017 5/11/2019			
					18,000(15) 3,600(13) 1,200(17)	74,160 14,832 4,944	
	3,000(4)	6,000(4) 30,000(10)	29.24 4.66	5/12/2020 9/26/2021			
Charles W. Stankiewicz	80,000(2)		14.55	5/15/2017			

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Angelo R. Santamaria	80,000(2)	14.55	5/15/2017
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- (1) These options were granted on December 11, 2006, vested in equal annual installments over a 5-year period and fully vested on December 11, 2011.
- (2) These options were granted on May 15, 2007, vested in equal annual installments over a 3-year period, and were fully vested on May 15, 2010.
- (3) These options were granted on May 12, 2009, vest in equal annual installments over a 3-year period, and will be fully vested on May 12, 2012.
- (4) These options were granted on May 12, 2010, vest in equal annual installments over a 3-year period and will be fully vested on May 12, 2013.
- (5) These options were granted on July 9, 2007 and were fully vested on July 9, 2010

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- (6) These options were granted on December 11, 2009 and will be fully vested on December 11, 2014.
- (7) These options were granted on April 17, 2003, vest in equal annual installments over a 5-year period and were fully vested on April 17, 2008.
- (8) These options were granted on May 11, 2009, vest in equal annual installments over a 3-year period, and will be fully vested on May 11, 2012.
- (9) These options were granted on April 26, 2007, vested in equal annual installments over a 3-year period, and were fully vested on April 26, 2010.
- (10) These options were granted on September 26, 2011, vest in equal annual installments over a 3- year period, and will be fully vested on June 24, 2014.
- (11) These options were granted on May 23, 2011, vest in equal annual installments over a 3- year period, and will be fully vested on May 23, 2014
- (12) These options were granted on April 25, 2007, vest in equal annual installments over a 5- year period, and will be fully vested on April 25, 2012
- (13) These awards were granted on May 12, 2010, vest in equal annual installments over a 3-year period, and will be fully vested on May 12, 2013.
- (14) These awards were granted on May 12, 2009, vest in equal annual installments over a 3-year period, and will be fully vested on May 12, 2012.
- (15) These awards were granted on September 26, 2011, vest in equal annual installments over a 3- year period, and will be fully vested on June 24, 2014.
- (16) These awards were granted on December 11, 2009, and will vest in total upon the achievement of targets consistent with our long-term business plan.
- (17) These awards were granted on May 11, 2009, vest in equal annual installments over a 3- year period, and will be fully vested on May 11, 2012.
- (18) These awards were granted on May 23, 2011, vest in equal annual installments over a 3- year period, and will be fully vested on May 23, 2014.
- (19) Based on \$4.12 per share, the closing sale price of our common stock on March 30, 2012.
- (20) These awards were granted on September 26, 2011, and will cliff vest in full on June 24, 2014.

**Option Exercises and Stock Vested Table**

The following table contains information concerning the exercise of stock options and vesting of restricted stock awards for each named executive officer during fiscal 2011.

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized



	Acquired on Exercise	on Exercise (1)	Acquired on Vesting	on Vesting (2)
Daniel P. McGahn		\$	27,000	\$307,390
Gregory J. Yurek		\$	61,000	\$696,645
David A. Henry		\$	24,700	\$282,166
Timothy D. Poor		\$	25,167	\$287,663
Susan J. DiCecco		\$	8,000	\$91,807
Charles W. Stankiewicz		\$	40,667	\$463,875
Angelo R. Santamaria		\$	24,167	\$275,933

- (1) Value realized on exercise is based on the closing sales price of our common stock on the NASDAQ Global Market on the date of exercise less the option exercise price.
- (2) Value realized upon vesting is based on the closing sales price of our common stock on the NASDAQ Global Market on the vesting date.

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**Employment Agreements and Severance Agreements with Executive Officers**

We are party to severance agreements with each of our current executive officers. Each severance agreement provides for certain severance benefits from the Company to the executive in the event that such executive's employment is terminated:

by us without cause (other than due to death or disability) in the absence of a change in control of the Company (as such terms are defined in the severance agreement); or

by us without cause (other than due to death or disability) or by the executive for good reason (as defined in the severance agreement) within 12 months following a change in control of the Company; or

by us without cause (other than due to death or disability) more than 12 months following a change in control of the Company (each such termination referenced herein as a qualifying termination).

These benefits consist primarily of the continuation of the executive's salary and employee benefits for a specified period of time following employment termination. These periods are as follows: Mr. McGahn 24 months; Mr. Henry 18 months; Mr. Poor 12 months; and Ms. DiCecco 12 months. In addition upon termination by us without cause (other than due to death or disability) or by the executive for good reason within 12 months following a change in control of the Company, the terminated executive is also entitled to lump sum payment equal to a prorated portion of his or her bonus for the year of termination.

The stock options and restricted stock awards we grant to our executive officers provide for full acceleration of vesting upon a change in control of our company.

Except with respect to Dr. Yurek and Messrs. Stankiewicz and Santamaria, whose severance terms are described more fully below, the following table describes the potential payments and benefits that would be received by the named executive officers pursuant to these severance agreements, assuming that a qualifying termination of employment occurred on March 31, 2012. Actual amounts payable to each executive listed below upon his employment termination can only be determined definitively at the time of an executive's actual termination.

Name	Salary Continuation Payments	Employee Benefits (1)	Prorated Bonus (2)
Daniel P. McGahn	\$ 960,000	\$ 47,913	\$ 480,000
David A. Henry	\$ 459,000	\$ 31,820	\$ 153,000
Timothy D. Poor	\$ 290,000	\$ 16,413	\$ 217,500
Susan J. DiCecco	\$ 242,000	\$ 21,216	\$ 121,000

(1) Calculated based on the estimated cost to us of providing these benefits at March 31, 2012.

(2) Calculated based on prorated amount as of March 31, 2012. Prorated bonus is only paid upon a qualifying termination of employment within 12 months of a change in control of the Company.

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Except with respect to Dr. Yurek and Messrs. Stankiewicz and Santamaria, whose severance terms are described more fully below, the following table describes the value to the named executive officers pursuant to the acceleration-of-vesting provisions in his restricted stock and option awards and/or severance agreements, assuming that a change in control of the Company occurred on March 31, 2012. The actual value of such acceleration to each executive listed below can only be determined definitively at the time of an executive's actual termination.

Name	Value of Option Acceleration (1)	Value of Restricted Stock Acceleration (2)
Daniel P. McGahn	\$	\$ 358,440
Gregory J. Yurek	\$	\$
David A. Henry	\$	\$ 134,724
Timothy D. Poor	\$	\$ 127,027
Susan J. DiCecco	\$	\$ 93,936
Charles W. Stankiewicz	\$	\$
Angelo R. Santamaria	\$	\$

(1) Represents the number of option shares that would accelerate, multiplied by the excess of \$4.12 per share (the closing sale price of AMSC common stock on March 30, 2012) over the exercise price of the option.

(2) Represents the number of shares of restricted stock that would accelerate, multiplied by \$4.12 (the closing sale price of AMSC common stock on March 30, 2012).

On May 23, 2011, our company entered into a retirement and services agreement with Dr. Yurek pursuant to which effective June 1, 2011, Dr. Yurek resigned as chief executive officer and agreed to serve as a senior advisor to our company for up to 24 months. Pursuant to this agreement, Dr. Yurek is entitled to receive the following payments and benefits: (i) a total of \$2.0 million in cash, of which \$83,333 is payable on the final day of each month from June 2011 to August 2012, \$50,000 is payable on the final day of September 2012, and \$50,000 is payable on the final day of each month from April 2013 to May 2014; and (ii) continued group medical, dental and vision insurance coverage for up to three years through May 31, 2014. The foregoing severance payments are conditioned upon (1) Dr. Yurek's continued services to our company in accordance with the retirement and service agreement, (2) his execution and non-revocation a general release of claims and (3) his compliance with customary restrictive covenants (including, without limitation, non-compete and non-solicit covenants for the period ending May 31, 2014).

On August 22, 2011, our company entered into a severance agreement with Mr. Santamaria pursuant to which Mr. Santamaria is entitled to receive the following payments and benefits: (i) \$350,000, less all applicable taxes and withholdings, as severance pay (an amount equivalent to twelve (12) months of his then current base salary plus \$100,000 of additional consideration); (ii) an extension of Mr. Santamaria's period to exercise the 80,000 vested options granted to him on May 15, 2007 until May 14, 2017; (iii) continued medical insurance coverage through the severance period for so long as Mr. Santamaria is COBRA-eligible and does not become eligible for coverage under another group health plan maintained by a subsequent employer; and (iv) outplacement services at the Company's cost. The agreement includes a general release of claims and customary non-compete and non-solicit covenants for the period ending August 31, 2012. The foregoing severance payments are conditioned upon Mr. Santamaria's compliance with the terms of the severance agreement, including the non-compete and non-solicit covenants described above.

On September 12, 2011, our company entered into a severance agreement with Mr. Stankiewicz pursuant to which Mr. Stankiewicz is entitled to receive the following payments and benefits: (i) \$717,500, less all applicable taxes and withholdings, as severance pay (an amount equivalent to eighteen (18) months of his then current base salary plus \$200,000 of additional consideration); (ii) an extension of Mr. Stankiewicz's period to exercise the 80,000 vested options granted to him on May 15, 2007 until May 14, 2017; (iii) continued medical insurance coverage through the severance period for so long as Mr. Stankiewicz is COBRA-eligible and does not become eligible for coverage under another group health plan maintained by a subsequent employer; and

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(iv) outplacement services at the Company's cost. The agreement includes a general release of claims and customary non-compete and non-solicit covenants for the period ending August 31, 2012.

### **Director Compensation**

Our Compensation Committee is responsible for reviewing and making recommendations to our Board with respect to the compensation paid to our non-employee directors.

In fiscal 2011, the Compensation Committee engaged Pearl Meyer & Partners, our independent outside compensation consultants, to assess the competitiveness of our director compensation and to provide recommendations with respect to both the levels and structure of compensation for our directors. Pearl Meyer & Partners assessed the competitiveness of director compensation through comparisons with peer groups and recommended (i) an increase to the annual cash retainer, and (ii) that the annual equity award be based on a value approach with a specific targeted monetary value. In May 2011, the Compensation Committee considered Pearl Meyer & Partners's recommendations, but in light of the events at that time, determined that it was not an appropriate time to make a change to the director compensation arrangement.

In August 2011, when our chairman, Dr. Yurek retired, our company elected to separate the positions of chairman of the Board and chief executive officer. The Compensation Committee engaged Pearl Meyer & Partners to provide information related to compensation practices for a non-employee director chairman. Based upon information provided by Pearl Meyer & Partners, the Compensation Committee recommended, and the Board approved, an additional annual cash retainer of \$20,000 to be paid to our company's non-employee chairman of the Board.

Each fiscal year, non-employee directors receive cash compensation as follows:

each non-employee director receives \$20,000 as an annual cash retainer;

the non-employee chairman of the Board receives an additional annual cash retainer of \$20,000;

the chairman of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee receive an additional annual cash retainer of \$6,000, \$4,000 and \$3,000, respectively; and

each non-employee director who attends an in person meeting of the Board or a committee of the Board receives \$1,500 per meeting; and each non-employee director who participates in a teleconference meeting of the Board or a committee of the Board receives \$1,000 per meeting.

Pursuant to the 2007 Director Stock Plan, non-employee directors are granted equity awards as follows:

each non-employee director is granted an option to purchase 10,000 shares of common stock upon his or her initial election to our Board; and

each non-employee director is granted (for no cash consideration) 3,000 fully-vested shares of common stock three business days following each Annual Meeting of the Stockholders, provided that such non-employee director had served as a director for at least one year.

Each option granted under the 2007 Director Stock Plan has an exercise price equal to the fair market value of our common stock on the date of grant and becomes exercisable in equal annual installments over a two-year period. Those options become exercisable in full in the event of an acquisition of the Company. The term of each option granted under the 2007 Director Stock Plan is 10 years, provided that, in general, an option may be exercised only while the director continues to serve as a director or within 60 days thereafter.

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The compensation packages for directors are intended to attract and retain high-quality individuals to provide oversight to our management team. Directors who are employees of the Company receive no additional compensation for their service as directors.

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The following table summarizes the compensation of our non-employee directors during fiscal 2011:

Name*	Fees			All Other Compensation	Total
	Earned or Paid in Cash	Stock Awards (1)(2)	Option Awards		
Vikram S. Budhraj	\$ 60,000	\$ 11,700			\$ 71,700
Peter O. Crisp	\$ 72,500	\$ 11,700			\$ 84,200
Richard Drouin	\$ 65,000	\$ 11,700			\$ 76,700
David R. Oliver, Jr.	\$ 61,000	\$ 11,700			\$ 72,700
John B. Vander Sande	\$ 75,000	\$ 11,700			\$ 86,700
John W. Wood, Jr.	\$ 83,500	\$ 11,700			\$ 95,200
Pamela F. Lenehan (3)	\$ 71,000				\$ 71,000

\* Excludes Dr. Yurek, who served as our chief executive officer until May 31, 2011, and as chairman of the Board until August 15, 2011, and Mr. McGahn, who has served as our chief executive officer and as a director since June 1, 2011. Dr. Yurek and Mr. McGahn received no compensation for their service as a director in fiscal 2011. Each of Dr. Yurek's and Mr. McGahn's compensation as an executive is reported in the Summary Compensation Table included in this proxy statement.

(1) The amounts shown reflect the grant date fair value of each director's one-time award of 3,000 fully-vested shares of common stock granted during fiscal 2011.

(2) Based on stock price of \$3.90 on the grant date of December 13, 2011.

(3) Ms. Lenehan was appointed to the Board on March 11, 2011.

As of March 31, 2012, each non-employee director held options for the following aggregate number of shares of common stock:

Name	Number of Shares
Vikram S. Budhraj	
Peter O. Crisp	40,000
Richard Drouin	
David R. Oliver, Jr.	20,000
John B. Vander Sande	40,000
John W. Wood, Jr.	20,000
Pamela F. Lenehan	10,000

**Compensation Committee Interlocks and Insider Participation**

The current members of the Compensation Committee are Mr. Crisp (Chairman), Mr. Drouin, Dr. Vander Sande and Mr. Budhraj. No member of the Compensation Committee was at any time during fiscal 2011, or formerly, an officer or employee of ours or any subsidiary of ours, nor has any member of the Compensation Committee had any relationship with us requiring disclosure under Item 404 of Regulation S-K under the Exchange Act.

No executive officer of the Company has served as a director or member of the Compensation Committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director of or member of our Compensation Committee.



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**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the preceding Compensation Discussion and Analysis section with management. Based on that review and discussion, the Compensation Committee has recommended to our Board that the Compensation Discussion and Analysis section be included in our proxy statement.

By the Compensation Committee of the Board.

Peter O. Crisp, Chairman

Richard Drouin

John B. Vander Sande

Vikram S. Budhreja



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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Our Board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds \$120,000, and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a related person, has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our chief financial officer. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the Audit Committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the Audit Committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the Audit Committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person's interest in the transaction. The Audit Committee will review and consider such information regarding the transaction as it deems appropriate under the circumstances.

The Audit Committee may approve or ratify the transaction only if the Audit Committee determines that, under all of the circumstances, the transaction is in our best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our Board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (c) the amount involved in the transaction equals less than the greater of \$200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction; and

a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

There were no related person transactions during fiscal 2011.

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**ELECTION OF DIRECTORS**

**(PROPOSAL 1)**

At the Annual Meeting, our stockholders will elect seven directors to serve until our next annual meeting of stockholders, or until their respective successors are elected and qualified. The candidates listed below were nominated by the Board based on the recommendation of the Nominating and Corporate Governance Committee. The nominees must be elected by a plurality of the votes cast in person or by proxy by stockholders entitled to vote on the election. 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 our Board, or the Board may elect to reduce the size of the Board. Information about each nominee is included under Corporate Governance Members of the Board beginning on page 7 of this proxy statement.

**The Board recommends a vote FOR the election of Mr. Budhraj, Mr. Drouin, Ms. Lenehan, Mr. McGahn, Mr. Oliver, Dr. Vander Sande and Mr. Wood, as directors.**

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**APPROVAL OF AMENDMENTS TO THE 2007 STOCK INCENTIVE PLAN, AS AMENDED**

**(PROPOSAL 2)**

On August 3, 2007, AMSC stockholders adopted and approved our 2007 Stock Incentive Plan, as amended, or 2007 Plan, and 3,000,000 shares of common stock were reserved for issuance thereunder.

On August 6, 2009, AMSC stockholders adopted amendments to our 2007 Plan which (i) increased by 3,000,000 the number of shares of common stock available for issuance under the 2007 Plan, and (ii) implemented fungible share counting by counting future restricted stock, restricted stock units and other stock-based awards with a per share price or per unit purchase price lower than 100% of fair market value, or Full-Value Awards, against the 2007 Plan's share reserve as two shares for every one share issued in connection with such awards.

On May 9, 2012, our Board adopted, subject to stockholder approval, the following amendments to the 2007 Plan:

increase by 7,500,000 the number of shares of common stock available for issuance under the 2007 Plan; and

decrease our existing fungible share reserve ratio so that, for awards granted from and after the date of this meeting, the number of shares of stock available for issuance under the 2007 Plan will be reduced (i) by one (1) share for each share granted pursuant to awards that are not Full-Value Awards (including, without limitation, stock options or stock appreciation rights) awarded under the 2007 Plan, and (ii) by one and three tenths (1.3) shares for each share granted pursuant to Full-Value Awards awarded under the 2007 Plan.

Our Board believes that equity is a key element of AMSC's compensation package and that equity awards encourage employee loyalty and align employee interests directly with those of our stockholders. The 2007 Plan allows us to provide key employees, and consultants and advisors, with equity incentives that are competitive with the marketplace.

As of May 31, 2012, an aggregate of 5,202,028 shares of common stock were issued or issuable pursuant to awards that had been granted under the 2007 Plan, and 797,072 shares of common stock were available for future grant under such plans. The market value of a share of common stock as of June 13, 2012 equaled \$3.91.

If we do not amend the 2007 Plan to increase the number of shares available for issuance, then no awards with respect to shares in excess of the current pool of shares reserved for issuance may be made to employees, officers, consultants or advisors under the 2007 Plan. As a result, we may not be able to provide individuals eligible for awards with compensation packages that are necessary to attract, retain and motivate such individuals. The Board believes that the additional 7,500,000 shares of common stock will provide us sufficient shares to cover the awards anticipated to be granted to eligible participants for approximately two years.

**The Board believes that the amendments to the 2007 Plan are in the best interests of AMSC and our stockholders and therefore recommends a vote FOR this proposal.**

The following is a summary of the material terms and conditions of the 2007 Plan, as proposed to be amended, and is qualified in its entirety by reference to the 2007 Plan, as proposed to be amended, which is attached to this proxy statement as [Appendix A](#).

**Description of the 2007 Plan**

*Administration*

The Board has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2007 Plan and to interpret the provisions of the 2007 Plan. The Board may delegate authority under the 2007 Plan to one or more committees or subcommittees of the Board and, subject to limitations contained in the 2007 Plan, to one or more officers of the Company. The Board has currently authorized the Compensation Committee to administer the 2007 Plan, including the granting of options to executive officers, and all references in this description of the 2007 Plan to the Board shall apply to the Compensation Committee.



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for so long as that delegation of authority remains in effect. In addition, the Board has currently authorized Mr. McGahn to grant options and restricted stock, subject to the terms and conditions of the 2007 Plan and any other limitations set by the Board, to employees other than executive officers.

Subject to any applicable limitations contained in the 2007 Plan, the Board, the Compensation Committee, Mr. McGahn or any other committee or executive to whom the Board delegates authority, as the case may be, selects the recipients of awards and determines (i) the number of shares of common stock covered by options and the dates upon which such options become exercisable, (ii) the exercise price of options (which may not be less than the fair market value of our common stock on the date of grant), (iii) the duration and other terms and conditions of options, and (iv) the number of shares of common stock subject to any stock appreciation right, restricted stock award, restricted stock unit award or other stock-based awards and the terms and conditions of such awards, including conditions for repurchase, issue price and repurchase price. While we reserve the right to change the vesting of awards granted under the 2007 Plan, our awards generally vest in three annual installments.

*Eligibility and Limitations Upon Awards*

Employees, officers, consultants and advisors of AMSC and its subsidiaries are eligible to be granted awards under the 2007 Plan. Under present law, however, incentive stock options may only be granted to employees of AMSC and its subsidiaries. As of May 31, 2012, the persons eligible to receive awards under the 2007 Plan consisted of approximately 421 employees (other than officers), 5 officers, and 2 consultants and advisors. The granting of awards under the 2007 Plan is discretionary, and we cannot now determine the number or type of awards to be granted in the future to any particular person or group.

*Authorized Number of Shares.* Pursuant to the proposed amendments, the number of shares of common stock that are available to be issued through awards made under the 2007 Plan or through the exercise of options granted thereunder will be increased from 6,000,000 shares to 13,500,000 shares.

*Fungible Share Pool.* Pursuant to the proposed amendments, any Full-Value Awards will be counted against the shares reserved for issuance under the 2007 Plan as one and three-tenths (1.3) for each share of common stock subject to such award and any award that is not a Full-Value Award (including, without limitation, any option or stock appreciation right award) made under the 2007 Plan will continue to be counted against the shares reserved for issuance under the 2007 Plan as one (1) share for each one share of common stock underlying such award. The share reserve for the 2007 Plan is currently reduced by two (2) shares for each Full-Value Award and one (1) share for each award that is not a Full-Value Award (including, without limitation, any option or stock appreciation right award). To the extent a share that was subject to an award that was counted as one share, two shares or 1.3 shares is returned to the 2007 Plan, the share reserve and limits will be credited with one share, two shares or 1.3 shares, as the case may be. For purposes of counting the number of shares available for the grant of awards under the 2007 Plan, (i) shares of common stock delivered (either by actual delivery, attestation, or net exercise) to AMSC by a participant to (a) purchase shares of common stock upon the exercise of an award, or (b) satisfy tax withholding obligations (including shares retained from the award creating the tax obligation) and (ii) shares of common stock repurchased by AMSC on the open market using proceeds from the exercise of an award shall not be added back to the number of shares available for future awards.

*Reacquired Shares.* If any award (i) expires or is terminated, surrendered, canceled or forfeited or (ii) results in any common stock not being issued (including as a result of an independent stock appreciation right that was settleable either in cash or in stock actually being settled in cash), the unused shares of common stock covered by such award will again be available for grant under the 2007 Plan, subject, however, in the case of incentive stock options, to any limitations under the Code. Notwithstanding the foregoing, in the case of an independent stock appreciation right, the full number of shares subject to such stock appreciation right (or portion thereof) settled in stock will be counted against the number of shares available under the 2007 Plan regardless of the number of shares actually used to settle such stock appreciation right (or portion thereof).

*Section 162(m) Per-Participant Award Limitation Under the 2007 Plan.* The maximum number of shares with respect to which awards may be granted to any participant under the 2007 Plan may not exceed 1,000,000 shares per calendar year. For purposes of this limit, the combination of an option in tandem with a stock appreciation right is treated as a single award.

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### *Substitute Options*

In connection with a merger or consolidation of an entity with AMSC or the acquisition by us of property or stock of an entity, the Board may grant options in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute options may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on options contained in the 2007 Plan. Substitute options will not count against the 2007 Plan's overall share limit, except as may be required by the Code.

### *Types of Awards*

The 2007 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Code, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards as described below. Such awards that may be granted under the 2007 Plan are referred to in this Description of the 2007 Plan as awards. As described above under the subheading Administration, our Board has authorized the Compensation Committee to administer the 2007 Plan. All references in this description of the 2007 Plan to the Board shall also apply to the Compensation Committee for so long as the delegation of authority to the Compensation Committee remains in effect.

*Incentive Stock Options and Nonstatutory Stock Options.* Optionees receive the right to purchase a specified number of shares of our common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Subject to the limitations described below, options will be granted at an exercise price that is not less than 100% of the fair market value of our common stock on the date the option is granted; however, if the Board approves the grant of an option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the fair market value on such future date. Under present law, incentive stock options and options intended to qualify as performance-based compensation under Section 162(m) of the Code may not be granted at an exercise price less than 100% of the fair market value of our common stock on the date of grant (or less than 110% of the fair market value in the case of incentive stock options granted to an optionee holding more than 10% of the voting power of AMSC, or a 10% holder). Options may not be granted for a term in excess of ten years (or five years in the case of incentive stock options granted to 10% holder). The 2007 Plan permits the following forms of payment of the exercise price of options: (i) payment by cash or check, (ii) except as otherwise provided by the Board, in connection with a cashless exercise through a broker, (iii) subject to certain conditions, surrender to us of shares of our common stock, (iv) subject to certain conditions, delivery to us of a promissory note, (v) any other lawful means as determined by the Board, or (vi) any combination of these forms of payment.

*Stock Appreciation Rights.* A Stock appreciation right, or SAR, is an award entitling the holder, upon exercise, to receive an amount in cash or common stock or a combination thereof determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of our common stock. Subject to the limitations described below, SARs will be granted at an exercise price that is not less than 100% of the fair market value of our common stock on the date the SAR is granted; however, if the Board approves the grant of an SAR with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the fair market value on such future date. SARs may not be granted for a term in excess of ten years. SARs may be granted independently or in tandem with an option.

*Restricted Stock Awards.* Restricted stock awards entitle recipients to acquire shares of our common stock, subject to our right to repurchase all or part of such shares from the recipient in the event that the conditions specified in the applicable award are not satisfied prior to the end of the applicable restriction period established for such award.

*Restricted Stock Unit Awards.* Restricted stock unit awards entitle the recipient to receive shares of our common stock or cash to be delivered at the time such restricted stock units vest and are settled pursuant to the terms and conditions established by the Board.

*Other Stock-Based Awards.* Under the 2007 Plan, the Board has the right to grant other awards based upon our common stock having such terms and conditions as the Board may determine, including the grant of awards

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that are valued in whole or in part by reference to, or otherwise based on, shares of our common stock or other property and the grant of awards in lieu of compensation to which a participant is otherwise entitled. Such other awards may be paid in shares of common stock or cash, as determined by the Board.

*Performance Measures.* As discussed under the subheading *Administration* above, the Board has authorized our Compensation Committee to administer the 2007 Plan. The Compensation Committee may determine, at the time of grant, that a restricted stock award, restricted stock unit award or other stock-based award granted to an officer will vest solely upon the achievement of specified performance criteria designed to qualify for deduction under Section 162(m) of the Code. The performance criteria for each such award will be based on one or more of the following measures: (i) net income, (ii) earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, (iii) operating profit before or after discontinued operations and/or taxes, (iv) sales, (v) sales growth, (vi) earnings growth, (vii) cash flow or cash position, (viii) gross margins, (ix) stock price, (x) market share, (xi) return on sales, assets, equity or investment, (xii) improvement of financial ratings, (xiii) achievement of balance sheet or income statement objectives or (xiv) total shareholder return. These performance measures may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. Such performance goals may be adjusted to exclude any one or more of (a) extraordinary items, (b) gains or losses on the dispositions of discontinued operations, (c) the cumulative effects of changes in accounting principles, (d) the writedown of any asset, and (e) charges for restructuring and rationalization programs. Such performance goals: (x) may vary by participant and may be different for different awards; (y) may be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works and may cover such period as may be specified by the Compensation Committee; and (z) will be set by the Compensation Committee within the time period prescribed by, and will otherwise comply with the requirements of, Section 162(m).

### *Limitation on Repricing*

Unless approved by AMSC's stockholders: (i) no outstanding option or SAR granted under the 2007 Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding option or SAR, as the case may be (other than adjustments in connection with any stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization), and (ii) the Board may not cancel any outstanding option or SAR (whether or not in either case granted under the 2007 Plan) and grant new awards in substitution for such option or SAR, as the case may be, under the 2007 Plan covering the same or a different number of shares of common stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option or SAR, as the case may be.

### *Transferability of Awards*

Except as otherwise provided in an award or permitted by the Board under the 2007 Plan, awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order. During the life of the participant, awards are exercisable only by the participant.

### *Adjustments for Changes in Common Stock and Certain Other Events*

We are required to make appropriate adjustments in connection with the 2007 Plan and any outstanding awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization. The 2007 Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as (i) any merger or consolidation of AMSC with or into another entity as a result of which all of our common stock is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled or (ii) any exchange of all of our common stock for cash, securities or other property pursuant to a share exchange transaction or (iii) any liquidation or dissolution of AMSC. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any outstanding awards on such terms as the Board determines: (a) provide that awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (b) upon written notice,

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provide that all unexercised options or other unexercised awards will become exercisable in full and will terminate immediately prior to the consummation of such Reorganization Event unless exercised within a specified period following the date of such notice, (c) provide that outstanding awards will become realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon such Reorganization Event, (d) in the event of a Reorganization Event under the terms of which holders of our common stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event, or Acquisition Price, make or provide for a cash payment to an award holder equal to (x) the Acquisition Price times the number of shares of common stock subject to the holder's awards (to the extent the exercise price does not exceed the Acquisition Price) minus (y) the aggregate exercise price of all the holder's outstanding awards, in exchange for the termination of such awards, (e) provide that, in connection with a liquidation or dissolution of AMSC, awards will convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof) and (f) any combination of the foregoing.

### *Acceleration.*

Our Board may at any time provide that any award will become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

### *Provisions for Foreign Participants*

Our Board may modify awards granted to participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the 2007 Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

### *Amendment or Termination*

No award may be made under the 2007 Plan more than 10 years after the date that the 2007 Plan is approved by our stockholders, but awards previously granted may extend beyond that date. The Board may at any time amend, suspend or terminate the 2007 Plan; provided that no amendment requiring stockholder approval under any applicable legal, regulatory or listing requirement will become effective until such stockholder approval is obtained. No award will be made that is conditioned upon stockholder approval of any amendment to the 2007 Plan.

## **Federal Income Tax Consequences of the 2007 Plan**

The following is a summary of the United States federal income tax consequences that generally will arise with respect to awards granted under the 2007 Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement and is intended for general information only. Alternative minimum tax and other federal tax and foreign, state, and local income taxes are not discussed and may vary depending on individual circumstances and from locality to locality. Changes to the federal income tax laws could alter the tax consequences described below.

### *Incentive Stock Options*

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by us or one of our 50% or more-owned corporate subsidiaries at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under Nonstatutory Stock Options. The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year



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after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income (as compensation income) and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Nonstatutory Stock Options*

A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

### *Stock Appreciation Rights*

A participant will not have income upon the grant of a stock appreciation right. A participant generally will recognize compensation income upon the exercise of a SAR equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the SAR was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Restricted Stock*

A participant will generally not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code, or an 83(b) election, is made within 30 days of the date of grant. If a timely 83(b) election is made, then a participant will have compensation income equal to the value of the stock less the purchase price and, when the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then when the stock vests the participant will have compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term. The holding period for purposes of capital gain or loss generally will commence on the date of vesting (or, if an 83(b) election is made, the date of grant).

### *Restricted Stock Units*

A participant will not have income upon the grant of a restricted stock unit. A participant is not permitted to make a Section 83(b) election with respect to a restricted stock unit award. When the restricted stock unit vests, the participant will have compensation income on the vesting date in an amount equal to the fair market value of the stock on the vesting date less the purchase price, if any. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Other Stock-Based Awards*

The tax consequences associated with any other stock-based award granted under the 2007 Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying common stock.

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### *Tax Consequences to AMSC*

There will be no tax consequences to us except that we will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code (as described below).

### *Section 162(m) of the Code*

Under Section 162(m) of the Code, income tax deductions of publicly-traded companies may be limited to the extent total compensation (including base salary, annual bonus, stock option exercises) for certain executive officers exceeds \$1 million in any one taxable year. However, under Section 162(m) of the Code, the deduction limit does not apply to certain performance-based compensation established by an independent compensation committee which conforms to certain restrictive conditions stated under the Code and related regulations. The 2007 Plan has been structured with the intent that awards granted thereunder may meet the requirements for performance-based compensation and Section 162(m) of the Code. To the extent granted at an exercise price not less than the value of our Common Stock, options and SARs granted under the 2007 Plan are intended to qualify as performance-based under Section 162(m) of the Code. Restricted stock, restricted stock units and other stock-based awards under the 2007 Plan may qualify as performance-based under Section 162(m) of the Code if they vest or become payable based solely upon attainment of preestablished goals based on the performance measures described in Section 10(i)(3) of the 2007 Plan.

We have attempted to structure the 2007 Plan in such a manner that the Compensation Committee can determine the terms and conditions of awards granted thereunder in order to determine whether the remuneration attributable to such awards will be subject to the \$1 million limitation. We have not, however, requested a ruling from the Internal Revenue Service or an opinion of counsel regarding this issue. This discussion will neither bind the Internal Revenue Service nor preclude the Internal Revenue Service from taking a contrary position with respect to the 2007 Plan.

### *Section 409A of the Code*

This summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. If the terms of any award do not meet the requirements of Section 409A of the Code, then the violation may result in an additional 20% tax obligation, plus penalties and interest for the applicable participant.

**Table of Contents****New Plan Benefits**

The table below shows, as to our named executive officers and the various indicated groups, the number of shares of our common stock subject to awards granted under the 2007 Plan as of May 31, 2012. All future awards under the 2007 Plan will be made by the Board, the Compensation Committee, or Mr. McGahn as described above.

<i>Name and Position</i>	<b>Number of options (1)</b>	<b>Number of shares of restricted stock</b>
<i>Named Executive Officers:</i>		
Daniel P. McGahn President and Chief Executive Officer	336,000	126,000
Gregory J. Yurek Former Chief Executive Officer and Chairman	86,000	75,000
David A. Henry Senior Vice President, Chief Financial Officer and Treasurer	118,000	124,100
Timothy Poor Executive Vice President, Sales, Business Development and Wind Segment	125,000	67,500
Susan J. DiCecco Senior Vice President, Corporate Administration	89,000	39,000
Charles W. Stankiewicz Former Executive Vice President, Operations and Grid Segment	0	54,334
Angelo R. Santamaria Former Senior Vice President, Global Manufacturing Operations	0	36,668
All current executive officers, as a group	668,000	356,600
All current directors who are not executive officers, as a group	0	0
<i>Director nominees:</i>		
Vikram S. Budhraj	0	0
Richard Drouin	0	0
Pamela F. Lenehan	0	0
Daniel P. McGahn	See above	See above
David R. Oliver, Jr.	0	0
John B. Vander Sande	0	0
John W. Wood, Jr.	0	0
Each associate of any of such directors, executive officers or nominees	0	0
Persons who receive or are to receive 5% of options, warrants or rights under 2007 Plan	n/a	n/a
All employees, including all current officers who are not executive officers, as a group	1,803,575	1,531,671

(1) The weighted average exercise price of these options is \$15.54 and, as of May 31, 2012, the weighted remaining contractual life of these options is 8.74 years.

**Table of Contents****Securities Authorized for Issuance Under Our Equity Compensation Plans**

The following table provides information about the securities authorized for issuance under our equity compensation plans as of March 31, 2012.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	2,290,416(1)	\$ 17.77	2,245,261(2)

(1) Excludes shares issuable under our 2000 Employee Stock Purchase Plan in connection with the current offering period which ends on September 30, 2012. 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, 2012, 1,608,057 shares available for issuance under our 2007 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. The above amounts include 198,000 shares available under the 2007 Director Plan and 439,204 shares available under the 2000 Employee Stock Purchase Plan on March 31, 2012. The maximum number of shares subject to purchase under the 2000 Employee Stock Purchase Plan for the offering period ending September 30, 2012 equals 50,000.

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**APPROVAL OF ISSUANCE OF SHARES OF COMMON STOCK PURSUANT TO AMSC'S 7% SENIOR CONVERTIBLE NOTES AND RELATED WARRANTS**

**(PROPOSAL 3)**

*Preliminary Note*

Pursuant to Nasdaq Marketplace Rule 5635(d) (the "20% Rule"), stockholder approval is required prior to the issuance of securities in connection with a transaction other than a public offering involving:

the sale, issuance or potential issuance by AMSC of common stock (or securities convertible into or exercisable for common stock) at a price less than the greater of book or market value which together with sales by officers, directors or substantial shareholders of AMSC equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance; or

the sale, issuance or potential issuance by AMSC of common stock (or securities convertible into or exercisable common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

In order to comply with the 20% Rule in connection with the issuance of the Notes and the Warrants (in each case as defined below), as described in greater detail below, the number of shares of our common stock issuable upon conversion of the Notes or otherwise (including in connection with the payment of interest or principal thereof) was capped at the amount that could be issued without violating the 20% Rule (the "Exchange Cap"). We are seeking stockholder approval to issue shares of our common stock pursuant to the Notes, upon conversion of the Notes or otherwise (including in connection with the payment of interest or principal thereof), in excess of the Exchange Cap. Pursuant to the terms of the Warrants, upon receipt of stockholder approval to issue shares of common stock in excess of the Exchange Cap, the Exercise Floor Price (as defined below) of the Warrants will no longer apply. Accordingly, we are also seeking stockholder approval to issue shares of common stock upon exercise of the Warrants without regard to the Exercise Floor Price.

**The Board recommends a vote FOR the approval of AMSC's issuance of shares of common stock in excess of the Exchange Cap in connection with the conversion of the Notes or otherwise (including in connection with the payment of interest or principal thereof) and upon exercise of the Warrants without regard to the Exercise Floor Price.**

*7.0% Senior Convertible Note Financing Transaction*

On April 4, 2012, AMSC entered into a Securities Purchase Agreement (the "Purchase Agreement") with Capital Ventures International (the "Purchaser"). Pursuant to the terms of the Purchase Agreement, we sold to the Purchaser \$25.0 million aggregate principal amount of 7% Senior Convertible Notes (the "Initial Notes") and a warrant to purchase 3,094,060 shares of our common stock (the "Initial Warrant").

Additionally, subject to the satisfaction of certain conditions set forth in the Purchase Agreement, we have the right to require the Purchaser to purchase up to an additional \$15.0 million aggregate principal amount of 7% Senior Convertible Notes (the "Additional Notes," together with the Initial Notes, the "Notes") and a warrant to purchase additional shares of our common stock (the "Additional Warrant," together with the Initial Warrant, the "Warrants") on October 4, 2012 (or such other date as is mutually agreed to by the Purchaser and AMSC). These conditions include, (i) a registration statement covering the shares of common stock issuable under the terms of the Initial Notes and the Initial Warrant shall have been declared effective, (ii) the aggregate dollar trading volume of the common stock on at least 25 of the 30 consecutive trading days immediately preceding the issuance date of the Additional Notes and the Additional Warrant is greater than \$2,250,000, and (iii) the Market Price of the common stock on each of the 30 consecutive trading days immediately preceding the issuance date of the Additional Notes and the Additional Warrant exceeds \$2.50. The "Market Price" for any given date is the lesser of (i) the volume-weighted average price of the common stock on the trading day immediately preceding such date, and (ii) the arithmetic average of the volume-weighted average price of the common stock for the ten consecutive trading days ending on the trading day immediately preceding such date.

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### *Summary of Terms of Note*

We are required to repay the Notes in monthly installments (the date of each such installment payment being an *Installment Date* ) commencing four months after the issuance of the Notes and ending 30 months after the issuance of the Notes, when the Notes mature. The Notes bear interest at a rate of 7% per annum, provided that the interest rate will increase to 15% per annum upon the occurrence of an event of default pursuant to the Notes. Interest on the Notes is payable in arrears on each *Installment Date*.

We may pay the applicable principal and interest amounts due on an *Installment Date* in shares of common stock, subject to the satisfaction of certain conditions and the *Exchange Cap*, or elect to pay in cash. If we are not permitted to deliver shares of common stock with respect to an *Installment Date* due to a failure to satisfy any of the conditions or the *Exchange Cap*, we must pay the applicable portion of the principal and interest amounts in cash. If we make a payment in shares of common stock, the number of shares to be issued will be determined by dividing the amount of such payment by the lesser of the then-current *Conversion Price* (as described below) and 85% of the *Market Price* on the *Installment Date*.

All amounts due under the Notes are convertible at any time, in whole or in part, at the option of the Purchaser, into shares of our common stock at a price per share (the *Conversion Price* ) equal to (a) \$4.85 for the Initial Notes, and (b) the lesser of \$4.85 and 120% of the *Market Price* as of the issuance date for the Additional Notes, subject to certain price-based and other anti-dilution adjustments.

However, AMSC is not permitted to issue shares of common stock upon conversion or otherwise if the issuance of such shares would exceed the *Exchange Cap*. In the event that AMSC is prohibited from issuing shares of common stock upon conversion because of the *Exchange Cap*, the Company will be required to pay cash in exchange for the cancellation of such shares of common stock at a price per share price equal the closing sale price on the trading day immediately preceding the date such shares would otherwise be required to be issued, which may be significantly more than the principal amount of the Notes being converted.

The Notes contain certain covenants and restrictions, including, among others, that, for so long as the Notes are outstanding, we will not incur any indebtedness (other than permitted indebtedness under the Notes), permit liens on our properties (other than permitted liens under the Notes), make payments on junior securities, make dividends or transfer certain assets. Events of default under the Notes include, among others, failure to pay principal or interest on the Notes or comply with certain covenants under the Notes and cross defaults to other material indebtedness. Upon an event of default, the Purchaser may require us to redeem all or any portion of the outstanding principal amount of the Notes in cash for a price equal to the greater of (a) either 120% or 100%, depending on the type of event of default, of the principal amount being redeemed and (b) the product of the principal amount being redeemed multiplied by a fraction, the numerator of which is the greatest closing sale price of our common stock on any trading day during the period starting on the date immediately preceding the event of default and ending on the day we pay the redemption amount for the Notes, and the denominator of which is the *Conversion Price* at the time the Purchaser elects to have the Notes redeemed.

### *Warrants*

The Warrants are exercisable at any time on or after the date that is six months after the issuance of the Warrants and entitle the Purchaser to purchase shares of our common stock for a period of five years from the initial date the warrants become exercisable at a price (the *Warrant Exercise Price* ), equal to \$5.45 per share for the Initial Warrant and 135% of the *Market Price* as of the date of issuance of the Additional Warrant for the Additional Warrant, subject to certain price-based and other anti-dilution adjustments (subject to an exercise floor price of \$4.01, which was implemented to satisfy the 20% Rule (the *Exercise Floor Price* )).

The Warrants may not be exercised if, after giving effect to the conversion, the Purchaser together with its affiliates would beneficially own in excess of the Maximum Percentage of 4.99%. The Maximum Percentage may be raised to any other percentage not in excess of 9.99% at the option of the holder of the Warrants, upon at least 61 days prior notice to us, or lowered to any other percentage, at the option of the Purchaser, at any time.

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*Reasons for Stockholder Approval*

We are seeking stockholder approval for the following reasons:

Due to the 20% Rule and the Exchange Cap, we are required to obtain stockholder approval to issue shares of common stock pursuant to the Notes in excess of the Exchange Cap.

If we fail to obtain stockholder approval to allow us to issue shares of common stock pursuant to the Notes in excess of the Exchange Cap, we could be required to pay principal and interest amounts under the Notes in cash, which would require us to dedicate a substantial portion of our cash flows from operations and other capital resources to these payments.

If and when the Purchaser elects to convert a portion of the Notes that would require us to issue shares of common stock in excess of the Exchange Cap, and we cannot issue such shares due to lack of stockholder approval, we would be required to pay cash in exchange for such excess shares, as described above. This cash amount could be substantial and could be greater than the amount of the Notes being converted.

**Increased Dilution**

Upon conversion of the Notes or exercise of the Warrants, or payment of principal, interest and other amounts under the Notes in the form of shares of common stock, there will be a greater number of shares of our common stock eligible for sale in the public markets. Any such sales, or the anticipation of the possibility of such sales, represents an overhang on the market and could depress the market price of our common stock.

**Table of Contents****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****(PROPOSAL 4)**

The Audit Committee has selected the firm of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2011, and has directed that we submit this selection for ratification by the stockholders at the Annual Meeting. PricewaterhouseCoopers LLP or its predecessor company, Coopers & Lybrand LLP, has served as our independent registered public accounting firm since our inception. Although stockholder ratification is not required, the designation of PricewaterhouseCoopers LLP is being submitted for ratification at the Annual Meeting because AMSC believes it is a good corporate governance practice. If this proposal is not approved at the Annual Meeting, the Audit Committee may reconsider its selection of PricewaterhouseCoopers LLP. Even if the selection is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accountant at any time during the year if it determines that such a change would be in the best interest of AMSC and its stockholders.

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.

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

**Independent Registered Public Accounting Firm's Fees**

The following table summarizes the fees of PricewaterhouseCoopers LLP, our independent registered public accounting firm, billed to us for each of the last two fiscal years:

Fee Category	Fiscal Year Ended March 31,	
	2012	2011
Audit Fees (1)	\$ 1,526,544	\$ 3,581,556
Tax Fees (2)	24,000	365,591
Other (3)		129,902
Total Fees	\$ 1,550,544	\$ 4,077,049

- (1) Audit fees consist of fees for the audit of our annual financial statements, the audit of our internal control over financial reporting, the review of the interim financial statements included in our quarterly reports on Form 10-Q, and other professional services provided in connection with statutory and regulatory filings or engagements.
- (2) Tax fees consist of fees for tax compliance, tax advice and tax planning services.
- (3) Other fees consist of fees for acquisition-related services.

**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 our independent registered public accounting firm. This policy generally provides that we will not engage our 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. All services provided to us by PricewaterhouseCoopers LLP in each of fiscal 2012 and fiscal 2011 were approved in accordance with this policy.



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From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our 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 the authority to approve any audit or non-audit services to be provided to us by our 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.

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**OTHER MATTERS**

**Solicitation of Proxies**

We will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and employees may, without additional pay, solicit proxies by telephone, facsimile, e-mail and personal interviews. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy materials to the persons for whom they hold shares and request instructions for voting the proxies. We will reimburse the brokerage houses and other persons for their reasonable expenses in connection with this distribution.

**Stockholder Proposals for 2013 Annual Meeting**

*Stockholder Proposals Included in Proxy Statement*

To be considered for inclusion in the proxy statement relating to our 2013 Annual Meeting, stockholder proposals must be received by our Corporate Secretary at our principal executive offices no later than February 28, 2013, which is 120 calendar days before the date our proxy statement was released to stockholders in connection with this year's Annual Meeting. If the date of next year's annual meeting is changed by more than 30 days from the anniversary date of this year's Annual Meeting on July 27, then the deadline is a reasonable time before we begin to print and mail proxy materials. Upon receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement and proxy in accordance with SEC regulations governing the solicitation of proxies.

*Stockholder Proposals Not Included in Proxy Statement*

We must receive other proposals of stockholders (including director nominations) intended to be presented at the 2013 Annual Meeting but not included in our proxy statement by April 28, 2013, but not before March 29, 2013, which is not less than 90 days nor more than 120 days prior to the anniversary date of this year's Annual Meeting. However, in the event the 2013 Annual Meeting is scheduled to be held on a date before July 7, 2013 or after September 25, 2013, which are dates 20 days before or 60 days after the anniversary date of this year's Annual Meeting, then your notice may be received by us at our principal executive office not earlier than the 120th day prior to the 2013 Annual Meeting and not later than the close of business on the later of (1) the 90th day before the scheduled date of such annual meeting or (2) the 10th day after the day on which we first make a public announcement of the date of such annual meeting. Any proposals we do not receive in accordance with the above standards will not be voted on at the 2013 Annual Meeting.

Each stockholder's notice for a proposal must be timely given to our Corporate Secretary at our corporate headquarters located at 64 Jackson Road, Devens, MA 01434. Each notice is required to set forth as to each matter proposed to be brought before an annual meeting certain information and must meet other requirements specified in our bylaws, as determined by us, including (1) a brief description of the business the stockholder desires to bring before the meeting and the reasons for conducting such business at the meeting, (2) the name and address, as they appear on our stock transfer books, of the stockholder proposing such business, (3) the number of shares of our common stock beneficially owned by the stockholder making the proposal, (4) a description of all arrangements or understandings between such stockholder and any other persons in connection with the proposal and any material interest of the stockholder in such business, (5) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting and (6) a representation whether the stockholder intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to approve or adopt the proposal or otherwise to solicit proxies from stockholders in support of such proposal.

For director nominations, a stockholder's notice to our Corporate Secretary must set forth information specified in our bylaws, as to each person proposed to be nominated, including (1) the name, age, business address and residence address of such person, (2) the principal occupation or employment of such person, (3) the number of shares of our common stock which are beneficially owned by such person on the date of such stockholder notice, (4) the consent of each nominee to serve as a director if elected and (5) any other information concerning such

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person that must be disclosed as to nominees in proxy solicitations pursuant to the rules of the SEC. The notice must also set forth as to the stockholder giving the notice (1) the name and address, as they appear on our transfer books, of such stockholder and of any beneficial owners of our capital stock registered in such stockholder's name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s), (2) the number of shares of our common stock held of record, beneficially owned or represented by proxy by such stockholder, (3) a description of all arrangements or understandings between such stockholder and any other persons in connection with the nomination, (4) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate the person(s) named in its notice and (5) a representation whether the stockholder intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to elect the nominee or otherwise to solicit proxies from stockholders in support of such nomination.

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

Section 16(a) of the Exchange Act requires our officers, directors and holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Based solely on review of the copies of such reports furnished to us and written representations regarding the filing of required reports, we are not aware that any of our officers, directors or holders of 10% or more of our common stock failed to comply in a timely manner during and with respect to fiscal 2011 with Section 16(a) filing requirements.

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

We have 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 our proxy statement or annual report may have been sent to multiple shareholders in your household unless we have received instructions otherwise. We will promptly deliver a separate copy of either document to you if you write our Investor Relations department at 64 Jackson Road, Devens, Massachusetts 01434 or call (978) 842-3177. 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 us at the above address and phone number.

### **Electronic Delivery of Stockholder Communications**

If you received your Annual Meeting materials by mail, we encourage you to conserve natural resources, as well as significantly reduce our printing and mailing costs, by signing up to receive your stockholder communications via e-mail. To sign up for electronic delivery, visit [www.proxyvote.com](http://www.proxyvote.com). Your electronic delivery enrollment will be effective until you cancel it, which you may do at any time by following the procedures described at the website listed above. If you have questions about electronic delivery, please write our Investor Relations department at 64 Jackson Road, Devens, Massachusetts 01434 or call (978) 842-3177.

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**Appendix A**

AMERICAN SUPERCONDUCTOR CORPORATION

2007 STOCK INCENTIVE PLAN, AS AMENDED

1. Purpose

The purpose of this 2007 Stock Incentive Plan, as amended (the Plan) of American Superconductor Corporation, a Delaware corporation (the Company), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to align their interests with those of the Company's stockholders. Except where the context otherwise requires, the term Company shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the Code) and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the Board). This Plan constitutes an amendment and restatement of the 2007 Stock Incentive Plan, as amended prior to May 9, 2012 (the Existing Plan), which was approved by the Company's stockholders on August 6, 2009. In the event that the Company's stockholders do not approve the Plan, the Existing Plan will continue in full force and effect on its terms and conditions as in effect immediately prior to the date the Plan is approved by the Board.

2. Eligibility

All of the Company's employees, officers, consultants and advisors are eligible to receive options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs) and other stock-based awards (each, an Award) under the Plan. Each person who receives an Award under the Plan is deemed a Participant.

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a Committee). All references in the Plan to the Board shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Awards (subject to any limitations under the Plan) to employees or officers of the Company or any of its present or future subsidiary corporations and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of the Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Awards that the officers may grant; provided further, however, that no officer shall be authorized to grant Awards to any

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executive officer of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the Exchange Act )) or to any officer of the Company (as defined by Rule 16a-1 under the Exchange Act).

### 4. Stock Available for Awards.

#### (a) Number of Shares.

(1) Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan for up to 13,500,000 shares of common stock, \$0.01 par value per share, of the Company (the Common Stock ). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Fungible Share Pool. For purposes of this Section 4(a), any Award (i) that is not a Full-Value Award shall be counted against the number of shares available for the future grant of Awards as one share for each share of Common Stock subject to such Award, and (ii) that is a Full-Value Award and is granted on or after July 27, 2012 shall be counted against the number of shares available for the future grant of Awards as one and three-tenths shares for each share of Common Stock subject to such Full-Value Award. Full-Value Award means any Restricted Stock Award (as defined below) or Other Stock-Based Award (as defined below) with a per share price or per unit purchase price lower than 100% of Fair Market Value (as defined below) on the date of grant. To the extent a share that was subject to an Award that counted as one share is returned to the Plan pursuant to Section 4(a)(3), the number of shares available for the future grant of Awards shall be credited with one share. To the extent that a share that was subject to an Award that counts as one and three-tenths shares (or, prior to May 9, 2012, two shares) is returned to the Plan pursuant to Section 4(a)(3), the number of shares available for the future grant of Awards shall be credited with one and three-tenths shares or two shares, as applicable.

(3) Share Counting and Reacquired Shares. For purposes of counting the number of shares available for the grant of Awards under the Plan, all shares of Common Stock covered by independent SARs shall be counted against the number of shares available for the grant of Awards; provided, however, that independent SARs that may be settled in cash only shall not be so counted. If any Award (i) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right), or (ii) results in any Common Stock not being issued (including as a result of an independent SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; provided, however, in the case of Incentive Stock Options (as hereinafter defined), the foregoing shall be subject to any limitations under the Code; and provided, further, in the case of independent SARs, that the full number of shares subject to any such SAR (or portion thereof) settled in stock shall be counted against the number of shares available under the Plan regardless of the number of shares actually used to settle such SAR (or portion thereof) upon exercise. The following shares shall not be added back to the number of shares available for the future grant of Awards: (A) shares of Common Stock tendered to the Company by a Participant to (x) purchase shares of Common Stock upon the exercise of an Award, or (y) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation); and (B) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award.

(b) Section 162(m) Per-Participant Award Limitation Under the Plan. Subject to adjustment under Section 9, the maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 1,000,000 per calendar year. For purposes of the foregoing limit, the combination of an Option (as defined below) in tandem with an SAR shall be treated as a single Award. The per-Participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ( Section 162(m) ).

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(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sub-limits contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

### 5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an Option) and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option which is not intended to be an Incentive Stock Option (as hereinafter defined) shall be designated a Nonstatutory Stock Option.

(b) Incentive Stock Options. An Option that the Board intends to be an incentive stock option as defined in Section 422 of the Code (an Incentive Stock Option) shall only be granted to employees of the Company, any of the Company's present or future parent or subsidiary corporations as defined in Section 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or for any action taken by the Board, including without limitation the conversion of an Incentive Stock Option to a Nonstatutory Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify such exercise price in the applicable option agreement. The exercise price shall be not less than 100% of the Fair Market Value (as defined below) on the date the Option is granted; provided that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; provided, however, that no Option will be granted for a term in excess of 10 years.

(e) Exercise of Option. Options may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as the Board may otherwise provide in an option agreement, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) when the Common Stock is registered under the Securities Exchange Act of 1934 (the Exchange Act), by delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by (or in a manner approved by) the Board (Fair Market Value), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company,

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was owned by the Participant at least six months prior to such delivery and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent permitted by applicable law and by the Board and provided for in the option agreement, by (i) delivery of a promissory note of the Participant to the Company on terms determined by the Board, or (ii) payment of such other lawful consideration as the Board may determine; or

(5) by any combination of the above permitted forms of payment.

(g) Limitation on Repricing. Unless such action is approved by the Company's stockholders: (1) no outstanding Option granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option (other than adjustments pursuant to Section 9) and (2) the Board may not cancel any outstanding Option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled Option.

### 6. Stock Appreciation Rights.

(a) General. An SAR is an Award entitling the holder, upon exercise, to receive an amount in cash or Common Stock or a combination thereof (such form to be determined by the Board) determined in whole or in part by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock. SARs may be based solely on appreciation in the fair market value of Common Stock or on a comparison of such appreciation with some other measure of market growth such as (but not limited to) appreciation in a recognized market index. The date as of which such appreciation or other measure is determined shall be the exercise date unless another date is specified by the Board in the SAR Award.

(b) Grants. SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) Tandem Awards. When SARs are expressly granted in tandem with Options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable (except to the extent designated by the Board in connection with a Reorganization Event) and will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SAR will terminate and no longer be exercisable upon the termination or exercise of the related Option, except to the extent designated by the Board in connection with a Reorganization Event and except that a SAR granted with respect to less than the full number of shares covered by an Option will not be reduced until the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) Independent SARs. A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Board may specify in the SAR Award.

(c) Exercise Price. The Board shall establish the exercise price of each SAR and specify it in the applicable SAR agreement. The exercise price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; provided that if the Board approves the grant of a SAR with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; provided, however, that no SAR will be granted with a term in excess of 10 years.

(e) Exercise of SARs. SARs may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board, together with any other documents required by the Board.

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(f) Limitation on Repricing. Unless such action is approved by the Company's stockholders: (1) no outstanding SAR granted under the Plan may be amended to provide a exercise price per share that is lower than the then-current exercise price per share of such outstanding SAR (other than adjustments pursuant to Section 9) and (2) the Board may not cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having a exercise price per share lower than the then-current exercise price per share of the cancelled SAR.

### 7. Restricted Stock; Restricted Stock Units.

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ( Restricted Stock ), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. Instead of granting Awards for Restricted Stock, the Board may grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests or is otherwise settled pursuant to Section 7(c)(3)(i) ( Restricted Stock Units ) (Restricted Stock and Restricted Stock Units are each referred to herein as a Restricted Stock Award ).

(b) Terms and Conditions. The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price, if any.

### (c) Additional Provisions Relating to Restricted Stock.

(1) Dividends. Unless otherwise provided by the Board, if any dividends or distributions are paid in shares, or consist of a dividend or distribution to holders of Common Stock, the shares, cash or other property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid. Each dividend payment will be made no later than the end of the calendar year in which the dividends are paid to shareholders of that class of stock or, if later, the 15th day of the third month following the date the dividends are paid to shareholders of that class of stock.

(2) Stock Certificates. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the Designated Beneficiary ). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

### (3) Additional Provisions Relating to Restricted Stock Units.

(i) Settlement. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or an amount of cash equal to the Fair Market Value of one share of Common Stock, as provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant.

(ii) Voting Rights. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(iii) Dividend Equivalents. To the extent provided by the Board, in its sole discretion, a grant of Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or



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other distributions declared and paid on an equal number of outstanding shares of Common Stock ( Dividend Equivalents ). Dividend Equivalents may be paid currently or credited to an account for the Participants, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, as determined by the Board in its sole discretion, subject in each case to such terms and conditions as the Board shall establish, in each case to be set forth in the applicable Award agreement.

### 8. Other Stock-Based Awards.

Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ( Other Stock-Based Awards ). Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine. Subject to the provisions of the Plan, the Board shall determine the conditions of each Other Stock-Based Awards, including any purchase price applicable thereto.

### 9. Adjustments for Changes in Common Stock and Certain Other Events.

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the sub-limits and share counting rules set forth in Section 4(a) and Section 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share- and per-share provisions and the exercise price of each SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable). Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

### (b) Reorganization Events.

(1) Definition. A Reorganization Event shall mean: (i) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (ii) any exchange of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange transaction or (iii) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock Awards. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock Awards on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon

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consummation thereof a cash payment for each share surrendered in the Reorganization Event (the Acquisition Price ), make or provide for a cash payment to a Participant equal to the excess, if any, of (A) the Acquisition Price times the number of shares of Common Stock subject to the Participant s Awards (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of all such outstanding Awards and any applicable tax withholdings, in exchange for the termination of such Awards, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 9(b), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) Consequences of a Reorganization Event on Restricted Stock Awards. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company under each outstanding Restricted Stock Award shall inure to the benefit of the Company s successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Restricted Stock Award. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Award or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock Awards then outstanding shall automatically be deemed terminated or satisfied.

10. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; provided, however, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if, with respect to such proposed transferee, the Company would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such Award under the Securities Act of 1933, as amended; provided, further, that the Company shall not be required to recognize any such transfer until such time as the Participant and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

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(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise or release from forfeiture of an Award or, if the Company so requires, at the same time as is payment of the exercise price unless the Company determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares surrendered to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) Amendment of Award. The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 9 hereof.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

(i) Performance Awards.

(1) Grants. Restricted Stock Awards and Other Stock-Based Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 10(i) ( Performance Awards ).

(2) Committee. Grants of Performance Awards to any Covered Employee intended to qualify as performance-based compensation under Section 162(m) ( Performance-Based Compensation ) shall be made

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only by a Committee (or subcommittee of a Committee) comprised solely of two or more directors eligible to serve on a committee making Awards qualifying as performance-based compensation under Section 162(m). In the case of such Awards granted to Covered Employees, references to the Board or to a Committee shall be deemed to be references to such Committee or subcommittee. Covered Employee shall mean any person who is, or whom the Committee, in its discretion, determines may be, a covered employee under Section 162(m)(3) of the Code.

(3) Performance Measures. For any Award that is intended to qualify as Performance-Based Compensation, the Committee shall specify that the degree of granting, vesting and/or payout shall be subject to the achievement of one or more objective performance measures established by the Committee, which shall be based on the relative or absolute attainment of specified levels of one or any combination of the following: net income, earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, operating profit before or after discontinued operations and/or taxes, sales, sales growth, earnings growth, cash flow or cash position, gross margins, stock price, market share, return on sales, assets, equity or investment, improvement of financial ratings, achievement of balance sheet or income statement objectives or total shareholder return, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Committee may specify that such performance measures shall be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the writedown of any asset, and (v) charges for restructuring and rationalization programs. Such performance measures: (A) may vary by Participant and may be different for different Awards; (B) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Committee; and (C) shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m). Awards that are not intended to qualify as Performance-Based Compensation may be based on these or such other performance measures as the Board may determine.

(4) Adjustments. Notwithstanding any provision of the Plan, with respect to any Performance Award that is intended to qualify as Performance-Based Compensation, the Committee may adjust downwards, but not upwards, the cash or number of Shares payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance measures except in the case of the death or disability of the Participant or a change in control of the Company.

(5) Other. The Committee shall have the power to impose such other restrictions on Performance Awards as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for Performance-Based Compensation.

## 11. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date the Plan is approved by the Company's stockholders (the Effective Date). No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

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(d) **Amendment of Plan.** The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until such amendment shall have been approved by the Company's stockholders if required by Section 162(m) (including the vote required under Section 162(m)); (ii) no amendment that would require stockholder approval under the rules of the NASDAQ Stock Market ( "NASDAQ" ) may be made effective unless and until such amendment shall have been approved by the Company's stockholders; and (iii) if the NASDAQ amends its corporate governance rules so that such rules no longer require stockholder approval of material amendments to equity compensation plans, then, from and after the effective date of such amendment to the NASDAQ rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 4(c) or 9), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless stockholder approval is obtained. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

(e) **Provisions for Foreign Participants.** The Board may modify Awards granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

(f) **Compliance with Code Section 409A.** No Award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A is not so exempt or compliant or for any action taken by the Board.

(g) **Governing Law.** The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law principles.

*First adopted by the Board of Directors on May 15, 2007 and approved by the*

*stockholders on August 3, 2007*

*Plan, as amended, approved by the Board of*

*Directors on October 30, 2008*

*Plan, as amended, adopted by the Board of*

*Directors on May 12, 2009, and approved by*

*the stockholders on August 6, 2009.*

*Plan, as amended, approved by the Board of*

*Directors on May 12, 2010*

*Plan, as amended, approved by the Board of*

*Directors on May 9, 2012*

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*AMERICAN SUPERCONDUCTOR CORPORATION*

*64 JACKSON ROAD*

*DEVENS, MA 01434-4020*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**Electronic Delivery of Future PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

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

**The Board of Directors recommends you vote FOR the following:**

	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	
	..	..	..	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

1. Election of Directors .. ..

**Nominees**

01 Vikram S. Budhraj      02 Richard Drouin      03 Pamela F. Lenehan      04 Daniel P. McGahn      05 David R. Oliver, Jr.  
 06 John B. Vander Sande      07 John W. Wood, Jr.

**The Board of Directors recommends you vote FOR proposals 2, 3 and 4.**

**For    Against    Abstain**

- |  |   |
|--|---|
| <p><b>2</b> To approve amendments to AMSC's 2007 Stock Incentive Plan to add 7,500,000 shares to the total number of shares available for issuance under the plan and to decrease the existing fungible share ratio for future awards.</p> <p><b>3</b> To approve the issuance by AMSC of all shares of AMSC's common stock issuable upon conversion of AMSC's 7.0% Senior Convertible Notes (including those notes we have the right to require the purchaser thereof to purchase on October 4, 2012 upon satisfaction of certain conditions) or otherwise (including in connection with the payment of interest or principal thereof) and upon exercise of the warrants to purchase shares of common stock issued to the purchasers of such notes.</p> <p><b>4</b> To ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as AMSC's independent registered public accounting firm for the current fiscal year.</p> | <p>..    ..    ..</p> <p>..    ..    ..</p> <p>..    ..    ..</p> |
|--|---|

**NOTE:** Stockholders of record at the close of business on May 29, 2012 will be entitled to notice of and to vote at the annual meeting or any continuation, postponement or adjournment thereof. The stock transfer books of American Superconductor will remain open.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

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**The Annual Meeting of Stockholders will take place at**

**8:30 AM local time, on July 27th, 2012 at**

**American Superconductor's Headquarters located at:**

**64 Jackson Road**

**Devens, MA 01434**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement and Annual Report is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**AMERICAN SUPERCONDUCTOR CORPORATION**

**64 Jackson Road**

**Devens, Massachusetts 01434**

**Proxy for the Annual Meeting of Stockholders to be held on Friday, July 27, 2012**

**This Proxy is Solicited on Behalf of the Board of Directors of the Company**

The undersigned, revoking all prior proxies, hereby appoint(s) Daniel P. McGahn, David A. Henry and John W. Powell, and each of them, with full power of substitution, as proxies to represent and vote, as designated herein, all shares of common stock of American Superconductor Corporation (the "Company") which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of the Company to be held at the Company's headquarters located at 64 Jackson Road, Devens, MA 01434, on Friday, July 27, 2012, at 8:30 a.m., local time, or at any continuation, postponement or adjournment thereof (the "Meeting").

**This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is given, this proxy will be voted FOR the election of all nominees for director and FOR proposals 2, 3 and 4. Attendance of the undersigned at the Meeting will not be deemed to revoke this proxy unless the undersigned shall revoke this proxy in writing or shall deliver a subsequently dated proxy to the Secretary of the Company or shall vote in person at the Meeting.**



**The proxies are authorized to vote upon such other business as may properly come before the Meeting in their discretion.**

**Continued and to be signed on reverse side**

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