SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO CURRENT REPORT

ON

FORM 8-K/A

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): APRIL 8, 1997

AMERICAN SUPERCONDUCTOR CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	0-19672	04-2959321
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

TWO TECHNOLOGY DRIVE
WESTBOROUGH, MASSACHUSETTS 01581
(Address of principal executive offices, including zip code)

(508) 836-4200
(Registrant's telephone number, including area code)

The undersigned registrant hereby amends Item 7 of its Current Report on Form 8-K, dated April 8, 1997, which excluded certain financial statements because they were not available at the time of filing, to read in its entirety as follows:

Item 7. Financial Statements and Exhibits

(a) Financial statements of business acquired.

See pages 3 through 37 hereof.

(b) Pro forma financial information

See pages 38 through 42 hereof.

On April 8, 1997 American Superconductor Corporation ("ASC") completed a transaction (the "Merger") in which ASC acquired all of the outstanding stock of Superconductivity, Inc. ("SI") by means of a merger of SI into a subsidiary of ASC. The Merger will be accounted for as a pooling of interests.

The unaudited pro forma combined condensed balance sheet was prepared as if the Merger had occurred on March 31, 1997 and combines the balance sheet of ASC as of March 31, 1997 with the balance sheet of SI as of December 31, 1996. The unaudited pro forma combined statements of operations reflect the results of operations of ASC for the three years ending March 31, 1997, March 31, 1996, and March 31, 1995, combined with the results of operations of SI for the three years ended December 31, 1996, December 31, 1995, December 31, 1994 respectively as if the Merger had occurred on April 1, 1994.

The unaudited pro forma financial information was prepared utilizing the accounting policies of the respective companies. The policies of the Company are consistent with those of SI. This unaudited pro forma financial information does not purport to be indicative of the results of operations that would have been obtained if the operations had been combined as of the beginning of the periods presented, and is not intended to be a projection of future results.

(c) Exhibits. See Exhibit Index attached hereto at Page 44.

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

FINANCIAL STATEMENTS
and
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

For the Years Ended December 31, 1996 and 1995

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

TABLE OF CONTENTS

[LOGO]
S M I T H & G E S T E L A N D, L L P

Partners In Your Success - Since 1948

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Superconductivity, Inc.
Middleton, Wisconsin

We have audited the accompanying balance sheet of Superconductivity, Inc., as of December 31, 1996, and the related statements of operations, shareholders' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Superconductivity, Inc., as of December 31, 1995, and for the year then ended, were audited by other auditors whose report dated February 29, 1996, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Superconductivity, Inc., as of December 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Madison, Wisconsin
February 7, 1997

/s/ SMITH & GESTELAND, LLP

SMITH & GESTELAND, LLP

Certified Public Accountants and Business Consultans * Post Office Box 1764 *
Madison , WI 53701-1764
(tel) 608/836-7500 * (fax) 608/836-7505 * (e-mail) mail@sgcps.com

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

BALANCE SHEETS
December 31

	1996	1995
ASSETS		
Current assets		
Cash	$ 7,890	$ 156,348
Receivables	552,242	241,901
Inventories	1,886,515	1,632,195
Prepaid expenses and other current assets	15,623	45,573
Total current assets	2,462,270	2,076,017
Machinery and equipment	1,036,568	1,000,625
Accumulated depreciation	902,173	829,970
	134,395	170,655
Leased equipment	1,037,062	1,037,062
Accumulated depreciation	665,266	455,685
	371,796	581,377
Total assets	$2,968,461	$2,828,049

The accompanying notes are an integral part of the financial statements.

	1996	1995
LIABILITIES		
Current liabilities		
Note payable - line of credit	$ 530,000	$ 525,000
Accounts payable	961,000	658,942
Accrued liabilities	1,114,420	258,975
Deferred revenue	1,519,678	893,700
Current portion of long-term liabilities	673,428	554,311
Total current liabilities	4,798,526	2,890,928
Long-term liabilities, less current portion	3,073,663	1,888,606
Total liabilities	7,872,189	4,779,534
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred stock, voting, $.01 par value (Aggregate liquidation preference - $18,231,939): Authorized shares - 4,000,000; issued and outstanding shares - 2,114,668	21,147	21,147
Additional paid-in capital	11,678,374	11,678,374
Common stock, $.01 par value: Authorized shares - 7,500,000; issued and outstanding shares - 496,136 in 1996 and 474,136 in 1995	4,961	4,741
Additional paid-in capital	510,748	508,169
Retained earnings (deficit)	(17,118,958)	(14,163,916)
Total shareholders' equity (deficit)	(4,903,728)	(1,951,485)
Total liabilities and shareholders' equity (deficit)	$ 2,968,461	$ 2,828,049

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

STATEMENTS OF OPERATIONS
For the Years Ended December 31

	1996	1995
Revenues:		
Product sales	$ 1,059,050	$
Contract revenue	1,570,474	2,761,758
Rental revenue	545,130	595,700
Other revenue	201,416	276,069
Total revenues	3,376,070	3,633,527
Costs and expenses:		
Costs of revenue	3,069,750	4,221,626
Research and development	768,606	363,057
Marketing	680,406	411,905
General and administrative	791,774	806,811
Total costs and expenses	5,310,536	5,803,399
Loss from operations	(1,934,466)	(2,169,872)
Other income (expense):		
Professional fees - nonoperating	(669,627)	
Interest income	5,417	6,133
Interest expense	(356,366)	(214,671)
NET LOSS	$(2,955,042)	$(2,378,410)

The accompanying notes are an integral part of the financial statements.

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31

	Preferred Stock		Common Stock			
	Par Value	Additional Paid-In Capital	Par Value	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
Balance at January 1, 1995	$21,147	$11,678,374	$2,742	$ 10,168	$(11,785,506)	$ (73,075)
Issuance of 200,000 shares of common stock from exercise of warrants			1,999	498,001		500,000
Net loss					(2,378,410)	(2,378,410)
Balance at December 31, 1995	21,147	11,678,374	4,741	508,169	(14,163,916)	(1,951,485)
Issuance of 22,000 shares of common stock from exercise of options			220	2,579		2,799
Net loss					(2,955,042)	(2,955,042)
Balance at December 31, 1996	$21,147	$11,678,374	$4,961	$510,748	$(17,118,958)	$(4,903,728)

The accompanying notes are an integral part of the financial statements.

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

STATEMENTS OF CASH FLOWS
For the Years Ended December 31

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,955,042)	$(2,378,410)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	281,782	482,668
Provision for impairment	444,538	1,175,142
Interest expense on convertible debentures	230,746	100,383
Changes in assets and liabilities:		
Receivables	(310,341)	630,734
Inventories	(698,858)	(984,695)
Prepaid expenses and other current assets	29,950	(2,725)
Accounts payable	302,058	(34,976)
Accrued liabilities	855,446	80,419
Deferred revenue	625,978	678,700
Net cash used in operating activities	(1,193,743)	(252,760)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(35,943)	(33,288)
Net cash used in investing activities	(35,943)	(33,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(126,572)	(422,352)
Proceeds from notes payable (net)	5,000	
Proceeds from 10% convertible debentures	1,200,000	
Proceeds from sale of common stock	2,800	350,000
Net cash provided by (used in) financing activities	1,081,228	(72,352)
Decrease in cash	(148,458)	(358,400)
Cash - beginning	156,348	514,748
Cash - ending	$ 7,890	$ 156,348

The accompanying notes are an integral part of the financial statements.

	1996	1995
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 125,620	$ 114,288

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:
During 1995, the company exchanged $150,000 of its convertible debentures for partial payment of the exercise of common stock warrants by the debenture holder.

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - INFORMATION ABOUT THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF BUSINESS

Superconductivity, Inc. (the company), was incorporated on July 27, 1987, and commenced activities on March 22, 1988. Management's plans for 1997 include a business combination (see Note 11) and continued development, marketing, and sale or lease of SSD units. The current principal markets for the SSD products are the United States Government and a utility company based in South Africa. Prior to 1996, the company was in the development stage.

B. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. INVENTORIES

Inventories are carried at the lower of cost or market using the first-in, first-out (FIFO) method and consisted of the following:

	1996	1995
Raw materials	$ 115,785	$ 433,670
Work in process	1,852,497	1,328,374
Finished goods	59,372	
	2,027,654	1,762,044
Less allowance for obsolescence	141,139	129,849
	$1,886,515	$1,632,195

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - INFORMATION ABOUT THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. EQUIPMENT AND LEASED EQUIPMENT

Equipment and leased equipment are stated at cost. Depreciation is computed by the straight-line method for financial reporting purposes.

E. GOVERNMENT CONTRACTS

Sales under the company's cost reimbursement government contracts are recorded as costs are incurred and include estimated fees in the proportion that costs incurred to-date bear to total estimated costs. Costs incurred and estimated fees earned are billed monthly.

Sales under the company's fixed price commercial and government contracts are recorded at the time of site installation and customer acceptance. Customer deposits are recorded as deferred revenue until the related sales are recognized.

F. INCOME TAXES

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized. No current or deferred income taxes have been provided because of the net operating losses incurred by the company since its inception.

NOTE 2 - NOTE PAYABLE - LINE OF CREDIT

The company has a $750,000 bank line of credit under which $530,000 is outstanding at December 31, 1996. The line of credit expires December 19, 1997. Interest is payable monthly on the unpaid principal balance at prime (8.25% at December 31, 1996) plus 2%. The line of credit is secured by a General Business Security Agreement and assignment of certain lease agreements. The collateral interest in inventory (SSD unit #107) is subordinated to the note payable to the ABB Power T&D Company, Inc. (see Note 3) and the collateral interest in inventory SSD Unit #101 is subordinated to a collateral interest of Silcon Power Electronics (SPE), relating to development fees payable to SPE.

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT

Long-term debt at December 31, 1996 and 1995, consisted of the following:

	1996	1995
Note payable to ABB Power T&D Company, Inc., interest payable monthly at 7.5%, with principal due April 1997.	$ 673,428	$ 800,000
Subordinated convertible debentures issued in 1993 and 1996, principal of $2,537,492 and $1,337,492 plus accrued interest at 10% per annum aggregating $536,171 and $305,425 at December 31, 1996 and 1995, respectively, due January 1998.	3,073,663	1,642,917
Total	3,747,091	2,442,917
Less amount due within one year	673,428	554,311
	$3,073,663	$1,888,606

The note payable to ABB Power T&D Company, Inc. (ABB) is secured by SSD unit #107 and is payable in the amount of $224,479 upon the sale of each the first three SSD units in 1997 or in full in April 1997. SSD unit #107 is included in work-in-process with a carrying value of $520,000 at December 31, 1996.

The subordinated convertible debenture holders are also preferred and common stockholders and a director of the company. The debentures are secured by all intellectual property rights held by the company. The debentures plus accrued but unpaid interest convert to Series F preferred stock upon the first closing of a private placement of the Series F preferred stock of not less than $2,500,000. The conversion price is equal to the price paid by Series F purchasers. There is a mandatory redemption of the principal and accrued but unpaid interest on the debentures upon the closing of an initial public offering which results in more than $5,000,000 proceeds to the company. The debenture purchasers also received 1,080,000 common stock warrants exercisable at $2.50 per share (see Note 5).

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (continued)

Subsequent to December 31, 1996, the holders of the 1993 and 1996 convertible debentures extended the maturity date of January 31, 1997 to January 31, 1998. Accordingly, the 1993 and 1996 convertible debentures are classified as a long-term liability at December 31, 1996.

NOTE 4 - PREFERRED STOCK

Preferred stock consisted of the following at December 31, 1996 and 1995:

	1996	1995
Preferred stock, voting, $.01 par value, 4,000,000 shares authorized:		
Preferred Series A, 451,860 shares designated, issued and outstanding, aggregate liquidation preference of $1,695,087 at December 31, 1996	$ 4,519	$ 4,519
Additional paid-in capital - Preferred Series A	899,201	899,201
Preferred Series B, 472,250 shares designated, issued and outstanding, aggregate liquidation preference of $3,304,822 at December 31, 1996	4,723	4,723
Additional paid-in capital - Preferred Series B	1,884,277	1,884,277
Preferred Series C, 500,067 shares designated, issued and outstanding, aggregate liquidation preference of $4,773,784 at December 31, 1996	5,000	5,000
Additional paid-in capital - Preferred Series C	2,995,402	2,995,402
Preferred Series D, 200,000 shares designated, issued and outstanding, aggregate liquidation preference of $2,210,272 at December 31, 1996	2,000	2,000
Additional paid-in capital - Preferred Series D	1,498,000	1,498,000
Preferred Series E, 777,777 shares designated, 490,491 shares issued and outstanding, aggregate liquidation preference of $6,247,974 at December 31, 1996	4,905	4,905
Additional paid-in capital - Preferred Series E	4,401,494	4,401,494
Preferred Series F, 1,500,000 shares designated, no shares issued and outstanding		
Total preferred stock	$11,699,521	$11,699,521

The company's articles of incorporation provide that merger or consolidation of the company, except where the company is the surviving entity, will be considered a liquidation for purposes of the liquidation preference if the company's shareholders, as defined, own less than 50 percent of the shares of the surviving entity.

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PREFERRED STOCK (continued)

Each share of preferred stock is convertible into one share of common stock at the option of the holder, subject to certain antidilutive adjustments. The preferred shareholders are entitled to preference payments in liquidation aggregating the respective cost per share for each series of preferred stock plus 8% per annum for each year in which dividends are not declared and paid or set aside for preferred stock; this 8% feature aggregates to $6,524,398 and $5,173,883 at December 31, 1996 and 1995, respectively.

NOTE 5 - STOCK OPTION PLAN AND WARRANTS

The Superconductivity, Inc., 1988 stock option plan provides for grants of options to officers and certain other key employees of the company to purchase in the aggregate up to 605,000 shares of the company's common stock reserved for this purpose. Options are granted at prices estimated to be fair market value at the date of grant and are generally exercisable in equal annual installments over a four year period beginning one year after date of grant. The options expire ten years from date of grant or three months after an employee terminates employment.

The types of options granted under the plan may be either incentive stock options meeting certain Internal Revenue Code requirements or nonstatutory stock options which are not intended to meet those requirements.

The company has elected to follow APB No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

Pro forma information regarding net loss is required by FAS 123 and has been determined as if the company had accounted for its employee stock options under the "minimum value" method of that statement. The fair value for these options was estimated at the date of the grant using the present-value method with the following assumptions for 1996 and 1995: risk-free interest rate of 6%; no dividends; and a weighted-average expected life of the option of seven years.

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - STOCK OPTION PLAN AND WARRANTS (continued)

The minimum-value method was developed for use in estimating the minimum fair value of options for a non-public company. This model does not necessarily provide a reliable single measure of the fair value of the company's stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. The company's pro forma information follows:

	1996	1995
Pro forma net loss	$(2,999,422)	$(2,399,763)

A summary of the status of the company's stock option plans follows:

	Number of Options	Exercise Price Per Option
Outstanding at January 1, 1995	544,348	$.10 - 5.00
Granted	51,000	5.00
Outstanding at December 31, 1995	595,348	$.10 - 5.00
Granted	55,000	5.00
Exercised	(22,000)	.10 - .25
Cancelled	(99,323)	.25 - 5.00
Outstanding at December 31, 1996	529,025	$.01 - 5.00
Exercisable at December 31, 1996	302,650	$.01 - 5.00

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - STOCK OPTION PLAN AND WARRANTS (continued)

The following table details the weighted average remaining contractual life of options outstanding at December 31, 1996 by exercise price:

Exercise Price	Number of Options Outstanding	Remaining Contractual Life of Options Outstanding
$0.10	59,000	2.23 years
$0.25	47,500	3.01 years
$1.00	30,825	4.52 years
$2.50	244,200	6.75 years
$5.00	147,500	8.59 years

As explained in Note 3, the company issued warrants in 1993 and 1996 to the convertible debenture holders to purchase 1,080,000 shares of common stock at $2.50 per share. The company also issued warrants in 1993 to consultants to purchase 10,000 shares of common stock at $9.00 per share. These warrants are exercisable at any time and expire in 1998.

During 1995, warrants issued in 1989 for 200,000 shares of common stock were exercised at $2.50 per share and warrants for 50,000 shares of common stock expired on December 31, 1995.

As of December 31, 1996, 1,619,025 shares of authorized, but unissued common stock are reserved for issuance in accordance with the warrants and stock option plans described above.

NOTE 6 - INCOME TAXES

The components of the company's net deferred taxes consisted of the following at December 31:

	1996	1995
Deferred tax assets	$7,765,000	$ 6,326,000
Less valuation allowance	7,364,000	(6,155,000)
Net deferred tax assets	401,000	171,000
Deferred tax liability	(401,000)	(171,000)
	$ --	$ --

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INCOME TAXES (continued)

The types of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to the net deferred tax asset and their approximate tax effects were as follows at December 31, 1996:

	Temporary Difference	Tax Effect
Inventory, depreciation, deferred revenue and other	$ 2,975,000	$1,167,000
Net operating loss carryforward	13,217,000	5,183,000
Research tax credit carryforward		1,014,000
	$16,192,000	$7,364,000

The net operating and research tax credit carryforwards expire beginning in 2003. Under provisions of the Tax Reform Act of 1986, the utilization of the carryforwards may be limited as a result of future significant changes in ownership.

NOTE 7 - LEASE

The lease for the company's operating facilities expires December 31, 1998, and is cancelable by the company or the lessor on December 31, 1997, upon notice during March 1997. Rent expense, $138,850 and $113,283 in 1996 and 1995, respectively, is subject to an annual adjustment based on the change in the Consumer Price Index; rent expense for 1997 will be $142,347. The company also pays for maintenance, certain insurance coverage, and real estate taxes.

NOTE 8 - EMPLOYEE RETIREMENT 401(K) PLAN

The company has a 401(k) employee savings plan which covers all full-time employees who have completed six months of service and are at least 21 years old. Any contributions by the company are discretionary (none in 1996 or 1995).

SUPERCONDUCTIVITY, INC.
Middleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PROVISION FOR IMPAIRMENT

Effective January 1, 1996, the company adopted FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires that impairment losses be recorded on long-lived assets that will be used in operations when events and circumstances indicate that the assets might be impaired and the fair value of those assets is less than the carrying amount of those assets.

During 1995, events and circumstances indicated that certain items of power electronics equipment in the company's SSD units in work-in-process inventories ($768,302) and leased equipment ($406,840) were impaired. This power electronics equipment did not meet the required performance specifications. As a result, the company recorded a provision of $1,175,142 in 1995, to adjust the carrying value of the assets to their estimated fair value and classified the charge as part of costs of revenue.

During 1996, events and circumstances indicated that certain SSD units in inventory ($444,538) were impaired. As a result, the company recorded a provision of $444,538 in 1996 to adjust the carrying value of the assets to the estimated fair value and classified the charge as part of costs of revenue.

NOTE 10 -MAJOR CUSTOMERS

The company's sales to three of its customers comprised 79% of total sales in the year ended December 31, 1996. The company's sales to two of its customers comprised 83% of total sales in the year ended December 31, 1995.

NOTE 11 -SUBSEQUENT EVENT

The company signed a letter of intent on January 14, 1997, to merge with a US publicly held company ("acquiror"). The merger would be accounted for by the pooling of interest method. It is expected that the company's preferred stockholders will convert to common stock and all common stockholders will receive the acquiror's common stock at a conversion rate to be determined prior to closing. Merger costs and expenses of approximately $1,375,000 will be paid at closing from the acquiror's funds. These costs and expenses include an investment banking fee of $1,250,000. This fee was originally $1,750,000 but is expected to be reduced under the terms of an oral arrangement with the investment banking firm. These costs and expenses are not accrued as of December 31, 1996 due to closing contingencies. The letter of intent is subject to contingencies including approval by the Board of Directors of each of the companies and by the company's stockholders as well as approval and determination of certain other provisions.

[GRAPHIC]

FINANCIAL STATEMENTS

SUPERCONDUCTIVITY, INC.

Years ended December 31, 1995 and
1994 and the Period March 22, 1988
(Date of Inception) to December 31, 1995

[LOGO] ERNST & YOUNG LLP

Superconductivity, Inc.

Financial Statements

Years ended December 31, 1995 and 1994
and the Period March 22, 1988 (Date of Inception)
to December 31, 1995

CONTENTS

[LOGO] ERNST & YOUNG LLP * Suite 204 * Phone 608 836 0800
8000 Excelsior Drive Fax 608 831 0374
Madison, Wisconsin 503717
Mailing Address
P.O. Box 1610
Madison, Wisconsin 503717

Report of Independent Auditors

The Board of Directors and Shareholders
Superconductivity, Inc.

We have audited the accompanying balance sheets of Superconductivity, Inc. (a development stage company, the Company) as of December 31, 1995 and 1994, and the related statements of operations, shareholders' equity (deficit) and cash flows for the years then ended and the period from March 22, 1988 (Inception) to December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended and the period from March 22, 1988 (Inception) to December 31, 1995, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

February 29, 1996

Superconductivity Inc.

(A Development Stage Company)

Balance Sheets

	DECEMBER 31 1995	1994
ASSETS (Note 2)		
Current assets:		
Cash	$ 156,348	$ 514,748
Receivables	241,901	872,635
Inventories (Notes 1 and 11)	1,632,195	1,415,802
Prepaid expenses and other current assets	45,573	42,848
Total current assets	2,076,017	2,846,033
Equipment (Note 3):		
Machinery and equipment	1,000,625	967,337
Accumulated depreciation	829,970	693,640
	170,655	273,697
Leased equipment, less accumulated depreciation of 455,685 and $391,218, respectively (Notes 3, 7, and 11)	581,377	1,334,555
Total assets	$2,828,049	$4,454,285

	DECEMBER 31 1995	1994
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Note payable - line of credit (Note 2)	$ 525,000	$ 550,000
Accounts payable	658,942	693,918
Accrued liabilities	258,975	178,556
Deferred revenue	893,700	312,029
Current portion of long-term debt (Note 3)	554,311	1,100,323
Total current liabilities	2,890,928	2,834,826
Long-term debt, less current portion (Note 3)	1,888,606	1,692,534
Shareholders' equity (deficit) (Notes 4 and 5):		
Preferred stock, voting, $.01 par value:		
Authorized shares--4,000,000; issued and outstanding shares--2,114,668	21,147	21,147
Additional paid-in capital	11,678,374	11,678,374
Common stock, $.01 par value:		
Authorized shares--7,500,000; issued and outstanding shares--474,136 in 1995 and 274,136 in 1994	4,741	2,742
Additional paid-in capital	508,169	10,168
Deficit accumulated during the development stage	(14,163,916)	(11,785,506)
Total shareholders' deficit	(1,951,485)	(73,075)
Total liabilities and shareholders' equity	$ 2,828,049	$ 4,454,285

Superconductivity, Inc.
(A Development Stage Company)

Statements of Operations

	YEAR ENDED DECEMBER 31 1995	YEAR ENDED DECEMBER 31 1994	MARCH 22, 1988 (INCEPTION) TO DECEMBER 31, 1995
Revenues:			
Contract revenue	$ 2,761,758	$ 3,433,305	$ 7,756,965
Rental revenue	595,700	866,480	2,333,310
Other revenue	276,069	22,749	641,262
Total revenues	3,633,527	4,322,534	10,731,537
Costs and expenses:			
Costs of revenue	4,221,626	3,596,887	11,364,978
Research and development	363,057	714,855	7,574,928
Marketing	411,905	353,087	1,861,256
General and administrative	806,811	714,281	4,087,175
Total costs and expenses	5,803,399	5,379,110	24,888,337
Loss from operations	(2,169,872)	(1,056,576)	(14,156,800)
Other income (expense):			
Interest income	6,133	4,205	480,128
Interest expense	(214,671)	(212,191)	(487,244)
	(208,538)	(207,986)	(7,116)
Net loss	$(2,378,410)	$(1,264,562)	$(14,163,916)

See accompanying notes.

Superconductivity, Inc.
(A Development Stage Company)

Statements of Shareholders' Equity

	Preferred Stock		Common Stock		Deficit Accumulated During Development Stage	
	Par Value	Additional Paid-in Capital	Par Value	Additional Paid-in Capital		Total
1988 activity:						
Sale of 225,000 shares of common stock	$ --	$ --	$2,250	$ --	$ --	$ 2,250
Sale of 451,860 shares of preferred stock Series A	4,519	899,201	--	--	--	903,720
Net loss	--	--	--	--	(211,908)	(211,908)
Balance at December 31, 1988	4,519	899,201	2,250	--	(211,908)	694,062
Sale of 472,250 shares of preferred stock Series B	4,723	1,884,277	--	--	--	1,889,000
Net loss	--	--	--	--	(186,968)	(186,968)
Balance at December 31, 1989	9,242	2,783,478	2,250	--	(398,876)	2,396,094
Sale of 500,067 shares of preferred stock Series C	5,000	2,995,402	--	--	--	3,000,402
Net loss	--	--	--	--	(1,731,154)	(1,731,154)
Balance at December 31, 1990	14,242	5,778,880	2,250	--	(2,130,030)	3,665,342
Sale of 200,000 shares of preferred stock Series D	2,000	1,498,000	--	--	--	1,500,000
Net loss	--	--	--	--	(2,949,441)	(2,949,441)
Balance at December 31, 1991	16,242	7,276,880	2,250	--	(5,079,471)	2,215,901
Sale of 490,491 shares of preferred stock Series E	4,905	4,401,494	--	--	--	4,406,399
Net loss	--	--	--	--	(3,130,438)	(3,130,438)
Balance at December 31, 1992	21,147	11,678,374	2,250	--	(8,209,909)	3,491,862
Issuance of 37,886 shares of common stock from exercise of options	--	--	379	7,093	--	7,472
Net loss	--	--	--	--	(2,311,035)	(2,311,035)
Balance at December 31, 1993	21,147	11,678,374	2,629	7,093	(10,520,944)	1,188,299
Issuance of 11,250 shares of common stock from exercise of options	--	--	113	3,075	--	3,188
Net loss	--	--	--	--	(1,264,562)	(1,264,562)
Balance at December 31, 1994	21,147	11,678,374	2,742	10,168	(11,785,506)	(73,075)
Issuance of 200,000 shares of common stock from exercise of warrants			1,999	498,001		500,000
Net loss	--	--	--	--	(2,378,410)	(2,378,410)
Balance at December 31, 1995	$21,147	$11,678,374	$4,741	$508,169	$(14,163,916)	$(1,951,485)

See accompanying notes.

Superconductivity, Inc.
(A Development Stage Company)

Statements of Cash Flows

	YEAR ENDED DECEMBER 31 1995	1994	MARCH 22, 1988 (INCEPTION) TO DECEMBER 31, 1995
OPERATING ACTIVITIES			
Net loss	$(2,378,410)	$(1,264,562)	$(14,163,916)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	482,668	492,930	1,824,184
Provision for impairment (Note 11)	1,175,142	--	1,175,142
Interest expense on convertible debentures	100,383	150,000	292,917
Changes in operating assets and liabilities:			
Receivables	630,734	(674,305)	(241,901)
Inventories	(984,695)	(60,960)	(2,400,497)
Prepaid expenses and other	(2,725)	9,600	(45,573)
Accounts payable	(34,976)	350,594	658,942
Accrued liabilities	80,419	54,253	258,975
Deferred revenue	678,700	15,000	893,700
Net cash used in operating activities	(252,760)	(927,450)	(11,748,027)
INVESTING ACTIVITY			
Purchase of equipment	(33,288)	(180,150)	(2,182,721)
FINANCING ACTIVITIES			
Payments on notes payable	(422,352)	(472,876)	(1,025,335)
Proceeds from notes payable	--	1,550,000	1,550,000
Proceeds from 10% convertible debentures	--	--	1,500,000
Proceeds from sale of preferred stock	--	--	11,699,521
Proceeds from sale of common stock	350,000	3,188	362,910
Net cash provided by financing activities	(72,352)	1,080,312	14,087,096
Net increase (decrease) in cash	(358,400)	(27,288)	156,348
Cash at beginning of period	514,748	542,036	--
Cash at end of period	$ 156,348	$ 514,748	$ 156,348
Supplemental schedule of cash flow information - cash paid for interest	$ 114,288	$ 39,442	$ 171,333

Supplemental schedule of noncash investing and financing activities during 1995, the Company exchanged $150,000 of its convertible debentures for partial payment of the exercise of common stock warrants by the debenture holder. During 1993, the Company exchanged accounts payable to a supplier for three notes payable totalling $800,335.

See accompanying notes.

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements

December 31, 1995

1. ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Superconductivity, Inc., (the Company), a development stage company, was incorporated on July 27, 1987, and commenced activities on March 22, 1988. Activities since inception have included raising capital, administrative functions, research and development activities relating to superconductive storage devices (SSD) for the storage of electricity, starting up of production, government contracts and commercial rental contracts. Management's plans for 1996 include the issuance of $1,200,000 of additional convertible debentures (see Note 3) and continued development, marketing and sale or lease of SSD units. The current principal markets for the SSD products are utility companies based in North America and South Africa.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

INVENTORIES

Inventories are carried at the lower of cost or market using the first-in, first-out (FIFO) method and consisted of the following:

	1995	1994
Raw materials	$ 433,670	$ 680,700
Work in process	1,328,374	797,283
	1,762,044	1,477,983
Less allowance for obsolescence	129,849	62,181
	$1,632,195	$1,415,802

EQUIPMENT AND LEASED EQUIPMENT

Equipment and leased equipment are stated at cost. Depreciation is computed by the straight-line method for financial reporting purposes.

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

1. ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT CONTRACT

Sales under the Company's cost-reimbursement government contract are recorded as costs are incurred and include estimated fees in the proportion that costs incurred to date bear to total estimated costs. Costs incurred and estimated fees earned are billed monthly.

INCOME TAXES

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized. No current or deferred income taxes have been provided because of the net operating losses incurred by the Company since its inception.

RECLASSIFICATIONS

Certain amounts in the 1994 financial statements have been reclassified to conform to the 1995 presentation.

2. NOTE PAYABLE - LINE OF CREDIT

The Company has a $750,000 bank line of credit under which $525,000 is outstanding at December 31, 1995. The line of credit expires December 20, 1996. Interest is payable monthly on the unpaid principal balance at prime (8.50% at December 31, 1995) plus 2.5%. The line of credit is secured by a General Business Security Agreement and assignment of certain lease agreements. The collateral interest in leased equipment (SSD unit #107) is subordinated to the note payable to the ABB Power T&D Company, Inc. (see Note 3).

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

3. LONG-TERM DEBT

Long-term debt at December 31, 1995 and 1994, consisted of the following:

	1995	1994
Note payable to ABB Power T&D Company, Inc., due $30,000 per month through June 1996 and $70,000 per month thereafter through March 1997, including interest at 7.5%, with a final payment of $39,252 due April 1997	$ 800,000	$ 902,971
Notes payable to supplier in monthly payments of $16,895, including interest at 5%, through December 31, 1995, secured by leased equipment	--	197,352
Subordinated convertible debentures issued in 1993, principal of $1,337,492 and $1,500,000 plus accrued interest at 10% per annum aggregating $305,425 and $192,534 at December 31, 1995 and 1994, respectively, due January 1997	1,642,917	1,692,534
Total	2,442,917	2,792,857
Less amount due within one year	554,311	1,100,323
	$1,888,606	$1,692,534

The note payable to ABB Power T&D Company, Inc. (ABB) is payable at the earlier of the time of delivery of SSD unit #107 on a third party's order to the Company or June 1997. ABB has the option of extending the due date if collateral of like kind and like value to SSD unit #107 is provided to ABB by the Company. SSD unit #107 is included in work-in-process with a carrying value of $383,050 at December 31, 1995.

The subordinated convertible debenture holders are also preferred stockholders of the Company. The debentures are secured by all intellectual property rights held by the Company. The debentures plus accrued but unpaid interest convert to Series F preferred stock upon the first closing of a private placement of the Series F preferred stock of not less than $2,500,000. The conversion price is equal to the price paid by Series F purchasers. There is a mandatory redemption of the principal and accrued but unpaid interest on the debentures upon the closing of an initial public offering which results in more than $5,000,000 proceeds to the Company. The debenture purchasers also received 600,000 common stock warrants exercisable at $2.50 per share (see Note 5).

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

3. LONG-TERM DEBT (CONTINUED)

Subsequent to December 31, 1995, the Company issued $1,200,000 of convertible debentures at 10%, maturing January 31, 1997. Under the terms of the convertible debentures, the Company received $600,000 in February 1996 and the remaining $600,000 will close, subject to Board of Directors approval, no earlier than March 15, 1996. The proceeds from the issuance will be used for general corporate purposes. Holders of the 1996 convertible debentures also received one common stock warrant for each $2.50 of convertible debenture principal amount. The exercise price of the warrants is generally indexed to the price per common share of certain common stock issuable in 1996. The warrants have a term of five years. Other terms of the 1996 convertible debentures are similar to the 1993 convertible debentures.

Also, subsequent to December 31, 1995, the holders of the 1993 convertible debentures extended the maturity date from July 1996 to January 31, 1997. Accordingly, the 1993 convertible debentures are classified as a long-term liability at December 31, 1995.

4. PREFERRED STOCK

Preferred stock consisted of the following at December 31, 1995 and 1994:

	1995	1994
Preferred stock, voting, $.01 par value, 4,000,000 shares authorized:		
Preferred Series A, 451,860 shares designated, issued and outstanding, aggregate liquidation preference of $1,569,525 at December 31, 1995	$ 4,519	$ 4,519
Additional paid-in capital - Preferred Series A	899,201	899,201
Preferred Series B, 472,250 shares designated, issued and outstanding, aggregate liquidation preference of $3,060,020 at December 31, 1995	4,723	4,723
Additional paid-in capital - Preferred Series B	1,884,277	1,884,277
Preferred Series C, 500,067 shares designated, issued and outstanding, aggregate liquidation preference of $4,420,170 at December 31, 1995	5,000	5,000
Additional paid-in capital - Preferred Series C	2,995,402	2,995,402
Preferred Series D, 200,000 shares designated, issued and outstanding, aggregate liquidation preference of $2,046,548 at December 31, 1995	2,000	2,000
Additional paid-in capital - Preferred Series D	1,498,000	1,498,000
Preferred Series E, 777,777 shares designated, 490,491 shares issued and outstanding, aggregate liquidation preference of $5,785,161 at December 31, 1995	4,905	4,905
Additional paid-in capital - Preferred Series E	4,401,494	4,401,494
Preferred Series F, 1,500,000 shares designated, no shares issued and outstanding	--	--
Total preferred stock	$11,699,521	$11,699,521

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

4. PREFERRED STOCK (CONTINUED)

The Company's articles of incorporation provide that merger or consolidation of the Company, except where the Company is the surviving entity, will be considered a liquidation for purposes of the liquidation preference if the Company's shareholders, as defined, own less than 50 percent of the shares of the surviving entity.

Each share of preferred stock is convertible into one share of common stock at the option of the holder, subject to certain antidilutive adjustments. The preferred shareholders are entitled to preference payments in liquidation aggregating the respective cost per share for each series of preferred stock plus 8% per annum for each year in which dividends are not declared and paid or set aside for preferred stock; this 8% feature aggregates to $5,173,883 and $3,923,408 at December 31, 1995 and 1994, respectively.

5. STOCK OPTION PLAN AND WARRANTS

The Superconductivity, Inc. 1988 Stock Option Plan provides for grants of options to officers and certain other key employees of the Company to purchase in the aggregate up to 750,000 shares of the Company's common stock reserved for this purpose. Options are granted at prices estimated to be fair market value at the date of grant and are generally exercisable in equal annual installments over a four-year period beginning one year after date of grant. The options expire ten years from date of grant or three months after an employee terminates employment.

The types of options granted under the Plan may be either incentive stock options meeting certain Internal Revenue Code requirements or nonstatutory stock options which are not intended to meet those requirements.

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

5. STOCK OPTION PLAN AND WARRANTS (CONTINUED)

A summary of the status of the Company's stock option plans follows:

	Number of Options	Exercise Price Per Option
Outstanding at December 31, 1988	30,000	$ .10
Granted - 1989	99,750	.10 - .25
Outstanding at December 31, 1989	129,750	.10 - .25
Granted - 1990	64,400	.25 - 1.00
Outstanding at December 31, 1990	194,150	.10 - 1.00
Granted - 1991	25,750	.10 - 1.00
Canceled	(2,500)	1.00
Outstanding at December 31, 1991	217,400	.10 - 1.00
Granted	59,523	1.00 - 2.50
Canceled	(1,350)	1.00 - 2.50
Outstanding at December 31, 1992	275,573	.10 - 2.50
Granted	276,200	2.50
Exercised	(37,886)	.25 - 2.50
Canceled	(14,039)	.25 - 2.50
Outstanding at December 31, 1993	499,848	.10 - 2.50
Granted	62,000	5.00
Exercised	(11,250)	.25 - 1.00
Canceled	(6,250)	1.00 - 2.50
Outstanding at December 31, 1994	544,348	.10 - 5.00
Granted	51,000	5.00
Outstanding at December 31, 1995	595,348	$.10 - 5.00
Exercisable at December 31, 1995	333,833	$.10 - 5.00

As explained in Note 3, the Company issued warrants in 1993 to the convertible debenture holders to purchase 600,000 shares of common stock at $2.50 per share and, subsequent to December 31, 1995, issued additional warrants to debenture holders. The Company also issued warrants in 1993 to consultants to purchase 10,000 shares of common stock at $9.00 per share. These warrants are exercisable at any time and expire in 1998.

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

5. STOCK OPTION PLAN AND WARRANTS (CONTINUED)

In connection with certain research agreements with utility companies, the Company issued warrants in 1990 to purchase 50,000 shares of common stock. The warrants are exercisable at any time in whole or in part at $5.00 per share and expire on December 31, 1996. During 1995, warrants issued in 1989 for 200,000 shares of common stock were exercised at $2.50 per share and warrants for 50,000 shares of common stock expired on December 31, 1995.

As of December 31, 1995, 1,360,480 shares of authorized, but unissued common stock are reserved for issuance in accordance with the warrants and stock option plans described above.

6. LICENSE AGREEMENTS

The Company had a license agreement which expired in October 1995 for technology relating to products to be manufactured and sold by the Company. Under this license, the Company was required to pay a royalty on product sales at the rate of 3.5% of the net selling price, as defined, once product sales exceeded $1 million in a single calendar year, with a minimum annual royalty of $50,000. The royalty fee was $19,972 and $111,064 in 1995 and 1994, respectively.

7. CUSTOMER RENTAL AGREEMENTS

The Company has various rental agreements for its SSDs. The leases are cancelable by the lessees under various circumstances. Minimum aggregate future rentals, assuming there are no cancellations, are $380,700 in 1996.

8. INCOME TAXES

The components of the Company's net deferred taxes consisted of the following at December 31:

	1995	1994
Deferred tax assets	$ 6,326,000	$ 5,345,000
Less valuation allowance	(6,155,000)	(5,221,000)
Net deferred tax assets	171,000	124,000
Deferred tax liability	(171,000)	(124,000)
	$ --	$ --

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

8. INCOME TAXES (CONTINUED)

The types of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to the net deferred tax asset and their approximate tax effects were as follows at December 31, 1995:

	Temporary Difference	Tax Effect
Inventory, depreciation, deferred revenue and	$ 1,538,000	603,000
Net operating loss carryforward	11,794,000	4,625,000
Research tax credit carryforward	--	927,000
	$13,332,000	$6,155,000

The net operating and research tax credit carryforwards expire beginning in 2003. Under provisions of the Tax Reform Act of 1986, the utilization of the carryforwards may be limited as a result of future significant changes in ownership.

9. LEASE

The lease for the Company's operating facilities expires December 31, 1998, and is cancelable by the Company or the lessor on December 31, 1996 or 1997, upon notice during March of the year preceding the cancellation date. Rent expense, $113,283 and $109,984 in 1995 and 1994, respectively, is subject to an annual adjustment based on the change in the Consumer Price Index; rent expense for 1996 will be $116,682. The Company also pays for maintenance, certain insurance coverage and real estate taxes.

10. EMPLOYEE RETIREMENT 401(K) PLAN

The Company has a 401(k) employee savings plan which covers all full-time employees who have completed six months of service and are at least 21 years old. Any contributions by the Company are discretionary (none in 1995 or 1994).

11. PROVISION FOR IMPAIRMENT

Effective January 1, 1996, the Company will adopt FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires that impairment losses on long-lived assets be used in operations when events and circumstances indicate that the assets might be impaired and

Superconductivity, Inc.
(A Development Stage Company)

Notes to Financial Statements (continued)

11. PROVISION FOR IMPAIRMENT (CONTINUED)

the fair value of those assets is less than the carrying amount of those assets. During 1995, events and circumstances indicated that certain items of power electronics equipment in the Company's SSD units in work-in-process inventories ($768,302) and leased equipment ($406,840) were impaired. This power electronics equipment did not meet the required performance specifications. Although the Company is working with the supplier to correct the specifications, management believes the cost of specification correction exceeds the cost of replacement equipment. As a result, the Company recorded a provision of $1,175,142 to adjust the carrying value of the assets to their estimated fair value and classified the charge as part of costs of revenue.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEETS
AT MARCH 31, 1997 (ASC) AND DECEMBER 31, 1996 (SI)

	ASC March 31, 1997	SI December 31, 1996	Pro Forma Combined
ASSETS			
Current assets:			
Cash and cash equivalents	$ 576,914	$ 7,890	$ 584,804
Accounts receivable	2,518,331	552,242	3,070,573
Notes receivable	383,607		383,607
Inventory	1,054,141	1,886,515	2,940,656
Prepaid expenses and other current assets	329,721	15,623	345,344
Total current assets	4,862,714	2,462,270	7,324,984
Property and equipment:			
Equipment	8,064,091	2,073,630	10,137,721
Furniture and fixtures	733,794		733,794
Leasehold improvements	1,732,215		1,732,215
	10,530,100	2,073,630	12,603,730
Less: accumulated depreciation	(7,268,315)	(1,567,439)	(8,835,754)
Property and equipment, net	3,261,785	506,191	3,767,976
Long-term marketable securities	15,446,106		15,446,106
Other assets	42,028		42,028
Total assets	$ 23,612,633	$ 2,968,461	$26,581,094
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Note payable-line of credit		$ 530,000	$ 530,000
Accounts payable and accrued expenses	$ 2,208,192	2,075,420	4,283,612
Deferred revenue		1,519,678	1,519,678
Current portion of long-term debt		673,428	673,428
Total current liabilities	2,208,192	4,798,526	7,006,718
Long-term debt (less current portion)		3,073,663	3,073,663
Stockholders' equity:			
Accumulated deficit	(42,137,761)	(17,118,958)	(59,256,719)
Other stockholders' equity	63,542,202	12,215,230	75,757,432
Total stockholders' equity	21,404,441	(4,903,728)	16,500,713
Total liabilities and stockholders' equity	$ 23,612,633	$ 2,968,461	$26,581,094

See accompanying notes to unaudited pro forma combined condensed financial information.

UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME
FOR THE YEAR ENDED MARCH 31, 1997 (ASC) AND DECEMBER 31, 1996 (SI)

	ASC	SI	Combined
	(Year-ended 3/31/97)	(Year-ended 12/31/96)	
Revenues:			
Contract revenue	$ 5,296,970	$ 1,570,474	$ 6,867,444
Prototypes and prototype development contracts	1,877,517	1,059,050	2,936,567
Rental revenue		545,130	545,130
Other revenue		201,416	201,416
Total revenues	7,174,487	3,376,070	10,550,557
Costs and expenses:			
Costs of revenue	7,507,626	3,069,750	10,577,376
Research and development	7,708,759	768,606	8,477,365
Selling, general and administrative	2,818,320	1,472,180	4,290,500
Total costs and expenses	18,034,705	5,310,536	23,345,241
Transaction fees	(710,105)		(710,105)
Interest income	1,171,969	5,417	1,177,386
Interest expense		(356,366)	(356,366)
Non-operating professional fees		(669,627)	(669,627)
Other income (expense), net	(23,777)		(23,777)
Net loss	$(10,422,131)	$(2,955,042)	$(13,377,173)
Net loss per common share	$ (1.09)	$ (1.14)	$ (1.28)
Weighted average number of common shares outstanding	9,560,818	2,592,165	10,414,159

See accompanying notes to unaudited pro forma combined condensed financial information.

UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME
FOR THE YEAR ENDED MARCH 31, 1996 (ASC) AND DECEMBER 31, 1995 (SI)

	ASC (Year-ended 3/31/96)	SI (Year-ended 12/31/95)	Combined
Revenues:			
Contract revenue	$ 4,764,548	$ 2,761,758	$ 7,526,306
Prototypes and prototype development contracts	2,366,351		2,366,351
Rental revenue		595,700	595,700
Other revenue		276,069	276,069
Total revenues	7,130,899	3,633,527	10,764,426
Costs and expenses:			
Costs of revenue	7,331,390	4,221,626	11,553,016
Research and development	5,341,437	363,057	5,704,494
Selling, general and administrative	3,319,451	1,218,716	4,538,167
Total costs and expenses	15,992,278	5,803,399	21,795,677
Interest income	1,579,035	6,133	1,585,168
Interest expense		(214,671)	(214,671)
Other income (expense), net	(37,529)		(37,529)
Net loss	$ (7,319,873)	$(2,378,410)	$ (9,698,283)
Net loss per common share	$ (0.77)	$ (0.98)	$ (0.94)
Weighted average number of common shares outstanding	9,470,931	2,422,777	10,268,509

See accompanying notes to unaudited pro forma combined condensed financial information.

UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME
FOR THE YEAR ENDED MARCH 31, 1995 (ASC) AND DECEMBER 31, 1994 (SI)

	ASC (Year-ended 3/31/95)	SI (Year-ended 12/31/94)	Combined
Revenues:			
Contract revenue	$ 3,162,872	$ 3,433,305	$ 6,596,177
Prototypes and prototype development contracts	1,107,374		1,107,374
Rental revenue		866,480	866,480
Other revenue		22,749	22,749
Total revenues	4,270,246	4,322,534	8,592,780
Costs and expenses:			
Costs of revenue	4,396,572	3,596,887	7,993,459
Research and development	4,634,017	714,855	5,348,872
Selling, general and administrative	2,856,812	1,067,368	3,924,180
Total costs and expenses	11,887,401	5,379,110	17,266,511
Interest income	1,868,606	4,205	1,872,811
Interest expense		(212,191)	(212,191)
Other income (expense), net	(23,093)		(23,093)
Net loss	$ (5,771,642)	$(1,264,562)	$ (7,036,204)
Net loss per common share	$ (0.62)	$ (0.53)	$ (0.69)
Weighted average number of common shares outstanding	9,380,787	2,383,410	10,165,406

See accompanying notes to unaudited pro forma combined condensed financial information.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

(1) Effective immediately prior to the Merger, each share of SI preferred stock was converted into one share of SI common stock. Accordingly the pro forma combined per share amounts are calculated on the combined weighted average of ASC common shares and SI common and preferred shares outstanding for all periods presented, based on SI common and preferred shareholders receiving 0.3292 shares of ASC common stock for each SI common and preferred share.

(2) There were no material transactions between ASC and SI during any of the periods presented.

(3) Total transaction costs incurred by ASC and SI as of March 31, 1997 in connection with the Merger were $2,168,000. Of this amount $710,000 has been included in ASC's net loss for the year ended March 31, 1997 and an additional $1,458,000 was recorded by SI in the quarter ended March 31, 1997 (not included in this pro forma combined condensed financial information). These costs related principally to legal and financial advisory services.

SIGNATURES

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

AMERICAN SUPERCONDUCTOR CORPORATION
- ----------------------------------
(Registrant)

/s/
- --
Ramesh L. Ratan
Executive Vice President, Corporate Development, and
Chief Financial Officer

June 23, 1997
- -------------
Date

Exhibit Index

No.	Description
2*	Agreement and Plan of Merger dated as of March 7, 1997 by and among ASC, ASC Merger Corp. and SI.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Smith & Gesteland LLP.

* Previously filed.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-44962, 33-44963, 33-64832, 33-74418, 33-86108, 33-86106) pertaining to various employee and director stock option plans of American Superconductor Corporation of our report dated February 29, 1996, with respect to the financial statements of Superconductivity, Inc. included in the Current Report an Form 8-K/A dated June 19, 1997, filed by American Superconductor Corporation with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Milwaukee, Wisconsin
June 19, 1997

[LOGO]
S M I T H & G E S T E L A N D, L L P

Partners In Your Success - Since 1948

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 Nos. 33-44962, 33-44963, 33-64832, 33-74418, 33-86108, and 33-86106) pertaining to various employee and director stock option plans of American Superconductor Corporation of our report dated February 7, 1997, with respect to the financial statements of Superconductivity, Inc., included in American Superconductor Corporation's Current Report on Form 8-K/A dated June 19, 1997, filed with Securities and Exchange Commission.

Madison, Wisconsin
June 19, 1997

/s/ Smith & Gesteland, LLP
SMITH & GESTELAND, LLP

Certified Public Accountants and Business Consultants * Post Office Box 1764 *
Madison , WI 53701-1764
(tel) 608/836-7500 * (fax) 608/836-7505 * (e-mail) mail@sgcps.com