
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C., 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date Of Report (Date Of Earliest Event Reported): 04/04/2005

AMERICAN SUPERCONDUCTOR CORP /DE/

(Exact Name of Registrant as Specified in its Charter)

Commission File Number: 0-19672

DE

(State or Other Jurisdiction of
Incorporation or Organization)

04-2959321

(I.R.S. Employer
Identification No.)

Two Technology Drive, Westborough, MA 01581
(Address of Principal Executive Offices, Including Zip Code)

508-836-4200

(Registrant's Telephone Number, Including Area Code)

(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act(17CFR240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act(17CFR240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act(17CFR240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

American Superconductor Corporation (the "Company") received notice on November 5, 2003 of a lawsuit filed against it on October 28, 2003 in the Court of Chancery of the State of Delaware in and for New Castle County by TM Capital Corp. ("TM Capital"), a past financial advisor to the Company, under which TM Capital claimed to be entitled to cash and equity compensation with respect to the Company's October 2003 public equity offering. The Company filed an answer to this lawsuit, denying TM Capital's claims for damages and other relief and asserting several counterclaims against TM Capital, including breach of contract, gross negligence, and breach of fiduciary duty.

On April 4, 2005, the Company and TM Capital agreed to resolve all claims between them and entered into a settlement agreement that provides for, among other things, the cash payment by the Company to TM Capital of \$1,700,000 and the issuance by the Company to TM Capital of a common stock purchase warrant for 200,000 shares of the Company's common stock, exercisable for a five-year term, with an exercise price of \$9.50 per share (the "Warrant"). The Company and TM Capital also entered into a registration rights agreement wherein the Company agreed to register for public resale the shares of the Company's common stock issuable upon exercise of the Warrant.

The summary of the terms described above is qualified in all respects by reference to the full text of the agreements, which have been filed as exhibits to this Current Report on Form 8-K.

Item 2.02. Results of Operations and Financial Condition

On April 4, 2005, the Company issued a press release that announced the settlement of the TM Capital litigation and also included information relating to the impact of that settlement on the Company's financial results for the quarter and year ended March 31, 2005. The full text of the press release issued is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Item 3.02. Unregistered Sales of Equity Securities

On April 4, 2005, in connection with the settlement of the TM Capital litigation, the Company issued the Warrant to TM Capital. The Warrant was issued in reliance upon the exemptions from registration under Section 4(2) of the Securities Act of 1933, as amended, or Regulation D promulgated thereunder, relative to sales by an issuer not involving any public offering.

Item 9.01. Financial Statements and Exhibits

- c) Exhibits

See Exhibit Index attached hereto.

Signature(s)

Pursuant to the Requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the Undersigned hereunto duly authorized.

AMERICAN SUPERCONDUCTOR CORP /DE/

Date: April 05, 2005.

By: /s/ Kevin M. Bisson

Kevin M. Bisson
Senior Vice President and Chief Financial Officer

Exhibit Index

Exhibit No.	Description
EX-10.1	Settlement Agreement by and between the Registrant and TM Capital Corp., dated April 4, 2005
EX-10.2	Registration Rights Agreement by and between the Registrant and TM Capital Corp., dated April 4, 2005
EX-10.3	Stock Purchase Warrant issued by the Registrant to TM Capital Corp., dated April 4, 2005
EX-99.1	Press release issued by the Registrant on April 4, 2005

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "**Agreement**"), dated as of April 4, 2005, by and among **American Superconductor Corporation**, a Delaware corporation (the "**Company**"), and TM Capital Corp. (together with its affiliates, the "**Initial Holder**").

WHEREAS:

A. In connection with that certain Settlement Agreement of even date herewith by and between the Company and the Initial Holder (the "**Settlement Agreement**"), the Company has agreed, upon the terms and subject to the conditions contained therein, to issue to the Initial Holder or its assignees warrants (the "**Warrants**") to acquire 200,000 shares of the Company's Common Stock, par value \$.01 per share ("**Common Stock**"). The shares of Common Stock issuable upon exercise of or otherwise pursuant to the Warrants are referred to herein as the "**Warrant Shares**."

B. To induce the Initial Holder to execute and deliver the Settlement Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "**Securities Act**"), and applicable state securities laws.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Initial Holder hereby agree as follows:

1. DEFINITIONS.

- a. As used in this Agreement, the following terms shall have the following meanings:
- i. "**Holders**" means the Initial Holder and any transferees or assignees who agree to become bound by the provisions of this Agreement in accordance with Section 9 hereof.
 - ii. "**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing a Registration Statement or Statements in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis ("**Rule 415**"), and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the "**SEC**").
 - iii. "**Registrable Securities**" means the Warrant Shares and any shares of capital stock issued or issuable, from time to time (with any adjustments), as a distribution on or in exchange for or otherwise with respect to or pursuant to any of the Warrant Shares, but excluding Warrant Shares sold under the Registration Statement filed pursuant to this Agreement or under Rule 144 under the Securities Act.
 - iv. "**Registration Statement**" means a registration statement of the Company under the Securities Act filed pursuant to this Agreement.
- b. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Settlement Agreement.

2. REGISTRATION.

- a. Mandatory Registration. The Company shall prepare promptly and file with the SEC as soon as practicable, but in no event later than the twenty-first (21st) day following the date hereof (the "**Filing Date**"), a Registration Statement on Form S-3 (or, if Form S-3 is not then available, on such form of Registration Statement as is then available to effect a registration of all of the Registrable Securities) covering the resale by the Holders of the Warrant Shares. The Registration Statement filed hereunder, to the extent allowable under the Securities Act and the Rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable upon exercise of the Warrants to prevent dilution resulting from stock splits, stock dividends or similar transactions. The Registration Statement (and each amendment or supplement thereto, and each request for a cceleration of effectiveness thereof) shall be provided to the Initial Holder and its counsel prior to its filing or other submission. The Company shall cause the Registration Statement required to be filed pursuant to Section 2(a) hereof to become effective as soon as practicable, but in no event later than the one hundred and twentieth (120th) day after the Filing Date (the "**Registration Deadline**"). At the time of effectiveness, the Company shall ensure that such Registration Statement covers all of the Registrable Securities issuable pursuant to the Warrants (including, if necessary, by filing an amendment prior to the effective date of the Registration Statement to increase the number of shares covered thereby).
- b. Redemption Right. If (i) the Registration Statement required to be filed by the Company pursuant to Section 2(a) hereof is not filed with the SEC prior to the Filing Date or declared effective by the SEC on or before the

Registration Deadline or (ii) if, after any such Registration Statement has been declared effective by the SEC, sales of any of the Registrable Securities required to be covered by such Registration Statement cannot be made pursuant to such Registration Statement (by reason of a stop order, the Company's failure to update the Registration Statement as required hereby or any other failure of such Registration Statement to be effective or by reason of the Company exercising its rights under Section 3(p) hereof)(any such event, being a "**Default**"), then the Holder(s) shall have the option, exercisable in whole or in part at any time and from time to time until the Default has been cured by delivery of a written notice to the Company (a "**Redemption Notice**"), to require the Company to purchase for cash, at an amount equal to the Redemption Price (as defined below), the Warrants or Registrable Securities, as the case may be, owned by such Holder. If the Company fails to redeem any of such Warrants or Registrable Securities within five (5) business days after its receipt of a Redemption Notice, then such Holder shall be entitled to receive from the Company interest on the Redemption Price, from such 5th business day through the date of payment, at a rate per annum equal to ten percent (10%), as well as all reasonable costs and expenses, including, without limitation, reasonable attorneys fees and expenses, of collecting the Redemption Price and any interest thereon and expenses related thereto. "**Redemption Price**" shall mean an amount equal to the product of (i) the excess of the highest Market Price (as defined below) during the time period beginning on the date a Default occurs and ending on the date of delivery of the Redemption Notice over the Exercise Price of the Warrant at such time, multiplied by (ii) the number of Warrant Shares underlying the Warrant being redeemed or the number of Registrable Securities being redeemed, as the case may be. "**Market Price**" as of any date, (i) means the last reported sale price per share for the shares of Common Stock on the Nasdaq National Market as reported by Bloomberg Financial Markets or an equivalent reliable reporting service mutually acceptable to and hereafter designated by the holder of this Warrant and the Company ("**Bloomberg**"), or (ii) if the Nasdaq National Market is not the principal trading market for the shares of Common Stock, the last reported sale price per share on the principal trading market for the Common Stock as reported by Bloomberg, or (iii) if market value cannot be calculated as of such date on any of the foregoing bases, the Market Price shall be the fair market value per share as reasonably determined in good faith by the Board of Directors of the Company. The manner of determining the Market Price of the Common Stock set forth in the foregoing definition shall apply with respect to any other security in respect of which a determination as to market value must be made hereunder.

- c. Eligibility for Form S-3. The Company represents and warrants that it meets the requirements for the use of Form S-3 for registration of the sale by the Initial Holder and any other Holder of the Registrable Securities and the Company shall file all reports required to be filed by the Company with the SEC in a timely manner so as to maintain such eligibility for the use of Form S-3.

3.

OBLIGATIONS OF THE COMPANY.

In connection with the registration of the Registrable Securities, the Company shall have the following obligations:

- a. The Company shall respond promptly to any and all comments made by the staff of the SEC to the Registration Statement required by Section 2(a), and shall submit to the SEC before the close of business on the business day immediately following the business day on which the Company learns (either by telephone or in writing) that no review of such Registration Statement will be made by the SEC or that the staff of the SEC has no further comments on such Registration Statement, as the case may be, a request for acceleration of the effectiveness of such Registration Statement to a time and date as soon as practicable. The Company shall keep such Registration Statement effective pursuant to Rule 415 at all times until such date as the date on which all of the Registrable Securities have been sold or are eligible for sale pursuant to Rule 144(k) under the Securities Act, but in no event later than five years from the Registration Deadline (the "**Registration Period**"), which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein and all documents incorporated by reference therein) (i) shall comply in all material respects with the requirements of the Securities Act and the rules and regulations of the SEC promulgated thereunder and (ii) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading. The financial statements of the Company included in the Registration Statement or incorporated by reference therein will comply as to form in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC applicable with respect thereto. Such financial statements will be prepared in accordance with U.S. generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed on summary statements and fairly present in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end adjustments).
- b. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until such time as all of such

Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement.

- c. The Company shall furnish to each Holder whose Registrable Securities are included in the Registration Statement and its legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of the Registration Statement and any amendment thereto, each preliminary prospectus and prospectus and each amendment or supplement thereto, and, in the case of the Registration Statement referred to in Section 2(a), each letter written by or on behalf of the Company to the SEC or the staff of the SEC (including, without limitation, any request to accelerate the effectiveness of the Registration Statement or amendment thereto), and each item of correspondence from the SEC or the staff of the SEC, in each case relating to the Registration Statement (other than any portion, if any, thereof which contains information for which the Company has sought confidential treatment), (ii) on the date of effectiveness of the Registration Statement or any amendment thereto, a notice stating that the Registration Statement or amendment has been declared effective, and (iii) such number of copies of a prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as such Holder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Holder.
- d. The Company shall use its best efforts to (i) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as each Holder who holds Registrable Securities being offered reasonably requests, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (a) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (b) subject itself to general taxation in any such jurisdiction, (c) file a general consent to service of process in any such jurisdiction, (d) provide any undertakings that cause the Company undue expense or burden, or (e) make any change in its charter or bylaws, which in each case the Board of Directors of the Company determines to be contrary to the best interests of the Company and its stockholders.
- e. As promptly as practicable after becoming aware of such event, the Company shall notify each Holder by electronic mail with a copy by facsimile of the happening of any event, of which the Company has knowledge, as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading or as a result of which a post-effective amendment to the Registration Statement is required, and use its best efforts promptly to prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission and/or effect the required post-effective amendment, and deliver such number of copies of such supplement or amendment to each Holder as such Holder may reasonably request.
- f. The Company shall use commercially reasonable efforts (i) to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, and, if such an order is issued, to obtain the withdrawal of such order at the earliest practicable moment (including in each case by amending or supplementing such Registration Statement) and (ii) to notify each Holder who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance of such order and the resolution thereof (and if such Registration Statement is supplemented or amended, deliver such number of copies of such supplement or amendment to each Holder as such Holder may reasonably request).
- g. The Company shall permit a single firm of counsel designated by the Initial Holder to review the Registration Statement and all amendments and supplements thereto a reasonable period of time prior to its filing with the SEC, and not file any document in a form to which such counsel reasonably and promptly objects.
- h. The Company shall make generally available to its security holders as soon as practical, but not later than ninety (90) days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the Securities Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.
- i. The Company shall hold in confidence and not make any disclosure of information concerning a Holder provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other order from a court or governmental body of competent jurisdiction, (iv) such information has been made generally available to the public other than by disclosure in violation of this or any other agreement, or (v) such Holder consents to the form and content of any such disclosure. The Company agrees that it shall, upon learning that disclosure of such information concerning a Holder is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to such Holder prior to making such

disclosure, and allow the Holder, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

- j. The Company shall use its best efforts to promptly either (i) cause all of the Registrable Securities covered by the Registration Statement to be listed on the New York Stock Exchange (the "NYSE") or the American Stock Exchange (the "AMEX") or another national securities exchange and on each additional national securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) secure the designation and quotation of all of the Registrable Securities covered by the Registration Statement on the Nasdaq National Market ("NNM").
- k. The Company shall provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the Registration Statement.
- l. The Company shall cooperate with the Holders who hold Registrable Securities being offered to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, or the Holders may reasonably request and registered in such names as the Holders may request, and, within three (3) business days after the Registration Statement that includes Registrable Securities is ordered effective by the SEC, the Company shall notify the transfer agent for the Registrable Securities (with copies to the Holders whose Registrable Securities are included in such Registration Statement), of the effectiveness of the Registration Statement. The Company will cooperate with the Holders in coordinating with the Company's transfer agent the approval of a form of letter pursuant to which a Holder will represent that Registrable Securities were sold pursuant to a Registration Statement and that such Holder complied with applicable prospectus delivery requirements and which letter shall be relied upon by the transfer agent for delivery of certificates not bearing restrictive legends.
- m. At the reasonable request of any Holder, the Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with such Registration Statement as may be necessary in order to change the plan of distribution set forth in such Registration Statement.
- n. The Company shall comply with all applicable laws related to a Registration Statement and offering and sale of securities and all applicable rules and regulations of governmental authorities in connection therewith (including, without limitation, the Securities Act and the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC.)
- o. From and after the date of this Agreement, the Company shall not, and shall not agree to, allow the holders of any securities of the Company to include any of their securities that are not Registrable Securities in the Registration Statement under Section 2(a) hereof or any amendment or supplement thereto under Section 3(b) hereof without the consent of the Holders of a majority in interest of the Registrable Securities.
- p. Notwithstanding any provisions of this Agreement to the contrary, the Company may, by written notice to the Holders, suspend the Registration Statement after effectiveness and/or require that the Holders immediately cease sales of shares pursuant to the Registration Statement, in the event that the Company is engaged in any activity or preparations or negotiations for any transaction that the Company desires to keep confidential for business reasons, if the Company determines in good faith that the public disclosure requirements imposed on the Company under the Securities Act in connection with the Registration Statement would require disclosure of such activity, transaction or negotiations; provided that the Company may not exercise this right for more than thirty (30) consecutive days or for more than forty-five (45) days in any one calendar year. If the Company suspends the Registration Statement or requires the Holders to cease sales of shares pursuant to this paragraph, the Company shall, as promptly as practicable following the termination of the circumstance which entitled the Company to do so, take such actions as may be necessary to reinstate the effectiveness of the Registration Statement and/or give written notice to all Holders authorizing them to resume sales pursuant to the Registration Statement. If as a result thereof the prospectus included in the Registration Statement has been amended or supplemented to comply with the requirements of the Securities Act, the Company shall enclose such revised prospectus with the notice to Holders given pursuant to this paragraph, and the Holders shall make no offers or sales of shares pursuant to the Registration Statement other than by means of such revised prospectus.

4. OBLIGATIONS OF THE HOLDERS.

In connection with the registration of the Registrable Securities, the Holders shall have the following obligations:

- a. It shall be a condition precedent to the obligations of the Company to effect the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least five trading days prior to the first anticipated filing date of the

Registration Statement, the Company shall notify each Holder of the information the Company requires from each such Holder.

- b. Each Holder agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder, unless such Holder has notified the Company in writing of such Holder's election to exclude all of such Holder's Registrable Securities from such Registration Statement.
- c. Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Sections 3(e) or 3(f) or 3(p) (a "Suspension Notice"), such Holder will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Holder's receipt of notice from the Company that it may resume disposition of Registrable Securities pursuant to the Registration Statement and, if applicable, the copies of the supplemented or amended prospectus contemplated by Sections 3(e) or 3(f) or 3(p) and, if so directed by the Company, such Holder shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in such Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. Notwithstanding anything to the contrary, subject to compliance with applicable laws, the Company shall cause the transfer agent for the Registrable Securities to deliver unlegended shares of Common Stock to a transferee of a Holder in connection with any sale of Registrable Securities pursuant to the Registration Statement with respect to which such Holder has entered into a contract for sale prior to receipt of a Suspension Notice and for which such Holder has not yet settled.
- d. No Holder may participate in any underwritten distribution hereunder unless such Holder (i) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements in usual and customary form entered into by the Company, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, (iii) agrees to pay its pro rata share of all underwriting discounts and commissions and any expenses of Holder in excess of those payable by the Company pursuant to Section 5 below, and (iv) complies with all applicable laws in connection therewith. Notwithstanding anything in this Section 4(d) to the contrary, this Section 4(d) is not intended to limit a Holder's rights under Sections 2(a) hereof.
- e. Each Holder agrees to provide prompt notice to the Company of its sale or other disposition of the Registrable Securities.

5. EXPENSES OF REGISTRATION. All reasonable expenses incurred by the Company in connection with registrations, filings or qualifications pursuant to Sections 2 and 3 above, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, the fees and disbursements of counsel for the Company, along with the fees and disbursements (not to exceed \$10,000) of one counsel selected by the Holders, but excluding the underwriting discounts and commissions related to the shares sold by the Holders, shall be borne by the Company. In addition, the Company shall pay all of the Holders' reasonable costs and expenses (including reasonable legal fees) incurred in connection with the enforcement of the rights of the Holders hereunder.

6. INDEMNIFICATION. In the event any Registrable Securities are included in a Registration Statement under this Agreement:

- a. To the extent permitted by law, the Company will indemnify, hold harmless and defend (i) each Holder who holds such Registrable Securities, and (ii) the directors, officers, partners, members, employees and agents of such Holder and each person who controls any Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), if any, (each, an "**Indemnified Person**"), against any joint or several losses, claims, damages, liabilities or expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, in respect thereof, "**Claims**") to which any of them may become subject insofar as such Claims arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or the omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities (the matters in the foregoing clauses (i) through (iii) being, collectively, "**Violations**"). Subject to the restrictions set forth in Section 6(c) with respect to the number of legal counsel, the Company shall reimburse the Holders and each other Indemnified Person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim arising out of or based upon a Violation that occurs in reliance

upon and in conformity with information furnished in writing to the Company by a Holder expressly for use in the Registration Statement or any such amendment thereof or supplement thereto; (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld; and (iii) with respect to any preliminary prospectus, shall not inure to the benefit of any Indemnified Person if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented, if such corrected prospectus was timely made available by the Company pursuant to Section 3(c) hereof, and the Indemnified Person was promptly advised in writing not to use the incorrect prospectus prior to the use giving rise to a Violation and such Indemnified Person, notwithstanding such advice, used it. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9 hereof.

- b. In connection with any Registration Statement in which a Holder is participating, each such Holder agrees severally and not jointly to indemnify, hold harmless and defend, to the same extent and in the same manner set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, its employees, agents and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such stockholder within the meaning of the Securities Act or the Exchange Act (collectively, and together with an Indemnified Person, an "**Indemnified Party**"), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in connection with such Registration Statement; and, subject to Section 6(c), such Holder will reimburse any legal or other expenses (promptly as such expenses are incurred and are due and payable) reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Holder, which consent shall not be unreasonably withheld; provided, further, however, that the Holder shall be liable under this Agreement (including this Section 6(b) and Section 7) for only that amount as does not exceed the net proceeds actually received by such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9 hereof. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.
- c. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is made or to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that such indemnifying party shall not be entitled to assume such defense and an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the reasonable fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential conflicts of interest between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding or the actual or potential defendants in, or targets of, any such action include both the Indemnified Person or the Indemnified Party and the indemnifying party and any such Indemnified Person or Indemnified Party reasonably determines that there may be legal defenses available to such Indemnified Person or Indemnified Party that are in conflict with those available to such indemnifying party. The indemnifying party shall pay for only one separate legal counsel for the Indemnified Persons or the Indemnified Parties, as applicable, and such legal counsel shall be selected by Holders holding a majority-in-interest of the Registrable Securities included in the Registration Statement to which the Claim relates (with the approval of the Initial Holder if it holds Registrable Securities included in such Registration Statement), if the Holders are entitled to indemnification hereunder, or by the Company, if the Company is entitled to indemnification hereunder, as applicable. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is actually prejudiced in its ability to defend such action. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

7. **CONTRIBUTION.** To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the Indemnified Person or Indemnified Party, as the case may be, on the other hand, with respect to the Violation giving rise to the applicable Claim; provided, however, that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6, (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (iii) contribution (together with any indemnification or other obligations under this Agreement) by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.
8. **REPORTS UNDER THE EXCHANGE ACT.** With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit the Holders to sell securities of the Company to the public without registration ("**Rule 144**"), the Company agrees to:
- file with the SEC in a timely manner all reports and other documents required of the Company under the Exchange Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and
 - furnish to each Holder so long as such Holder owns, Warrants or Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Holders to sell such securities under Rule 144 without registration.
9. **ASSIGNMENT OF REGISTRATION RIGHTS.** The rights of the Holders hereunder, including the right to have the Company register Registrable Securities pursuant to this Agreement, may be assigned by each Holder to any transferee of all or any portion of the Warrants or the Registrable Securities, other than purchasers of Registrable Securities under the Registration Statement or under Rule 144, provided such transferee of Warrants or Registrable Securities is made in accordance with any applicable provisions of the Warrants and provided the transferee acknowledges in writing to the Company its agreement to be bound by the applicable provisions of this Agreement as a Holder. In addition, and notwithstanding anything to the contrary contained in this Agreement, the Settlement Agreement or the Warrants, the Warrants and the Warrant Shares may be pledged, and all rights of the Holders under this Agreement or any other agreement or document related to the transactions contemplated hereby may be assigned, without further consent of the Company, to a bona fide pledgee in connection with a Holder's margin or brokerage account, provided such pledgee acknowledges in writing to the Company its agreement to be bound by the applicable provisions of this Agreement as a Holder.
10. **AMENDMENT OF REGISTRATION RIGHTS.** Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with written consent of the Company and the Holder Representative (as defined below) provided, however, that no consideration shall be paid to a Holder by the Company in connection with an amendment hereto unless each Holder similarly affected by such amendment receives a pro-rata amount of consideration from the Company. Unless all Holders otherwise agree, each amendment hereto must similarly apply to each Holder. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Holder and the Company. The "Holder Representative" shall be Klehr, Harrison, Harvey, Branzburg & Ellers, LLP or such other entity or person that the Holder Representative notifies the Company in writing has been then properly designated as the Holder Representative.
11. **MISCELLANEOUS.**
- A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.
 - Any notices required or permitted to be given under the terms of this Agreement shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier or by confirmed telecopy, and shall be effective five (5) days after being placed in the mail, if mailed, or upon receipt or refusal of receipt, if delivered personally or by courier or confirmed telecopy, in each case addressed to a party. The addresses for such communications shall be:

If to the Company:

American Superconductor Corporation

Two Technology Drive
Westborough, MA 01581-1727
Attention: Chief Executive Officer
Telecopy: 508-870-1871

with a copy simultaneously transmitted to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attention: Patrick J. Rondeau
Telecopy: 617-526-5000

and if to any Holder, at such address as such Holder shall have provided in writing to the Company, or at such other address as each such party furnishes by notice given in accordance with this Section 11(b).

- c. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.
- d. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in the State of Delaware, without regard to conflicts of laws principles. The Company irrevocably consents to the jurisdiction of the United States federal courts and the state courts located in the State of Delaware in any suit or proceeding based on or arising under this Agreement and irrevocably agrees that all claims in respect of such suit or proceeding may be determined in such courts. The Company irrevocably waives the defense of an inconvenient forum to the maintenance of such suit or proceeding. The Company further agrees that service of process upon the Company, sent in accordance with Section 11(b) above, shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. Nothing herein shall affect the Holders' right to serve process in any other manner permitted by law. The Company agrees that a final judgment, after exhaustion of available appeals, in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.
- e. This Agreement, the Settlement Agreement (including all schedules and exhibits thereto) and the Warrants constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings relating to the subject matter hereof and thereof, other than those set forth or referred to herein and therein. This Agreement, the Settlement Agreement, and the Warrants supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.
- f. Subject to the requirements of Section 9 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.
- g. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.
- h. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.
- i. Subject to Section 10, all consents, approvals and other determinations to be made by the Holders pursuant to this Agreement shall be made by the Holders holding a majority in interest of the Registrable Securities (determined as if all Warrants then outstanding had been exercised for Registrable Securities) held by all Holders.
- j. Each party to this Agreement has participated in the negotiation and drafting of this Agreement. As such, the language used herein shall be deemed to be the language chosen by the parties hereto to express their mutual

intent, and no rule of strict construction will be applied against any party to this Agreement.

- k. For purposes of this Agreement, the term "business day" means any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law, regulation or executive order to close, and the term "trading day" means any day on which the principal securities exchange or trading market where the Common Stock is then listed or traded, is open for trading.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

AMERICAN SUPERCONDUCTOR CORPORATION

By: /s/ Kevin Bisson

Name: Kevin Bisson

Its: Senior V.P. and CFO

INITIAL HOLDER:

TM CAPITAL CORP.

By: /s/ W. Gregory Robertson

Name: W. Gregory Robertson

Its: President

Warrant No. _____

THIS WARRANT AND THE SHARES ISSUABLE UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). EXCEPT AS OTHERWISE SET FORTH HEREIN, NEITHER THIS WARRANT NOR ANY OF SUCH SHARES MAY BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER SAID ACT, OR AN OPINION OF COUNSEL THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

Right to Purchase 200,000

Shares of Common Stock,

\$0.01 par value per share

Issue Date: April 4, 2005

STOCK PURCHASE WARRANT

THIS CERTIFIES THAT, for value received, TM Capital Corp., or its registered assigns, is entitled to purchase from American Superconductor Corporation, a Delaware corporation (the "Company"), at any time or from time to time during the period specified in Paragraph 2 hereof, Two Hundred Thousand (200,000) fully paid and nonassessable shares of the Company's Common Stock, \$0.01 par value per share (the "Common Stock"), at an initial exercise price of \$9.50 per share (the "Exercise Price").

The term "Warrant Shares," as used herein, refers to the shares of Common Stock purchasable hereunder. The Warrant Shares and the Exercise Price are subject to adjustment as provided in Paragraph 4 hereof. The term Warrants means this Warrant and any other warrants issued pursuant to that certain Settlement Agreement, dated as of April 4, 2005, by and between the Company and TM Capital Corp. (the "Settlement Agreement").

This Warrant is subject to the following terms, provisions, and conditions:

1. **Manner of Exercise; Issuance of Certificates; Payment for Shares.** Subject to the provisions hereof, this Warrant may be exercised by the holder hereof, in whole or in part, by the surrender of this Warrant, together with a completed exercise agreement in the form attached hereto (the "Exercise Agreement"), to the Company during normal business hours on any business day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), and upon (i) payment to the Company in cash, by certified or official bank check or by wire transfer for the account of the Company of the Exercise Price for the Warrant Shares specified in the Exercise Agreement or (ii) delivery to the Company of a written notice of an election to effect a "Cashless Exercise" (as defined in Section 11(c) below) for the Warrant Shares specified in the Exercise Agreement. The Warrant Shares so purchased shall be deemed to be issued to the holder hereof or such holder's designee, as the record owner of such shares, as of the close of business on the date on which this Warrant shall have been surrendered, the completed Exercise Agreement shall have been delivered, and payment shall have been made for such shares (or an election to effect a Cashless Exercise has been made) as set forth above. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Exercise Agreement, shall be delivered to the holder hereof within a reasonable time, not exceeding three (3) business days, after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the holder hereof and shall be registered in the name of such holder or such other name as shall be designated by such holder. In lieu of delivering physical certificates representing the Common Stock issuable upon the exercise hereof, provided the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer program, upon request of the holder hereof and so long as the certificates therefor do not bear a legend and the holder thereof is not obligated to return such certificate for the placement of a legend thereon, the Company shall use its reasonable best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon the exercise hereof to the holder by crediting the account of the Warrant holder's prime broker or nominee with DTC through its Deposit Withdrawal Agent Commission system. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its expense, at the time of delivery of such certificates, deliver to the holder a new Warrant representing the number of shares with respect to which this Warrant shall not then have been exercised.
2. **Period of Exercise.** Except as provided in Section 1 above, this Warrant is exercisable at any time or from time to time on or after the date hereof (the "Issue Date") and before 5:00 p.m., New York City time, on the fifth (5th) year anniversary of the Issue Date (the "Exercise Period").
3. **Certain Agreements of the Company.** The Company hereby covenants and agrees as follows:
 - a. **Shares to be Fully Paid.** All Warrant Shares will, upon issuance in accordance with the terms of this Warrant, be validly issued, fully paid, and nonassessable and free from all taxes, liens, and charges with respect to the

issue thereof.

- b. **Reservation of Shares.** During the Exercise Period, the Company shall at all times have authorized, and reserved for the purpose of issuance upon exercise of this Warrant, a sufficient number of shares of Common Stock to provide for the exercise of this Warrant.
 - c. **Listing.** The Company shall promptly secure the listing of the shares of Common Stock issuable upon exercise of this Warrant upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance upon exercise of this Warrant) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all shares of Common Stock from time to time issuable upon the exercise of this Warrant.
 - d. **Certain Actions Prohibited.** The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of this Warrant in order to protect the exercise privilege of the holder of this Warrant against dilution or other impairment, consistent with the tenor and purpose of this Warrant. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.
 - e. **Successors and Assigns.** This Warrant will be binding upon any entity succeeding to the Company by merger, consolidation, or acquisition of all or substantially all the Company's assets.
4. **Antidilution Provisions.** During the Exercise Period, the Exercise Price and the number of Warrant Shares shall be subject to adjustment from time to time as provided in this Paragraph 4. In the event that any adjustment of the Exercise Price as required herein results in a fraction of a cent, such Exercise Price shall be rounded up to the nearest cent.
- a. **Subdivision or Combination of Common Stock.** If the Company at any time subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the outstanding shares of Common Stock into a greater number of shares, then, after the date of record for effecting such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the outstanding shares of Common Stock into a smaller number of shares, then, after the date of record for effecting such combination, the Exercise Price in effect immediately prior to such combination will be proportionately increased.
 - b. **Adjustment in Number of Shares.** Upon each adjustment of the Exercise Price pursuant to the provisions of this Paragraph 4, the number of shares of Common Stock issuable upon exercise of this Warrant shall be adjusted by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of shares of Common Stock issuable upon exercise of this Warrant immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.
 - c. **Consolidation, Merger or Sale.** In case of any consolidation of the Company with, or merger of the Company into any other corporation, or in the case of any sale or conveyance of all or substantially all of the assets of the Company other than in connection with a plan of complete liquidation of the Company, then as a condition of such consolidation, merger, sale or conveyance, adequate provision will be made whereby the holder of this Warrant will have the right to acquire and receive upon exercise of this Warrant in lieu of the shares of Common Stock immediately theretofore acquirable upon the exercise of this Warrant, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for the number of shares of Common Stock immediately theretofore acquirable and receivable upon exercise of this Warrant had such consolidation, merger, sale or conveyance not taken place. In any such case, the Company will make appropriate provision to insure that the provisions of this Paragraph 4 hereof will thereafter be applicable as nearly as may be in relation to any shares of stock or securities thereafter deliverable upon the exercise of this Warrant. The Company will not effect any consolidation, merger, sale or conveyance unless prior to the consummation thereof, the successor corporation (if other than the Company) and, if an entity different from the successor or the acquiring entity, the entity whose capital stock or assets the holders of the Common Stock of the Company are entitled to receive as a result of such consolidation, merger, sale or conveyance (the "Surviving Entity") assumes by written instrument the obligations under this Paragraph 4 and the obligations to deliver to the holder of this Warrant such shares of stock, securities or assets as, in accordance with the foregoing provisions, the holder may be entitled to acquire.
 - d. **Distribution of Assets.** In case the Company shall declare or make any distribution of its assets (including cash) to holders of Common Stock as a partial liquidating dividend, by way of return of capital or otherwise, then, after the date of record for determining shareholders entitled to such distribution, but prior to the date of distribution, the holder of this Warrant shall be entitled upon exercise of this Warrant for the purchase of any or

all of the shares of Common Stock subject hereto, to receive the amount of such assets that would have been payable to the holder had such holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such distribution.

- e. **Notice of Adjustment.** Upon the occurrence of any event that requires any adjustment of the Exercise Price, then, and in each such case, the Company shall give notice thereof to the holder of this Warrant, which notice shall state the Exercise Price resulting from such adjustment and the increase or decrease in the number of Warrant Shares purchasable at such price upon exercise, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such calculation shall be certified by the chief financial officer of the Company.
- f. **Minimum Adjustment of Exercise Price.** No adjustment of the Exercise Price shall be made in an amount of less than 1% of the Exercise Price in effect at the time such adjustment is otherwise required to be made, but any such lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment that, together with any adjustments so carried forward, shall amount to not less than 1% of such Exercise Price.
- g. **No Fractional Shares.** No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but the Company shall pay a cash adjustment in respect of any fractional share that would otherwise be issuable in an amount equal to the same fraction of the Market Price of a share of Common Stock on the date of such exercise.
- h. **Other Notices.** In case at any time:
 - i. the Company shall declare any dividend upon the Common Stock payable in shares of stock of any class or make any other distribution (including dividends or distributions payable in cash out of retained earnings) to the holders of the Common Stock;
 - ii. the Company shall offer for subscription pro rata to the holders of the Common Stock any additional shares of stock of any class or other rights;
 - iii. there shall be any capital reorganization of the Company, or reclassification of the Common Stock, or consolidation or merger of the Company with or into, or sale of all or substantially all its assets to, another corporation or entity; or
 - iv. there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, in each such case, the Company shall give to the holder of this Warrant (a) notice of the date on which the books of the Company shall close or a record shall be taken for determining the holders of Common Stock entitled to receive any such dividend, distribution, or subscription rights or for determining the holders of Common Stock entitled to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up and (b) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, notice of the date (or, if not then known, a reasonable approximation thereof by the Company) when the same shall take place. Such notice shall also specify the date (or if not then known, the best estimate of such date) on which the holders of Common Stock shall be entitled to receive such dividend, distribution, or subscription rights or to exchange their Common Stock for stock or other securities or property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, or winding-up, as the case may be. Such notice shall be given at least 30 days prior to the record date or the date on which the Company's books are closed in respect thereto. Failure to give any such notice or any defect therein shall not affect the validity of the proceedings referred to in clauses (i), (ii), (iii) and (iv) above.

- i. **Certain Events.** If any event occurs of the type contemplated by the adjustment provisions of this Paragraph 4 but not expressly provided for by such provisions, the Company will give notice of such event as provided in Paragraph 4(h) hereof, and the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of shares of Common Stock acquirable upon exercise of this Warrant so that the rights of the holder of this Warrant shall be neither enhanced nor diminished by such event.

j. **Certain Definitions.**

- i. **"Market Price,"** as of any date, (i) means the average of the last reported sale price per share for the shares of Common Stock on the Nasdaq National Market for the five (5) Trading Days immediately preceding such date as reported by Bloomberg Financial Markets or an equivalent reliable reporting service mutually acceptable to and hereafter designated by the holder of this Warrant and the Company ("Bloomberg"), or (ii) if the Nasdaq National Market is not the principal trading market for the shares of Common Stock, the average of the last reported sale prices per share on the principal trading market for the Common Stock during the same period as reported by Bloomberg, or (iii) if market value cannot be calculated as of such date on any of the foregoing bases, the Market Price shall be the fair market value per share as reasonably determined in good faith by the Board of Directors of the Company. The manner

of determining the Market Price of the Common Stock set forth in the foregoing definition shall apply with respect to any other security in respect of which a determination as to market value must be made hereunder.

- ii. "**Common Stock**," for purposes of this Paragraph 4, includes the Common Stock, \$.01 par value per share, and any additional class of stock of the Company having no preference as to dividends or distributions on liquidation, provided that the shares purchasable pursuant to this Warrant shall include only shares of Common Stock, \$.01 par value per share, in respect of which this Warrant is exercisable, or shares resulting from any subdivision or combination of such Common Stock, or in the case of any reorganization, reclassification, consolidation, merger, or sale of the character referred to in Paragraph 4(c) hereof, the stock or other securities or property provided for in such Paragraph.
 - iii. "**Trading Day**" means any day on which the Common Stock is traded for any period on the Nasdaq National Market, or on the principal securities exchange or other securities market on which the Common Stock is then being traded.
5. **Issue Tax.** The issuance of certificates for Warrant Shares upon the exercise of this Warrant shall be made without charge to the holder of this Warrant or such shares for any issuance tax or other costs in respect thereof, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than the holder of this Warrant.
6. **No Rights or Liabilities as a Shareholder.** This Warrant shall not entitle the holder hereof to any voting rights or other rights as a shareholder of the Company. No provision of this Warrant, in the absence of affirmative action by the holder hereof to purchase Warrant Shares, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such holder for the Exercise Price or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

7. **Transfer, Exchange, and Replacement of Warrant.**

- a. **Restriction on Transfer.** This Warrant and the rights granted to the holder hereof are transferable, in whole or in part, upon surrender of this Warrant, together with a properly executed assignment in the form attached hereto, at the office or agency of the Company referred to in Paragraph 7(e) below, provided, however, that any transfer or assignment shall be subject to the conditions set forth in Paragraph 7(f) hereof and provided, further, a holder of this Warrant may only transfer or assign this Warrant to TM Capital Corp., shareholders of TM Capital Corp., up to an aggregate of five other accredited investors and Klehr, Harrison, Harvey, Branzburg & Ellers, LLP. Until due presentment for registration of transfer on the books of the Company, the Company may treat the registered holder hereof as the owner and holder hereof for all purposes, and the Company shall not be affected by any notice to the contrary.
- b. **Warrant Exchangeable for Different Denominations.** This Warrant is exchangeable, upon the surrender hereof by the holder hereof at the office or agency of the Company referred to in Paragraph 7(e) below, for new Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock that may be purchased hereunder, each of such new Warrants to represent the right to purchase such number of shares as shall be designated by the holder hereof at the time of such surrender.
- c. **Replacement of Warrant.** Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft, or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company, at its expense, will execute and deliver, in lieu thereof, a new Warrant of like tenor.
- d. **Cancellation; Payment of Expenses.** Upon the surrender of this Warrant in connection with any transfer, exchange, or replacement as provided in this Paragraph 7, this Warrant shall be promptly canceled by the Company. The Company shall pay all taxes (other than securities transfer taxes) and all other expenses (other than legal expenses, if any, incurred by the holder of this Warrant or transferees) and charges payable in connection with the preparation, execution, and delivery of Warrants pursuant to this Paragraph 7.
- e. **Register.** The Company shall maintain, at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee and each prior owner of this Warrant.
- f. **Exercise or Transfer Without Registration.** If, at the time of the surrender of this Warrant in connection with any exercise, transfer, or exchange of this Warrant, this Warrant (or, in the case of any exercise, the Warrant Shares issuable hereunder), shall not be registered under the Securities Act and under applicable state securities or blue sky laws, the Company may require, as a condition of allowing such exercise, transfer, or exchange, (i) that the holder or transferee of this Warrant, as the case may be, furnish to the Company a written opinion of counsel, reasonably satisfactory to the Company, to the effect that such exercise, transfer, or exchange may be made without registration under said Act and under applicable state securities or blue sky laws, (ii) that the

holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company and (iii) that the transferee be an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act; provided that no such opinion, letter or status as an "accredited investor" shall be required in connection with a transfer pursuant to Rule 144 under the Securities Act; provided further, however, that in the case of a purported transfer or sale of this Warrant (or, in the case of any exercise, the Warrant Shares issuable hereunder) pursuant to Rule 144(k) under the Securities Act within two years of the Issue Date, the holder shall not be required to deliver an opinion of counsel to the effect that such sale or transfer may be made without registration or restriction (including without limitation as to volume) in accordance with the provisions of Rule 144(k). The initial holder of this Warrant, by taking and holding the same, represents to the Company that such holder is acquiring this Warrant for investment and not with a view to the distribution thereof. The initial holder of this Warrant and any and all assignees and subsequent holders of this Warrant may not transfer this Warrant (in whole or in part) in a manner that will prevent the Company from relying upon the private placement exemption contained in Section 4(2) of the Securities Act in connection with the issuance of the Warrant Shares upon exercise of this Warrant (as the same may be transferred or assigned).

Each certificate representing Warrant Shares shall bear a legend substantially in the following form:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be offered, sold or otherwise transferred, pledged or hypothecated unless and until such securities are registered under such Act or an opinion of counsel satisfactory to the Company is obtained to the effect that such registration is not required."

The foregoing legend shall be removed from the certificates representing any Warrant Shares, at the request of the holder thereof, at such time as they become eligible for resale pursuant to Rule 144(k) under the Securities Act or have been sold pursuant to an effective registration statement under the Securities Act.

8. **Registration Rights.** The initial holder of this Warrant and any and all assignees thereof are entitled to the benefit of all rights set forth in that certain Registration Rights Agreement by and between the Holder and the Company dated as of the date hereof.
9. **Notices.** All notices, requests, and other communications required or permitted to be given or delivered hereunder to the holder of this Warrant shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by recognized overnight mail courier, postage prepaid and addressed, to such holder at the address shown for such holder on the books of the Company, or at such other address as shall have been furnished to the Company by notice from such holder. All notices, requests, and other communications required or permitted to be given or delivered hereunder to the Company shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by recognized overnight mail courier, postage prepaid and addressed, to the office of the Company at Two Technology Drive, Westborough, MA 01581-1727, Attention: Chief Executive Officer, or at such other address as shall have been furnished to the holder of this Warrant by notice from the Company. Any such notice, request, or other communication may be sent by facsimile, but shall in such case be subsequently confirmed by a writing personally delivered or sent by certified or registered mail or by recognized overnight mail courier as provided above. All notices, requests, and other communications shall be deemed to have been given either at the time of the receipt thereof by the person entitled to receive such notice at the address of such person for purposes of this Paragraph 9, or, if mailed by registered or certified mail or with a reputable nationwide overnight courier service, such notices and communications shall be deemed delivered (i) two business days after being sent by certified or registered mail, return receipt requested, postage prepaid, or (ii) one business day after being sent via a reputable nationwide overnight courier service guaranteeing next business day delivery.
10. **Governing Law.** THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THE STATE OF DELAWARE (WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS). BOTH PARTIES IRREVOCABLY CONSENT TO THE JURISDICTION OF THE UNITED STATES FEDERAL COURTS AND THE STATE COURTS LOCATED IN DELAWARE WITH RESPECT TO ANY SUIT OR PROCEEDING BASED ON OR ARISING UNDER THIS AGREEMENT, THE AGREEMENTS ENTERED INTO IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY AND IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF SUCH SUIT OR PROCEEDING MAY BE DETERMINED IN SUCH COURTS. BOTH PARTIES IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT OR PROCEEDING. BOTH PARTIES FURTHER AGREE THAT SERVICE OF PROCESS UPON A PARTY SENT IN ACCORDANCE WITH SECTION 9 ABOVE SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON THE PARTY IN ANY SUCH SUIT OR PROCEEDING. NOTHING HEREIN SHALL AFFECT EITHER PARTY'S RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. BOTH PARTIES AGREE THAT A JUDGMENT, AFTER EXHAUSTION OF AVAILABLE APPEALS, IN ANY SUCH SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON SUCH JUDGMENT OR IN ANY OTHER LAWFUL MANNER.

11.

Miscellaneous.

- a. **Amendments.** This Warrant and any provision hereof may only be amended by an instrument in writing signed by the Company and the holder hereof.
- b. **Descriptive Headings.** The descriptive headings of the several paragraphs of this Warrant are inserted for purposes of reference only, and shall not affect the meaning or construction of any of the provisions hereof.
- c. **Cashless Exercise.** Notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company at its principal executive offices with a written notice of the holder's intention to effect a cashless exercise, including a calculation of the number of shares of Common Stock to be issued upon such exercise in accordance with the terms hereof (a "Cashless Exercise"). In the event of a Cashless Exercise, in lieu of paying the Exercise Price in cash, the holder shall surrender this Warrant for that number of shares of Common Stock determined by multiplying the number of Warrant Shares to which it would otherwise be entitled by a fraction, the numerator of which shall be the difference between the then current Market Price per share of the Common Stock and the Exercise Price, and the denominator of which shall be the then current Market Price per share of Common Stock.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

AMERICAN SUPERCONDUCTOR CORPORATION

By: /s/ Kevin Bisson

Name: Kevin Bisson

Title: Senior V.P. and CFO

FORM OF EXERCISE AGREEMENT

Dated: _____, _____

To: American Superconductor Corporation:

The undersigned, pursuant to the provisions set forth in the within Warrant, hereby agrees to purchase _____ shares of Common Stock covered by such Warrant, and makes payment herewith in full therefor at the price per share provided by such Warrant in cash or by certified or official bank check in the amount of or by surrender of securities issued by the Company (including a portion of the Warrant) having a market value (in the case of a portion of this Warrant, determined in accordance with Section 11(c) of the Warrant) equal to \$_____. Please issue a certificate or certificates for such shares of Common Stock in the name of and pay any cash for any fractional share to:

Name: _____

Signature: _____

Address: _____

Note: The above signature should correspond exactly with the name on the face of the within Warrant.

and, if said number of shares of Common Stock shall not be all the shares purchasable under the within Warrant, a new Warrant is to be issued in the name of said undersigned covering the balance of the shares purchasable thereunder less any fraction of a share paid in cash.

The above signatory represents and warrants that all offers and sales by the above signatory of the securities issuable to the above signatory upon exercise of this Warrant shall be made pursuant to registration of the securities under the Securities Act of 1933, as amended (the "Act"), or pursuant to an exemption from registration under the Act.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers all the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock covered thereby set forth hereinbelow, to:

Name of Assignee Address No of Shares

, and hereby irrevocably constitutes and appoints _____ as agent and attorney-in-fact to transfer said Warrant on the books of the within-named corporation, with full power of substitution in the premises.

Dated: _____, _____

In the presence of:

Name: _____

Signature: _____

Title of Signing Officer or Agent (if any):

Address: _____

Note: The above signature should correspond exactly with the name on the face of the within Warrant.

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is made as of this 4th day of April, 2005, by and between TM Capital Corp. ("TM Capital"), a Delaware corporation, and American Superconductor Corporation ("American Superconductor"), a Delaware corporation.

WHEREAS, TM Capital and American Superconductor are parties to a letter agreement dated December 10, 2002 (the "Engagement Agreement") whereby American Superconductor retained TM Capital as a financial advisor;

WHEREAS, pursuant to the terms of the Engagement Agreement, TM Capital provided such services as requested by American Superconductor;

WHEREAS, American Superconductor completed a public equity offering of its common stock in October 2003 (the "Offering");

WHEREAS, pursuant to the terms of the Engagement Agreement, TM Capital has asserted that it is due a fee and warrants related to the Offering;

WHEREAS, TM Capital filed an action (the "Action") against American Superconductor, docketed at C.A. No. 022-N, in the Court of Chancery of the State of Delaware in and for New Castle County (the "Court") seeking recovery of the fee and warrants due pursuant to the Engagement Agreement as a result of American Superconductor's completion of the Offering;

WHEREAS, American Superconductor has denied liability to TM Capital in the Action and has asserted counterclaims against TM Capital; and

WHEREAS, the parties now desire to resolve all claims against each other;

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, TM Capital and American Superconductor agree as follows:

1. **Settlement Payment:** Upon execution of this Agreement, American Superconductor shall deliver by wire transfer to counsel for TM Capital a settlement payment in immediately available funds in the amount of \$1,700,000 (the "Settlement Payment") in cash.
2. **Warrants:** Upon execution of this Agreement, American Superconductor shall deliver to counsel for TM Capital five year Stock Purchase Warrants to purchase 200,000 shares of common stock of American Superconductor at an exercise price of \$9.50 per share (the "Warrants") issued to the persons and in the amounts indicated in, and in the form attached hereto as, Exhibit A. American Superconductor shall undertake to register the common stock underlying the Warrants with the United States Securities and Exchange Commission immediately, subject to the terms and conditions of that certain Registration Rights Agreement of even date herewith, in the form attached hereto as Exhibit B (the "Registration Rights Agreement"). The provisions of the Registration Rights Agreement and the Warrants are incorporated herein and made a part of this Agreement, and the parties agree to execute each, as appropriate, simultaneously with execution of this Agreement.
3. **Dismissal of the Action:** Following execution of this Agreement and the Registration Rights Agreement and the delivery of the Settlement Payment and the Warrants, the parties will cooperate to file a stipulation of discontinuance to dismiss the Action with prejudice and without costs to either party.
4. **Release of TM Capital:** Except for those obligations arising out of this Agreement, the Registration Rights Agreement and the Warrants, American Superconductor, together with each of its current and former parent companies, subsidiaries, and affiliates, and the current and former shareholders, officers, directors, predecessors, trustees, advisors, partners, employees, agents, consultants, representatives and attorneys for each of the foregoing, and each of their administrators, successors, assigns, heirs, spouses and executors and anyone claiming through them or on their behalf (collectively, the "American Superconductor Releasing Parties"), hereby remise, release and forever discharge TM Capital, together with its current and former parent corporations, subsidiaries and affiliates, and the current and former shareholders, officers, directors, predecessors, trustees, advisors, members, partners, employees, agents, consultants, representatives, attorneys, administrators, successors, heirs, spouses, executors and assigns of each of the foregoing (collectively, the "TM Capital Released Parties"), from and against all manner of action or actions and causes of action, complaints, suits, dues, accounts, bonds, covenants, contracts, agreements, invoices, promises, guarantees, warranties, representations, liens, judgments, liabilities, obligations, damages, debts, claims or demands whatsoever, in law or in equity, that the American Superconductor Releasing Parties now have, ever had or may ever have against the TM Capital Released Parties or any of them, singularly or in any combination, on account of, arising out of, or in connection with any thing, cause, matter, transaction, act or omission of any nature whatsoever relating to the Engagement Agreement, the Offering, and the Action, from the beginning of time to the date of the Agreement.
5. **Release of American Superconductor:** Except for those obligations arising out of this Agreement, the Registration Rights Agreement and the Warrants, TM Capital, together with each of its current and former parent companies, subsidiaries, and affiliates, and the current and former shareholders, officers, directors, predecessors, trustees, advisors, partners, employees, agents, consultants, representatives and attorneys for each of the foregoing, and each of their administrators, successors, assigns, heirs, spouses and executors and anyone claiming through them or on their behalf (collectively, the "TM Capital Releasing Parties"), hereby remise, release and forever discharge American

Superconductor, together with its current and former parent corporations, subsidiaries, and affiliates, and the current and former shareholders, officers, directors, predecessors, trustees, advisors, members, partners, employees, agents, consultants, representatives, attorneys, administrators, heirs, spouses, executors, successors and assigns of each of the foregoing (collectively, the "American Superconductor Released Parties"), from and against all manner of action or actions and causes of action, complaints, suits, dues, accounts, bonds, covenants, contracts, agreements, invoices, promises, guarantees, warranties, representations, liens, judgments, liabilities, obligations, damages, debts, claims or demands whatsoever, in law or in equity, that the TM Capital Releasing Parties now have, ever had or may ever have against the American Superconductor Released Parties or any of them, singularly or in any combination, on account of, arising out of, or in connection with any thing, cause, matter, transaction, act or omission of any nature whatsoever relating to the Engagement Agreement, the Offering, and the Action, from the beginning of time to the date of the Agreement. Notwithstanding anything set forth in this paragraph or otherwise in this Agreement, it is not the intent of the parties, and this Agreement shall not be deemed, to release claims of the TM Capital Releasing Parties for indemnification pursuant to the Engagement Agreement for claims against or expenses incurred by the TM Capital Releasing Parties as a result of any act or action by a person or entity other than a party to this Agreement.

6. Non-disparagement: Each party hereby agrees that it shall not disparage the other party to any other person or entity and shall not make any statement, whether written or oral, to any other person or entity that would tend to lower the reputation of the other party in any respect in the eyes of another person or entity.
7. Entire Agreement: This Agreement, the Registration Rights Agreement and the Warrants constitute the entire understanding and agreement between the parties hereto and supersede all prior and contemporaneous agreements, whether written or oral, of the parties. Each party represents and warrants to the other that it has relied on no representation or promise, written or oral, made by the other party, except as expressly set forth herein.
8. Titles and Captions: The titles and captions of the paragraphs of this Agreement are for the convenience of the parties only and shall not effect, enlarge or modify the terms or conditions of this Agreement, nor shall they be considered in any manner whatsoever in the interpretation, intent or meaning of this Agreement.
9. Binding Agreement: This Agreement shall be binding upon and inure to the benefit of the parties hereto, as well as to their respective heirs, personal representatives, successors and assigns.
10. No Assignment: No party may assign its obligations under this Agreement.
11. Written Waiver or Modification: Any party to this Agreement may waive any of the terms or conditions of this Agreement, or agree to an amendment or modification of this Agreement, only by an agreement in writing executed in the same manner (but not necessarily by the same persons) as this Agreement. No amendment or modification of this Agreement shall be binding unless in writing and executed by the party amending or waiving such term or condition of this Agreement. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof, whether or not similar, nor shall any waiver constitute a continuing waiver unless expressly provided therein.
12. Governing Law and Venue: This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of laws principles. The parties agree that all disputes regarding or arising out of this Agreement, the Registration Rights Agreement and the Warrants shall be submitted to the Court or, if it lacks subject matter jurisdiction, to the U.S. District Court for the District of Delaware or, if it lacks subject matter jurisdiction, to the Superior Court of the State of Delaware in and for New Castle County.
13. Representations and Warranties: Each party represents and warrants that:
 - a. It is authorized to enter into this Agreement;
 - b. It has received the advice of counsel of its choosing in connection with the preparation and execution of this Agreement;
 - c. It has carefully read the terms of this Agreement and knows the contents of this Agreement;
 - d. It fully knows the meaning and effect of this Agreement;
 - e. Its entering into and execution of this Agreement is its own free and voluntary act and deed, without compulsion of any kind;
 - f. Except as expressly stated herein, it is not relying on any statement or representation of any person, and no inducement except as herein expressed, was made to it;
 - g. The discovery by it, subsequent to the execution of this Agreement, of any fact(s) not heretofore known to it, or discovery that the fact(s) or law upon which it relied in executing this Agreement was not as it believed it to be, shall not constitute grounds for declaring this Agreement void, avoidable or otherwise unenforceable. This paragraph is intended by the parties to preclude any claim that any party was fraudulently induced to enter into this Agreement or was induced to enter into this Agreement by mistake of fact or law;
 - h. It has made such investigation as it deemed necessary or desirable of the matters contained in or relating to this Agreement and the Action; and
 - i. the claims that are the subject matter of the Action and this Agreement have not been assigned or transferred to any third party.
14. Construction and Interpretation: This Agreement has been negotiated at arms length and shall be construed as having been drafted jointly by the parties.
15. Authority: All persons signing this Agreement on behalf of an entity possess the requisite authority to bind the entity on whose behalf he or she is signing.
16. Enforceability: If any portion of this Agreement is held legally invalid or unenforceable, such event shall not render invalid or unenforceable any other portion of this Agreement and the remainder of this Agreement shall be read as though the invalid or unenforceable portion were omitted, provided that such reading shall not materially frustrate the intent of the parties, as evidenced in this Agreement. It is the intent of the parties that this Agreement be carried out to the fullest extent permitted.

17. **Remedies:** If either party shall breach any provision of this Agreement, the Registration Rights Agreement or the Warrants, and the non-breaching party incurs any damages, costs or expenses, including, but not limited to, reasonable attorney's fees and other legal expenses, to enforce the provisions of this Agreement, the Registration Rights Agreement, or the Warrants, in addition to all other legal and equitable remedies available to the non-breaching party, the breaching party shall pay to the non-breaching party all such damages, costs or expenses incurred.
18. **No Admission:** This Agreement is the result of a negotiated compromise of claims and shall not be construed as an admission of liability by any party. The parties hereby agree that neither this Agreement, nor any of its provisions, the communications leading up to this Agreement or communications or actions taken in furtherance of this Agreement, may be used or construed as an admission by or against any party to the Action, nor offered by any party as evidence in this Action or any other proceeding, other than to enforce the terms of this Agreement.
19. **Counterparts:** This Agreement may be executed in two counterparts and delivered by facsimile and shall be binding upon the parties hereto as if all signatures had been affixed on a single original hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, as of the date first written above.

TM CAPITAL CORP.

By: /s/ W. Gregory Robertson

Its: President

AMERICAN SUPERCONDUCTOR
CORPORATION

By: /s/ Kevin Bisson

Its: Senior V.P. and CFO

American Superconductor Reaches Agreement to Settle Litigation

WESTBOROUGH, Mass. -- April 4, 2005 -- American Superconductor Corporation (NASDAQ: AMSC) today announced that it has reached an agreement to settle litigation brought by TM Capital, a past financial advisor to the Company.

Under the terms of the settlement agreement, AMSC will make a cash payment of \$1.7 million and issue a common stock purchase warrant for 200,000 shares of the Company's common stock, exercisable for a five-year term, with an exercise price of \$9.50 per share. In connection with the settlement, the Company expects to take a one-time charge to its income statement of approximately \$2.7 million in the fiscal 2005 fourth quarter ending March 31, 2005. This charge was not reflected in the fiscal 2005 financial forecast provided by AMSC in its February 3, 2005 press release.

About American Superconductor Corporation

AMSC is the world's principal vendor of high temperature superconductor (HTS) wire and large rotating superconductor machinery, and it is a world- leading supplier of dynamic reactive power grid stabilization products. AMSC's HTS wire and power electronic converters are at the core of a broad range of new electricity transmission and distribution, transportation, medical and industrial processing applications, including dynamic reactive power grid stabilization solutions, large ship propulsion motors and generators, smart, controllable, superconductor power cables and advanced defense systems. The Company's products are supported by hundreds of patents and licenses covering technologies fundamental to Revolutionizing the Way the World Uses Electricity™. More information is available at <http://www.amsuper.com>.

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