UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
August 1, 2024

American Superconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware	000-19672	04-2959321
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

114 East Main Street Ayer, Massachusetts	01432
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (978)842-3000

Not Applicable
(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 (see General Instruction A.2. below):
☐ 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 (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	AMSC	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

On August 5, 2024, American Superconductor Corporation (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K") reporting that on August 1, 2024, the Company had acquired all of the issued and outstanding shares of capital stock of Megatran Industries, Inc, a New Jersey corporation, a New Jersey corporation ("Megatran"), pursuant to a Stock Purchase Agreement (the "Purchase Agreement") dated as of August 1, 2024.

This Current Report on Form 8-K/A amends Item 9.01 of the Original Form 8-K to include the financial statements and unaudited pro forma financial information required by Items 9.01(a) and (b) of Form 8-K, respectively, which were not included in the Original Form 8-K pursuant to Items 9.01(a)(4) and (b)(2) of Form 8-K.

Item 9.01 Financial Statements and Exhibits

(a) *Financial Statements of Businesses Acquired*

Megatran Industries, Subsidiaries and Affiliate audited combined balance sheets as of December 31, 2023 and December 31, 2022 and Combined Statements of Operations and Comprehensive Income, Combined Statements of Changes in Stockholders' Equity, and Combined Statements of Cash Flows for the years ended December 31, 2023 and December 31, 2022, and the related notes, as well as Megatran Industries, Subsidiaries and Affiliate unaudited Combined Balance Sheets as of June 30, 2024 and June 30, 2023 and Combined Statements of Operations and Comprehensive Income, Combined Statements of Changes in Stockholders' Equity, and Combined Statements of Cash Flows for the six months ended June 30, 2024 and June 30, 2023, and the related notes, are filed as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K and incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed consolidated financial statements of the Company as of and for the three months ended June 30, 2024, and for the year ended March 31, 2024, and the related notes, are attached as Exhibit 99.3 to this Current Report on Form 8-K and incorporated herein by reference.

(d) *Exhibits*:

23.1	Consent of Kreischer Miller, Independent Auditors.
99.1	Megatran Industries, Subsidiaries and Affiliate audited combined financial statements as of and for the years ended December 31, 2023 and 2022.
99.2	Megatran Industries, Subsidiaries and Affiliate unaudited combined financial statements as of and for the six months ended June 30, 2024.
99.3	Unaudited pro forma condensed consolidated financial statements of American Superconductor Corporation as of and for the three months ended June 30, 2024 and for the year ended March 31, 2024.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

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 CORPORATION

Date: August 6, 2024

By: /S/ JOHN W. KOSIBA, JR.

John W. Kosiba, Jr.

Senior Vice President and Chief Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements on Form S-3 (No. 333-276766) and Form S-8 (No. 333-145685, 333-170286, 333-183075, 333-197971, 333-213850, 333-233531, 333-266727 and 333-266728) of American Superconductor Corporation of our report dated March 26, 2024, relating to the combined balance sheets of Megatran Industries, Subsidiaries and Affiliate as of December 31, 2023 and 2022, the combined statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2023 and 2022, and the related notes to the combined financial statements, which report appears in the Current Report on Form 8-K/A of American Superconductor Corporation dated August 6, 2024.

/s/ Kreischer Miller
100 Witmer Road, Suite 350
Horsham, PA 19044-2369

August 6, 2024

Kreischer Miller

Advisory | Audit & Accounting | Tax

Independent Auditors' Report

The Stockholders and
The Board of Directors of
Megatran Industries, Subsidiaries and Affiliate
Bordentown, New Jersey

Opinion

We have audited the combined financial statements of Megatran Industries, Subsidiaries and Affiliate, which comprise the combined balance sheets as of December 31, 2023 and 2022, and the related combined statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Megatran Industries, Subsidiaries and Affiliate as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Megatran Industries, Subsidiaries and Affiliate, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Megatran Industries, Subsidiaries and Affiliate's ability to continue as a going concern for one year after the date that the combined financial statements are issued.

100 Witmer Road, Suite 350, Horsham, PA 19044-2369
215-441-4600 | fax: 215-672-8224 | www.kmco.com

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Megatran Industries, Subsidiaries and Affiliate's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Megatran Industries, Subsidiaries and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Kreischer Miller

Horsham, Pennsylvania
March 26, 2024

Megatran Industries, Subsidiaries and Affiliate

Combined Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	$ 1,800,846	$ 2,693,741
Accounts receivable, net of allowance for credit losses of $41,582 and $19,136 in 2023 and 2022, respectively	21,383,043	16,925,825
Inventories, net	18,606,140	17,500,927
Prepaid expenses and other current assets	1,242,251	1,406,558
Total current assets	43,032,280	38,527,051
Property, plant and equipment, net	3,872,454	3,597,718
Investment in joint venture	2,118,612	2,059,581
Goodwill, net	170,060	191,390
Advances to stockholders	6,000	6,000
Investment in insurance captive	36,000	36,000
	$ 49,235,406	$ 44,417,740
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$ 2,000,000	$ 2,500,000
Current portion of long-term debt	-	67,543
Accounts payable	2,021,873	2,013,535
Accrued expenses	3,261,723	2,129,215
Retirement plan payable	120,080	250,000
Accrued distributions	1,600,291	1,633,475
Deferred revenue	4,212,662	5,587,693
Total current liabilities	13,216,629	14,181,461
Stockholders' equity:		
Common stock, no par value, 500,000 shares authorized, 226,790 issued and outstanding	45,358	45,358
Retained earnings	36,345,083	30,513,588
Accumulated other comprehensive loss	(377,622)	(328,625)
	36,012,819	30,230,321
Equity in NWL International Sales Inc.	5,958	5,958
Total stockholders' equity	36,018,777	30,236,279
	$ 49,235,406	$ 44,417,740

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Combined Statements of Operations and Comprehensive Income
For the Years Ended December 31, 2023 and 2022

	2023	%	2022	%
Net sales	$ 72,315,328	100.0%	$ 56,164,113	100.0%
Cost of goods sold (Schedule I)	55,065,130	76.1	47,453,621	84.5
Gross profit	17,250,198	23.9	8,710,492	15.5
Selling, general and administrative expenses (Schedule II)	11,507,395	15.9	9,329,960	16.6
Income (loss) from operations	5,742,803	8.0	(619,468)	(1.1)
Other, net (Schedule III)	2,388,692	3.3	1,231,026	2.2
Income from continuing operations	8,131,495	11.3	611,558	1.1
Other comprehensive income (loss): Foreign currency translation adjustment	(48,997)	(0.1)	(198,152)	(0.4)
Comprehensive income	$ 8,082,498	11.2%	$ 413,406	0.7%

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Combined Statements of Changes in Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Equity in NWL International Sales Inc.	Total
Balance, January 1, 2022	$ 45,358	$ 30,595,471	$ (130,473)	$ 5,956	$ 30,516,312
Net income (loss)	-	(81,883)	-	693,441	611,558
Distributions to stockholders	-	-	-	(693,439)	(693,439)
Foreign currency translation adjustment	-	-	(198,152)	-	(198,152)
Balance, December 31, 2022	45,358	30,513,588	(328,625)	5,958	30,236,279
Net income	-	6,856,495	-	1,275,000	8,131,495
Distributions to stockholders	-	(1,025,000)	-	(1,275,000)	(2,300,000)
Foreign currency translation adjustment	-	-	(48,997)	-	(48,997)
Balance, December 31, 2023	$ 45,358	$ 36,345,083	$ (377,622)	$ 5,958	$ 36,018,777

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Combined Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 8,131,495	$ 611,558
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	392,675	457,906
Amortization	21,330	132,459
Allowance for credit losses	45,334	150,000
Reserve for obsolete inventory	472,187	(307,442)
Net income from joint venture	(430,607)	(479,440)
Gain on sale of property, plant, and equipment	-	(471,999)
(Increase) decrease in assets:		
Accounts receivable	(4,502,552)	(6,579,009)
Inventories	(1,577,400)	(170,324)
Prepaid expenses and other current assets	164,307	(783,405)
Increase (decrease) in liabilities:		
Accounts payable	8,338	(773,887)
Accrued expenses	1,132,508	442,421
Retirement plan payable	(129,920)	250,000
Deferred revenue	(1,375,031)	5,198,581
Net cash provided by (used in) operating activities	2,352,664	(2,322,581)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(667,411)	(213,149)
Proceeds from sale of property, plant, and equipment	-	1,242,597
Cash paid in connection with acquisitions, net	-	(48,425)
Dividend received from investment in joint venture	274,077	138,802
Net cash provided by (used in) investing activities	(393,334)	1,119,825
Cash flows from financing activities:		
Borrowings (repayments) on line of credit	(500,000)	2,500,000
Repayments of long-term debt	(67,543)	(62,516)
Distributions to stockholders	(2,333,184)	(567,999)
Net cash provided by (used in) financing activities	(2,900,727)	1,869,485
Foreign exchange impact on cash and cash equivalents	48,502	(53,455)
Net increase (decrease) in cash	(892,895)	613,274
Cash, beginning of year	2,693,741	2,080,467
Cash, end of year	$ 1,800,846	$ 2,693,741
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 151,137	$ 81,004
Supplemental disclosure of noncash investing and financing activities:		
Change in accrued shareholder distributions	$ (33,184)	$ 125,440
Dividend receivable from investment in joint venture	$ -	$ 158,972

See accompanying notes to combined financial statements.

(1) Nature of Operations

Megatran Industries, Subsidiaries and Affiliate (the Company) includes Megatran Industries (Megatran), a holding company which owns 100% of the common stock of NWL, Inc. (NWL) Hunter Industries, Inc. (Hunter) and BUED (NWL Europe). NWL is a manufacturer of power supplies and transformers for sale to a variety of industries in the United States and internationally. Hunter holds real estate which is leased to NWL. The Company has manufacturing facilities in Bordentown and Florence, New Jersey. NWL Europe is a manufacturer of transformers for sale to a variety of industries in Europe.

In January 2016, NWL International Sales Inc. (NWLIS) was incorporated. NWLIS is an Interest Charge Domestic International Sales Corporation (IC-DISC) that transacts certain international sales on behalf of NWL and receives commissions from NWL. The financial statements of the Company and NWLIS are combined because they are commonly-owned and controlled. The combined financial statements include the accounts of NWLIS despite Megatran having no direct ownership in NWLIS. The carrying amount of the assets included in the Company's combined balance sheets for NWLIS is $5,958 for December 31, 2023 and 2022.

(2) Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the accounts of Megatran, NWL, Hunter, NWLIS and NWL Europe. All significant intercompany transactions and balances have been eliminated in combination.

Accounts Receivable and Allowance for Credit Loses

On January 1, 2023, the Company adopted Financial Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326). The standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology (the CECL Model). The CECL Model requires an estimate of credit losses for the remaining estimated list of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. The primary objective of the CECL Model is to provide financial statement users with an estimate of the net amount the entity expects to collect on its financial assets by using an allowance for credit losses.

The Company adopted FASB *Accounting Standards Codification* (ASC) 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. The Company's adoption of the CECEL Model did not result in a cumulative effect adjustment being recorded to opening retained earnings as of January 1, 2023, and did not have a material impact on the Company's statements of operations and comprehensive income or cash flows.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Accounts Receivable and Allowance for Credit Losses, Continued

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management evaluates its historical loss experience and applies this historical loss ratio to financial assets with similar characteristics. The Company's historical loss ratio or its determination of risk pools may be adjusted for changes in customer, economic, market or other circumstances. Significant past due balances over 90 days and other higher risk amounts are reviewed individually for collectability based on the following customer specific factors: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable, net of allowance for doubtful accounts was $10,337,844 as of January 1, 2022.

Concentrations of Risk

Financial instruments that potentially subject the Company to concentrations of risk consist primarily of cash and accounts receivable. The Company maintains its cash with national financial institutions, and, at times, such balances may exceed the FDIC insurance limit. At December 31, 2023, the Company had $2,207,136 of cash in excess of FDIC insured limits.

One customer accounts for approximately 45% of the Company's accounts receivable at December 31, 2023 and one customer accounted for approximately 39% of sales for the year ended December 31, 2023.

Inventories

Inventories are valued at the lower of cost (first in, first out basis) or net realizable value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated based on estimated useful lives of the assets using the straight line method. Maintenance, repairs and betterments are charged to operations as incurred. Renewals and betterments that extend the estimated useful lives of the assets are capitalized.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of goods sold. Revenue from performance obligations satisfied at a point in time consists of sales of power supplies, transformers and capacitors. These goods and services are sold primarily to governmental entities and manufacturers. Deferred revenue includes amounts that customers pay prior to the shipment of products. Deferred revenue was $389,112 as of January 1, 2022.

The Company's principal terms of sale are FOB shipping point and FOB destination and the Company transfers control and records revenue for product sales either upon shipment or delivery to the customer, respectively. The payment terms and conditions in customer contracts vary from 30-90 days from transfer of control. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Variable consideration, including return and warranty activity, is immaterial to revenue and results of operations.

Investment in Joint Venture

The Company accounts for its investment in joint venture using the equity method (see Note 7).

Goodwill

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. The Company applies the guidance in FASB ASU 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, which allows entities who meet the definition of a private company to subsume many of the types of customer-related intangible assets that they would otherwise recognize separately into goodwill. This accounting alternative will be applied to any future business combination transactions. As a result of the application of ASU 2014-18, the Company is also required to apply the guidance in FASB ASU 2014-02, *Intangibles - Goodwill and Other*, which allows the amortization of all existing and new goodwill. Under ASU 2014-02, goodwill is amortized on a straight-line basis over ten years, or less than ten years, if the entity demonstrates that a shorter useful life is more appropriate. In addition, entities are required to test goodwill for impairment only upon the occurrence of a triggering event and, upon adoption of the accounting alternative, an entity must make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Management has elected to amortize goodwill over ten years and test for impairment at the reporting unit level, should triggering events occur. No triggering events were identified during the years ended December 31, 2023 and 2022.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Investment in Insurance Captive

The Company participates in a group captive insurance program (Captive) for workers' compensation and general liability insurance. Members pay annual premiums, of which an amount may be refunded to a member depending on the member's individual claims, as well as the Captive's overall claims.

Warranty Reserve

The Company offers warranties on its products ranging from twelve to forty months depending on the product line. Warranty reserves are determined based on management's past experience for returns and warranty claims and are included in accrued expenses.

Research and Development

Research and development costs are expensed as incurred. Research and development expense from continuing operations was $271,218 and $257,557 for the years ended December 31, 2023 and 2022, respectively.

Variable Interest Entities

FASB ASC 810, *Consolidation*, provides guidance in determining when variable interest entities (VIE)s should be consolidated in the financial statements of the primary beneficiary. If the Company is deemed to have a controlling financial interest as a result of having the power to direct the activities that most significantly impact the entity's economic performance, and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, the VIE is to be consolidated within the financial statements of the Company. NWLIS has been determined to be a VIE of the Company as NWLIS is dependent on the commission revenue from NWL. Since all rights, obligations and the power to direct the activities of a VIE that most significantly impact the VIE's economic performance are held by the owners of NWLIS and not by the Company, the Company has determined that it is not the primary beneficiary of NWLIS and therefore, NWLIS will be combined and not consolidated into the financial statements. The Company does not believe there is any exposure to loss as a result of transactions with NWLIS.

Income Taxes

Effective January 1, 2015, Megatran, NWL and Hunter elected to be taxed as S corporations under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes because the Company's taxable income is passed through to the tax returns of the stockholders. Accordingly, no provision is made for federal or state income taxes. However, it is common for the Company to make distributions to the stockholders to pay the income taxes relating to the Company's income that is passed through to the stockholders' tax returns.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

The stockholders of NWLIS have elected to treat NWLIS as an IC-DISC for federal income tax purposes. NWLIS does not pay federal or state corporate income taxes because NWLIS' taxable income is passed through to the tax returns of the stockholders. Accordingly, no provision is made for federal or state income taxes.

FASB ASC 740, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740 prescribes a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. In addition, FASB ASC 740 provides guidance on derecognition, classification and disclosure. In addition to its federal returns, the Company files income tax returns in New Jersey and North Carolina. The Company is no longer subject to federal, state or local tax examinations by tax authorities for years before 2020. It is difficult to predict the timing and resolution of any particular uncertain tax position. Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company does not currently anticipate significant changes in its tax positions over the next twelve months.

Foreign Currency Translation

Foreign currency translation adjustments are included in other comprehensive income and are reflected in accumulated other comprehensive income (loss) in the accompanying balance sheets.

Use of Estimates

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

Management has evaluated subsequent events through March 26, 2024, the date on which the combined financial statements were available to be issued.

Continued…

(3) Inventories, net

Inventories, net comprise the following at December 31:

	2023	2022
Raw material	$ 13,890,596	$ 12,116,196
Work-in-process	4,083,698	3,771,841
Finished goods	1,954,998	2,463,855
	19,929,292	18,351,892
Reserve for obsolescence	(1,323,152)	(850,965)
	$ 18,606,140	$ 17,500,927

(4) Advances to Stockholders

Advances to stockholders are unsecured, noninterest bearing advances. These advances do not have set repayment dates.

(5) Property, Plant and Equipment, net

Property, plant and equipment, net comprise the following at December 31:

	2023	2022	Estimated Useful Lives (Years)
Land	$ 303,348	$ 303,348	
Buildings and building improvements	6,370,079	6,192,207	7 - 39
Machinery and equipment	7,869,499	7,476,510	7 - 10
Solar equipment	5,667,333	5,667,333	7 - 15
Automobiles and trucks	299,842	226,094	5
Office equipment	551,554	551,554	5 - 7
Computer hardware and software	585,606	573,811	3 - 5
	21,647,261	20,990,857	
Accumulated depreciation	(17,774,807)	(17,393,139)	
	$ 3,872,454	$ 3,597,718	

Depreciation expense for the years ended December 31, 2023 and 2022 was $392,675 and $457,906, respectively.

Continued…

(6) Goodwill, net

Goodwill, net comprises the following at December 31:

		2023		2022
CE Power Solutions	$	1,109,989	$	1,109,989
BUED		213,305		213,305
		1,323,294		1,323,294
Accumulated amortization		(1,153,234)		(1,131,904)
	$	170,060	$	191,390

Amortization expense was $21,330 and $132,459 for the years ended December 31, 2023 and 2022, respectively.

(7) Investment in Joint Venture

NWL owns 50% of NWL Pacific Inc. Co., LTD. (NWL Pacific) which is a joint venture in South Korea. The joint venture was established on May 12, 1998. The Company's reporting currency is the US dollar while the functional currency of the joint venture is the South Koren Won. The assets, liabilities and equity of the joint venture have been measured at the respective exchange rate as of December 31, 2023 and 2022 and income and expense accounts were remeasured at the average rates in effect during the years ended December 31, 2023 and 2022. Remeasurement adjustments are recognized in the year of occurrence and are included as a component of stockholder's equity. In addition, The Company's share of the joint venture's net income or loss is recognized in the year of occurrence.

The Company's investment in the foreign operation is summarized as follows:

		2023		2022
Investment, January 1	$	2,059,581	$	2,022,612
Company's share of net income		430,607		479,440
Company's share of dividends		(274,077)		(297,774)
Foreign currency translation adjustment		(97,499)		(144,697)
Investment, December 31	$	2,118,612	$	2,059,581

Continued…

(7) Investment in Joint Venture, Continued

Presented below are the summary balance sheets and summary of operations of the foreign operation based on the audited financial statements of NWL Pacific:

	2023	2022
Assets:		
Current assets	$ 5,255,791	$ 6,668,330
Noncurrent assets	493,865	540,698
Total assets	$ 5,749,656	$ 7,209,028
Liabilities and stockholders' equity:		
Current liabilities	$ 1,512,433	$ 3,089,865
Equity	4,237,223	4,119,163
Total liabilities and equity	$ 5,749,656	$ 7,209,028
Operations:		
Sales	$ 8,299,324	$ 9,195,244
Cost of sales	(5,540,671)	(6,201,536)
Selling, general and administrative expenses	(1,813,830)	(1,853,003)
Other expense	(83,609)	(181,825)
Net income	$ 861,214	$ 958,880

(8) Related Party Transactions

During the years ended December 31, 2023 and 2022, the Company sold $1,735,486 and $2,891,665, respectively, of product to NWL Pacific. The Company has $876,230 and $1,704,513, respectively, included in accounts receivable from NWL Pacific at December 31, 2023 and 2022.

(9) Line of Credit

The Company has a $5,000,000 working line of credit with a commercial bank that expires in August 2024. The balance on the line of credit was $2,000,000 and $2,500,000 as of December 31, 2023 and 2022, respectively. Borrowings on the line of credit bear interest at the daily LIBOR rate plus 1.80% (7.11% at December 31, 2023). Up to $5,000,000 of the working line of credit may be used towards letters of credit. At December 31, 2023, $2,000,000 letters of credit are outstanding. The line is collateralized by the assets of the Company.

Continued…

(10) Long-Term Debt

Long-term debt comprises the following at December 31, 2022:

Equipment loan, payable in monthly installments of$5,868 including interest at 5.63%. The loan is collateralized by the equipment and matures in November 2023.	$	67,543
Current portion		(67,543)
	$	-

(11) Retirement Plan

NWL maintains a 401(k) plan to provide retirement benefits to its employees. Employee contributions are limited by Internal Revenue Service regulations. There were no matching contributions and profit sharing contributions made for the year ended December 31, 2022, respectively. Total Company matching contributions and profit sharing contributions were $490,499 and $250,000 made for the years ended December 31, 2023 and 2022, respectively.

(12) Self-Insurance

The Company maintains a self-insured program for all of its employees' health care costs. The Company is liable for paid claims up to $175,000 per participant, annually, unlimited for a covered person's lifetime, and aggregate claims up to $3,501,236 annually. The program has an insurance stop loss policy for claims in excess of $175,000 per participant and aggregate claims in excess of $3,501,236. The maximum reimbursement under the insurance stop loss policy is $1,000,000. Self- insurance costs are accrued based on the aggregate liability for reported claims and an estimated liability for claims incurred but not reported. The accrued liability under the self-insurance program for the years ended December 31, 2023 and 2022 was approximately $396,000 and $599,000, respectively, and is included in accrued expenses on the accompanying combined balance sheets.

(13) Employee Retention Tax Credit

During the year ended December 31, 2023, the Company applied for the Employee Retention Credit (ERC), which is a provision of the CARES Act, enacted March 27, 2020. The ERC under the CARES Act was later amended and extended under the Taxpayer Certainty and Disaster Relief Act of 2020 (Relief Act), enacted December 27, 2020. The ERC is a refundable tax credit against employer taxes equal to a percentage of the qualified wages an eligible employer pays to employees.

Continued…

(13) Employee Retention Tax Credit, Continued

The Company filed for each eligible quarter and recognized employee retention tax credits in the amount of $1,577,608 as other income in the accompanying consolidated statement of operations for the year ended December 31, 2023. The Company has accounted for the ERC under International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*. In accordance with IAS 20, government assistance is not recognized until there is a reasonable assurance that (1) any conditions attached to the assistance will be met and (2) the assistance will be received. The Company met these conditions and recorded the ERC over the periods in which the associated expenses were incurred.

SUPPLEMENTARY INFORMATION

Megatran Industries, Subsidiaries and Affiliate

Supplementary Information
Combined Schedules of Cost of Goods Sold
Years Ended December 31, 2023 and 2022

	2023	% of Net Sales	2022	% of Net Sales
Direct costs:				
Direct materials	$ 35,189,294	48.6%	$ 29,084,387	51.7%
Direct labor	8,663,238	12.0	7,876,795	14.0
	43,852,532	60.6	36,961,182	65.7
Indirect costs:				
Personnel:				
Wages	3,517,755	4.9	3,367,875	6.0
Employee benefits	1,948,259	2.7	1,722,183	3.1
Payroll taxes	1,472,348	2.0	1,314,593	2.3
Recruitment	109,301	0.2	32,942	0.1
	7,047,663	9.8	6,437,593	11.5
Manufacturing:				
Production supplies	554,353	0.8	487,582	0.9
Sub-contract services	389,944	0.5	425,434	0.8
Manufacturing - development	238,951	0.3	207,537	0.4
Manufacturing - miscellaneous	667,573	0.9	746,257	1.3
Small tools	113,983	0.2	63,690	0.1
Quality control	21,129	-	20,111	-
Overhead allocation, net	155,644	0.2	92,093	0.2
	2,141,577	2.9	2,042,704	3.7
Facilities:				
Repairs and maintenance	554,437	0.8	602,270	1.1
Depreciation	323,423	0.4	407,546	0.7
Utilities	288,198	0.4	373,296	0.7
Insurance	583,346	0.8	360,607	0.6
Property and sales taxes	273,954	0.4	268,423	0.5
	2,023,358	2.8	2,012,142	3.6
Total indirect costs	11,212,598	15.5	10,492,439	18.8
Cost of goods sold	$ 55,065,130	76.1%	$ 47,453,621	84.3%

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Supplementary Information
Combined Schedules of Selling, General and Administrative Expenses
Years Ended December 31, 2023 and 2022

	2023	% of Net Sales	2022	% of Net Sales
Selling	$ 96,407	0.1%	$ 39,488	0.1%
Service calls	306,279	0.4	334,242	0.6
Travel	65,988	0.1	79,977	0.1
Commissions	131,468	0.2	171,198	0.3
Advertising and marketing	29,575	-	1,535	-
Automobile	8,748	-	3,576	-
Wages	7,122,402	9.8	5,563,852	9.9
Employee benefits	1,079,994	1.5	870,147	1.5
Employee welfare	52,299	0.1	59,334	0.1
Employee education	44,276	0.1	40,230	0.1
Retirement plan	490,449	0.7	250,000	0.4
Depreciation	69,252	0.1	50,360	0.1
Amortization	21,330	-	132,459	0.2
Professional fees	638,634	0.9	497,154	0.9
Engineering	408,909	0.6	236,124	0.4
Lease expense	57,644	0.1	70,074	0.1
Bad debt expense	45,334	0.1	150,000	0.3
Miscellaneous	209,383	0.3	144,216	0.3
Computer expenses	282,736	0.4	287,640	0.5
Telephone	66,720	0.1	66,627	0.1
Office expense	67,409	0.1	93,002	0.2
Payroll service	172,299	0.2	139,939	0.2
Taxes	744	-	947	-
Bank charges	38,135	0.1	46,864	0.1
Computer consulting	875	-	935	-
Dues and subscriptions	106	-	40	-
	$ 11,507,395	15.9%	$ 9,329,960	16.6%

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Supplementary Information
Combined Schedules of Other, Net
Years Ended December 31, 2023 and 2022

	2023	% of Net Sales	2022	% of Net Sales
Net income from joint venture	$ 430,607	0.5%	$ 479,440	0.8%
Gain on sale of property, plant and equipment	-	-	471,999	0.8
Employee Retention Credit	1,577,608	2.2	-	-
Rental income	-	-	31,250	0.1
State income taxes	(3,086)	-	(4,200)	-
Interest income (expense), net	4,645	-	(81,004)	(0.1)
License fee income	87,722	0.1	71,243	0.1
Miscellaneous income	53,736	0.1	43,945	0.1
Solar renewable energy certificates income	237,460	0.3	218,353	0.4
	$ 2,388,692	3.3%	$ 1,231,026	2.2%

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Combined Balance Sheets
June 30, 2024 and 2024

	2024	2023
ASSETS		
Current assets:		
Cash	$ 2,545,453	$ 1,635,144
Accounts receivable, net of allowance for credit losses of $37,000 and $6,554 in 2024 and 2023, respectively	20,036,139	18,860,927
Inventories, net	21,206,800	19,605,842
Prepaid expenses and other current assets	1,457,162	1,033,586
Total current assets	45,245,554	41,135,499
Property, plant and equipment, net	4,685,523	3,794,944
Investment in joint venture	1,979,421	1,921,318
Goodwill, net	159,395	180,725
Advances to stockholders	6,000	6,000
Investment in insurance captive	36,000	36,000
	$ 52,111,893	$ 47,074,486
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$ 3,000,000	$ 2,000,000
Current portion of long-term debt	-	34,425
Accounts payable	2,903,862	2,845,775
Accrued expenses	1,892,514	2,627,183
Retirement plan payable	120,000	118,333
Accrued distributions	975,288	1,605,726
Deferred revenue	4,217,048	5,124,508
Total current liabilities	13,108,712	14,355,950
Stockholders' equity:		
Common stock, no par value, 500,000 shares authorized, 226,790 issued and outstanding	45,358	45,358
Retained earnings	39,286,016	33,004,968
Accumulated other comprehensive loss	(334,151)	(337,748)
	38,997,223	32,712,578
Equity in NWL International Sales Inc.	5,958	5,958
Total stockholders' equity	39,003,181	32,718,536
	$ 52,111,893	$ 47,074,486

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Combined Statements of Operations and Comprehensive Income
For the Six Months Ended June 30, 2024 and 2023

	2024	%	2023	%
Net sales	$ 38,304,328	100.0%	$ 35,802,393	100.0%
Cost of goods sold (Schedule I)	26,998,594	70.5	27,825,793	77.7
Gross profit	11,305,734	29.5	7,976,600	22.3
Selling, general and administrative expenses (Schedule II)	6,341,373	16.6	4,984,763	13.9
Income from operations	4,964,361	12.9	2,991,837	8.4
Other, net (Schedule III)	(48,430)	(0.1)	86,543	0.2
Net income	4,915,931	12.8	3,078,380	8.6
Other comprehensive income (loss): Foreign currency translation adjustment	43,471	0.1	(9,123)	-
Comprehensive income	$ 4,959,402	12.9%	$ 3,069,257	8.6%

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Combined Statements of Changes in Stockholders' Equity
For the Six Months Ended June 30, 2024 and 2023

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Equity in NWL International Sales Inc.	Total
Balance, January 1, 2023	$ 45,358	$ 30,513,588	$ (328,625)	$ 5,958	$ 30,236,279
Net income	-	2,491,380	-	587,000	3,078,380
Distributions to stockholders	-	-	-	(587,000)	(587,000)
Foreign currency translation adjustment	-	-	(9,123)	-	(9,123)
Balance, June 30, 2023	$ 45,358	$ 33,004,968	$ (337,748)	$ 5,958	$ 32,718,536
Balance, January 1, 2024	$ 45,358	$ 36,345,083	$ (377,622)	$ 5,958	$ 36,018,777
Net income	-	4,265,931	-	650,000	4,915,931
Distributions to stockholders	-	(1,324,998)	-	(650,000)	(1,974,998)
Foreign currency translation adjustment	-	-	43,471	-	43,471
Balance, June 30, 2024	$ 45,358	$ 39,286,016	$ (334,151)	$ 5,958	$ 39,003,181

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Combined Statements of Cash Flows
For the Six Months Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net income	$ 4,915,931	$ 3,078,380
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	223,290	209,277
Amortization	10,665	10,665
(Increase) decrease in assets:		
Accounts receivable	1,346,904	(1,935,102)
Inventories	(2,600,660)	(2,104,915)
Prepaid expenses and other current assets	(214,911)	372,972
Increase (decrease) in liabilities:		
Accounts payable	881,989	832,240
Accrued expenses	(1,369,209)	497,968
Retirement plan payable	(80)	(131,667)
Deferred revenue	4,386	(463,185)
Net cash provided by operating activities	3,198,305	366,633
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,036,359)	(406,503)
Dividend received from investment in joint venture	139,191	138,263
Net cash used in investing activities	(897,168)	(268,240)
Cash flows from financing activities:		
Borrowings (repayments) on line of credit	1,000,000	(500,000)
Repayments of long-term debt	-	(33,118)
Distributions to stockholders	(2,600,001)	(614,749)
Net cash used in financing activities	(1,600,001)	(1,147,867)
Foreign exchange impact on cash and cash equivalents	43,471	(9,123)
Net increase (decrease) in cash	744,607	(1,058,597)
Cash, beginning of period	1,800,846	2,693,741
Cash, end of period	$ 2,545,453	$ 1,635,144
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 90,488	$ 76,884
Supplemental disclosure of noncash investing and financing activities:		
Change in accrued shareholder distributions	$ (625,003)	$ (27,749)

See accompanying notes to combined financial statements.

(1) Nature of Operations

Megatran Industries, Subsidiaries and Affiliate (the Company) includes Megatran Industries (Megatran), a holding company which owns 100% of the common stock of NWL, Inc. (NWL) Hunter Industries, Inc. (Hunter) and BUED (NWL Europe). NWL is a manufacturer of power supplies and transformers for sale to a variety of industries in the United States and internationally. Hunter holds real estate which is leased to NWL. The Company has manufacturing facilities in Bordentown and Florence, New Jersey. NWL Europe is a manufacturer of transformers for sale to a variety of industries in Europe.

In January 2016, NWL International Sales Inc. (NWLIS) was incorporated. NWLIS is an Interest Charge Domestic International Sales Corporation (IC-DISC) that transacts certain international sales on behalf of NWL and receives commissions from NWL. The financial statements of the Company and NWLIS are combined because they are commonly-owned and controlled. The combined financial statements include the accounts of NWLIS despite Megatran having no direct ownership in NWLIS. The carrying amount of the assets included in the Company's combined balance sheets for NWLIS is
$5,958 for June 30, 2024 and 2023.

(2) Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the accounts of Megatran, NWL, Hunter, NWLIS and NWL Europe. All significant intercompany transactions and balances have been eliminated in combination.

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management evaluates its historical loss experience and applies this historical loss ratio to financial assets with similar characteristics. The Company's historical loss ratio or its determination of risk pools may be adjusted for changes in customer, economic, market or other circumstances. Significant past due balances over 90 days and other higher risk amounts are reviewed individually for collectability based on the following customer specific factors: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable, net of allowance for credit losses was $21,383,043 and
$16,925,825 as of January 1, 2024 and 2023, respectively.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Concentrations of Risk

Financial instruments that potentially subject the Company to concentrations of risk consist primarily of cash and accounts receivable. The Company maintains its cash with national financial institutions, and, at times, such balances may exceed the FDIC insurance limit. At June 30, 2024, the Company had $3,264,118 of cash in excess of FDIC insured limits.

One customer accounts for approximately 47% of the Company's accounts receivable at June 30, 2024 and one customer accounted for approximately 35% of sales for the six months ended June 30, 2024.

Inventories

Inventories are valued at the lower of cost (first in, first out basis) or net realizable value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated based on estimated useful lives of the assets using the straight line method. Maintenance, repairs and betterments are charged to operations as incurred. Renewals and betterments that extend the estimated useful lives of the assets are capitalized.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of goods sold. Revenue from performance obligations satisfied at a point in time consists of sales of power supplies, transformers, and capacitors. These goods and services are sold primarily to governmental entities and manufacturers. Deferred revenue includes amounts that customers pay prior to the shipment of products. Deferred revenue was $4,212,662 and $5,587,693 as of January 1, 2024 and 2023, respectively.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

The Company's principal terms of sale are FOB shipping point and FOB destination and the Company transfers control and records revenue for product sales either upon shipment or delivery to the customer, respectively. The payment terms and conditions in customer contracts vary from 30-90 days from transfer of control. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Variable consideration, including return and warranty activity, is immaterial to revenue and results of operations.

Investment in Joint Venture

The Company accounts for its investment in joint venture using the equity method (see Note 7).

Goodwill

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. The Company applies the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, which allows entities who meet the definition of a private company to subsume many of the types of customer-related intangible assets that they would otherwise recognize separately into goodwill. This accounting alternative will be applied to any future business combination transactions. As a result of the application of ASU 2014-18, the Company is also required to apply the guidance in FASB ASU 2014-02, *Intangibles - Goodwill and Other*, which allows the amortization of all existing and new goodwill. Under ASU 2014-02, goodwill is amortized on a straight-line basis over ten years, or less than ten years, if the entity demonstrates that a shorter useful life is more appropriate. In addition, entities are required to test goodwill for impairment only upon the occurrence of a triggering event and, upon adoption of the accounting alternative, an entity must make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Management has elected to amortize goodwill over ten years and test for impairment at the reporting unit level, should triggering events occur. No triggering events were identified during the six months ended June 30, 2024 and 2023.

Investment in Insurance Captive

The Company participates in a group captive insurance program (Captive) for workers' compensation and general liability insurance. Members pay annual premiums, of which an amount may be refunded to a member depending on the member's individual claims, as well as the Captive's overall claims.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Warranty Reserve

The Company offers warranties on its products ranging from twelve to forty months depending on the product line. Warranty reserves are determined based on management's past experience for returns and warranty claims and are included in accrued expenses.

Research and Development

Research and development costs are expensed as incurred. Research and development expense from continuing operations was approximately $150,000 and $176,000 for the six months ended June 30, 2024 and 2023, respectively.

Variable Interest Entities

FASB *Accounting Standards Codification* (ASC) 810, *Consolidation*, provides guidance in determining when variable interest entities (VIE) should be consolidated in the financial statements of the primary beneficiary. If the Company is deemed to have a controlling financial interest as a result of having the power to direct the activities that most significantly impact the entity's economic performance, and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, the VIE is to be consolidated within the financial statements of the Company. NWLIS has been determined to be a VIE of the Company as NWLIS is dependent on the commission revenue from NWL. Since all rights, obligations and the power to direct the activities of a VIE that most significantly impact the VIE's economic performance are held by the owners of NWLIS and not by the Company, the Company has determined that it is not the primary beneficiary of NWLIS and therefore, NWLIS will be combined and not consolidated into the financial statements. The Company does not believe there is any exposure to loss as a result of transactions with NWLIS.

Income Taxes

Effective January 1, 2015, Megatran, NWL and Hunter elected to be taxed as S corporations under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes because the Company's taxable income is passed through to the tax returns of the stockholders. Accordingly, no provision is made for federal or state income taxes. However, it is common for the Company to make distributions to the stockholders to pay the income taxes relating to the Company's income that is passed through to the stockholders' tax returns. Effective January 1, 2023, Megatran Industries, Inc. & Subsidiaries elected into the New Jersey Pass-Through Business Alternative Income Tax which will subject the Company to New Jersey state tax on New Jersey allocated income. The tax provision for New Jersey income tax for the six months ended June 30, 2024 and 2023 were deemed insignificant to the consolidated financial statements. Accordingly, no provision is made for federal or state income taxes.

Continued…

(2) Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

The stockholders of NWLIS have elected to treat NWLIS as an IC-DISC for federal income tax purposes. NWLIS does not pay federal or state corporate income taxes because NWLIS' taxable income is passed through to the tax returns of the stockholders. Accordingly, no provision is made for federal or state income taxes.

FASB ASC 740, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740 prescribes a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. In addition, FASB ASC 740 provides guidance on derecognition, classification and disclosure. In addition to its federal returns, the Company files income tax returns in New Jersey and North Carolina. The Company is no longer subject to federal, state, or local tax examinations by tax authorities for years before 2020. It is difficult to predict the timing and resolution of any particular uncertain tax position. Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company does not currently anticipate significant changes in its tax positions over the next twelve months.

Foreign Currency Translation

Foreign currency translation adjustments are included in other comprehensive income and are reflected in accumulated other comprehensive loss in the accompanying combined balance sheets.

Use of Estimates

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

Management has evaluated subsequent events through July 30, 2024, the date on which the combined financial statements were available to be issued.

Continued…

(3) Inventories, net

Inventories, net comprise the following at June 30:

	2024	2023
Raw material	$ 15,870,464	$ 13,167,500
Work-in-process	4,408,826	4,929,349
Finished goods	2,250,662	2,359,958
	22,529,952	20,456,807
Reserve for obsolescence	(1,323,152)	(850,965)
	$ 21,206,800	$ 19,605,842

(4) Advances to Stockholders

Advances to stockholders are unsecured, noninterest bearing advances. These advances do not have set repayment dates.

(5) Property, Plant and Equipment, net

Property, plant and equipment, net comprise the following at June 30:

	2024	2023	Estimated Useful Lives Years
Land	$ 303,348	$ 303,348	
Buildings and building improvements	6,379,579	6,192,207	7 - 39
Machinery and equipment	8,562,164	7,793,479	7 - 10
Solar equipment	5,667,333	5,667,333	7 - 15
Automobiles and trucks	299,842	306,332	5
Office equipment	551,554	551,554	5 - 7
Computer hardware and software	585,606	573,811	3 - 5
Construction-in-progress	330,625	-	
	22,680,051	21,388,064	
Accumulated depreciation	(17,994,528)	(17,593,120)	
	$ 4,685,523	$ 3,794,944	

Depreciation expense for the six months ended June 30, 2024 and 2023 was $223,290 and $209,277, respectively.

Continued…

(6) Goodwill, net

Goodwill, net comprises the following at June 30:

	2024	2023
CE Power Solutions	$ 1,109,989	$ 1,109,989
BUED	213,305	213,305
	1,323,294	1,323,294
Accumulated amortization	(1,163,899)	(1,142,569)
	$ 159,395	$ 180,725

Amortization expense was $10,665 for the six months ended June 30, 2024 and 2023.

(7) Investment in Joint Venture

NWL owns 50% of NWL Pacific Inc. Co., LTD. (NWL Pacific) which is a joint venture in South Korea. The joint venture was established on May 12, 1998. The Company's reporting currency is the US dollar while the functional currency of the joint venture is the South Korean Won. The assets, liabilities and equity of the joint venture have been measured at the respective exchange rate as of December 31, 2023 and 2022. The income and expense accounts were remeasured at the average rates in effect during the six months ended June 30, 2024 and 2023 and were determined to be insignificant to the combined financial statements. Remeasurement adjustments are recognized in the year of occurrence and are included as a component of stockholder's equity. In addition, the Company's share of the joint venture's net income or loss is recognized in the year of occurrence.

The Company's investment in the foreign operation is summarized as follows:

	2024	2023
Investment, January 1	$ 2,118,612	$ 2,059,581
Company's share of dividends	(139,191)	(138,263)
Investment, June 30	$ 1,979,421	$ 1,921,318

Continued…

(7) Investment in Joint Venture, Continued

Presented below are the summary balance sheets and summary of operations of the foreign operation based on the annual audited financial statements of NWL Pacific:

	12/31/2023	12/31/2022
Assets:		
Current assets	$ 5,255,791	$ 6,668,330
Noncurrent assets	493,865	540,698
Total assets	$ 5,749,656	$ 7,209,028
Liabilities and stockholders' equity:		
Current liabilities	$ 1,512,433	$ 3,089,865
Equity	4,237,223	4,119,163
Total liabilities and equity	$ 5,749,656	$ 7,209,028
Operations:		
Sales	$ 8,299,324	$ 9,195,244
Cost of sales	(5,540,671)	(6,201,536)
Selling, general and administrative expenses	(1,813,830)	(1,853,003)
Other expense	(83,609)	(181,825)
Net income	$ 861,214	$ 958,880

(8) Related Party Transactions

During the six months ended June 30, 2024 and 2023, the Company sold $596,791 and $709,992, respectively, of product to NWL Pacific. The Company has $488,346 and $860,690, respectively, included in accounts receivable from NWL Pacific at June 30, 2024 and 2023.

(9) Line of Credit

The Company has a $5,000,000 working line of credit with a commercial bank that expires in August 2024. The balance on the line of credit was $3,000,000 and $2,000,000 as of June 30, 2024 and 2023, respectively. Borrowings on the line of credit bear interest at the daily LIBOR rate plus 1.80% (7.11% at June 30, 2024). Up to $5,000,000 of the working line of credit may be used towards letters of credit. There are no outstanding letters of credit at June 30, 2024 and 2023. The line is collateralized by the assets of the Company.

Continued…

(10) Long-Term Debt

Long-term debt comprises the following at June 30, 2023:

Equipment loan, payable in monthly installments of$5,868 including interest at 5.63%. The loan is collateralized by the equipment and matures in November 2023.	$	34,425
Current portion		(34,425)
	$	-

(11) Retirement Plan

NWL maintains a 401(k) plan to provide retirement benefits to its employees. Employee contributions are limited by Internal Revenue Service regulations. Total Company matching contributions and profit sharing contributions were $371,667 and $247,356 for the six months ended June 30, 2024 and 2023, respectively.

(12) Self-Insurance

The Company maintains a self-insured program for all of its employees' health care costs. The Company is liable for paid claims up to $175,000 per participant, annually, unlimited for a covered person's lifetime, and aggregate claims up to $3,501,236 annually. The program has an insurance stop loss policy for claims in excess of $175,000 per participant and aggregate claims in excess of $3,501,236. The maximum reimbursement under the insurance stop loss policy is $1,000,000. Self- insurance costs are accrued based on the aggregate liability for reported claims and an estimated liability for claims incurred but not reported. The accrued liability under the self-insurance program as of June 30, 2024 and 2023 was approximately $177,000 and $719,000, respectively, and is included in accrued expenses on the accompanying combined balance sheets.

SUPPLEMENTARY INFORMATION

Megatran Industries, Subsidiaries and Affiliate

Supplementary Information
Combined Schedules of Cost of Goods Sold
For the Six Months Ended June 30, 2024 and 2023

	2024	% of Net Sales	2023	% of Net Sales
Direct costs:				
Direct materials	$ 17,026,853	44.5%	$ 17,791,796	49.7%
Direct labor	4,105,750	10.7	4,318,959	12.1
	21,132,603	55.2	22,110,755	61.8
Indirect costs:				
Personnel:				
Wages	1,892,168	4.9	1,738,473	4.9
Employee benefits	1,053,333	2.7	1,053,383	2.9
Payroll taxes	866,587	2.3	790,405	2.2
Recruitment	70,505	0.2	75,934	0.2
	3,882,593	10.1	3,658,195	10.2
Manufacturing:				
Production supplies	249,419	0.7	270,499	0.8
Sub-contract services	107,812	0.3	219,400	0.6
Manufacturing - development	78,426	0.2	81,850	0.2
Manufacturing - miscellaneous	340,059	0.9	349,124	1.0
Small tools	33,928	0.1	94,105	0.3
Quality control	12,591	-	13,248	-
Overhead allocation, net	29,299	0.1	18,150	0.1
	851,534	2.3	1,046,376	3.0
Facilities:				
Repairs and maintenance	318,800	0.8	297,597	0.8
Depreciation	189,192	0.5	175,020	0.5
Utilities	154,695	0.4	133,340	0.4
Insurance	329,183	0.9	269,193	0.8
Property and sales taxes	139,994	0.4	135,317	0.4
	1,131,864	3.0	1,010,467	2.9
Total indirect costs	5,865,991	15.4	5,715,038	16.1
Cost of goods sold	$ 26,998,594	70.5%	$ 27,825,793	77.7%

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Supplementary Information
Combined Schedules of Selling, General and Administrative Expenses
For the Six Months Ended June 30, 2024 and 2023

	2024	% of Net Sales	2023	% of Net Sales
Selling	$ 75,824	0.2%	$ 34,622	0.1%
Service calls	197,975	0.5	170,077	0.5
Travel	16,365	-	46,379	0.1
Commissions	77,139	0.2	56,792	0.2
Advertising and marketing	4,681	-	10,469	-
Automobile	1,549	-	489	-
Wages	3,843,904	10.0	2,902,706	8.1
Employee benefits	695,798	1.8	613,729	1.7
Employee welfare	49,951	0.1	27,738	0.1
Employee education	33,229	0.1	30,387	0.1
Retirement plan	247,276	0.6	240,000	0.7
Depreciation	34,098	0.1	34,257	0.1
Amortization	10,665	-	10,665	-
Professional fees	303,926	0.8	211,156	0.6
Engineering	106,023	0.3	190,310	0.5
Lease expense	10,850	-	10,342	-
Bad debt expense	42,221	0.1	-	-
Miscellaneous	195,635	0.5	107,457	0.3
Computer expenses	196,045	0.5	122,985	0.3
Telephone	30,823	0.1	26,840	0.1
Office expense	15,987	-	30,962	0.1
Payroll service	98,368	0.3	87,306	0.2
Taxes	25,489	0.1	744	-
Bank charges	27,552	0.1	18,351	0.1
	$ 6,341,373	16.6%	$ 4,984,763	13.9%

See accompanying notes to combined financial statements.

Megatran Industries, Subsidiaries and Affiliate

Supplementary Information
Combined Schedules of Other, Net
For the Six Months Ended June 30, 2024 and 2023

	2024	% of Net Sales	2023	% of Net Sales
State income taxes	$ (58,055)	(0.1)	$ (3,086)	-
Interest income (expense), net	269	-	(16,310)	-
License fee income	9,540	-	48,931	-
Miscellaneous income (loss)	(184)	-	57,008	0.2
	$ (48,430)	(0.1)%	$ 86,543	0.2%

See accompanying notes to combined financial statements.

Unaudited Pro Forma Condensed Consolidated Financial Data

On August 1, 2024, American Superconductor Corporation ("AMSC" or the "Company"), entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with each of the sellers listed on the signature pages thereto (each, a "Selling Stockholder" and collectively, the "Selling Stockholders"), Megatran Industries, Inc, a New Jersey corporation ("Megatran") and James David Seitz, an individual, solely in his capacity as the stockholder representative thereunder (the "Stockholder Representative").

Pursuant to the terms of the Stock Purchase Agreement and concurrently with entering into such agreement, the Company purchased all of the issued and outstanding shares of Megatran (collectively, the "Acquired Interests") for aggregate consideration in an amount equal to $61,350,000 (the "Purchase Price"), which consideration amount shall be subject to various adjustments set forth in the Stock Purchase Agreement (including those described below) and consists of: (a) (i) $25,000,000, minus (ii) the Indebtedness (as defined in the Stock Purchase Agreement) outstanding as of immediately prior to the closing, minus (iii) Company Expenses (as defined in the Stock Purchase Agreement) (collectively, the "Cash Purchase Price"); (b) a number of restricted shares (rounded up or down to the nearest whole share, as applicable) (the "Company Shares") of the Company's common stock, $.01 par value per share ("Common Stock") equal to the quotient obtained by dividing (x) $31,350,000 (the "Share Purchase Price") by (y) the closing price per share of Common Stock on the Nasdaq Global Select Market on the last trading day immediately preceding the Closing Date; and (c) an additional cash payment equal to $5,000,000, as adjusted pursuant to Sections 5.6(c), (d), and (f) of the Stock Purchase Agreement (the "Additional Cash Purchase Price").

The unaudited pro forma condensed consolidated financial information contained herein is based on the historical financial statements of AMSC, and the historical financial statements of Megatran, which are filed as Exhibit 99.1 and Exhibit 99.2 to this Current Report on Form 8-K/A, and has been adjusted to give effect to AMSC's acquisition of Megatran, which was accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations.

The historical financials of Megatran were prepared under the standards for private companies and as such reflect accounting for Goodwill according to guidance in Financial Accounting Standards Board (FASB) Accounting Standards Updated (ASU) 2014-18, Accounting for *Identifiable Intangible Assets in a Business Combination*, which allows entities who meet the definition of a private company to subsume many of the types of customer-related intangible assets that they would otherwise recognize separately into goodwill. As a result of the application of ASU 2014-18, Megatran also applied guidance in FASB ASU 2014-02, *Intangibles- Goodwill and Other* which allows amortization of all existing goodwill for private companies. Megatran amortized goodwill over 10 years and tested for impairment at the reporting unit should a triggering event occurs. No triggering events occurred in the reporting periods ended December 31, 2023 and December 31, 2022. Management considered the difference in accounting treatment from Accounting Standards Codification ("ASC") 805, *Business Combinations* and ASC 350-20 for public companies, as goodwill is not amortized for public reporting companies. Management concluded the impact of amortizing the goodwill by Megatran would not materially change the financial results used to derive the pro forma condensed consolidated financial information contained herein.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2024 is presented as if the Acquisition (as defined below) had occurred on June 30, 2024 and is based on the unaudited condensed consolidated balance sheet of AMSC as of June 30, 2024 (as filed with the Securities and Exchange Commission ("SEC") in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2024) and the unaudited condensed combined balance sheet of Megatran as of June 30, 2024, which has been derived from its underlying accounting records.

The unaudited pro forma condensed consolidated statement of operations for the three months ended June 30, 2024 is presented as if the Acquisition had occurred on April 1, 2024 and is based upon the unaudited condensed consolidated statement of operations of AMSC for the three months ended June 30, 2024 (as filed with the SEC in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2024) and the unaudited condensed consolidated statement of operations of Megatran for the three months ended June 30, 2024, which has been derived from its underlying accounting records.

The unaudited pro forma condensed consolidated statement of operations for the year ended March 31, 2024 is presented as if the Acquisition had occurred on April 1, 2023 and is based upon the audited consolidated statement of operations of AMSC for the year ended March 31, 2024 (as filed with the SEC in its Annual Report on Form 10-K for the year ended March 31, 2024) and the audited combined statement of operations and comprehensive income of Megatran for the year ended December 31, 2023 (included in Exhibit 99.1 to this Current Report on Form 8-K/A).

The unaudited pro forma condensed consolidated statements of operations reflect only pro forma adjustments that are (i) directly attributable to the Acquisition, (ii) factually supportable, and (iii) expected to have a continuing impact on the results of the combined company beyond twelve months and have not been adjusted to reflect any operating efficiencies that may be realized by AMSC as a result of the Acquisition. AMSC expects to incur certain charges and expenses related to integrating the operations of AMSC and Megatran. AMSC is assessing the combined operating structure, business processes, and other assets of these businesses and is developing a combined strategic operating plan. The objective of this plan will be to enhance productivity and efficiency of the combined operations. The unaudited pro forma condensed consolidated statements of operations do not reflect such charges and expenses.

The unaudited pro forma condensed consolidated financial statements are for illustrative purposes only, are hypothetical in nature and do not purport to represent what our results of operations, balance sheet or other financial information would have been if the Acquisition had occurred as of the dates indicated. The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable, including an allocation of the purchase price based on an estimate of fair value and excluding certain non-recurring charges as disclosed. These estimates are preliminary and are based on information currently available and could change significantly. The unaudited pro forma condensed consolidated financial statements and the accompanying notes should be read in conjunction with the historical consolidated financial statements, including the related notes, of AMSC included in its Annual Report on Form 10-K for the year ended March 31,2024 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 and the audited combined financial statements of Megatran included in Exhibit 99.1 and unaudited combined financial statements of Megatran included in Exhibit 99.2 to this Current Report on Form 8-K/A.

AMERICAN SUPERCONDUCTOR CORPORATION

UNAUDITED CONDENSED COMBINED PRO FORMA BALANCE SHEET

June 30, 2024

	AMSC As Reported	Megatran As Reported	Pro Forma Adj for Acquisition		Combined Pro Forma
ASSETS					
Current assets:					
Cash and cash equivalents	$ 93,455	$ 2,545	$ (3,975)	(k)	$ 92,025
Accounts receivable, net	23,529	20,036	-		43,565
Inventory	45,149	21,207	728	(a)	67,084
Prepaid expenses and other current assets	10,424	1,457	-		11,881
Restricted cash	468	-	-		468
Total current assets	173,025	45,246	(3,247)		215,024
Property, plant and equipment, net	10,529	4,686	23,744	(b)	38,959
Intangibles, net	5,957	-	1,940	(i)	7,897
Right-of-use assets	4,096	-	-		4,096
Investment in joint venture	-	1,979	(734)	(j)	1,245
Goodwill	43,471	159	7,141	(i)	50,771
Restricted cash	1,600	-	-		1,600
Deferred tax assets	1,114	-	-		1,114
Other assets	351	42	-		393
Total assets	$ 240,143	$ 52,112	$ 28,844		$ 321,099
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued expenses	$ 22,309	$ 4,796	$ 550	(c)	$ 27,655
Line of credit	-	3,000	(3,000)	(k)	-
Accrued distributions	-	975	(975)	(k)	0
Other liabilities	-	120	-		120
Lease liability, current portion	862	-	-		862
Debt, current portion	9	-	-		9
Contingent consideration	7,020	-	-		7,020
Deferred revenue, current portion	55,984	4,217	-		60,201
Total current liabilities	86,184	13,109	(3,425)		95,868
Deferred revenue, long term portion	6,929	-	-		6,929
Lease liability, long term portion	3,359	-	-		3,359
Deferred tax liabilities	300	-	6,534	(d)	6,834
Other liabilities	27	-	-		27
Total liabilities	96,799	13,109	3,109		113,017
Stockholders' equity:					
Common stock	374	45	(32)	(e)	387
Additional paid-in capital	1,214,320	-	61,337	(e)	1,275,657
Treasury stock	(3,765)	-	-	(e)	(3,765)
Equity in Investment		6	(6)	(e)	(0)
Accumulated other comprehensive loss	1,597	(334)	334	(e)	1,597
Retained Earnings	(1,069,182)	39,286	(35,898)	(e)	(1,065,794)
Total stockholders' equity	143,344	39,003	25,735		208,082
Total liabilities and stockholders' equity	$ 240,143	$ 52,112	$ 28,844		$ 321,099

AMERICAN SUPERCONDUCTOR CORPORATION

UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENT OF OPERATIONS

For the Fiscal Year Ended March 31, 2024

	Year Ended March 31, 2024				
	AMSC As Reported	**Megatran As Reported**	**Pro Forma Adj for Acquisition**		**Combined Pro Forma**
Revenues	$ 145,639	$ 72,315	$ -		$ 217,954
Cost of revenues	110,356	55,065	607	(f)	166,028
Gross margin	35,283	17,250	(607)		51,926
Operating expenses:					
Research and development	7,991	-	-		7,991
Selling, general and administrative	31,600	11,507	780	(c)	43,887
Amortization of acquisition-related intangibles	2,152	-	128	(f)	2,280
Change in fair value on contingent consideration	4,922	-	-		4,922
Restructuring	(14)	-	-		(14)
Total operating expenses	46,651	11,507	908		59,066
Operating profit/(loss)	(11,368)	5,743	(1,515)		(7,140)
Interest income, net	1,302	-	-		1,302
Other (expense)/income, net	(736)	2,388	-		1,652
Loss before income tax expense	(10,802)	8,131	(1,515)		(4,186)
Income tax expense (benefit)	309	-	(343)	(g)	(34)
Net loss	$ (11,111)	$ 8,131	$ (1,172)		$ (4,152)
Net loss per common share					
Basic	$ (0.37)				$ (0.13)
Diluted	$ (0.37)				$ (0.13)
Weighted average number of common shares outstanding					
Basic	29,825		1,298	(h)	31,123
Diluted	29,825		1,298		31,123

AMERICAN SUPERCONDUCTOR CORPORATION

UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENT OF OPERATIONS

For the Three Months Ended June 30, 2024

	Three Months Ended June 30, 2024				
	AMSC As Reported	**Megatran As Reported**	**Pro Forma Adj for Acquisition**		**Combined Pro Forma**
Revenues	$ 40,290	$ 19,020	$ -		$ 59,310
Cost of revenues	28,065	13,946	152	(f)	42,163
Gross margin	12,225	5,074	(152)		17,147
Operating expenses:					
Research and development	2,286	-	-		2,286
Selling, general and administrative	8,898	3,751	550	(c)	13,199
Amortization of acquisition-related intangibles	412	-	32	(f)	444
Change in fair value of contingent consideration	3,920	-	-		
Total operating expenses	15,516	3,751	582		15,929
Operating profit/(loss)	(3,291)	1,323	(734)		(2,702)
Interest income, net	1,120	-	-		1,120
Other (expense)/income, net	(160)	9	-		(151)
Loss before income tax expense	(2,331)	1,332	(734)		(1,733)
Income tax expense (benefit)	193	-	(166)	(g)	27.0
Net loss	$ (2,524)	$ 1,332	$ (568)		$ (1,760)
Net loss per common share					
Basic	$ (0.07)				$ (0.05)
Diluted	$ (0.07)				$ (0.05)
Weighted average number of common shares outstanding					
Basic	35,676		1,298	(h)	36,974
Diluted	35,676		1,298		36,974

1. MEGATRAN ACQUISITION

On August 1, 2024, American Superconductor Corporation, a Delaware corporation ("AMSC" or the "Company"), completed the acquisition (the "Acquisition") of Megatran Industries, Inc, ("Megatran"), a New Jersey corporation, pursuant to a Stock Purchase Agreement (the "Stock Purchase Agreement") dated August 1, 2024 between the Company and each of the sellers listed on the signature pages thereto (each, a "Selling Stockholder" and collectively, the "Selling Stockholders"), Megatran Industries, Inc, a New Jersey corporation ("Megatran") and James David Seitz, an individual, solely in his capacity as the stockholder representative thereunder (the "Stockholder Representative"). Pursuant to the Stock Purchase Agreement, the Company purchased from the Selling Stockholders all of the issued and outstanding shares of Megatran for which the Company paid the Selling Stockholders: (a) (i) $25,000,000, minus (ii) the Indebtedness (as defined in the Stock Purchase Agreement) outstanding as of immediately prior to the closing, minus (iii) Company Expenses (as defined in the Stock Purchase Agreement) (collectively, the "Cash Purchase Price"); (b) a number of restricted shares (rounded up or down to the nearest whole share, as applicable) (the "Company Shares") of the Company's common stock, $.01 par value per share ("Common Stock") equal to the quotient obtained by dividing (x) $31,350,000 (the "Share Purchase Price") by (y) the closing price per share of Common Stock on the Nasdaq Global Select Market on the last trading day immediately preceding the Closing Date; and (c) an additional cash payment equal to $5,000,000, as adjusted pursuant to Sections 5.6(c), (d), and (f) of the Stock Purchase Agreement (the "Additional Cash Purchase Price"). As a result of this transaction, Megatran is a wholly-owned subsidiary of the Company.

The estimated fair value of the common stock issued was determined using $24.16 per share, which was the closing price on the day prior to the day that the Company acquired Megatran.

The following table summarizes the preliminary purchase price allocation at August 1, 2024 (in thousands):

Cash and cash equivalents	$	481
Investment in joint venture		1,245
Prepaid and other current assets		1,376
Accounts receivable		16,734
Inventory		22,595
Property plant and equipment		28,430
Accrued expenses		(3,203)
Accounts payable		(4,394)
Deferred revenue		(4,494)
Other		(166)
Deferred tax liability		(6,534)
Net tangible assets/(liabilities)		52,070
Backlog		700
Customer relationships		1,280
Net identifiable intangible assets		1,980
Goodwill		7,300
Total purchase consideration	$	61,350

This purchase price allocation is preliminary and has not been finalized in that the analysis on the assets and liabilities acquired, primarily the tax related liability, may require further adjustments to our purchase accounting that could result in a measurement adjustment that would impact our reported net assets and Goodwill as of August 1, 2024. Material changes, if any, to the preliminary allocation summarized above will be reported once the related uncertainties are resolved, but no later than August 1, 2025. The $6.5 million of deferred tax liability is primarily related to property, plant and equipment. We have concluded that, based on the standard set forth in ASC 740, Accounting for Income Taxes, it is more likely than not that we will realize the expenses from these deferred tax liabilities.

The excess of the purchase price over estimated fair values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed is $7.3 million, which represents the amount of non-deductible goodwill resulting from the Megatran acquisition. In accordance with ASC 350, Intangible – Goodwill and Other Assets, we will test goodwill for impairment on an annual basis and between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the goodwill below its carrying amount.

2. BASIS OF PRO FORMA PRESENTATION

The unaudited condensed combined pro forma balance sheet as of June 30, 2024 gives pro forma effect to the Acquisition as if the Acquisition had occurred on June 30, 2024. The Acquisition will be accounted for by the purchase method of accounting pursuant to which the purchase price is allocated among the acquired tangible and intangible assets and assumed liabilities in accordance with estimates of their fair values on the date of acquisition. The unaudited condensed combined pro forma balance sheet as of June 30, 2024 was prepared by combining the Company's historical unaudited condensed combined pro forma balance sheet as of June 30, 2024 with Megatran's historical unaudited combined balance sheet as of June 30, 2024.

The unaudited condensed combined pro forma statement of operations for the last full fiscal year was prepared by combining the Company's historical audited statement of operations for the fiscal year ended March 31, 2024 with Megatran's historical audited statement of operations and comprehensive income for the fiscal year ended December 31, 2023. The unaudited condensed combined pro forma statement of operations for the three months ended June 30, 2024 was prepared by combining the Company's historical unaudited statement of operations for the three months ended June 30, 2024 with Megatran's historical unaudited statement of operations and comprehensive income for the three months ended June 30, 2024. The unaudited condensed combined pro forma statements of operations for the twelve months ended March 31, 2024 and the three months ended June 30, 2024 give pro forma effect to the Acquisition as if the transaction had occurred on April 1, 2023 or April 1, 2024, respectively.

The pro forma adjustments represent the Company's preliminary determination of purchase accounting adjustments and are based upon available information and certain assumptions that Company believes to be reasonable under the circumstances. The pro forma adjustments and certain assumptions are described in the accompanying notes. The allocation of the purchase price is preliminary and may be revised upon the completion of the review of the fair value accounting and tax impacts from acquisitions, which is in progress. The final allocation of purchase price could differ materially from estimated allocated amounts included in these pro forma financial statements. The unaudited condensed combined pro forma financial information presented below does not purport to be indicative of the financial position or results of operations of the Company had such transactions actually been completed as of the assumed dates and for the periods presented, or which may be obtained in the future.

The following summarizes the preliminary estimated purchase price paid to Megatran and used in the allocation to account for Acquisition (in millions):

Cash payment	30.0
Issuance of 1,297,600 shares of Company's Common Stock	31.4

The value of the proceeds from the issuance of the shares of the Company's common stock, for the purpose of determining the accounting purchase price, was determined based on the closing price on the day prior to the acquisition of Megatran.

3. PRO FORMA ADJUSTMENTS

The following pro forma adjustments (including eliminations) are included in the unaudited condensed combined pro forma balance sheet and statements of operations:

(a) To record an adjustment to Megatran's inventory to reflect the fair value of inventory, primarily work in progress, at the date of Acquisition. The related expense has not been included as an adjustment to cost of revenue in the pro forma statements of operations because its impact is not expected to recur beyond twelve months from the date of the Acquisition.

(b) To record an adjustment to Megatran's property, plant and equipment to reflect the fair value of property, plant and equipment at the date of Acquisition. The related depreciation expense has not been included as an adjustment to operating expenses in the pro forma statements of operations because its impact is not expected to be material as the primary asset acquired is land.

(c) To record an increase in accounts payable for the estimated acquisition transaction costs incurred as of June 30, 2024

(d) To record preliminary estimated deferred tax liabilities related to the non-deductible identifiable intangible assets, at 22.64% reflecting the federal and state of New Jersey effective tax rate.

(e) To record the elimination of Megatran's historical retained earnings and equity accounts, and to reflect $61.350 million in cash and the fair value of the equity issuance of 1,297,600 shares of Common Stock for the consideration transferred.

(f) To record the amortization expense associated with acquired intangible assets including Contractual relationships/backlog and Customer relationships for the fiscal year ended March 31, 2024, and the three months ended June 30, 2024.

	Purchase Price Allocation	**Estimated Useful Life (years)**	**Expense allocated for 12 months**	**Expense allocated for 3 months**	**Amortization Method**
Intangible asset					
Contractual relationships / backlog	$ 700,000	2	$ 606,593	$ 151,738	Economic Consumption
Total Cost of revenues amortization of intangible	700,000		606,593	151,738	
Customer relationships	1,280,000	10	128,000	32,000	Straight Line
Total Selling, general and administrative amortization of intangibles	1,280,000		128,000	32,000	
Total costs in excess of tangible assets	$ 1,980,000		$ 734,593	$ 183,738	

(g) To record an estimated income tax benefit on pro forma adjustments to income related to the Acquisition, at 22.64% effective tax rate.

h) To reflect an increase in the weighted average shares outstanding for the period after giving effect to the issuance of AMSC common stock in connection with the Acquisition.

(i) To record the estimated value of goodwill acquired, which is estimated as the difference between the purchase price of $61.350 million and the estimated fair value of identifiable assets and liabilities. The goodwill recorded represents the anticipated incremental value of future cash flow potential attributable to the ability to grow the Grid business product lines though Megatran leveraging its customer base.

(J) To record the estimated fair value of the interest in the joint venture at the date of Acquisition.

(k) To record the settlement of the line of credit and the accrued stockholders' distribution as of the date of Acquisition.