UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended: September 30, 2009

o **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __________ to __________.

Commission File Number: 0-19672

American Superconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware	04-2959321
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
64 Jackson Road, Devens, Massachusetts	01434
(Address of principal executive offices)	(Zip Code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

Shares outstanding of the Registrant's common stock:

Common Stock, par value $0.01 per share	44,245,764
Class	**Outstanding as of November 2, 2009**

AMERICAN SUPERCONDUCTOR CORPORATION

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EX-10.1 Executive Severance Agreement dated as of September 8, 2009 between the Registrant and Susan J. DiCecco.
EX-31.1 Section 302 Certification of CEO
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AMERICAN SUPERCONDUCTOR CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2009	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 86,752	$ 70,674
Marketable securities	36,177	39,255
Accounts receivable, net	47,004	50,103
Inventory	29,187	35,129
Restricted cash	6,398	5,872
Prepaid expenses and other current assets	10,143	10,313
Deferred tax assets, net	1,102	1,160
Total current assets	216,763	212,506
Property, plant and equipment, net	54,435	54,838
Goodwill	39,217	26,233
Intangibles, net	8,763	8,859
Restricted cash	1,634	1,406
Marketable securities	10,127	—
Other assets	12,765	5,264
Total assets	$ 343,704	$ 309,106
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 57,832	$ 60,253
Deferred revenue	18,244	21,066
Total current liabilities	76,076	81,319
Deferred revenue	9,156	4,902
Deferred tax liabilities, net	877	840
Other	241	184
Total liabilities	86,350	87,245
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock	441	433
Additional paid-in capital	675,209	653,054
Deferred contract costs — warrant	—	(2)
Accumulated other comprehensive income/(loss)	2,709	(4,487)
Accumulated deficit	(421,005)	(427,137)
Total stockholders' equity	257,354	221,861
Total liabilities and stockholders' equity	$ 343,704	$ 309,106

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

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AMERICAN SUPERCONDUCTOR CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Revenues	$ 74,672	$ 40,375	$ 147,672	$ 80,192
Cost and operating expenses:				
Cost of revenues	45,637	29,670	96,054	57,866
Research and development	5,416	4,688	9,944	9,601
Selling, general and administrative	12,712	8,849	23,597	17,742
Amortization of acquisition related intangibles	460	481	905	984
Restructuring and impairments	117	500	451	500
Total cost and operating expenses	64,342	44,188	130,951	86,693
Operating income (loss)	10,330	(3,813)	16,721	(6,501)
Interest income	190	801	433	1,576
Other income (expense), net	(871)	481	(2,847)	(1,990)
Income (loss) before income tax expense	9,649	(2,531)	14,307	(6,915)
Income tax expense	5,309	1,537	8,175	3,256
Net income (loss)	$ 4,340	$ (4,068)	$ 6,132	$ (10,171)
Net income (loss) per common share				
Basic	$ 0.10	$ (0.10)	$ 0.14	$ (0.24)
Diluted	$ 0.10	$ (0.10)	$ 0.14	$ (0.24)
Weighted average number of common shares outstanding				
Basic	44,247	42,745	44,020	42,380
Diluted	45,233	42,745	44,922	42,380

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

AMERICAN SUPERCONDUCTOR CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Net income (loss)	$ 4,340	$ (4,068)	$ 6,132	$ (10,171)
Other comprehensive income (loss)				
Foreign currency translation	3,248	(3,820)	7,305	(3,755)
Unrealized gain/(loss) on investments	(19)	18	(109)	(125)
Other comprehensive income (loss)	3,229	(3,802)	7,196	(3,880)
Comprehensive income (loss)	$ 7,569	$ (7,870)	$ 13,328	$ (14,051)

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

AMERICAN SUPERCONDUCTOR CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the six months ended September 30, 2009	2008
Cash flows from operating activities:		
Net income (loss)	$ 6,132	$ (10,171)
Adjustments to reconcile net income/(loss) to net cash used in operations:		
Depreciation and amortization	4,704	4,134
Stock-based compensation expense	6,918	5,194
Stock-based compensation expense—non-employee	30	42
Allowance for doubtful accounts	52	778
Re-valuation of warrant	—	1,334
Deferred income taxes	(1,111)	616
Other non-cash items	382	489
Changes in operating asset and liability accounts:		
Accounts receivable	3,010	4,837
Inventory	6,235	(4,762)
Prepaid expenses and other current assets	712	(1,780)
Accounts payable and accrued expenses	(4,810)	(1,044)
Deferred revenue	(567)	3,853
Net cash provided by operating activities	21,687	3,520
Cash flows from investing activities:		
Purchase of property, plant and equipment, net	(2,741)	(3,303)
Purchase of marketable securities	(40,533)	(62,217)
Proceeds from the maturity of marketable securities	33,374	34,679
Change in restricted cash	(546)	5,785
Purchase of intangible assets	(843)	(612)
Change in other assets	(617)	(84)
Net cash used in investing activities	(11,906)	(25,752)
Cash flows from financing activities:		
Proceeds from exercise of employee stock options	4,068	11,997
Net cash provided by financing activities	4,068	11,997
Effect of exchange rate changes on cash and cash equivalents	2,229	(1,805)
Net increase (decrease) in cash and cash equivalents	16,078	(12,040)
Cash and cash equivalents at beginning of period	70,674	67,834
Cash and cash equivalents at end of period	$ 86,752	$ 55,794
Supplemental schedule of cash flow information:		
Non-cash issuance of common stock	$ 320	$ 301
Non-cash contingent consideration in connection with acquisitions	10,828	9,784

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

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business and Basis of Presentation

American Superconductor Corporation (the "Company" or "AMSC") was founded on April 9, 1987. The Company offers an array of proprietary technologies and solutions spanning the electric power infrastructure — from generation to delivery to end use. The Company is a leader in alternative energy, providing proven, megawatt-scale wind turbine designs and electrical control systems. The Company also offers a host of Smart Grid technologies for power grid operators that enhance the reliability, efficiency and capacity of the power grid, and seamlessly integrate renewable energy sources into the power infrastructure. These technologies include superconductor power cable systems, grid-level surge protectors and power electronics-based voltage stabilization systems. The Company operates in two business segments: AMSC Power Systems and AMSC Superconductors.

These unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the Securities and Exchange Commission's ("SEC") instructions to Form 10-Q. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those instructions. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles in the United States of America. The unaudited condensed consolidated financial statements, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results for the interim periods ended September 30, 2009 and 2008 and the financial position at September 30, 2009. The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

The results of operations for an interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended March 31, 2009 (fiscal 2008) which are contained in the Company's Annual Report on Form 10-K, filed with the SEC on May 28, 2009.

During the six months ended September 30, 2009, the Company corrected an error for bonus expense in the year ending March 31, 2008 that effectively increased net income in the current fiscal year by $0.3 million. The $0.3 million error consisted of a $0.4 million overstatement of bonus expense and a related $0.1 million understatement of income tax expense in the fourth quarter of the fiscal year ended March 31, 2009. The adjustment of $0.4 million had a de minimis impact on certain balance sheet amounts at March 31, 2009. The impact of correcting this error in the fiscal year ended March 31, 2009 would have increased net income by $0.3 million. Also, the Company overstated revenue and net income by $0.2 million in the three months ended June 30, 2009. This error was corrected in the three months ended September 30, 2009, The Company evaluated these errors taking into account both qualitative and quantitative factors and considered the impact of these errors in relation to the first and second quarters of the fiscal year ending March 31, 2010, which is when they were corrected, as well as the periods in which they originated. Management believes these errors are immaterial to both the consolidated quarterly and annual financial statements for all periods affected.

New Accounting Pronouncements

In June 2008, the Financial Accounting Standards Boards ("FASB") issued guidance in determining whether instruments granted in share-based payment transactions are participating securities for purposes of calculating earnings per share. Under the provisions of this standard, unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents are considered participating securities for purposes of calculating earnings per share. This accounting standard is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. The Company has adopted this standard on April 1, 2009. The adoption required the Company to modify its prior year weighted average number of shares outstanding but did not have a material effect on its financial condition or results of operations.

In April 2009, the FASB issued a standard which amends and clarifies a previous standard for business combinations, to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. Under this standard, an acquirer is required to recognize at fair value an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition date fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the acquirer applies the recognition criteria in accounting for contingencies, and a reasonable estimation of the

amount of a loss, to determine whether the contingency should be recognized as of the acquisition date or after it. The adoption of this standard could materially change the accounting for business combinations consummated subsequent to its effective date of April 1, 2009. On April 1, 2009, the Company adopted the provisions of this standard and the adoption did not have a material effect on its financial condition or results of operations.

In June 2009, the FASB issued the FASB Accounting Standards Codification ("Codification"). The Codification will become the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Codification does not change GAAP and did not have an effect on the Company's financial condition or results of operations.

In July 2009, the FASB issued new guidance for all U.S. GAAP financial statements for public and private companies, which significantly amends the existing consolidation accounting model for variable interest entities, and includes extensive new disclosure requirements. This new guidance is effective for fiscal years (and interim periods in those fiscal years) beginning after November 15, 2009. The Company does not currently have a variable interest entity and does not expect this standard to have a material impact on its financial condition or results of operations.

In September 2009, the Emerging Issues Task Force issued new rules pertaining to the accounting for revenue arrangements with multiple deliverables. The new rules provide an alternative method for establishing fair value of a deliverable when vendor specific objective evidence cannot be determined. The guidance provides for the determination of the best estimate of selling price for separate deliverables and allows the allocation of arrangement consideration using this relative selling price model. The guidance supersedes the prior multiple element revenue arrangement accounting rules that are currently used by the Company. The new guidance can be prospectively applied in fiscal years beginning on or after June 15, 2010 or can be early or retrospectively adopted. The Company is currently evaluating the impact of adopting the guidance.

In September 2009, the FASB amended its rules pertaining to certain revenue arrangements that include software elements, to remove its scope tangible products containing software components and non-software components that function together to deliver the product's essential functionality. The accounting change is effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. The Company is currently evaluating the impact of adopting the guidance.

2. Stock-Based Compensation

The Company accounts for its stock-based compensation at fair value. The following table summarizes employee stock-based compensation expense by financial statement line item for the three and six months ended September 30, 2009 and 2008 (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Costs of revenue	$ 354	$ 354	$ 579	$ 682
Research and development	523	482	990	1,036
Selling, general and administrative	2,975	2,059	5,349	3,476
Total	$ 3,852	$ 2,895	$ 6,918	$ 5,194

During the six months ended September 30, 2009, the Company granted approximately 600,000 shares and 130,000 shares of stock options and restricted stock, respectively, to employees under the 2007 Stock Incentive Plan. The Company also granted 18,000 shares of restricted stock to directors under the 2007 Director Stock Option Plan. The fair value of the grants made during the six months ended September 30, 2009 was $12.3 million. The restricted stock awards include approximately 58,000 shares of performance-based restricted stock, which will vest upon achievement of certain annual financial performance measurements. The remaining shares granted vest upon the passage of time, generally in equal annual installments over three years. For awards that vest upon the passage of time, expense is being recorded on a straight-line basis over the vesting period. At September 30, 2009, the Company determined that achievement of the performance measures is probable and as such, is recognizing the fair value of the performance-based awards over the estimated performance period of eleven months.

The total unrecognized compensation cost for unvested employee stock-based compensation awards outstanding, net of estimated forfeitures, was $17.9 million at September 30, 2009. This expense will be recognized over a weighted-average expense period of 1.6 years.

The assumptions used in the Black-Scholes valuation model for stock options granted during the three and six months ended September 30, 2009 and 2008 are as follows:

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Expected volatility	66.5%	62.4%	70.2%	58.8%
Risk-free interest rate	2.4%	3.1%	2.6%	3.3%
Expected life (years)	4.8	4.9	4.8	4.9
Dividend yield	None	None	None	None

The expected volatility was estimated based on an equal weighting of the historical volatility of the Company's common stock and the implied volatility of the Company's traded options. The expected life was estimated based on an analysis of the Company's historical experience of exercise, cancellation, and expiration patterns. The risk-free interest rate is based on five-year U.S. Treasury rates. The stock-based compensation expense recognized in the unaudited condensed consolidated statements of operations is based on awards that ultimately are expected to vest; therefore, the amount of expense has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. This analysis is re-evaluated periodically and the forfeiture rate is adjusted as necessary.

3. Computation of Net Income (Loss) per Common Share

Basic earnings per share ("EPS") is computed by dividing net income/(loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing the net earnings (loss) by the weighted-average number of common shares and dilutive common equivalent shares outstanding during the period, calculated using the treasury stock method. Common equivalent shares include the effect of restricted stock, exercise of stock options and warrants and contingently issuable shares. For the three and six months ended September 30, 2009 and 2008, common equivalent shares of 0.9 million shares and 0.8 million shares, respectively, and 3.4 million shares and 3.4 million shares, respectively, were not included in the calculation of diluted EPS as they were considered anti-dilutive.

The following table reconciles the numerators and denominators of the earnings per share calculation for the three and six months ended September 30, 2009 and 2008 (in thousands, except per share data):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Numerator:				
Net income (loss)	$ 4,340	$ (4,068)	$ 6,132	$ (10,171)
Denominator:				
Weighted-average shares of common stock outstanding	44,299	43,387	44,080	42,965
Weighted-average shares subject to repurchase	(52)	(642)	(60)	(585)
Shares used in per-share calculation — basic	44,247	42,745	44,020	42,380
Dilutive effect of employee equity incentive plans	986	—	902	—
Shares used in per-share calculation — diluted	45,233	42,745	44,922	42,380
Net income (loss) per share — basic	$ 0.10	$ (0.10)	$ 0.14	$ (0.24)
Net income (loss) per share — diluted	$ 0.10	$ (0.10)	$ 0.14	$ (0.24)

On April 1, 2009, the Company began determining whether instruments granted in share-based payment transactions are participating securities. Under the applicable standard, the unvested restricted stock awards that contain non-forfeitable rights to receive dividends or dividend equivalents are considered participating securities, and therefore, are included in the computation of earnings per share pursuant to the two class method. Application of the standard had an insignificant effect on shares outstanding. This standard required retrospective application. Net income allocable to participating securities was immaterial for all periods presented.

4. Marketable Securities

The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standard established a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. This hierarchy prioritizes the inputs into three broad levels as follows:

Valuation Hierarchy

Level 1 —Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 —Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 —Unobservable inputs that reflect the Company’s assumptions that market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available, including its own data.

A financial asset’s or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets carried at fair value, measured as of September 30, 2009 and March 31, 2009 (in thousands):

	Total Carrying Value	Quoted Prices in Active Markets (Level 1)	Using Significant Other Observable Inputs (Level 2)	Using Significant Unobservable Inputs (Level 3)
September 30, 2009				
Cash equivalents	$42,132	$42,132	$ —	$ —
Marketable securities	46,304	—	46,304	—
March 31, 2009:				
Cash equivalents	$30,483	$30,483	$ —	$ —
Marketable securities	39,255	—	39,255	—

Valuation Techniques

Cash equivalents consist of highly liquid money market instruments with maturities of three months or less that are regarded as high quality, low risk investments, are measured using such inputs as quoted prices and inputs that are derived principally from or corroborated by observable market data by correlation or other means, and are classified within Level 1 of the valuation hierarchy.

The Company's marketable securities are classified as available-for-sale securities and, accordingly, are recorded at fair value. At September 30, 2009, the Company primarily held U.S. government backed commercial paper and European sovereign bonds and at March 31, 2009, the Company primarily held U.S. government backed commercial paper. All commercial paper is rated A-1 or higher. The difference between amortized cost and fair value is included in stockholders' equity. Marketable securities are measured using such inputs as quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset (for example, interest rates and yield curves observable at commonly quoted intervals), and inputs that are derived principally from or corroborated by observable market data by correlation or other means, and are classified within Level 2 of the valuation hierarchy.

Effective April 1, 2009, the Company implemented a newly issued accounting standard for fair value measurements of all nonfinancial assets and nonfinancial liabilities not recognized or disclosed at fair value in the financial statements on a non-recurring basis. Adoption of the new accounting standard for the Company's nonfinancial assets and nonfinancial liabilities that are measured at fair value on a non-recurring basis did not impact its financial position or results of operations; however, could have an impact in future periods. The Company may have additional disclosure requirements in the event of a completed acquisition or if an impairment of these occurs in a future period.

5. Derivative Financial Instruments

On April 1, 2009, the Company adopted a newly issued accounting standard regarding disclosure of derivative instruments and hedging activities. This statement improves transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance and cash flows.

The Company's foreign currency risk management strategy is principally designed to mitigate the potential financial impact of changes in the value of transactions and balances denominated in foreign currency, resulting from changes in foreign currency exchange rates. The Company's foreign currency hedging program uses both forward contracts and currency options to manage the foreign currency exposures that exist as part of its ongoing business operations. The contracts primarily are denominated in the Euro and have maturities of less than three months. On September 30, 2009, the Company had a forward contract outstanding to hedge the Company's wholly-owned Austrian subsidiary, AMSC Windtec GmbH ("Windtec") USD exposure, with a nominal and fair value of $15.6 million, which expired on October 30, 2009. The forward contract sold US dollars and bought Euros at $1.4663.

Generally, the Company does not designate forward contracts or currency option contracts as hedges for accounting purposes, and changes in the fair value of these instruments are recognized immediately in earnings. Gains and losses on these contracts are included in other expense, net.

Net realized and unrealized gains on forward contracts and option contracts included in other expense, net, excluding the underlying foreign currency exposure being hedged, were $0.4 million and $0.1 million for the three and six months ended September 30, 2009 respectively.

6. Inventory

The components of inventory are as follows (in thousands):

	September 30, 2009	March 31, 2009
Raw materials	$ 13,206	$ 16,098
Work-in-progress	5,708	6,522
Finished goods	7,548	8,150
Deferred program costs	2,725	4,359
Net inventory	$ 29,187	$ 35,129

A portion of Finished goods inventory of $7.5 million as of September 30, 2009 represents costs of product shipped to customers on contracts for which revenue was deferred until final customer acceptance.

Deferred program costs of $2.7 million as of September 30, 2009 and $4.4 million as of March 31, 2009 primarily represent costs incurred on wind turbine development programs where the Company needs to achieve certain milestones or complete development programs before revenue and costs will be recognized. Deferred program costs of $2.6 million as of March 31, 2009 were incurred on a long-term turnkey D-VAR® system project that were subsequently recorded in cost of revenue in the three months ended June 30, 2009 when the related revenue was recognized.

7. Product Warranty

The Company generally provides a one to two year warranty on its products, commencing upon installation. A provision is recorded upon revenue recognition to “Cost of revenues” for estimated warranty expense based on historical experience.

Product warranty activity was as follows (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Balance at beginning of period	$ 5,325	$ 1,985	$ 4,749	$ 1,775
Accruals for warranties during the period	1,602	1,310	2,717	2,436
Settlements and adjustments during the period	(1,430)	(852)	(1,969)	(1,768)
Balance at end of period	$ 5,497	$ 2,443	$ 5,497	$ 2,443

8. Income Taxes

The Company recorded income tax expense of $5.3 and $8.2 million for the three and six months ended September 30, 2009, respectively, and $1.5 and $3.3 million for the three and six months ended September 30, 2008, respectively, related primarily to income generated in foreign jurisdictions. The Company has provided a valuation allowance against all deferred tax assets in the U.S. as it is more likely than not that its deferred tax assets are not currently realizable due to the net operating losses incurred by the Company in the U.S. since its inception.

9. Commitments and Contingencies

In April 2005, the Company issued to TM Capital (which subsequently assigned it to Provident Premier Master Fund, Ltd. (“Provident”)) 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”). In August 2008, Provident utilized the cashless exercise provision and exercised the entire Warrant in exchange for 148,387 shares of the Company’s common stock. The Warrant was re-valued at $4.3 million at the time of exercise, resulting in a gain of $1.1 million and a charge of $1.3 million for the three and six months ended September 30, 2008, respectively (reported in Other income (expense) in the Unaudited Condensed Consolidated Statements of Operations).

From time to time, the Company enters into long-term construction contracts with customers that require the Company to obtain performance bonds. The Company is required to deposit an amount equivalent to some or all the face amount of the performance bonds into an escrow account until the termination of the bond. When the performance conditions are met, amounts deposited as collateral for the performance bonds are returned to the Company.

On June 26, 2008, the Company entered into a performance bond for CNY 1.1 million (approximately $0.2 million) with a Chinese customer to guarantee supply of core components and software, which expires June 30, 2012. The performance bond was issued utilizing a Bank of China CNY 18.9 million (approximately $2.8 million) unsecured line of credit, which is available until June 30, 2012.

As of September 30, 2009, the Company had outstanding performance bonds issued on behalf of Windtec, for €2.6 million (approximately $3.9 million) in connection with four contracts to provide power electronics for four customers. The first two performance bonds for €2.2 million (approximately $3.3 million) expired on October 31, 2009, the third performance bond for €0.1 million (approximately $0.1 million) will expire on February 6, 2010 and the fourth performance bond for €0.3 million (approximately $0.4 million) will expire on September 30, 2010. In the event that the payment is made in accordance with the requirements of any of these performance bonds, the Company would record the payment as an offset to revenue. The performance bonds are secured with restricted cash, included in current assets.

At September 30, 2009 and March 31, 2009, the Company had $6.4 million and $5.9 million, respectively, of restricted cash included in current assets, which includes the restricted cash securing the Windtec performance bonds noted above, and $1.6 million and $1.4 million of long-term restricted cash, respectively. Total restricted cash as of September 30, 2009 and March 31, 2009 was $8.0 million and $7.3 million, respectively.

The Company also has unused, unsecured lines of credit of €0.5 million (approximately $0.7 million) which is available until September 30, 2010, and CNY 17.8 million (approximately $2.6 million) which is available until June 30, 2012.

10. Cost-Sharing Arrangements

The Company has entered into several cost-sharing arrangements with various agencies of the United States government. Funds paid to the Company under these agreements are not reported as revenues but are used to directly offset the Company's research and development ("R&D") and selling, general and administrative ("SG&A") expenses, and to purchase capital equipment.

Costs incurred and funding received under these agreements are as follows (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Costs incurred	$1,004	$895	$2,475	$2,777
R&D expenditures offset by cost sharing funding received	227	236	617	677
G&A expenditures offset by cost sharing funding received	198	206	538	590

At September 30, 2009, total funding received to date under these agreements was $29.0 million.

11. Acquisitions

Acquisition of Power Quality Systems, Inc.

On April 27, 2007, the Company acquired Power Quality Systems, Inc. ("PQS"), a Pennsylvania corporation, for $4.5 million in common stock. PQS offers reactive compensation products known as Static VAR Compensators, or SVCs, based on its proprietary thyristor switch technology. These products enhance the reliability of power transmission and distribution grids and improve the quality of power for manufacturing operations.

The acquisition agreement included an earn-out provision for the issuance of up to an additional 0.5 million shares of common stock based on the achievement of certain order growth targets for existing PQS products for the fiscal years ended March 31, 2008 and 2009. During the fiscal year ended March 31, 2008, the Company recorded contingent consideration related to the acquisition of PQS of $1.7 million to Goodwill and Additional paid-in capital, representing 75,000 shares earned. These shares were issued during the first quarter of the fiscal year ended March 31, 2009. In addition, the Company recorded contingent consideration of $1.2 million to Goodwill and Additional paid-in capital, representing 75,000 shares earned for the fiscal year ended March 31, 2009. These shares were issued in the first quarter of the fiscal year ending March 31, 2010.

Acquisition of Windtec Consulting GmbH

On January 5, 2007, the Company acquired Windtec Consulting GmbH (“Windtec”), a corporation incorporated according to the laws of Austria. Windtec develops and sells electrical systems for wind turbines. Windtec also provides technology transfer for the manufacturing of wind turbines; documentation services; and training and support regarding the assembly, installation, commissioning, and service of wind turbines.

The acquisition agreement included an earn-out provision for the issuance of up to an additional 1,400,000 shares of common stock upon Windtec’s achievement of specified revenue objectives during the first four fiscal years following closing of the acquisition. The Company recorded contingent consideration of $9.8 million to Goodwill and Additional paid-in capital based on 350,000 shares earned in the six months ended September 30, 2008. These shares were issued in the first quarter of the fiscal year ending March 31, 2010. During the six months ended September 30, 2009, the Company recorded contingent consideration of $10.8 million to Goodwill and Additional paid-in capital representing 350,000 shares earned. These shares are expected to be issued in the first quarter of the fiscal year ending March 31, 2011. No further contingent consideration will be recorded for the fiscal year ending March 31, 2010 as this was the maximum amount of contingent consideration that can be earned.

12. Restructuring and Impairments

On October 25, 2007, the Company’s Board of Directors approved a restructuring plan (the “Fiscal 2007 Plan”) to reduce operating costs by closing its last remaining facility in Westborough, Massachusetts and consolidating those operations into its Devens, Massachusetts facility. No headcount reductions were associated with the Fiscal 2007 Plan.

Aggregate restructuring charges associated with the Fiscal 2007 Plan were $7.8 million, of which $0.1 million and $0.5 million was recorded during the three and six months ended September 30, 2009, respectively, for additional costs related to the consolidation of the Company’s Massachusetts operations and the closure of its former headquarters facility in Westborough. These additional costs were driven by delays in returning the building to the landlord in its mutually-agreed upon condition. The lease termination date was August 31, 2009. All restructuring charges associated with the Fiscal 2007 Plan have resulted in cash disbursements and have been completed at the end of the second quarter of the fiscal year ending March 31, 2010.

The following table presents the restructuring expense and cash disbursements for the Fiscal 2007 Plan for the three and six months ended September 30, 2009 (in thousands):

	Lease Termination Costs	Decontamination and Other Facility Closing Costs	Total
Balance March 31, 2009	$ 462	$ 1,648	$ 2,110
Charges to operations	334	—	334
Cash disbursements	(685)	(795)	(1,480)
Balance June 30, 2009	$ 111	$ 853	$ 964
Charges to operations	111	6	117
Cash disbursements	(222)	(859)	(1,081)
Balance September 30, 2009	$ —	$ —	$ —

13. Business Segment Information

The Company reports its financial results in two reportable business segments: AMSC Power Systems and AMSC Superconductors.

AMSC Power Systems business unit produces a broad range of products to increase electrical grid capacity and reliability; supplies electrical systems used in wind turbines; sells power electronic products that regulate wind farm voltage to enable their interconnection to the power grid; licenses proprietary wind turbine designs to manufacturers of such systems; provides consulting services to the wind industry; and offers products that enhance power quality for industrial operations.

AMSC Superconductors business unit manufactures HTS wire and coils; designs and develops superconductor products, such as power cables, fault current limiters and motors; and manages large-scale superconductor projects.

The operating results for the two business segments are as follows (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Revenues:				
AMSC Power Systems	$ 71,791	$ 35,576	$ 142,487	$ 71,506
AMSC Superconductors	2,881	4,799	5,185	8,686
Total	$ 74,672	$ 40,375	$ 147,672	$ 80,192

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Operating income (loss):				
AMSC Power Systems	$ 19,866	$ 5,501	$ 35,261	$ 10,379
AMSC Superconductors	(5,647)	(5,892)	(11,144)	(11,001)
Unallocated corporate expenses	(3,889)	(3,422)	(7,396)	(5,879)
Total	$ 10,330	$ (3,813)	$ 16,721	$ (6,501)

The accounting policies of the business segments are the same as those for the consolidated Company, except that certain corporate expenses which the Company does not believe are specifically attributable or allocable to either of the two business segments have been excluded from the segment operating income (loss). Unallocated corporate expenses include stock-based compensation expense of $3.9 million and $2.9 million for the three months ended September 30, 2009 and 2008, respectively, and $6.9 million and $5.2 million for the six months ended September 30, 2009 and 2008, respectively. Unallocated corporate expenses for the three and six months ended September 30, 2009 included $0.1 million and $0.5 million, respectively, of restructuring charges related primarily to the closure of the Company's facility in Westborough, Massachusetts.

For the three and six months ended September 30, 2009, a substantial portion of the Company's revenues was derived from one customer: Sinovel Wind Co., Ltd., a manufacturer of wind turbines based in China. Sales to Sinovel represented 76% and 65% of total revenues for the three and six months ended September 30, 2009, respectively, compared to 63% and 65% for the three and six months ended September 30, 2008, respectively.

Total assets for the two business segments are as follows (in thousands):

	September 30, 2009	March 31, 2009
AMSC Power Systems	$ 145,839	$ 136,777
AMSC Superconductors	56,777	55,122
Cash and cash equivalents, marketable securities and restricted cash	141,088	117,207
Total	$ 343,704	$ 309,106

14. Subsequent Events

The Company has performed an evaluation of subsequent events through November 5, 2009, which is the date the financial statements were issued.

AMERICAN SUPERCONDUCTOR CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. For this purpose, any statements contained herein that relate to future events or conditions, including without limitation, the statements under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Part II, "Item 1A. Risk Factors" and located elsewhere herein regarding industry prospects or our prospective results of operations or financial position, may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Such forward-looking statements represent management's current expectations and are inherently uncertain. The important factors discussed below under the caption "Risk Factors" in Item 1A, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. Any such forward-looking statements represent management's estimates as of the date of this Quarterly Report on Form 10-Q. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

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Executive Overview

American Superconductor Corporation was founded in 1987. We offer an array of proprietary technologies and solutions spanning the electric power infrastructure — from generation to delivery to end use. Our company is a leader in alternative energy, providing proven, megawatt-scale wind turbine designs and electrical control systems. We also offer a host of Smart Grid technologies for power grid operators that enhance the reliability, efficiency and capacity of the grid, and seamlessly integrate renewable energy sources into the power infrastructure. These technologies include superconductor power cable systems, grid-level surge protectors and power electronics-based voltage stabilization systems. Our technologies are protected by a broad and deep intellectual property portfolio consisting of hundreds of patents and licenses worldwide.

Our company markets two primary, proprietary technologies: programmable power electronic converters and high temperature superconductor (HTS) wires. The programmability and scalability of our power electronic converters differentiates them from most competitive offerings. Our power electronic converters increase the quantity, quality and reliability of electric power that is produced by a renewable source, such as wind, transmitted by electric utilities or consumed by large industrial entities.

Our HTS wire can carry 150 times the electric current of comparatively sized copper wire and therefore increases the electric current carrying capacity of the transmission cables comprising these power grids and provides current limiting functionality in cables and stand-alone devices. In addition, our HTS wire, when incorporated into primary electrical equipment such as motors and generators, can provide increased manufacturing and operating savings due to a significant reduction in the size and weight of this equipment.

Our products are in varying stages of commercialization. Thousands of our power electronic converters have been sold commercially, as part of integrated systems, to electric utilities, wind turbines and other manufacturers and wind farm developers, owners and operators since 1999. We began production of our first generation, or "1G," HTS wire in 2003, and ceased 1G production in 2006 in favor of second generation or "2G" HTS wire, as discussed below. We started initial production of 344 superconductors, our brand name for 2G HTS wire, in November 2007. The principal applications for HTS wire (power cables, fault current limiters, rotating machines and specialty magnets) are currently in the prototype stage. Some of these prototypes are funded by U.S. government contracts, primarily with the Department of Defense ("DOD"), Department of Energy ("DOE") and the Department of Homeland Security ("DHS").

Our fiscal year begins on April 1 and ends on March 31. This document refers to fiscal 2009, which is defined as the period beginning on April 1, 2009 and concluding on March 31, 2010. The second quarter of fiscal 2009 began on July 1, 2009 and concluded on September 30, 2009.

Our cash requirements depend on numerous factors, including successful completion of our product development activities, ability to commercialize our product prototypes, rate of customer and market adoption of our products and the continued availability of U.S. government funding during the product development phase. Significant deviations to our business plan with regard to these factors, which are important drivers to our business, could have a material adverse effect on our operating performance, financial condition, and future business prospects. We expect to pursue the expansion of our operations through internal growth and potential strategic alliances and acquisitions.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ under different assumptions or conditions. There were no significant changes in the second quarter of fiscal 2009 in our critical accounting policies as disclosed in our Form 10-K for fiscal 2008, which ended on March 31, 2009.

Results of Operations

Three and six months ended September 30, 2009 compared to the three and six months ended September 30, 2008

We operate our business and report our financial results to the Chief Executive Officer in two reportable business segments: AMSC Power Systems and AMSC Superconductors.

AMSC Power Systems business unit produces a broad range of products to increase electrical grid capacity and reliability; supplies electrical systems used in wind turbines; sells power electronic products that regulate wind farm voltage to enable their interconnection to the power grid; licenses proprietary wind turbine designs to manufacturers of such systems; provides consulting services to the wind industry; and offers products that enhance power quality for industrial operations.

AMSC Superconductors business unit manufactures HTS wire and coils; designs and develops superconductor products, such as power cables, fault current limiters and motors; and manages large-scale superconductor projects.

During the six months ended September 30, 2009, we corrected an error in fiscal 2008 bonus expense that effectively increased net income in the current fiscal year by $0.3 million. The $0.3 million error consisted of a $0.4 million overstatement of bonus expense and a related $0.1 million understatement of income tax expense in the fourth quarter of the fiscal year ended March 31, 2009. The adjustment of $0.4 million had a de minimis impact on certain balance sheet amounts at March 31, 2009. The impact of correcting this error in the fiscal year ended March 31, 2009 would have increased net income by $0.3 million. Also, we overstated revenue and net income by $0.2 million in the three months ended June 30, 2009. This error was corrected in the three months ended September 30, 2009, We evaluated these errors taking into account both qualitative and quantitative factors and considered the impact of these errors in relation to the first and second quarters of the fiscal year ending March 31, 2010, which is when they were corrected, as well as the periods in which they originated. We believe these errors are immaterial to both the consolidated quarterly and annual financial statements for all periods affected

Revenues

Total revenues increased by 85% and 84% to $74.7 million and $147.7 million for the three and six months ended September 30, 2009 from $40.4 million and $80.2 million for the three and six months ended September 30, 2008. Our revenues are summarized as follows (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
Revenues:				
AMSC Power Systems	$ 71,791	$ 35,576	$ 142,487	$ 71,506
AMSC Superconductors	2,881	4,799	5,185	8,686
Total	$ 74,672	$ 40,375	$ 147,672	$ 80,192

Revenues in our AMSC Power Systems business unit consist of revenues from wind turbine electrical systems, wind turbine license and development contracts as well as D-VAR®, D-VAR RT, SVC, and PowerModule™ product sales, service contracts, and consulting arrangements. We also engineer, install and commission our products on a turnkey basis for some customers. Our AMSC Power Systems business unit accounted for 96% of total revenues for both of the three and six month periods ended September 30, 2009, compared to 88% and 89% for the three and six months ended September 30, 2008, respectively. Revenues in the AMSC Power Systems business unit increased 102% and 99% to $71.8 million and $142.5 million in the three and six months ended September 30, 2009, respectively, from $35.6 million and $71.5 million in the three and six months ended September 30, 2008, respectively. The increases in AMSC Power Systems business unit revenues were primarily due to higher sales of wind electrical systems and core components, primarily to customers in China and additionally, for the six months ended September 30, 2009, higher D-VAR® system shipments, as well as shipments of our D-VAR RT products to ACCIONA Energy in Spain. Based on the average Euro and renminbi exchange rates for the second quarter of fiscal 2009, revenue denominated in these foreign currencies translated into U.S. dollars was $0.1 million lower compared to the translation of these revenues using the average exchange rates of these currencies for the second quarter of fiscal 2008.

For the three and six months ended September 30, 2009, a substantial portion of our revenues was derived from one customer: Sinovel Wind Co., Ltd., a manufacturer of wind turbines based in China. Sales to Sinovel represented 76% and 65% of total revenues for the three and six months ended September 30, 2009, respectively, compared to 63% and 65% for the three and six months ended September 30, 2008, respectively.

Revenues in our AMSC Superconductors business unit consist of contract revenues, HTS wire sales, revenues under government-sponsored electric utility projects, and other prototype development contracts. AMSC Superconductors business unit revenue is primarily recorded using the percentage-of-completion method. AMSC Superconductors business unit accounted for 4% of total revenues for both the three and six month periods ended September 30, 2009, compared to 12% and 11% for the three and six months ended September 30, 2008, respectively. AMSC Superconductors business unit revenue decreased 40% to $2.9 million and $5.2 million in the three and six months ended September 30, 2009, respectively, from $4.8 million and $8.7 million for the three and six months ended September 30, 2008, respectively. Revenues from significant AMSC Superconductors government funded contracts are summarized as follows (in thousands):

	Expected Total Contract Value	Revenue Earned through September 30, 2009	Revenue Earned for the three months ended September 30,		Revenue Earned for the six months ended September 30,	
			2009	2008	2009	2008
Project Name						
HYDRA	$24,908	$ 8,681	$565	$1,398	$ 829	$2,420
LIPA I and II	39,958	32,374	932	457	1,639	1,296
DOE-FCL	7,898	3,580	515	688	577	1,252
NAVSEA Motor Study	6,410	5,954	59	1,792	74	2,412

These significant projects represented 72% and 60% of AMSC Superconductors business unit revenue for the three and six months ended September 30, 2009, respectively, compared to 90% and 85% for the three and six months ended September 30, 2008, respectively.

The decrease in AMSC Superconductors business unit revenue for the three and six months ended September 30, 2009 was driven primarily by lower HYDRA project revenues due to delays in project milestones and the completion of the NAVSEA Motor Study. We recognize superconductor cable project revenues from the Project HYDRA contract with Consolidated Edison, Inc., which is being funded by the U.S. Department of Homeland Security (“DHS”). DHS is expected to invest up to a total of $24.9 million in the development of a new high temperature superconductor power grid technology to enable Secure Super Grids™. Secure Super Grids utilize customized HTS wires, superconductor power cables and ancillary controls to deliver more power through the grid while also being able to suppress power surges that can disrupt service. Of the total $24.9 million in funding expected from DHS, it has committed funding of $16.3 million to us as of September 30, 2009. We recognized $0.6 million in revenue related to the Project HYDRA during the second quarter of fiscal 2009, compared to $1.4 million in the same period of fiscal 2008. Consolidated Edison and Southwire Company are subcontractors to us on this project.

LIPA I is a project to install an HTS power cable system at transmission voltage using our first generation HTS wire for the Long Island Power Authority. LIPA II is a project to install an HTS power cable utilizing our second generation HTS wire for the Long Island Power Authority. DOE-FCL is a project to develop and demonstrate a transmission voltage SuperLimiter fault current limiter (“FCL”). The NAVSEA Motor Study is a project designed to test the 36.5 MW superconductor motor developed for the U.S. Navy.

Revenues from our DOE-FCL project in the second quarter were partially the result of additional funding received in July 2009 resulting in revenue of $0.2 million for costs incurred in the quarter ended June 30, 2009. The decrease in LIPA project revenue is related to the completion of LIPA I and the 1st phase of LIPA II coming to a conclusion.

Cost-sharing funding

In addition to reported revenues, we also received funding of $0.4 million and $1.2 million for the three and six months ended September 30, 2009, respectively, under U.S. government cost-sharing agreements with the U.S. Air Force and DOE, compared to $0.4 million and $1.3 million for the three and six months ended September 30, 2008, respectively. The slight decrease in cost-sharing funding is primarily due to the DOE Wire Initiative program nearing completion. All of our cost-sharing agreements provide funding in support of development work on 344 superconductors being done in our AMSC Superconductors business unit. We anticipate that a portion of our funding in the future will continue to come from cost-sharing agreements as we execute joint programs with government agencies. Funding from government cost-sharing agreements is recorded as an offset to research and development (“R&D”) and selling, general and administrative (“SG&A”) expenses, rather than as revenue. As of September 30, 2009, we anticipate recognizing an additional $0.7 million offset to R&D and SG&A expenses related to these cost-sharing agreements over the next year.

Cost of Revenues and Gross Margin

Cost of revenues increased by 54% and 66% to $45.6 million and $96.1 million for the three and six months ended September 30, 2009, respectively, compared to $29.7 million and $57.9 million for the three and six months ended September 30, 2008, respectively. Gross margin was 38.9% and 35.0% for the three and six months ended September 30, 2009, respectively, compared to 26.5% and 27.8%, respectively, for the same periods of fiscal 2008. The increases in gross margin in the three and six months ended September 30, 2009 as compared to the same periods in fiscal 2008 were due primarily to a higher volume of wind turbine core electrical component shipments and a higher percentage of higher-margin AMSC Power Systems business unit sales as compared to AMSC Superconductor business unit sales.

Operating Expenses

Research and development

A portion of our R&D expenditures related to externally funded development contracts has been classified as costs of revenue (rather than as R&D expenses). Additionally, a portion of R&D expenses was offset by cost-sharing funding. Our R&D expenditures are summarized as follows (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
R&D expenses per Consolidated Statements of Operations	$ 5,416	$ 4,688	$ 9,944	$ 9,601
R&D expenditures reclassified as costs of revenue	1,360	5,562	2,847	10,055
R&D expenditures offset by cost-sharing funding	227	236	617	677
Aggregated R&D expenses	$ 7,003	$ 10,486	$ 13,408	$ 20,333

R&D expenses (exclusive of amounts classified as costs of revenue and amounts offset by cost-sharing funding) increased by 16% and 4% to $5.4 million and $9.9 million, or 7% of revenue, for each of the three and six months ended September 30, 2009, respectively, from $4.7 million and $9.6 million, or 12% of revenue for each of the three and six months ended September 30, 2008, respectively. The increases in R&D expenses were driven primarily by increased headcount and related labor spending, as well as added material and overhead spending to support new product development in our Power Systems business unit. The decreases in R&D expenditures reclassified to costs of revenue were a result of decreased efforts under our government funded contracts in our AMSC Superconductors business unit compared to the prior year periods. Aggregated R&D expenses, which include amounts classified as costs of revenue and amounts offset by cost-sharing funding, decreased 33% and 34% to $7.0 million and $13.4 million, or 9% of revenue, for each of the three and six months ended September 30, 2009, respectively, compared to $10.5 million and $20.3 million, or 26% and 25% of revenue, for the

three and six months ended September 30, 2008, respectively. The decreases in fiscal 2009 were driven primarily by the net impact of the factors described above.

Selling, general, and administrative

A portion of the SG&A expenditures related to externally funded development contracts has been classified as costs of revenue (rather than as SG&A expenses). Additionally, a portion of SG&A expenses was offset by cost-sharing funding. Our SG&A expenditures are summarized as follows (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
SG&A expenses per Consolidated Statements of Operations	$ 12,712	$ 8,849	$ 23,597	$ 17,742
SG&A expenditures reclassified as costs of revenue	73	335	127	460
SG&A expenditures offset by cost sharing funding	198	206	538	590
Aggregated SG&A expenses	$ 12,983	$ 9,390	$ 24,262	$ 18,792

SG&A expenses (exclusive of amounts classified as costs of revenue and amounts offset by cost-sharing funding) increased by 44% and 33% to $12.7 million and $23.6 million, or 17% and 16% of revenue, in the three and six months ended September 30, 2009, respectively, from $8.8 million and $17.7 million, or 22% of revenue, for each of the three and six months ended September 30, 2008, respectively. For the three and six months ended September 30, 2009, the increases in SG&A expenses were due primarily to higher stock-based compensation expense and higher labor and related costs driven by headcount growth, partially offset by a reduction of $0.4 million and $1.1 million, respectively, in bad debt expense as a result of payments received and improved expectations for realizing a recovery on certain past due accounts. For these same reasons, Aggregated SG&A expenses, which include amounts classified as costs of revenue and amounts offset by cost sharing funding, increased 38% and 29% to $13.0 million and $24.3 million, or 17% and 16% of revenue, for the three and six months ended September 30, 2009, respectively, from $9.4 million and $18.8 million, or 23% of revenue, for each of the three and six months ended September 30, 2008, respectively.

We present Aggregated R&D and Aggregated SG&A expenses, which are non-GAAP measures, because we believe this presentation provides useful information on our aggregate R&D and SG&A spending and because R&D and SG&A expenses as reported on the Consolidated Statements of Operations have been, and may in the future be, subject to significant fluctuations solely as a result of changes in the level of externally funded contract development work, resulting in significant changes in the amount of the costs recorded as costs of revenue rather than as R&D and SG&A expenses, as discussed above.

Amortization of acquisition related intangibles

We recorded $0.5 million and $0.9 million in the three and six months ended September 30, 2009, respectively, compared to $0.5 million and $1.0 million in the three and six months ended September 30, 2008, respectively, in amortization expense related to our contractual relationships/backlog, customer relationships, core technology and know-how, trade names and trademark intangible assets. These intangible assets are a result of our AMSC Windtec GmbH and Power Quality Systems, Inc. acquisitions.

Restructuring and impairments

On October 25, 2007, our Board of Directors approved a restructuring plan (the “Fiscal 2007 Plan”) to reduce operating costs through the closure of our last remaining facility in Westborough, Massachusetts and the consolidation of operations there, including our corporate headquarters, into our Devens, Massachusetts facility. No headcount reductions were associated with this plan.

Aggregate restructuring charges associated with the Fiscal 2007 Plan were $7.8 million, of which $0.1 million and $0.5 million was recorded during the three and six months ended September 30, 2009, respectively. In the three and six months ended September 30, 2008, $0.5 million was recorded related to the closure of our Westborough, Massachusetts facility. All restructuring charges associated with the Fiscal 2007 Plan have resulted in cash disbursements and have been completed at the end of the second quarter of the fiscal year ending March 31, 2010.

Operating income (loss)

Our operating income (loss) is summarized as follows (in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
AMSC Power Systems	$ 19,866	$ 5,501	$ 35,261	$ 10,379
AMSC Superconductors	(5,647)	(5,892)	(11,144)	(11,001)
Unallocated corporate expenses	(3,889)	(3,422)	(7,396)	(5,879)
Total	$ 10,330	$ (3,813)	$ 16,721	$ (6,501)

AMSC Power Systems operating income increased to $19.9 million and $35.3 million in the three and six months ended September 30, 2009, respectively, from $5.5 million and $10.4 million in the three and six months ended September 30, 2008, respectively. The increase in the three and six months ended September 30, 2009 was primarily the result of higher sales and margins, as described above.

AMSC Superconductors operating loss decreased to $5.6 million from $5.9 million for the three months ended September 30, 2009 and 2008, respectively, and increased to $11.1 million from $11.0 million in the six months ended September 30, 2009 and 2008, respectively. The decrease in operating loss for the three months ended September 30, 2009 is primarily due to lower subcontractor costs compared to the same quarter in the previous fiscal year. The slight increase in operating loss for the six months ended September 30, 2009 is primarily a result of lower revenue offset by reduced subcontractor costs compared to the six months ended September 30, 2008.

Unallocated corporate expenses include stock-based compensation expense of $3.9 million and $6.9 million in the three and six months ended September 30, 2009, respectively, compared to $2.9 million and $5.2 million in the three and six months ended September 30, 2008, respectively.

Non-operating expenses/Interest income

Interest income decreased to $0.2 million and $0.4 million in the three and six months ended September 30, 2009, respectively, from $0.8 million and $1.6 million in the same periods of fiscal 2008, primarily due to lower interest rates, as we are investing in more conservative assets due to the current economic environment.

Other income/(expense), net, was expense of $0.9 million and $2.8 million in the three and six months ended September 30, 2009, respectively, compared to income of $0.5 million and expense of $2.0 million for the three and six months ended September 30, 2008, respectively. Other expense, net, for the three and six months ended September 30, 2009 primarily relates to net foreign currency translation losses and net realized and unrealized gains and losses on hedging contracts. Other expense, net, for the second quarter of fiscal 2008 included a $1.1 million gain for the mark-to-market adjustments on the exercise of an outstanding warrant. Amounts charged to expense from mark-to-market adjustments on the warrant were $1.3 million in the six months ended September 30, 2008.

Income Taxes

In the three and six months ended September 30, 2009, we recorded income tax expense of $5.3 million and $8.2 million, respectively, compared to $1.5 million and $3.3 million in the three and six months ended September 30, 2008, respectively. Income tax expense in all periods was driven primarily by income generated in foreign jurisdictions. We incurred losses in the U.S. during the three and six months of fiscal 2009 and 2008, and in China during the first quarter of fiscal 2008.

Liquidity and Capital Resources

At September 30, 2009, we had cash, cash equivalents, marketable securities and restricted cash of $141.1 million compared to $117.2 million at March 31, 2009, an increase of $23.9 million. Our cash and cash equivalents, marketable securities and restricted cash are summarized as follows (in thousands):

	September 30, 2009	March 31, 2009
Cash and cash equivalents	$ 86,752	$ 70,674
Marketable securities	46,304	39,255
Restricted cash	8,032	7,278
Total cash, cash equivalents, marketable securities and restricted cash	$ 141,088	$ 117,207

The increase in cash and cash equivalents, marketable securities and restricted cash at September 30, 2009 from March 31, 2009 was primarily due to a greater collection of receivables, primarily for collections from large shipments close to the end of the first quarter.

For the six months ended September 30, 2009, net cash provided by operating activities was $21.7 million compared to net cash provided by operating activities of $3.5 million in the six months ended September 30, 2008. The increase in cash provided by operations is due primarily to increases in net income of $16.3 million and cash generated from working capital of $3.5 million, due primarily to reduced inventories.

For the six months ended September 30, 2009, net cash used in investing activities was $11.9 million compared to $25.8 million in the six months ended September 30, 2008. The decrease in cash used in investing activities was driven primarily by a net reduction in marketable securities during the first six months of fiscal 2009.

For the six months ended September 30, 2009, cash provided by financing activities was $4.1 million compared to $12.0 million in the same period of fiscal 2008. The decrease was due to a reduction in proceeds from the exercise of employee stock options.

Although our cash requirements fluctuate based on a variety of factors, including customer adoption of our products and our research and development efforts to commercialize our products, we believe that our available cash will be sufficient to fund our working capital, capital expenditures, and other cash requirements for at least the next twelve months.

We also have unused, unsecured lines of credit of €0.5 million (approximately $0.7 million), which is available until September 30, 2010, and CNY 17.8 million (approximately $2.6 million) which is available until June 30, 2012.

The possibility exists that we may pursue additional acquisition and joint venture opportunities in the future that may affect liquidity and capital resource requirements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating transactions that are not required to be reflected on our balance sheet except as discussed below.

We occasionally enter into construction contracts that include a performance bond. As these contracts progress, we continually assess the probability of a payout from the performance bond. Should we determine that such a payout is likely, we would record a liability. As of September 30, 2009, there were no recorded performance-based liabilities.

New Accounting Pronouncements

In June 2008, the Financial Accounting Standards Boards (“FASB”) issued guidance in determining whether instruments granted in share-based payment transactions are participating securities for purposes of calculating earnings per share. Under the provisions of this standard, unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents are considered participating securities for purposes of calculating earnings per share. This accounting standard is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. We adopted this standard on April 1, 2009. The adoption required us to modify its prior year weighted average number of shares outstanding but did not have a material effect on our financial condition or results of operations.

In April 2009, the FASB issued a standard which amends and clarifies a previous standard for business combinations, to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. Under this standard, an acquirer is required to recognize at fair value an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition date fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the acquirer applies the recognition criteria in accounting for contingencies, and a reasonable estimation of the amount of a loss, to determine whether the contingency should be recognized as of the acquisition date or after it. The adoption of this standard could materially change the accounting for business combinations consummated subsequent to its effective date of April 1, 2009. On April 1, 2009, we adopted the provisions of this standard and the results of adoption did not have a material effect on our financial condition or results of operations.

In June 2009, the FASB issued the FASB Accounting Standards Codification ("Codification"). The Codification will become the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Codification does not change GAAP and will not have an effect on our financial condition or results of operations.

In July 2009, the FASB issued new guidance for all U.S. GAAP financial statements for public and private companies, which significantly amends the existing consolidation accounting model for variable interest entities, and includes extensive new disclosure requirements. This new guidance is effective for fiscal years (and interim periods in those fiscal years) beginning after November 15, 2009. We do not currently have a variable interest entity and do not expect this standard to have a material impact on our financial condition or results of operations.

In September 2009, the Emerging Issues Task Force issued new rules pertaining to the accounting for revenue arrangements with multiple deliverables. The new rules provide an alternative method for establishing fair value of a deliverable when vendor specific objective evidence cannot be determined. The guidance provides for the determination of the best estimate of selling price of separate deliverables and allows the allocation of arrangement consideration using this relative selling price model. The guidance supersedes the prior multiple element revenue arrangement accounting rules that are currently used by us. The new guidance can be prospectively applied beginning January 1, 2011 or can be early or retrospectively adopted. We are currently evaluating the impact of adopting the guidance.

In September 2009, the FASB amended its rules pertaining to certain revenue arrangements that include software elements, to remove from its scope tangible products containing software components and non-software components that function together to deliver the product's essential functionality. The accounting change is effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. We are currently evaluating the impact of adopting the guidance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We face exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as our business practices evolve and could have a material adverse impact on our financial results.

Cash and cash equivalents

Our exposure to market risk through financial instruments, such as investments in marketable securities, is limited to interest rate risk and is not material. Our investments in marketable securities consist primarily of corporate debt instruments and are designed, in order of priority, to preserve principal, provide liquidity, and maximize income. Investments are monitored to limit exposure to mortgage-backed securities and similar instruments responsible for the recent turmoil in the credit markets. Interest rates are variable and fluctuate with current market conditions. We do not believe that a 10% change in interest rates would have a material impact on our financial position or results of operation.

Foreign currency exchange risk

Our earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Our most significant foreign currency exposures relate to Austria and China. We enter into various hedging transactions to manage this risk. We do not enter into or hold foreign currency derivative financial instruments for trading or speculative purposes.

The functional currency of all our foreign entities is the U.S. dollar, except for our wholly-owned Austrian subsidiary, AMSC Windtec GmbH, for which the local currency (Euro) is the functional currency, and our wholly-owned Chinese subsidiary, Suzhou AMSC Super Conductor Co., Ltd., for which the local currency (renminbi) is the functional currency. We monitor foreign currency exposures and hedge currency risk when deemed appropriate. Cumulative translation adjustments are excluded from net loss and reported as a separate component of stockholders' equity. Foreign currency transaction and translation losses were $3.0 million for the six months ended September 30, 2009. Future operating results could be impacted by material foreign currency fluctuations. In the future, should foreign currency fluctuations become material, management will review options to limit the financial impact to our operations.

Our foreign currency risk management strategy is principally designed to mitigate the potential financial impact of changes in the value of transactions and balances denominated in foreign currency, resulting from changes in foreign currency exchange rates. Our foreign currency hedging program uses currency options to manage the foreign currency exposures that exist as part of our ongoing business operations. The contracts primarily are denominated in Euros and have maturities of less than three months. On September 30, 2009, we had a contract outstanding to hedge the Company's wholly-owned Austrian subsidiary, AMSC Windtec GmbH ("Windtec") USD exposure, with a nominal value of $15.6 million which expired on October 30, 2009. The forward contract sold US dollars and bought Euros at $1.4663.

Generally, we do not designate currency option contracts as hedges for accounting purposes, and changes in the fair value of these instruments are recognized immediately in earnings. Gains and losses on these contracts are included in other expense, net.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2009. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as

of September 30, 2009, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in our annual report on Form 10-K for the year ended March 31, 2009 in addition to the other information included in this quarterly report. If any of the risks actually occurs, our business, financial condition or results of operations would likely suffer. In that case, the trading price of our common stock could fall.

As of September 30, 2009, there have not been any material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009, although we may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

ITEM 6. EXHIBITS

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated herein by this reference.

SIGNATURE

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 thereunto duly authorized.

AMERICAN SUPERCONDUCTOR CORPORATION

Date: November 5, 2009

/s/ DAVID A. HENRY

David A. Henry
Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description
10.1	**Executive Severance Agreement dated as of September 8, 2009 between the Registrant and Susan J. DiCecco.**
10.2	**2007 Stock Incentive Plan, as amended (1).**
31.1	**Chief Executive Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
31.2	**Chief Financial Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
32.1	**Chief Executive Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	**Chief Financial Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

(1) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on form 8-K filed with the Securities and Exchange Commission (the "Commission") on August 12, 2009 (Commission File No. 000-19672)

Exhibit 10.1

AMERICAN SUPERCONDUCTOR CORPORATION

Executive Severance Agreement

THIS EXECUTIVE SEVERANCE AGREEMENT by and between American Superconductor Corporation, a Delaware corporation (the "Company"), and Susan J. DiCecco (the "Executive") is made as of September 8, 2009 (the "Effective Date").

WHEREAS, the Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued employment and dedication of the Executive and to minimize the distraction from the possibility of an unwarranted termination of employment.

WHEREAS, the Company and the Executive acknowledge and agree that the benefits described in this Agreement are not intended to, and shall not, constitute a severance plan, and shall confer no benefit on anyone other than the parties hereto.

NOW, THEREFORE, as an inducement for and in consideration of the Executive remaining in its employ, the Company agrees that the Executive shall receive the severance benefits set forth in this Agreement in the event the Executive's employment with the Company is terminated under the specific circumstances described below.

Key Definitions.

As used herein, the following terms shall have the following respective meanings:

(a) "Change in Control" means an event or occurrence set forth in any one or more of subsections (a) through (c) below:

(A) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of either (x) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, or (ii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(B) the Continuing Directors (as defined below) no longer constituting a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to the Company), where the term "Continuing Director" means at any date a member of the Board (i) who was a member of the Board on the date of the execution of this Agreement or (ii) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed

by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that there shall be excluded from this clause (ii) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(C) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company in one or a series of related transactions (a "Business Combination"), other than a Business Combination in which all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, immediately following such Business Combination, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively.

(b) "Change in Control Date" means the first date during the Term (as defined in Section 2) on which a Change in Control occurs.

(c) "Cause" means:

(A) the Executive's failure to perform his reasonable assigned duties to the standards reasonably required by the Company (other than any such failure resulting from incapacity due to physical or mental illness), which failure is not cured within 30 days after a written notice is received by the Executive from the Company describing in reasonable detail the manner in which the Board of Directors believes the Executive has not performed the Executive's duties to the standards reasonably required by the Company; or

(B) the Executive's willful engagement in illegal conduct or gross misconduct that is materially injurious to the Company. For purposes of this Section 1.3(b), no act or failure to act by the Executive shall be considered "willful" unless it is done intentionally and without reasonable belief that the Executive's action was in the best interests of the Company.

(d) "Good Reason" means the occurrence, without the Executive's written consent, of any of the following events or circumstances:

(A) a material diminution in the Executive's base compensation; or

(B) a material diminution in the Executive's authority, duties, or responsibilities; or

(C) a material change in the geographic location at which the Executive must perform his duties; or

(D) any other action or inaction of the Company which constitutes a material breach by the Company of this Agreement.

Any termination by the Executive for Good Reason shall be communicated by means of a written notice delivered by the Executive to the Company within 90 days of the initial existence of the occurrence or condition on which the Executive bases his claim for Good Reason. If the condition is capable of being corrected, the Company shall have 30 days during which it may remedy the condition (the "Cure Period"). Notwithstanding the occurrence of any such event or circumstance, such occurrence shall not be deemed to constitute Good Reason if such event or circumstance has been fully corrected within the Cure Period and the Executive has been reasonably compensated for any losses or damages resulting therefrom. If the condition is not corrected, the Executive must leave employment within one (1) year after the Company fails to cure the condition giving rise to the Executive's claim for Good Reason during the Cure Period.

(e) "Disability" means the Executive's absence from the full-time performance of the Executive's duties with the Company for 180 consecutive calendar days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(f) "Severance Period" shall mean the period of 12 months immediately following the Date of Termination (as defined in Section 3.2(a) below).

2. Term of Agreement. This Agreement, and all rights and obligations of the parties hereunder, shall take effect upon the Effective Date and shall expire upon the first to occur of (a) the expiration of the Term (as defined below) if neither a termination of employment covered by Section 4.1(a) below nor a Change in Control occurred during the Term, or (b) the fulfillment by the Company of all of its obligations under Section 4 following a termination of the Executive's employment with the Company. "Term" shall mean the period commencing as of the Effective Date and continuing in effect through March 31, 2011; provided, however, that commencing on April 1, 2011 and each April 1 thereafter (each hereinafter referred to as a "Renewal Date"), the Term shall be automatically extended for one additional year so as to terminate one year from such Renewal Date, unless at least 90 days prior to such Renewal Date, the Company shall have given the Executive written notice that the Term will not be extended.

3. Employment Status; Termination Following Change in Control.

(a) Not an Employment Contract. The Executive acknowledges that this Agreement does not constitute a contract of employment or impose on the Company any obligation to retain the Executive as an employee and that this Agreement does not prevent the Company or the Executive from terminating his employment at any time, before or after a Change in Control.

(b) Termination of Employment.

(A) Any termination of the Executive's employment by the Company at any time during the Term or at any time after the Change in Control Date, or by the Executive within 12 months following the Change in Control Date (other than due to the death of the Executive) shall be communicated by a written notice to the other party hereto (the "Notice of Termination"), given in accordance with Section 6.2. Any Notice of Termination shall: (i) indicate (in the case of a termination by the Company) whether such termination is for Cause and (in the case of a termination by the

Executive within 12 months following the Change in Control Date) whether such termination is for Good Reason, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment for Cause or for Good Reason and (iii) specify the Date of Termination (as defined below). The effective date of an employment termination (the "Date of Termination") shall be the close of business on the date specified in the Notice of Termination (which date may not be less than 15 days or more than 120 days after the date of delivery of such Notice of Termination), in the case of a termination other than one due to the Executive's death, or the date of the Executive's death, as the case may be.

(B) The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting any such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(C) Any Notice of Termination for Cause given by the Company must be given within 90 days of the occurrence of the event(s) or circumstance(s) that constitute(s) Cause.

(D) Any Notice of Termination for Good Reason given by the Executive must be given within 90 days of the occurrence of the event(s) or circumstance(s) that constitute(s) Good Reason.

4. Benefits to Executive.

(a) Termination Prior to Change in Control Date.

(A) Termination Without Cause. If, prior to a Change in Control Date (including a situation in which a Change in Control Date never occurs), the Company terminates the Executive's employment other than for Cause, Disability or death, then the Executive shall be entitled to the following benefits, the distribution of which shall be subject to the provisions of Sections 4.4 and 4.7:

the Company shall pay to the Executive, in a lump sum in cash on the Date of Termination, the sum of the following amounts: (1) the Executive's base salary through the Date of Termination, (2) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (3) any accrued vacation pay, in each case to the extent not previously paid (the sum of the amounts described in clauses (1) through (3) shall be hereinafter referred to as the "Accrued Obligations");

during the Severance Period, the Company shall continue to pay to the Executive, in accordance with the Company's regular payroll practices, the Executive's highest annual base salary during the two-year period prior to the Date of Termination; and

during the Severance Period, the Company shall continue to provide to the Executive and the Executive's family those benefits which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Date of Termination (to the extent such benefits can be provided to non-employees, or to the extent such health insurance benefits cannot be provided to non-employees, then the cash equivalent thereof, based on the cost thereof to the Company, which cash amount shall be paid proportionately over

the Severance Period, monthly in advance); provided, however: (1) that if the Executive becomes reemployed with another employer and is eligible to receive a particular type of benefits (e.g., health insurance benefits) from such employer on terms at least as favorable to the Executive and his family as those being provided by the Company, then the Company shall no longer be required to provide those particular benefits to the Executive and his family; and (2) to the extent that such payments are taxable to the Executive and/or extend beyond the COBRA continuation period, then such payments shall be made monthly in advance.

(B) Other Terminations. If, prior to the Change in Control Date, the Executive's employment with the Company is terminated other than under the circumstances described in Section 4.1(a), then the Company shall (i) pay the Executive (or his estate, if applicable), in a lump sum in cash on the Date of Termination, the Accrued Obligations and (ii) to the extent not previously paid or provided, timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive following the Executive's termination of employment under any plan, program, policy, practice, contract or agreement of the Company and its subsidiaries (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits"), the distribution of which shall be subject to the provisions of Section 4.7.

(b) Termination Following Change in Control Date.

(A) Termination within 12 Months Following Change in Control Date. If the Company terminates the Executive's employment other than for Cause, Disability or death within 12 months following the Change in Control Date, or if the Executive terminates his employment for Good Reason within 12 months following the Change in Control Date, then the Executive shall be entitled to the following benefits, the distribution of which shall be subject to the provisions of Sections 4.4 and 4.7:

the Company shall pay to the Executive, in a lump sum in cash on the Date of Termination, (A) the Accrued Obligations and (B) the product of (x) the annual target bonus payable to the Executive for the fiscal year in which the Date of Termination occurs and (y) a fraction, the numerator of which is the number of days in the then-current fiscal year through the Date of Termination, and the denominator of which is 365, less any portion of such bonus previously paid to the Executive;

during the Severance Period, the Company shall continue to pay to the Executive, in accordance with the Company's regular payroll practices, the Executive's highest annual base salary during the two-year period prior to the Date of Termination; and

during the Severance Period, the Company shall continue to provide to the Executive and the Executive's family those benefits which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Date of Termination (to the extent such benefits can be provided to non-employees, or to the extent such health benefits cannot be provided to non-employees, then the cash equivalent thereof, based on the cost thereof to the Company, which cash amount shall be paid proportionately over the Severance Period, monthly in advance); provided, however: (1) that if the Executive becomes reemployed with another employer and is eligible to receive a particular type of benefits (e.g., health insurance benefits) from such employer on terms at least as favorable to the Executive and his family as those being provided by the Company, then the Company shall no longer be required to provide those particular benefits to the Executive and his family; and (2) to the extent that such payments are taxable

to the Executive and/or extend beyond the COBRA continuation period, then such payments shall be made monthly in advance.

(B) Termination More Than 12 Months Following Change in Control Date. If the Company terminates the Executive's employment other than for Cause, Disability or death more than 12 months following the Change in Control Date, then the Executive shall be entitled to the following benefits, the distribution of which shall be subject to the provisions of Sections 4.4 and 4.7:

the Company shall pay to the Executive, in a lump sum in cash on the Date of Termination, the Accrued Obligations;

during the Severance Period, the Company shall continue to pay to the Executive, in accordance with the Company's regular payroll practices, the Executive's highest annual base salary during the two-year period prior to the Date of Termination; and

during the Severance Period, the Company shall continue to provide to the Executive and the Executive's family those benefits which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Date of Termination (to the extent such health benefits can be provided to non-employees, or to the extent such benefits cannot be provided to non-employees, then the cash equivalent thereof, based on the cost thereof to the Company, which cash amount shall be paid proportionately over the Severance Period, monthly in advance); provided, however: (1) that if the Executive becomes reemployed with another employer and is eligible to receive a particular type of benefits (e.g., health insurance benefits) from such employer on terms at least as favorable to the Executive and his family as those being provided by the Company, then the Company shall no longer be required to provide those particular benefits to the Executive and his family; and (2) to the extent that such payments are taxable to the Executive and/or extend beyond the COBRA continuation period, then such payments shall be made monthly in advance.

(C) Other Terminations. If, following the Change in Control Date, the Executive's employment with the Company is terminated other than under the circumstances described in Section 4.2(a) or Section 4.2(b), then the Company shall (i) pay the Executive (or his estate, if applicable), in a lump sum in cash on the Date of Termination, the Accrued Obligations and (ii) to the extent not previously paid or provided, timely pay or provide to the Executive the Other Benefits, the distribution of which shall be subject to the provisions of Section 4.7.

(D) Expenses. Subject to Section 4.7, the Company agrees to reimburse the Executive for all legal and other fees and expenses that the Executive reasonably incurs as a result of any claim or dispute regarding the benefits due to the Executive pursuant to this Section 4.2 if the Executive prevails in such claim or dispute.

(c) Section 280G Provisions.

(A) Notwithstanding any other provision of this Agreement, in the event that the Company undergoes a Change in Ownership or Control (as defined below), the Company shall not be obligated to provide to the Executive a portion of any Contingent Compensation Payments (as defined below) that the Executive would otherwise be entitled to receive to the extent necessary to eliminate Excess Parachute Payments (as defined below) for the Executive, except as set forth in Section 4.3(b). For purposes of this Section 4.3, the Contingent Compensation Payments so eliminated shall be

referred to as the "Eliminated Payments" and the aggregate amount (determined in accordance with Treasury Regulation Section 1.280G-1, Q/A-30 or any successor provision) of the Contingent Compensation Payments so eliminated shall be referred to as the "Eliminated Amount."

(B) Notwithstanding the provisions of Section 4.3(a), no such reduction in Contingent Compensation Payments shall be made if (i) the Eliminated Amount (computed without regard to this sentence) exceeds (ii) 110% of the aggregate present value (determined in accordance with Treasury Regulation Section 1.280G-1, Q/A-31, Q/A-32, Q/A-33 or any successor provisions) of the amount of any additional taxes that would be incurred by the Executive if the Eliminated Payments (determined without regard to this sentence) were paid to him (including, state and federal income taxes on the Eliminated Payments, the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code", which term shall include applicable Treasury Regulations), payable with respect to all of the Contingent Compensation Payments in excess of the Executive's "base amount" (as defined in Section 280G(b)(3) of the Code), and any withholding taxes). The override of such reduction in Contingent Compensation Payments pursuant to this Section 4.3(b) shall be referred to as a "Section 4.3(b) Override." For purposes of this paragraph, if any federal, state or local income taxes would be attributable to the receipt of any Eliminated Payment, the amount of such taxes shall be computed by multiplying the amount of the Eliminated Payment by the maximum combined federal, state and local income tax rate provided by law.

(C) For purposes of this Section 4.3 the following terms shall have the following respective meanings:

"Change in Ownership or Control" shall mean a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 280G(b)(2) of the Code.

"Contingent Compensation Payment" shall mean any payment (or benefit) in the nature of compensation that is made or made available (under this Agreement or otherwise) to a "disqualified individual" (as defined in Section 280G(c) of the Code) and that is contingent (within the meaning of Section 280G(b)(2)(A)(i) of the Code) on a Change in Ownership or Control of the Company.

"Excess Parachute Payment" shall mean a payment described in Section 280G(b)(1) of the Code.

(D) Any payments or other benefits otherwise due to the Executive following a Change in Ownership or Control that could reasonably be characterized (as determined by the Company) as Contingent Compensation Payments (the "Potential Payments") shall not be made until the dates provided for in this Section 4.3(d).

In the event that the Company undergoes a Change in Ownership or Control, and the Executive becomes entitled to receive Contingent Compensation Payments relating to such Change in Ownership or Control, the Company shall (A) determine at such time or times as may be necessary to comply with the requirements under Section 280G of the Code whether such Contingent Compensation Payments constitute in whole or in part Excess Parachute Payments and (B) in the event the Company determines that such Contingent Compensation Payments constitute in whole or in part Excess Parachute Payments, notify the Executive (within 30 days after each such determination and with reasonable detail regarding the basis for its determinations) of the following: (1) which Potential

Payments constitute Contingent Compensation Payments, (2) the Eliminated Amount and (3) whether the Section 4.3(b) Override is applicable.

Within 30 days after delivery of such notice to the Executive, the Executive shall deliver a response to the Company (the "Executive Response") stating either (A) that he agrees with the Company's determination pursuant to the preceding sentence, or (B) that he disagrees with such determination, in which case he shall set forth (1) which Potential Payments should be characterized as Contingent Compensation Payments, (2) the Eliminated Amount, or (3) whether the Section 4.3(b) Override is applicable.

If and to the extent that any Contingent Compensation Payments are required to be treated as Eliminated Payments pursuant to this Section 4.3, then the Payments shall be reduced or eliminated, as determined by the Company, in the following order: (A) any cash payments, (B) any taxable benefits, (C) any nontaxable benefits, and (D) any vesting of equity awards, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date that triggers the applicability of the excise tax, to the extent necessary to maximize the Eliminated Payments.

If the Executive fails to deliver an Executive Response on or before the required date, the Company's initial determinations shall be final, and the Company shall make the Potential Payments (other than the Eliminated Payments) to the Executive within 10 business days following the due date for delivery to the Company of the Executive Response (except for any Potential Payments which are not due to be made until after such date, which Potential Payments shall be made on the date on which they are due).

If the Executive states in the Executive Response that he agrees with the Company's determinations, the Company's initial determinations shall be final, the Contingent Compensation Payments that shall be treated as Eliminated Payments shall be as set forth in the Executive Response, and the Company shall make the Potential Payments (other than the Eliminated Payments) to the Executive within 10 business days following delivery to the Company of the Executive Response (except for any Potential Payments which are not due to be made until after such date, which Potential Payments shall be made on the date on which they are due).

If the Executive states in the Executive Response that he disagrees with the Company's determinations, then, for a period of 60 days following delivery of the Executive Response, the Executive and the Company shall use good faith efforts to resolve such dispute. If such dispute is not resolved within such 60-day period, such dispute shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company shall, within 10 business days following delivery to the Company of the Executive Response, make to the Executive those Potential Payments as to which there is no dispute between the Company and the Executive regarding whether they should be made (except for any such Potential Payments which are not due to be made until after such date, which Potential Payments shall be made on the date on which they are due). The balance of the Potential Payments (other than Eliminated Payments) shall be made within 10 business days following the resolution of such dispute.

Subject to the limitations contained in Sections 4.3(a) and (b) hereof, the amount of any payments to be made to the Executive following the resolution of such dispute shall be

increased by amount of the accrued interest thereon computed at the prime rate announced from time to time by Bank of America, compounded monthly from the date that such payments originally were due.

In the event the Company is required to perform a redetermination in accordance with Treas. Reg. 1.280G-1 Q/A-33(b) with respect to any Contingent Compensation Payments, this Section 4.3(d) shall apply with respect to such redetermination and the parties shall make such adjustments as may be necessary as a result of such redetermination including, if appropriate, the payment by the Company of Contingent Compensation Payments previously treated as Eliminated Payments if the Section 4.3(b) Override applies as a result of such redetermination.

(E) The provisions of this Section 4.3 are intended to apply to any and all payments or benefits available to the Executive under this Agreement or any other agreement or plan of the Company under which the Executive receives Contingent Compensation Payments.

(d) Release. The obligation of the Company to make the payments and provide the benefits to the Executive under Section 4.1(a), Section 4.2(a) or Section 4.2(b) is conditioned upon the Executive signing a release of claims in the form attached hereto as Exhibit A, or such other form as may be agreed to by the Company and the Executive (the “Employee Release”), within 21 days (the “Release Period”) following the Date of Termination and upon the Executive not revoking the Employee Release in a timely manner thereafter. Provided that the Employee Release has become binding, the payments to the Executive under Section 4.1(a), Section 4.2(a) or Section 4.2(b) shall be payable or shall commence on the 30th day following the Date of Termination. Notwithstanding the foregoing, the provisions of benefits under Section 4.1(a)(iii), Section 4.2(a)(iii) or Section 4.2(b)(iii) shall continue during the Release Period and any applicable revocation period.

(e) Exclusive Severance Benefits. The making of the payments and the provision of the benefits by the Company to the Executive under Section 4.1(a), Section 4.2(a) or Section 4.2(b) shall constitute the entire obligation of the Company to the Executive as a result of the termination of his employment under the circumstances set forth in such Sections, and the Executive shall not be entitled to additional payments or benefits under any other plan, program, policy, practice, contract or agreement of the Company or its subsidiaries.

(f) Mitigation. The Executive shall not be required to mitigate the amount of any payment or benefits provided for in Section 4.1(a), Section 4.2(a) or Section 4.2(b) by seeking other employment or otherwise. Further, except as provided in Section 4.1(a)(iii), Section 4.2(a)(iii) or Section 4.2(b)(iii), the amount of any payment or benefits provided for in Section 4.1(a), Section 4.2(a) or Section 4.2(b) shall not be reduced by any compensation earned or benefits received by the Executive as a result of employment by another employer.

(g) Section 409A. Subject to this Section 4.7, any severance payments or benefits under this Agreement shall begin only upon the date of the Executive’s “separation from service” (as determined below), which occurs on or after the date of the Executive’s termination. The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to the Executive under Sections 4.1 or 4.2, as applicable:

(A) It is intended that each installment of the payments and benefits provided under Sections 4.1 and 4.2 shall be treated as a separate “payment” for purposes of Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and the guidance issued thereunder (“Section 409A”).

Neither the Company nor the Executive shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A;

(B) If, as of the date of the "separation from service" of the Executive from the Company (within the meaning of Section 4.7(d) below), the Executive is not a "specified employee" (within the meaning of Section 409A), then each installment of the payments and benefits shall be made on the dates and terms set forth in Sections 4.1 or 4.2, as applicable; and

(C) If, as of the date of the separation from service of the Executive from the Company, the Executive is a specified employee, then:

Each installment of the payments and benefits due under Sections 4.1 or 4.2 that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the separation from service occurs, be paid within the short-term deferral period (as defined under Section 409A) shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A; and

Each installment of the payments and benefits due under Sections 4.1 or 4.2 that is not described in Section 4.7(c)(i), above, and that would, absent this subsection, be paid within the six-month period following the separation from service of the Executive from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, the Executive's death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following the Executive's separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of payments and benefits if and to the maximum extent that that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of the Executive's second taxable year following his taxable year in which the separation from service occurs.

(D) The determination of whether and when a separation from service from the Company has occurred shall be made and in a manner consistent with and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this Section 4.7(d), "Company" shall include all persons with whom the Company would be considered a single employer as determined under Treasury Regulation Section 1.409A-1(h)(3).

(E) All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

(F) The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A and do not satisfy an exemption from, or the conditions of, Section 409A.

5. Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the reasons for the denial and the provisions of this Agreement relied upon. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

6. Miscellaneous.

(a) Successors. This Agreement shall be binding upon the Company and its successors and assigns. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive or his family hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

(b) Notice. All notices, instructions and other communications given hereunder or in connection herewith shall be in writing. Any such notice, instruction or communication shall be sent either (i) by registered or certified mail, return receipt requested, postage prepaid, or (ii) prepaid via a reputable nationwide overnight courier service, in each case addressed to the Company, at 64 Jackson Road, Devens, Massachusetts 01434, and to the Executive at the Executive's address indicated on the signature page of this Agreement (or to such other address as either the Company or the Executive may have furnished to the other in writing in accordance herewith). Any such notice, instruction or communication shall be deemed to have been delivered five business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent via a reputable nationwide overnight courier service. Either party may give any notice, instruction or other communication hereunder using any other means, but no such notice, instruction or other communication shall be deemed to have been duly delivered unless and until it actually is received by the party for whom it is intended.

(c) Employment by Subsidiary. For purposes of this Agreement, the Executive's employment with the Company shall not be deemed to have terminated solely as a result of the Executive continuing to be employed by a wholly-owned subsidiary of the Company.

(d) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(e) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles.

(f) Waivers. No waiver by the Executive at any time of any breach of, or compliance with, any provision of this Agreement to be performed by the Company shall be deemed a waiver of that or any other provision at any subsequent time.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but both of which together shall constitute one and the same instrument.

(h) Tax Withholding. Any payments provided for hereunder shall be paid net of any applicable tax withholding required under federal, state or local law.

(i) Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. Notwithstanding the foregoing, the provisions of any stock option agreements between the Company and the Executive (including any terms thereof relating to acceleration of vesting) shall not be superseded by or modified by the terms of this Agreement.

(j) Amendments. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Executive.

(k) Executive's Acknowledgements. The Executive acknowledges that he: (a) has read this Agreement; (b) has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of the Executive's own choice or has voluntarily declined to seek such counsel; (c) understands the terms and consequences of this Agreement; and (d) understands that the law firm of Wilmer Cutler Pickering Hale and Dorr LLP is acting as counsel to the Company in connection with the transactions contemplated by this Agreement, and is not acting as counsel for the Executive.

IN WITNESS WHEREOF, the parties hereto have executed this Executive Severance Agreement as of the day and year first set forth above.

AMERICAN SUPERCONDUCTOR CORPORATION

Signature: /s/ Gregory J. Yurek
Print name: Gregory J. Yurek
Title: President and Chief Executive Officer

EXECUTIVE

Signature: /s/ Susan J. DiCecco
Print name: Susan J. DiCecco

Address:

c/o American Superconductor Corporation
64 Jackson Road
Devens, MA 01434-4020

Exhibit A

RELEASE

In consideration of the payment to me of the severance benefits pursuant to Section 4.1(a), 4.2(a) or 4.2(b) of my Executive Severance Agreement with American Superconductor Corporation (the “Company”) dated September 8, 2009 (the “Agreement”), I hereby agree as follows:

1. I, on behalf of myself and my representatives, agents, estate, heirs, successors and assigns, hereby irrevocably and unconditionally release, remise and discharge the Company, its officers, directors, stockholders, affiliates (within the meaning of the Securities Act of 1933), attorneys, agents and employees, and their respective predecessors, successors and assigns (collectively, the “Company Releasees”), from any and all actions or causes of action, suits, claims, complaints, liabilities, contracts, torts, debts, damages, controversies, rights and demands, whether existing or contingent, known or unknown, arising up to and through the date of this Release out of my employment, or the termination of my employment, with the Company, including, but not limited to, all employment discrimination claims under the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., the Worker Adjustment and Retraining Notification Act (“WARN”), 29 U.S.C. § 2101 et seq., the Massachusetts Fair Employment Practices Act, M.G.L. c.151B, § 1 et seq., the Massachusetts Civil Rights Act, M.G.L. c.12, §§ 11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c.93, § 102 and M.G.L. c.214, § 1C, the Massachusetts Labor and Industries Act, M.G.L. c.149, § 1 et seq., and the Massachusetts Privacy Act, M.G.L. c.214, § 1B, all as amended, and all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq. and the Employee Retirement Income Security Act of 1974 (“ERISA”), 29 U.S.C. § 1001 et seq., all as amended; and all claims to any non-vested ownership interest in the Company, contractual or otherwise, including, but not limited to, claims to stock or stock options. Notwithstanding the foregoing, (a) nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that I acknowledge that I may not recover any monetary benefits in connection with any such claim, charge or proceeding), (b) this Release does not extend to any rights I have that arise after the date hereof under the Agreement and (c) this Release does not extend to any rights I may have to indemnification as an officer or director of the Company under the provisions of the Company’s By-laws or applicable law.

2. I have been advised by the Company to consult with counsel before signing this Release, and have been given the opportunity to consult with my own counsel prior to signing this Release.

3. I have been given up to twenty-one (21) days from the receipt of this Release to consider whether to execute this Release.

4. I have been advised that even after I sign this Release, I may revoke it within seven (7) days of the date of my signing by delivering a signed revocation notice to the Secretary of the Company. Delivery by ordinary mail will effectively revoke my assent to this Release if it is postmarked no later than seven days after I sign this Release.

5. This Release shall not become effective and in force until eight days after I sign, provided I have not timely revoked my acceptance.

6. I acknowledge and reaffirm my obligations under the American Superconductor Corporation Employee Nondisclosure and Developments Agreement.

7. No representation, promise or inducement has been offered or made to induce me to enter into this Release, and I am competent to execute this Release and accept full responsibility therefore.

Name: ______________________

Signature: ______________________

Date of execution: ______________________

Exhibit 31.1

AMERICAN SUPERCONDUCTOR CORPORATION

CERTIFICATIONS

I, Gregory J. Yurek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Superconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2009

/s/ GREGORY J. YUREK
Gregory J. Yurek
Chief Executive Officer

Exhibit 31.2

AMERICAN SUPERCONDUCTOR CORPORATION

CERTIFICATIONS

I, David A. Henry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Superconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2009

/s/ David A. Henry
David A. Henry
Chief Financial Officer

Exhibit 32.1

AMERICAN SUPERCONDUCTOR CORPORATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of American Superconductor Corporation (the "Company") for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gregory J. Yurek, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2009	/s/ GREGORY J. YUREK
	Gregory J. Yurek
	Chief Executive Officer

Exhibit 32.2

AMERICAN SUPERCONDUCTOR CORPORATION

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of American Superconductor Corporation (the “Company”) for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, David A. Henry, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2009

/s/ DAVID A. HENRY
David A. Henry
Chief Financial Officer