
**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: **December 31, 2018**

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
(State or other jurisdiction of
incorporation or organization)

114 East Main St. Ayer, Massachusetts
(Address of principal executive offices)

04-2959321
(I.R.S. Employer
Identification No.)

01432
(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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Shares outstanding of the Registrant's common stock:

Common Stock, par value \$0.01 per share

21,417,822

Class

Outstanding as of January 31, 2019

AMERICAN SUPERCONDUCTOR CORPORATION

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AMERICAN SUPERCONDUCTOR CORPORATION
PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	December 31, 2018	March 31, 2018
Current assets:		
Cash and cash equivalents	\$ 80,042	\$ 34,084
Accounts receivable, net	8,055	7,365
Inventory	14,006	19,780
Note receivable, current portion	3,000	3,000
Prepaid expenses and other current assets	4,091	2,947
Total current assets	109,194	67,176
Property, plant and equipment, net	9,808	12,513
Intangibles, net	2,975	3,230
Note receivable, long term portion, net of discount of \$168 as of December 31, 2018 and net of discount of \$336 and deferred gain of \$105 as of March 31, 2018	2,832	2,559
Goodwill	1,719	1,719
Restricted cash	165	165
Deferred tax assets	1,438	542
Other assets	373	271
Total assets	\$ 128,504	\$ 88,175
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,681	\$ 12,625
Derivative liabilities	3,875	1,217
Deferred revenue, current portion	9,929	13,483
Total current liabilities	31,485	27,325
Deferred revenue, long term portion	8,133	8,454
Deferred tax liabilities	110	110
Other liabilities	97	57
Total liabilities	39,825	35,946
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock	217	211
Additional paid-in capital	1,043,815	1,041,113
Treasury stock	(2,101)	(1,645)
Accumulated other comprehensive (loss) income	(65)	883
Accumulated deficit	(953,187)	(988,333)
Total stockholders' equity	88,679	52,229
Total liabilities and stockholders' equity	\$ 128,504	\$ 88,175

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

AMERICAN SUPERCONDUCTOR CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Revenues	\$ 14,134	\$ 14,933	\$ 41,618	\$ 34,904
Cost of revenues	10,398	9,917	30,364	34,103
Gross margin	3,736	5,016	11,254	801
Operating expenses:				
Research and development	2,470	3,023	7,573	8,690
Selling, general and administrative	5,347	5,486	16,308	16,964
Amortization of acquisition-related intangibles	85	85	255	98
Change in fair value of contingent consideration	—	272	—	71
Restructuring	47	1	450	1,328
(Gain) on Sinovel settlement, net	(24,978)	—	(53,698)	—
Total operating (income) expenses	(17,029)	8,867	(29,112)	27,151
Operating income (loss)	20,765	(3,851)	40,366	(26,350)
Change in fair value of warrants	(2,475)	399	(2,658)	1,468
Gain on sale of minority interest	127	—	127	951
Interest income, net	336	49	769	94
Other income (expense), net	124	(279)	1,058	(2,449)
Income (loss) before income tax expense	18,877	(3,682)	39,662	(26,286)
Income tax expense	1,584	566	4,548	496
Net income (loss)	\$ 17,293	\$ (4,248)	\$ 35,114	\$ (26,782)
Net income (loss) per common share				
Basic	\$ 0.85	\$ (0.21)	\$ 1.73	\$ (1.44)
Diluted	\$ 0.83	\$ (0.21)	\$ 1.71	\$ (1.44)
Weighted average number of common shares outstanding				
Basic	20,419	19,949	20,300	18,614
Diluted	20,864	19,949	20,538	18,614

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 December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 17,293	\$ (4,248)	\$ 35,114	\$ (26,782)
Other comprehensive gain (loss), net of tax:				
Foreign currency translation gain (loss)	(54)	52	(948)	1,273
Total other comprehensive gain (loss), net of tax	(54)	52	(948)	1,273
Comprehensive income (loss)	<u>\$ 17,239</u>	<u>\$ (4,196)</u>	<u>\$ 34,166</u>	<u>\$ (25,509)</u>

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)

	Nine months ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ 35,114	\$ (26,782)
Adjustments to reconcile net income (loss) to net cash used in operations:		
Depreciation and amortization	3,455	9,239
Stock-based compensation expense	2,402	2,115
Provision for excess and obsolete inventory	686	415
(Gain) on sale of minority interest	(127)	(951)
Change in fair value of warrants and contingent consideration	2,658	(1,397)
Non-cash interest (income) expense	(168)	19
Other non-cash items	(1,692)	81
Changes in operating asset and liability accounts:		
Accounts receivable	(724)	(3,576)
Inventory	3,320	180
Prepaid expenses and other current assets	(1,380)	647
Accounts payable and accrued expenses	4,603	638
Deferred revenue	(361)	(862)
Net cash provided by/(used in) operating activities	<u>47,786</u>	<u>(20,234)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(709)	(2,125)
Proceeds from the sale of property, plant and equipment	138	18
Cash paid for acquisition, net of cash acquired	—	74
Proceeds from sale of minority interest	127	951
Change in other assets	(206)	26
Net cash provided by/(used in) investing activities	<u>(650)</u>	<u>(1,056)</u>
Cash flows from financing activities:		
Employee taxes paid related to net settlement of equity awards	(456)	(274)
Repayment of debt	—	(1,575)
Proceeds from public equity offering, net	—	16,952
Proceeds from exercise of employee stock options and ESPP	71	85
Net cash provided by/(used in) financing activities	<u>(385)</u>	<u>15,188</u>
Effect of exchange rate changes on cash	<u>(792)</u>	<u>636</u>
Net increase in cash, cash equivalents and restricted cash	45,959	(5,466)
Cash, cash equivalents and restricted cash at beginning of period	34,248	27,744
Cash, cash equivalents and restricted cash at end of period	<u>\$ 80,207</u>	<u>\$ 22,278</u>
Supplemental schedule of cash flow information:		
Issuance of common stock in connection with the purchase of Infinia Technology Corporation	\$ —	\$ 3,498
Cash paid for income taxes, net of refunds	2,792	1,012
Issuance of common stock to settle liabilities	235	252
Cash paid for interest	—	42

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. Nature of the Business and Operations and Liquidity

Nature of the Business and Operations

American Superconductor Corporation (“AMSC” or the “Company”) was founded on April 9, 1987. The Company is a leading provider of megawatt-scale solutions that lower the cost of wind power and enhance the performance of the power grid. In the wind power market, the Company enables manufacturers to field wind turbines through its advanced engineering, support services and power electronics products. In the power grid market, the Company enables electric utilities and renewable energy project developers to connect, transmit and distribute power through its transmission planning services and power electronics and superconductor-based products. The Company’s wind and power grid products and services provide exceptional reliability, security, efficiency and affordability to its customers.

These unaudited condensed consolidated financial statements of the Company have been prepared on a going concern basis in accordance with United States generally accepted accounting principles (“GAAP”) and the Securities and Exchange Commission’s (“SEC”) instructions to Form 10-Q. The going concern basis of presentation assumes that the Company will continue operations and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP 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 GAAP. 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 December 31, 2018 and 2017 and the financial position at December 31, 2018; however, these results are not necessarily indicative of results which may be expected for the full year. The interim condensed consolidated financial statements, and notes thereto, should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2018, and notes thereto, included in the Company’s annual report on Form 10-K for the year ended March 31, 2018 filed with the Securities and Exchange Commission on June 6, 2018.

Liquidity

The Company has experienced recurring operating losses and as of December 31, 2018, the Company had an accumulated deficit of \$953.2 million. In addition, the Company has experienced recurring negative operating cash flows. At December 31, 2018, the Company had cash and cash equivalents of \$80.0 million, with no outstanding debt other than ordinary trade payables. Cash provided by operations for the nine months ended December 31, 2018 was \$47.8 million. The current period results include the net gain received from the first and second installments of the Sinovel settlement of \$53.7 million in the nine month period ended December 31, 2018.

On July 3, 2018, the Company and its wholly-owned subsidiaries Suzhou AMSC Superconductor Co. Ltd. (“AMSC China”) and AMSC Austria GMBH (“AMSC Austria”) entered into a settlement agreement (the “Settlement Agreement”) with Sinovel Wind Group Co., Ltd. (“Sinovel”). The Settlement Agreement settles the litigation and arbitration proceedings between the Company and Sinovel. Under the terms of the Settlement Agreement, Sinovel agreed to pay AMSC China an aggregate cash amount in Renminbi (“RMB”) equivalent to \$57.5 million, consisting of two installments. Sinovel paid the first installment of the RMB equivalent of \$32.5 million on July 4, 2018, which was repatriated to the Company during the nine months ended December 31, 2018, and paid the second installment of the RMB equivalent of \$25.0 million on December 27, 2018.

On February 1, 2018, ASC Devens LLC (the “Seller”), a wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement (the “PSA”) with 64 Jackson, LLC (the “Purchaser”) and Stewart Title Guaranty Company (“Escrow Agent”), to effectuate the sale of certain real property located at 64 Jackson Road, Devens, Massachusetts, including the building that had served as the Company’s headquarters (collectively, the “Property”), in exchange for total consideration of \$23.0 million, composed of (i) cash consideration of \$17.0 million, and (ii) a \$6.0 million subordinated secured commercial promissory note payable to the Company (the “Seller Note”). Subsequently, the Seller, the Purchaser and Jackson 64 MGI, LLC (“Assignee”) entered into an Assignment of Purchase and Sale Agreement (the “Assignment Agreement”), pursuant to which the Purchaser assigned all of its rights and interests in the PSA to the Assignee and the Assignee agreed to assume all of the Purchaser’s obligations and liabilities under the PSA. The transaction closed on March 28, 2018, at which time the Company received, from the Assignee, cash consideration, net of certain agreed upon closing costs, of \$16.9 million, and the Seller Note at an interest rate of 1.96%. The Seller Note is secured by a subordinated second mortgage on the Property and a subordinated second assignment of leases and rents.

In December 2015, the Company entered into a set of strategic agreements valued at approximately \$210.0 million with Inox Wind Ltd. (“Inox” or “Inox Wind”), which includes a multi-year supply contract pursuant to which the Company will supply electrical control systems to Inox and a license agreement allowing Inox to manufacture a limited number of electrical control systems. After Inox purchases the specified number of electrical control systems required under the terms of the supply contract, Inox agreed that the Company will continue as Inox’s preferred supplier and Inox will be required to purchase from the Company a majority of its electrical control systems requirements for an additional three-year period.

The Company believes that based on the information presented above and its quarterly management assessment, it has sufficient liquidity to fund its operations and capital expenditures for the next twelve months following the issuance of the financial statements for the three and nine months ended December 31, 2018. The Company’s liquidity is highly dependent on its ability to increase revenues, including its ability to collect revenues under its agreements with Inox, its ability to control its operating costs, and its ability to raise additional capital, if necessary. There can be no assurance that the Company will be able to continue to raise additional capital, on favorable terms or at all, from other sources or execute on any other means of improving liquidity described above.

2. Revenue Recognition

On April 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, and all the related amendments and applied it to all contracts that were not completed as of April 1, 2018 using the modified retrospective method. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment of less than \$0.1 million to the opening balance of accumulated deficit. Prior period amounts have not been restated and continue to be reported under the accounting standards in effect for those periods.

The adoption of this guidance has led to recognizing certain revenue transactions sooner than in the past on certain contracts, as the Company will need to estimate the revenue it will be entitled to upon contract completion, and later on other contracts, such as Consulting and Statement of Work transactions, due to the lack of an enforceable right to payment for performance obligations satisfied over time, specifically in the technology product line. The Company does not expect a material impact to its consolidated statements of operations on an ongoing basis from the adoption of the new standard.

In addition, the FASB issued Accounting Standards Update (“ASU”) 2017-05, *Other Income - Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20)*, in February 2017, to amend ASC 610-20, *Other Income - Gains and Losses from the Derecognition of Non-financial Assets* (issued at the same time as ASC 606), which provides a model for the measurement and recognition of gains and losses on the sale of non-financial assets, such as property and equipment, including real estate. As a result of adopting ASU 2017-05 on April 1, 2018, the Company recognized an adjustment to the opening balance of accumulated deficit for the deferred gain from the March 28, 2018 sale of the Company’s former headquarters in Devens, Massachusetts in the amount of \$0.1 million.

The cumulative effect to the Company’s consolidated April 1, 2018 balance sheet from the adoption of the new revenue standard and the sale of nonfinancial assets was as follows (in thousands):

	March 31, 2018	Opening Adjustment	April 1, 2018
Assets:			
Accounts Receivable	\$ 7,365	\$ (678)	\$ 6,687
Inventory	19,780	(1,599)	18,181
Prepaid expenses and other current assets	2,947	2,277	5,224
Notes receivable, long term portion	2,559	105	2,664
Liabilities and Stockholders' Equity:			
Accounts payable and accrued expenses	\$ (12,625)	\$ (2,729)	\$ (15,354)
Deferred revenue	(13,483)	2,657	(10,826)
Accumulated deficit	\$ (988,333)	\$ (33)	\$ (988,366)

Included in the opening adjustment are reclassifications for accounts receivable, deferred program costs and deferred revenue for previous balances related to agreements that no longer meet the definition of a customer contract under ASC 606. The impact of adoption on the Company's opening balances and for the three and nine months ended December 31, 2018, in all financial statement line items impacted by ASC 606 was immaterial from the amount that would have been reported under the previous guidance.

The Company's revenues in its Grid segment are derived primarily through enabling the transmission and distribution of power, providing planning services that allow it to identify power grid needs and risks, and developing ship protection systems for the U.S. Navy. The Company's revenues in its Wind segment are derived primarily through supplying advanced power electronics and control systems, licensing our highly engineered wind turbine designs, and providing extensive customer support services to wind turbine manufacturers. The Company records revenue based on a five-step model in accordance with ASC 606. For its customer contracts, the Company identifies the performance obligations, determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when (or as) control of goods or services is transferred to the customer. As of December 31, 2018, 87% of revenue was recognized at the point in time when control transferred to the customer, with the remainder being recognized over time.

In the Company's equipment and system product line, each contract with a customer summarizes each product sold to a customer, which typically represent distinct performance obligations. A contract's transaction price is allocated to each distinct performance obligation using the respective standalone selling price which is determined primarily using the cost plus expected margin approach and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company's product sales transfer control to the customer in line with the contracted delivery terms and revenue is recorded at the point in time when products are transferred to the freight forwarder, as the Company has determined that this is the point in time that control transfers to the customer.

In the Company's service and technology development product line, there are several different types of transactions but each of them begins with a contract with a customer that summarizes each product sold to a customer, which typically represents distinct performance obligations. The technology development transactions are primarily for activities that have no alternative use and for which a profit can be expected throughout the life of the contract. In these cases, the revenue is recognized over time, but in the instances where the profit cannot be assured throughout the entire contract then the revenue is recognized at a point in time. Each contract's transaction price is allocated to each distinct performance obligation using the respective standalone selling price which is determined primarily using the cost plus expected margin approach. The ongoing service transactions are for service contracts that provide benefit to the customer simultaneously as the Company performs its obligations, and therefore this revenue is recognized ratably over time throughout the effective period of these contracts. The transaction prices on these contracts are allocated based on an adjusted market approach which is re-assessed annually for reasonableness. The field service transactions include contracts for delivery of goods and completion of services made at the customer's requests, which are not deemed satisfied until the work has been completed and/or the requested goods have been delivered, so all of this revenue is recognized at the point in time when the control changes, and at allocated prices based on the adjusted market approach driven by standard price lists. The royalty transactions are related to certain contract terms on transactions in the Company's equipment and systems product line based on activity as specified in the contracts. The transaction prices of these agreements are calculated based on an adjusted market approach as specified in the contract. The Company reports royalty revenue for usage-based royalties when the sales have occurred. In circumstances when collectability is not assured and a contract does not exist under ASC 606, revenue is deferred until a non-refundable payment has been received for substantially all the amount that is due and there are no further remaining performance obligations.

The Company's service contracts can include a purchase order from a customer for specific goods in which each item is a distinct performance obligation satisfied at a point in time at which control of the goods is transferred to the customer which occurs based on the contracted delivery terms or when the requested service work has been completed. The transaction price for these goods is allocated based on the adjusted market approach considering similar transactions under similar circumstances. Service contracts are also derived from ongoing maintenance contracts and extended service-type warranty contracts. In these transactions, the Company is contracted to provide an ongoing service over a specified period of time. As the customer is consuming the benefits as the service is being provided the revenue is recognized over time ratably.

The Company's policy is to not accept volume discounts, product returns, or rebates and allowances within its contracts. In the event a contract was approved with any of these terms, it would be evaluated for variable consideration, estimated and recorded as a reduction of revenue in the same period the related product revenue was recorded.

The Company provides assurance-type warranties on all product sales for a term of typically one to two years, and extended service-type warranties at the customers' option for an additional term ranging up to four additional years. The Company accrues for the estimated warranty costs for assurance warranties at the time of sale based on historical warranty experience plus any

known or expected changes in warranty exposure. For all extended service-type warranties, the Company recognizes the revenue ratably over time during the effective period of the services.

The Company records revenue net of sales tax, value added tax, excise tax and other taxes collected concurrent with revenue-producing activities. The Company has elected to recognize the cost for freight and shipping when control over the products sold passes to customers and revenue is recognized. The Company has elected to recognize incremental costs of obtaining a contract as expense when incurred except in contracts where the amortization period would exceed twelve months; in such cases the long term amount will be assessed for materiality. The Company has elected to not adjust the promised amount of consideration for the effects of a significant financing component if the period of financing is twelve months or less.

The Company's contracts with customers do not typically include extended payment terms and may include milestone billing over the life of the contract. Payment terms vary by contract type and type of customer and generally range from 30 to 60 days from delivery.

The following tables disaggregate the Company's revenue by product line and by shipment destination:

Product Line:	Three Months Ended December 31, 2018		Nine Months Ended December 31, 2018	
	Grid	Wind	Grid	Wind
Equipment and systems	\$ 4,614	\$ 7,215	\$ 17,571	\$ 17,925
Services and technology development	2,212	93	5,754	368
Total	\$ 6,826	\$ 7,308	\$ 23,325	\$ 18,293
Region:				
Americas	\$ 3,771	\$ 36	\$ 16,319	\$ 82
Asia Pacific	2,815	7,263	5,930	18,136
EMEA	240	9	1,076	75
Total	\$ 6,826	\$ 7,308	\$ 23,325	\$ 18,293

As of December 31, 2018 and March 31, 2018, the Company's contract assets and liabilities primarily relate to the timing differences between cash received from a customer in connection with contractual rights to invoicing and the timing of revenue recognition following completion of performance obligations. The Company's accounts receivable balance is made up entirely of customer contract related balances. Changes in the Company's contract assets, which are included in "Unbilled AR" and "Deferred program costs" (see Note 7, "Accounts Receivable" and Note 8, "Inventory" for a reconciliation to the condensed consolidated balance sheet) and contract liabilities, which are included in the current portion and long term portion of "deferred revenue" in the Company's condensed consolidated balance sheets, are as follows:

	Unbilled AR	Deferred Program Costs	Contract Liabilities
Beginning balance as of March 31, 2018	\$ 3,016	\$ 2,567	\$ 21,937
Impact of adoption of ASC 606	—	(1,599)	(2,657)
Increases for costs incurred to fulfill performance obligations	—	1,461	—
Increase (decrease) due to customer billings	(11,063)	—	11,167
Decrease due to cost recognition on completed performance obligations	—	(1,132)	—
Increase (decrease) due to recognition of revenue based on transfer of control of performance obligations	9,722	(9)	(11,345)
Other changes and FX impact	(53)	8	(1,040)
Ending balance as of December 31, 2018	\$ 1,622	\$ 1,296	\$ 18,062

The Company's remaining performance obligations represent the unrecognized revenue value of the Company's contractual commitments. The Company's performance obligations may vary significantly each reporting period based on the timing of major new contractual commitments. As of December 31, 2018, the Company had outstanding performance obligations on existing contracts under ASC 606 to be recognized in the next twelve months of approximately \$36.8 million. There are also approximately \$12.9 million of outstanding performance obligations to be recognized over a period of thirteen to sixty months. The remaining performance obligations are subject to customer actions and therefore the timing of revenue recognition cannot be reasonably estimated. The twelve month performance obligations include anticipated shipments to Inox based on the twelve month rolling forecast provided by Inox on the multi-year supply contract. The quantities specified in any forecast provided by Inox related to the multi-year supply contract are firm and irrevocable for the first three months of a twelve month rolling forecast. The timing of the performance obligations beyond the Inox twelve month provided forecast are not determinable and therefore are not included in the total remaining performance obligations.

The following table sets forth customers who represented 10% or more of the Company's total revenues for the three and nine months ended December 31, 2018 and 2017:

	Reportable Segment	Three Months Ended December 31,		Nine Months Ended December 31,	
		2018	2017	2018	2017
Inox Wind Limited	Wind	47%	15%	40%	27%
Vestas	Grid	<10 %	27%	15%	11%
SSE Generation Ltd.	Grid	<10 %	17%	<10 %	<10 %
Fuji Bridex Pte Ltd	Grid	17%	—%	<10 %	—%

3. Stock-Based Compensation

The Company accounts for its stock-based compensation at fair value. The following table summarizes stock-based compensation expense by financial statement line item for the three and nine months ended December 31, 2018 and 2017 (in thousands):

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Cost of revenues	\$ 42	\$ 39	\$ 132	\$ 98
Research and development	168	184	289	294
Selling, general and administrative	582	660	1,981	1,723
Total	\$ 792	\$ 883	\$ 2,402	\$ 2,115

The Company issued 47,075 shares of immediately vested common stock and 463,000 shares of restricted stock awards during the nine months ended December 31, 2018, and issued 37,140 shares of immediately vested common stock and 800,500 shares of restricted stock awards during the nine months ended December 31, 2017. These restricted stock awards generally vest over 2-3 years. Awards for restricted stock include both time-based and performance-based awards. For options and restricted stock awards that vest upon the passage of time, expense is being recorded over the vesting period. Performance-based awards are expensed over the requisite service period based on probability of achievement. In addition, the Company issued 16,667 restricted stock units under the 2007 Stock Incentive Plan during the nine months ended December 31, 2017, each of which represents the right to receive one share of common stock in connection with a severance agreement entered into with one of the Company's former executive officers. These restricted stock units vested and were settled in shares of common stock on the eighth day after receipt of an irrevocable release.

The estimated fair value of the Company's stock-based awards, less expected annual forfeitures, is amortized over the awards' service period. The total unrecognized compensation cost for unvested outstanding stock options was \$0.1 million at December 31, 2018. This expense will be recognized over a weighted average expense period of approximately 0.3 years. The total unrecognized compensation cost for unvested outstanding restricted stock was \$3.3 million at December 31, 2018. This expense will be recognized over a weighted-average expense period of approximately 1.8 years.

The Company did not grant any stock options during the three and nine months ended December 31, 2018 or 2017.

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

Basic net income (loss) per share ("EPS") is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Where applicable, diluted EPS is computed by dividing the net income (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. Stock options that are out-of-the-money with exercise prices greater than the average market price of the underlying Common Shares and equity awards with performance shares where the contingency was not met are excluded from the computation of diluted EPS as the effect of their inclusion would be anti-dilutive. For the three months ended December 31, 2018, 0.5 million shares were not included in the calculation of diluted EPS as they were considered anti-dilutive, of which 0.3 million relate to outstanding stock options, and 0.2 million relate to outstanding equity awards. For the nine months ended December 31, 2018, 1.1 million shares were not included in the calculation of diluted EPS as they were considered anti-dilutive, of which 0.3 million relate to outstanding stock options, 0.6 million relate to outstanding warrants and 0.2 million relate to outstanding equity awards. For the three and nine months ended December 31, 2017, 1.2 million shares were not included in the calculation of diluted EPS as they were considered anti-dilutive, of which 0.3 million relate to outstanding stock options, and 0.9 million relate to outstanding warrants.

The following table reconciles the numerators and denominators of the earnings per share calculation for the three and nine months ended December 31, 2018 and 2017 (in thousands, except per share data):

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Numerator:				
Net income (loss)	\$ 17,293	\$ (4,248)	\$ 35,114	\$ (26,782)
Denominator:				
Weighted-average shares of common stock outstanding	21,396	20,889	21,216	19,189
Weighted-average shares subject to repurchase	(977)	(940)	(916)	(575)
Shares used in per-share calculation — basic	20,419	19,949	20,300	18,614
Shares used in per-share calculation — diluted	20,864	19,949	20,538	18,614
Net income (loss) per share — basic	\$ 0.85	\$ (0.21)	\$ 1.73	\$ (1.44)
Net income (loss) per share — diluted	\$ 0.83	\$ (0.21)	\$ 1.71	\$ (1.44)

5. Acquisition and Related Goodwill

Acquisition of Infinia Technology Corporation

On September 25, 2017, the Company acquired Infinia Technology Corporation ("ITC") for approximately \$3.8 million (the "Acquisition"). Located in Richmond, Washington, ITC is a technology firm founded in 2009 specializing in the design, development and commercialization of cryo-coolers for a wide range of applications. This technology supports the Company's efforts with the U.S. Navy and Ship Protection Systems ("SPS") products.

The results of ITC's operations, which were not significant from the date of acquisition through December 31, 2018, are included in the Company's consolidated results from the date of Acquisition of September 25, 2017, through December 31, 2018. Assuming the Acquisition had occurred on April 1, 2017, the impact on the consolidated results of the Company would not have been significant.

Goodwill

At the time of the Acquisition, the Company allocated the purchase price to the assets acquired and liabilities assumed at their estimated fair values as of the date of Acquisition. The excess of the purchase price paid by the Company over the estimated fair value of net assets acquired of \$1.7 million has been recorded as goodwill in the Company's Grid segment. Goodwill represents the value associated with the acquired workforce and synergies related to the merger of the two companies.

The Company did not identify any triggering events in the nine months ended December 31, 2018, that would require interim impairment testing of goodwill.

6. Fair Value Measurements

A valuation hierarchy for disclosure of the inputs to valuation used to measure fair value has been established. This hierarchy prioritizes the inputs into three broad levels as follows:

- 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.

The Company provides a gross presentation of activity within Level 3 measurement roll-forward and details of transfers in and out of Level 1 and 2 measurements. A change in the hierarchy of an investment from its current level is reflected in the period during which the pricing methodology of such investment changes. Disclosure of the transfer of securities from Level 1 to Level 2 or Level 3 is made in the event that the related security is significant to total cash and investments. The Company did not have any transfers of assets and liabilities from Level 1, Level 2 or Level 3 of the fair value measurement hierarchy during the nine months ended December 31, 2018.

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 and liabilities carried at fair value on a recurring basis, measured as of December 31, 2018 and March 31, 2018 (in thousands):

	Total Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018:				
Assets:				
Cash equivalents	\$ 47,089	\$ 47,089	\$ —	\$ —
Derivative liabilities:				
Warrants	\$ 3,875	\$ —	\$ —	\$ 3,875
March 31, 2018:				
Assets:				
Cash equivalents	\$ 32,589	\$ 32,589	\$ —	\$ —
Derivative liabilities:				
Warrants	\$ 1,217	\$ —	\$ —	\$ 1,217

The table below reflects the activity for the Company's major classes of liabilities measured at fair value on a recurring basis (in thousands):

	Warrants
April 1, 2018	\$ 1,217
Mark to market adjustment	2,658
Balance at December 31, 2018	<u>\$ 3,875</u>

	Warrants	Acquisition Contingent Consideration
April 1, 2017	\$ 1,923	\$ —
Issuance of contingent consideration	—	571
Mark to market adjustment	(1,468)	71
Settlement fees	—	45
Balance at December 31, 2017	<u>\$ 455</u>	<u>\$ 687</u>

Valuation Techniques

Cash Equivalents

Cash equivalents consist of highly liquid instruments with maturities of three months or less that are regarded as high quality, low risk investments and are measured using such inputs as quoted prices, and are classified within Level 1 of the valuation hierarchy. Cash equivalents consist principally of certificates of deposits and money market accounts.

Warrants

Warrants were issued in conjunction with a Securities Purchase Agreement (the "Purchase Agreement") with Capital Ventures International ("CVI"), an equity offering to Hudson Bay Capital in November 2014, and a Loan and Security Agreement with Hercules Technology Growth Capital, Inc. ("Hercules"). The warrants issued to CVI expired on October 4, 2017. See Note 13 "Warrants and Derivative Liabilities," for additional information. Outstanding warrants are subject to revaluation at each balance sheet date, and any change in fair value will be recorded as a change in fair value in derivatives and warrants until the earlier of their exercise or expiration.

The Company relies on various assumptions in a lattice model to determine the fair value of warrants. The Company has valued the warrants within Level 3 of the valuation hierarchy. See Note 13, "Warrants and Derivative Liabilities," for a discussion of the warrants and the valuation assumptions used.

Contingent Consideration

Contingent consideration relates to a make whole payment provision set forth in the stock purchase agreement ("SPA") for the acquisition of ITC that required the Company to guarantee the purchase price of the acquisition had the aggregate proceeds of the resale of AMSC shares sold by selling stockholders during the first 90 days after the effectiveness of the resale registration statement been less than the agreed upon purchase price for such AMSC shares (per the terms of the SPA) sold during such 90 day period. See Note 13, "Warrants and Derivative Liabilities" and Note 5, "Acquisition and Related Goodwill" for further discussion. The Company relied on a Black Scholes option pricing method to determine the fair value of the contingent consideration on the date of acquisition. All of the stock related to this liability was sold as of December 5, 2017 and the amount of the make whole payment provided for in the SPA was calculated to be \$0.7 million, and subsequently paid on January 5, 2018.

7. Accounts Receivable

Accounts receivable at December 31, 2018 and March 31, 2018 consisted of the following (in thousands):

	December 31, 2018	March 31, 2018
Accounts receivable (billed)	\$ 6,433	\$ 4,403
Accounts receivable (unbilled)	1,622	3,016
Less: Allowance for doubtful accounts	—	(54)
Accounts receivable, net	<u>\$ 8,055</u>	<u>\$ 7,365</u>

8. Inventory

Inventory, net of reserves, at December 31, 2018 and March 31, 2018 consisted of the following (in thousands):

	December 31, 2018	March 31, 2018
Raw materials	\$ 5,777	\$ 7,526
Work-in-process	3,296	920
Finished goods	3,637	8,767
Deferred program costs	1,296	2,567
Net inventory	<u>\$ 14,006</u>	<u>\$ 19,780</u>

The Company recorded inventory write-downs of \$0.2 million and \$0.1 million for the three months ended December 31, 2018 and 2017, respectively. The Company recorded inventory write-downs of \$0.7 million and \$0.4 million for the nine months ended December 31, 2018 and 2017, respectively. These write-downs were based on the Company's evaluation of its inventory on hand for excess quantities and obsolescence.

Deferred program costs as of December 31, 2018 and March 31, 2018 primarily represent costs incurred on programs where the Company needs to complete performance obligations before the related revenue and costs will be recognized.

9. Note Receivable

The Company entered into the PSA dated February 1, 2018, for the sale of the Devens facility (including land, building and building improvements) located at 64 Jackson Road, Devens, Massachusetts to Jackson Road, LLC, a limited liability company (subsequently assigned to Jackson 64 MGI, LLC) in the amount of \$23.0 million. The terms for payment included a \$1.0 million security deposit, and a note receivable for \$6.0 million payable to the Company with the remaining cash net of certain adjustments for closing costs at the date of settlement. The note receivable is due in two \$3.0 million installments plus accrued interest at a rate of 1.96% on March 31, 2019 and March 31, 2020. The note is subordinate to East Boston Savings Bank's mortgage on the Devens property.

The note receivable was discounted to its present value of \$5.7 million utilizing a discount rate of 6%, which was based on management's assessment of what an appropriate loan at current market rates would be. The \$0.3 million discount was recorded as an offset to the long term portion of the note receivable, and is being amortized to interest income over the term of the note. In addition, the resulting gain of \$0.1 million from the sale of the Devens property which was deferred previously was recorded as a component of the cumulative effect of an accounting change upon the adoption of ASU 2017-05 which was issued as a part of ASU 2014-09. This gain was recorded as an offset to the opening accumulated deficit.

Note receivable as of December 31, 2018 and March 31, 2018 consisted of the following (in thousands):

	December 31, 2018	March 31, 2018
Current assets		
Note receivable, current	\$ 3,000	\$ 3,000
Total current note receivable	<u>\$ 3,000</u>	<u>\$ 3,000</u>
Long term assets		
Note receivable, long term	\$ 3,000	\$ 3,000
Note receivable discount	(168)	(336)
Deferred gain on sale	—	(105)
Total long term note receivable	<u>\$ 2,832</u>	<u>\$ 2,559</u>

10. Property, Plant and Equipment

The cost and accumulated depreciation of property and equipment at December 31, 2018 and March 31, 2018 are as follows (in thousands):

	December 31, 2018	March 31, 2018
Construction in progress - equipment	632	654
Equipment and software	45,747	72,760
Furniture and fixtures	1,308	1,878
Leasehold improvements	1,955	1,426
Property, plant and equipment, gross	49,642	76,718
Less accumulated depreciation	(39,834)	(64,205)
Property, plant and equipment, net	\$ 9,808	\$ 12,513

Depreciation expense was \$1.1 million and \$1.4 million for the three months ended December 31, 2018 and 2017, respectively. Depreciation expense was \$3.2 million and \$8.9 million for the nine months ended December 31, 2018 and 2017, respectively. Included in depreciation expense for the nine months ended December 31, 2017 is \$4.1 million of accelerated depreciation recorded to cost of revenues related to revised estimates of the remaining useful lives of certain pieces of manufacturing equipment. Construction in progress - equipment primarily includes capital investments and leasehold improvements in the Company's leased facility in Ayer, Massachusetts.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2018 and March 31, 2018 consisted of the following (in thousands):

	December 31, 2018	March 31, 2018
Accounts payable	\$ 2,939	\$ 3,096
Accrued inventories in-transit	217	1,207
Accrued other miscellaneous expenses	3,638	2,412
Advanced deposits	1,765	—
Accrued compensation	4,424	3,605
Income taxes payable	3,202	536
Accrued warranty	1,496	1,769
Total	\$ 17,681	\$ 12,625

The Company generally provides a one to two year warranty on its products, commencing upon delivery or installation where applicable. 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 December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Balance at beginning of period	\$ 1,760	\$ 1,852	\$ 1,769	\$ 2,344
Change in accruals for warranties during the period	260	25	577	152
Settlements during the period	(524)	(406)	(850)	(1,025)
Balance at end of period	\$ 1,496	\$ 1,471	\$ 1,496	\$ 1,471

12. Income Taxes

The Company recorded an income tax expense of \$1.6 million and \$4.5 million in the three and nine months ended December 31, 2018, respectively. The Company recorded income tax expense of \$0.6 million and \$0.5 million in the three and nine months ended December 31, 2017, respectively.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law. ASC Topic 740 requires deferred tax assets and liabilities to be measured using the enacted rate for the period in which they are expected to reverse. Accordingly,

the new 21% U.S. Federal corporate tax rate was used to measure the U.S. deferred tax assets and liabilities that will reverse in future periods. The Company's deferred tax attributes are generally subject to a full valuation allowance in the U.S. and thus, this adjustment to the attributes did not impact the tax provision. In addition, the new legislation includes a one-time transition tax in which all foreign earnings are deemed to be repatriated to the U.S. and taxable at specified rates included within the Act. The Company reviewed the accumulated foreign earnings aggregated across all non U.S. subsidiaries, net of foreign deficits. The Company believes it is in an aggregate net foreign deficit position for U.S. tax purposes and therefore not liable for the transition tax. The SEC staff issued Staff Accounting Bulletin No. 118, which provides guidance for companies that have not completed their accounting for the income tax effects of the Act in the period of enactment, allowing for a measurement period of up to one year after the enactment date to finalize the recording of the related tax impacts. As of December 31, 2018, the Company completed its tax accounting for the income tax effects of the Act and made no updates to its initial estimates. The Act had no significant financial impact for the fiscal year ended March 31, 2018.

Accounting for income taxes requires a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if, based on the technical merits, it is more likely than not the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company re-evaluates these uncertain tax positions on a quarterly basis. The evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Any changes in these factors could result in the recognition of a tax benefit or an additional charge to the tax provision. The Company did not identify any uncertain tax positions in the nine months ended December 31, 2018 and did not have any gross unrecognized tax benefits as of March 31, 2018.

13. Warrants and Derivative Liabilities

The Company accounts for its warrants and contingent consideration as liabilities due to certain adjustment provisions within the instruments, which require that they be recorded at fair value. The warrants are subject to revaluation at each balance sheet date and any change in fair value is recorded as a change in fair value of warrants until the earlier of its expiration or its exercise at which time the warrant liability will be reclassified to equity. The Company calculated the fair value of the warrants utilizing an integrated lattice model. See Note 6, "Fair Value Measurements", for further discussion.

Hercules Warrants

The Company issued Hercules warrants to purchase 13,927 shares of common stock (the "First Warrant") and 25,641 shares of common stock (the "Second Warrant") in conjunction with prior term loans that have been repaid in full. On December 19, 2014, the Company entered into a second amendment to the Loan and Security Agreement with Hercules (the "Hercules Second Amendment"). In conjunction with the Hercules Second Amendment, the Company issued Hercules a warrant to purchase 58,823 shares of the Company's common stock (the "Hercules Warrant") which replaced the First Warrant and the Second Warrant. The Hercules Warrant is exercisable at any time after its issuance at an exercise price of \$7.85 per share, subject to certain price-based and other anti-dilution adjustments, including the equity offering in May 2017, the acquisition of ITC with common stock in September 2017 and sales of common stock under the ATM entered into in January 2017, and expires on June 30, 2020. This warrant had a fair value of \$0.3 million as of December 31, 2018 and \$0.1 million as of March 31, 2018.

November 2014 Warrant

On November 13, 2014, the Company completed an offering of 909,090 units of the Company's common stock with Hudson Bay Capital. Each unit consisted of one share of the Company's common stock and 0.9 of a warrant to purchase one share of common stock, or a warrant to purchase in the aggregate 818,181 shares (the "November 2014 Warrant"). The November 2014 Warrant is exercisable at any time, at an exercise price equal to \$7.81 per share, subject to certain price-based and other anti-dilution adjustments including those noted above, and expires on November 13, 2019.

Following is a summary of the key assumptions used to calculate the fair value of the November 2014 Warrant:

Fiscal Year 18	December 31, 2018	September 30, 2018	June 30, 2018		
Risk-free interest rate	2.61%	2.62%	2.40%		
Expected annual dividend yield	—	—	—		
Expected volatility	70.29%	63.66%	67.40%		
Term (years)	0.87	1.12	1.37		
Fair value	\$3.6 million	\$1.3 million	\$1.6 million		

Fiscal Year 17	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Risk-free interest rate	2.20%	1.87%	1.49%	1.44%	1.41%
Expected annual dividend yield	—	—	—	—	—
Expected volatility	65.86%	65.86%	65.64%	67.21%	66.53%
Term (years)	1.62	1.87	2.12	2.37	2.62
Fair value	\$1.1 million	\$0.4 million	\$0.8 million	\$0.9 million	\$1.8 million

The Company recorded net losses of \$2.3 million and \$2.5 million resulting from the increase in the fair value of the November 2014 Warrant during the three and nine months ended December 31, 2018, respectively. The Company recorded net gains of \$0.4 million and \$1.4 million, resulting from the decrease in the fair value of the November 2014 Warrant during the three and nine months ended December 31, 2017, respectively.

14. Stockholders' Equity

Equity Offerings

On May 5, 2017, the Company entered into an underwriting agreement with Oppenheimer & Co. Inc., as representative of several underwriters named therein, relating to the issuance and sale (the "Offering") of 4.0 million shares of the Company's common stock at a public offering price of \$4.00 per share. The net proceeds to the Company from the Offering were approximately \$14.7 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company. The Offering closed on May 10, 2017. In addition, the Company granted the underwriters a 30-day option (the "Option") to purchase up to an additional 600,000 shares of common stock at the same public offering price. On May 24, 2017, the underwriters notified the Company that they had exercised their Option in full. The net proceeds to the Company from the Option were approximately \$2.3 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company. The total net proceeds to the Company from the Offering and the Option were approximately \$17.0 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company. The Option closed on May 26, 2017. In conjunction with the equity offering, the Company terminated a previous ATM with FBR Capital Markets & Co. where the Company could, at its discretion, sell up to \$10.0 million of the Company's common stock.

15. Commitments and Contingencies

Legal Contingencies

From time to time, the Company is involved in legal and administrative proceedings and claims of various types. The Company records a liability in its consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary to make the consolidated financial statements not misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its consolidated financial statements.

Other

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. In addition, the Company has various contractual arrangements in which minimum quantities of goods or services have been committed to be purchased on an annual basis.

As of December 31, 2018, the Company had \$0.2 million of restricted cash included in long-term assets. These amounts included in restricted cash primarily represent deposits to secure letters of credit for various supply contracts. These deposits are held in interest bearing accounts.

16. Restructuring

The Company accounts for charges resulting from operational restructuring actions in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations* (“ASC 420”) and ASC Topic 712, *Compensation—Nonretirement Postemployment Benefits* (“ASC 712”). In accounting for these obligations, the Company is required to make assumptions related to the amounts of employee severance, benefits, and related costs and the time period over which leased facilities will remain vacant, sublease terms, sublease rates and discount rates. Estimates and assumptions are based on the best information available at the time the obligation arises. These estimates are reviewed and revised as facts and circumstances dictate; changes in these estimates could have a material effect on the amount accrued on the consolidated balance sheet.

The \$0.4 million charged to operations in the nine months ended December 31, 2018 is related to exit costs incurred for the move of the Company's corporate office.

On April 3, 2017, the Board of Directors approved a plan to reduce the Company's global workforce by approximately 8%, effective April 4, 2017. The purpose of the workforce reduction was to reduce operating expenses to better align with the Company's current revenues. Included in the \$1.3 million severance pay, charged to operations in the nine months ended December 31, 2017, is \$0.5 million of severance pay for one of the Company's former executive officers pursuant to the terms of a severance agreement dated June 30, 2017. Under the terms of the severance agreement, the Company's former executive officer was entitled to 18 months of his base salary, which was paid in cash by December 31, 2018.

The following table presents restructuring charges and cash payments for the nine months ended December 31, 2018 and 2017 (in thousands):

	Severance pay and benefits	Facility exit and Relocation costs	Total
Accrued restructuring balance at April 1, 2018	\$ 262	\$ 173	\$ 435
Charges to operations	—	450	450
Cash payments	(262)	(623)	(885)
Accrued restructuring balance at December 31, 2018	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

	Severance pay and benefits	Facility exit and Relocation costs	Total
Accrued restructuring balance at April 1, 2017	\$ —	\$ —	\$ —
Charges to operations	1,328	—	1,328
Cash payments	(934)	—	(934)
Accrued restructuring balance at December 31, 2017	<u>\$ 394</u>	<u>\$ —</u>	<u>\$ 394</u>

All restructuring charges discussed above are included within restructuring in the Company's unaudited condensed consolidated statements of operations. The Company includes accrued restructuring within accounts payable and accrued expenses.

17. Business Segments

The Company reports its financial results in two reportable business segments: Wind and Grid.

Through the Company's Windtec Solutions, the Wind business segment enables manufacturers to field wind turbines with exceptional power output, reliability and affordability. The Company supplies advanced power electronics and control systems, licenses its highly engineered wind turbine designs, and provides extensive customer support services to wind turbine manufacturers. The Company's design portfolio includes a broad range of drive trains and power ratings of 2 megawatts ("MWs") and higher. The Company provides a broad range of power electronics and software-based control systems that are highly integrated and designed for optimized performance, efficiency, and grid compatibility.

Through the Company's Gridtec Solutions, the Grid business segment enables electric utilities and renewable energy project developers to connect, transmit and distribute power with exceptional efficiency, reliability and affordability. The sales process is enabled by transmission planning services that allow it to identify power grid congestion, poor power quality and other risks, which helps the Company determine how its solutions can improve network performance. These services often lead to sales of grid interconnection solutions for wind farms and solar power plants, power quality systems, and transmission and distribution cable systems. The Company also sells ship protection products to the U.S. Navy through its Grid business segment.

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

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Revenues:				
Wind	\$ 7,308	\$ 2,633	\$ 18,293	\$ 10,465
Grid	6,826	12,300	23,325	24,439
Total	\$ 14,134	\$ 14,933	\$ 41,618	\$ 34,904
Operating profit/(loss):				
Wind	\$ 24,269	\$ (1,684)	\$ 51,419	\$ (7,557)
Grid	(2,665)	(1,011)	(8,202)	(15,279)
Unallocated corporate expenses	(839)	(1,156)	(2,851)	(3,514)
Total	\$ 20,765	\$ (3,851)	\$ 40,366	\$ (26,350)

The accounting policies of the business segments are the same as those for the consolidated Company. The Company's business segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measures are segment revenues and segment operating profit (loss). The disaggregated financial results of the segments reflect allocation of certain functional expense categories consistent with the basis and manner in which Company management internally disaggregates financial information for the purpose of assisting in making internal operating decisions. In addition, 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 profit (loss).

Unallocated corporate expenses primarily consist of stock-based compensation expense of \$0.8 million and \$0.9 million in the three months ended December 31, 2018 and 2017, respectively, and restructuring charges of less than \$0.1 million in both periods. Unallocated corporate expenses primarily consist of stock-based compensation expense of \$2.4 million and \$2.1 million and restructuring charges of \$0.5 million and \$1.3 million, included in the nine months ended December 31, 2018 and 2017, respectively, as well as losses for the change in fair value of the contingent consideration of \$0.3 million and \$0.1 million in the three and nine months ended December 31, 2017, respectively.

Total assets for the two business segments as of December 31, 2018 and March 31, 2018 are as follows (in thousands):

	December 31, 2018	March 31, 2018
Wind	\$ 8,204	\$ 16,790
Grid	38,214	37,012
Corporate assets	82,086	34,373
Total	<u>\$ 128,504</u>	<u>\$ 88,175</u>

18. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance substantially converges final standards on revenue recognition between the FASB and IASB providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The FASB has subsequently issued multiple amendments to ASU 2014-09 which are all effective for annual reporting periods beginning after December 15, 2017.

As of April 1, 2018, the Company has adopted ASU 2014-09 and its amendments, reported the impact in its consolidated financial statements, and implemented changes to its business processes, systems and controls to support revenue recognition and the related disclosures under this ASU. The Company's assessment included a detailed review of representative contracts from each of the Company's revenue streams and a comparison of its historical accounting policies and practices to the new standard. The Company adopted the new standards retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective transition method) to all existing contracts that have remaining obligations as of April 1, 2018. Accordingly, the Company has elected to retroactively adjust only those contracts that do not meet the definition of a complete contract at the date of the initial application. This guidance will lead to recognizing certain revenue transactions sooner than in the past on certain contracts, as the Company will need to estimate the revenue it will be entitled to upon contract completion, and later on other contracts, such as Consulting and Statement of Work transactions, due to the lack of an enforceable right to payment for performance obligations satisfied over time. There are no changes in the accounting for its largest revenue stream which includes Inox Wind as its primary customer. Across other revenue streams such as D-VAR[®] Equipment and D-VAR[®] turnkey projects, the timing of revenue recognition will be affected for multiple types of contracts, primarily multiple performance obligation contracts in its Grid business unit, but those differences did not have a material impact on its consolidated financial statements. The adjustment to opening accumulated deficit was not significant in the period commencing on April 1, 2018. Additionally, the adoption of this new standard is not expected to have any tax impact on the consolidated financial statements. As part of this analysis, the Company evaluated its information technology capabilities and systems, and did not incur significant information technology costs to modify systems currently in place.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 will enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted ASU 2016-01 effective April 1, 2018 and noted no significant impact to its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This ASU and its amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

- In July 2018, the FASB issued ASU 2018-10, *Codification improvements to Topic 842, Leases*. The amendments in ASU 2018-10 provide more clarification in regards to the application and requirements of ASU 2016-02.
- In July 2018, the FASB issued ASU 2018-11, *Topic 842, Leases - Targeted improvements*. The amendments in ASU 2018-11 provide for the option to adopt the standard prospectively and recognize a cumulative-effect adjustment to the opening balance of retained earnings as well as offer a new practical expedient that will allow the Company to elect, by class of underlying asset, to not separate non-lease and lease components in certain circumstances and instead to account for those components as a single item.

The Company is currently evaluating the provisions of ASU 2016-02 and its amendments, and assessing the impact the adoption of this guidance will have on its financial position, results of operations and disclosures. This process has included identifying the implementation team, applying the revised definition of a lease per ASC 842 to existing agreements, and from that information, creating a preliminary population. The Company intends to make the policy election to exclude all leases shorter than 12 months from the recognition of the recording of the right of use ("ROU") asset and related liabilities. The Company expects to elect the package of three practical expedients in regards to all leases that commenced before the effective date. The Company expects to make a policy election to not separate non-lease and lease components for all asset classes. The Company anticipates the adoption of this guidance will result in certain changes to its financial statements to add the related asset and liability accounts for all of its operating leases. The Company will continue to assess its agreements for any other impacts that may result from the adoption of this standard. During the fourth quarter of fiscal 2018, the Company plans to finalize its analysis of its population of lease agreements, including the classification of type of lease for each of those agreements, assess its current controls, update the overall lease policy, as well as identify and implement any changes that may be necessary to comply with the provisions of ASU 2016-02.

ASU 2016-02 becomes effective on April 1, 2019, and the Company expects to adopt the standard using the modified retrospective transition method, which will impact all leases existing at, or entered into after, the period of adoption. For all leases existing at the time of adoption the Company will recognize a cumulative effect adjustment to its opening balance of retained earnings as of April 1, 2019. The Company is still evaluating the final impact of this adoption method on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in ASU 2016-13 will provide more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that year. The Company is currently evaluating the impact, if any, the adoption of ASU 2016-13 may have on its consolidated financial statements.

In 2016, the FASB issued the following two ASU's on Statement of Cash Flows (Topic 230). Both amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that year.

- In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in ASU 2016-15 provide more guidance towards the classification of multiple different types of cash flows in order to reduce the diversity in reporting across entities.
- In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in ASU 2016-18 explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The Company adopted ASU 2016-15 and ASU 2016-18 effective April 1, 2018 and noted no significant impact to its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. The amendments in ASU 2016-16 will improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that year. The Company adopted ASU 2016-16 effective April 1, 2018 and noted no significant impact to its consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20)*. The amendments in ASU 2017-05 clarify the scope of Subtopic 610-20, *Other Income-Gains and Losses from the Derecognition of Non-financial Assets*, and to add guidance for partial sales of non-financial assets. Subtopic 610-20, which was issued in May 2014 as a part of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), provides guidance for recognizing gains and losses from the transfer of non-financial assets in contracts with non-customers. The Company adopted ASU 2017-05 effective April 1, 2018 and adjusted the opening balance of accumulated deficit for \$0.1 million for recognition of the deferred gain on the sale of the 64 Jackson Road building that occurred on March 28, 2018.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Subtopic 718) Scope of Modification Accounting*. The amendments in ASU 2017-09 provide clarity and reduce both (1) diversity in practice and (2) cost and complexity

when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted ASU 2017-09 effective April 1, 2018 and noted no significant impact to its consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), and Derivatives and Hedging (Topic 815)*. The amendments in ASU 2017-11 provide guidance for freestanding equity-linked financial instruments, such as warrants and conversion options in convertible debt or preferred stock, and should no longer be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. The Company is currently evaluating the impact of the adoption of ASU 2017-11 and does not expect a significant impact on its consolidated financial statements, primarily due to the put option feature within the Company's warrant agreements which requires continued liability classification under ASC 480.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments in ASU 2017-12 provide improved financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. The Company is currently evaluating the impact the adoption of ASU 2017-12 may have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Non-Employee Share Based Payment Accounting*. The amendments in ASU 2018-07 provide for the simplification of the measurement of share-based payment transactions for acquiring goods and services from non-employees. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. The Company is currently evaluating the impact of the adoption of ASU 2018-07 and does not expect it to have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in ASU 2018-13 provide for increased effectiveness of the disclosures made around fair value measurements while including consideration for costs and benefits. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those periods. The Company is currently evaluating the impact the adoption of ASU 2018-13 may have on its consolidated financial statements.

19. Subsequent Events

The Company has performed an evaluation of subsequent events through the time of filing this Quarterly Report on Form 10-Q with the SEC and has determined that there are no such events to report.

**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 (the "Exchange Act"). For this purpose, any statements contained herein that relate to future events or conditions, including without limitation, the statements in Part II, "Item 1A. Risk Factors" and in Part I under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and located elsewhere herein regarding industry prospects, our prospective results of operations or financial position, adoption of accounting changes and expectations regarding the manufacture and installation of our REG system in Chicago, Illinois 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. There are a number of important factors that could materially impact the value of our common stock or cause actual results to differ materially from those indicated by such forward-looking statements. These important factors include, but are not limited to: A significant portion of our revenues are derived from a single customer, Inox, and we cannot predict if and how successful Inox will be in executing on Solar Energy Corporation of India ("SECI") orders under the new central and state auction regime, and any related failure by Inox to succeed under this regime, or any delay in Inox's ability to deliver its wind turbines, could result in fewer electrical control systems ("ECS") shipments to Inox; We have a history of operating losses and negative operating cash flows, which may continue in the future and require us to secure additional financing in the future; Our operating results may fluctuate significantly from quarter to quarter and may fall below expectations in any particular fiscal quarter; Our financial condition may have an adverse effect on our customer and supplier relationships; Lower prices for other fuel sources may reduce the demand for wind energy development, which could have a material adverse effect on our ability to grow our Wind business. Our success in addressing the wind energy market is dependent on the manufacturers that license our designs; Our success is dependent upon attracting and retaining qualified personnel and our inability to do so could significantly damage our business and prospects; We rely upon third-party suppliers for the components and sub-assemblies of many of our Wind and Grid products, making us vulnerable to supply shortages and price fluctuations, which could harm our business; Failure to achieve expected savings following the move of our former Devens, Massachusetts manufacturing facility could adversely impact our financial performance; We may not realize all of the sales expected from our backlog of orders and contracts; Our success depends upon the commercial use of high temperature superconductor products, which is currently limited, and a widespread commercial market for our products may not develop; Growth of the wind energy market depends largely on the availability and size of government subsidies, economic incentives and legislative programs designed to support the growth of wind energy; Our contracts with the U.S. government are subject to audit, modification or termination by the U.S. government and include certain other provisions in favor of the government, and additional funding of such contracts may not be approved by the U.S. Congress; Tax reform in the U.S. may negatively affect our operating results; We have operations in and depend on sales in emerging markets, including India, and global conditions could negatively affect our operating results or limit our ability to expand our operations outside of these markets; Our business and operations would be adversely impacted in the event of a failure or security breach of our information technology infrastructure; If we fail to maintain proper and effective internal control over financial reporting, our ability to produce accurate and timely financial statements could be impaired and may lead investors and other users to lose confidence in our financial data; We face risks related to our intellectual property; We face risks related to our legal proceedings; We face risks relating to our settlement with Sinovel; and the important factors discussed under the caption "Risk Factors" in Part 1. Item 1A of our Form 10-K for the fiscal year ended March 31, 2018, Part II. Item 1A of this Quarterly Report on Form 10-Q and our other reports filed with the SEC. These and the important factors discussed under the caption "Risk Factors" in Part 1. Item 1A of our Form 10-K for the fiscal year ended March 31, 2018 and under Part II. Item 1A of this Quarterly Report on Form 10-Q 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

We are a leading provider of megawatt-scale solutions that lower the cost of wind power and enhance the performance of the power grid. In the wind power market, we enable manufacturers to field highly competitive wind turbines through our advanced power electronics products, engineering, and support services. In the power grid market, we enable electric utilities and renewable energy project developers to connect, transmit and distribute power through our transmission planning services and power electronics and superconductor-based products. Our wind and power grid products and services provide exceptional reliability, security, efficiency and affordability to our customers.

Our wind and power grid solutions help to improve energy efficiency, alleviate power grid capacity constraints and increase the adoption of renewable energy generation. Demand for our solutions is driven by the growing needs for renewable sources of electricity, such as wind and solar energy, and for modernized smart grids that improve power reliability, security and quality. Concerns about these factors have led to increased spending by corporations as well as supportive government regulations and initiatives on local, state, national and global levels, including renewable portfolio standards, tax incentives and international treaties.

We manufacture products using two proprietary core technologies: PowerModule™ programmable power electronic converters and our Amperium® high temperature superconductor (“HTS”) wires. These technologies and our system-level solutions are protected by a broad and deep intellectual property portfolio consisting of hundreds of patents and licenses worldwide.

We operate our business under two market-facing business units: Wind and Grid. We believe this market-centric structure enables us to more effectively anticipate and meet the needs of wind turbine manufacturers, power generation project developers and electric utilities.

- *Wind.* Through our Windtec Solutions™, our Wind business segment enables manufacturers to field wind turbines with exceptional power output, reliability and affordability. We supply advanced power electronics and control systems, license our highly engineered wind turbine designs, and provide extensive customer support services to wind turbine manufacturers. Our design portfolio includes a broad range of drive trains and power ratings of 2 megawatts (“MW”) and higher. We provide a broad range of power electronics and software-based control systems that are highly integrated and designed for optimized performance, efficiency, and grid compatibility.
- *Grid.* Through our Gridtec Solutions™, our Grid business segment enables electric utilities and renewable energy project developers to connect, transmit and distribute power with exceptional efficiency, reliability, security and affordability. We provide transmission planning services that allow us to identify power grid congestion, poor power quality, and other risks, which help us determine how our solutions can improve network performance. These services often lead to sales of our grid interconnection solutions for wind farms and solar power plants, power quality systems and transmission and distribution cable systems. We also sell ship protection products to the U.S. Navy through our Grid business segment.

Our fiscal year begins on April 1 and ends on March 31. When we refer to a particular fiscal year, we are referring to the fiscal year beginning on April 1 of that same year. For example, fiscal 2018 refers to the fiscal year beginning on April 1, 2018. Other fiscal years follow similarly.

On July 3, 2018, we and our wholly-owned subsidiaries Suzhou AMSC Superconductor Co. Ltd. (“AMSC China”) and AMSC Austria GmbH (“AMSC Austria”) entered into a settlement agreement (the “Settlement Agreement”) with Sinovel Wind Group Co., Ltd. (“Sinovel”). The Settlement Agreement settles the litigation and arbitration proceedings between us and Sinovel listed on Schedule 2 of the Settlement Agreement (the “Proceedings”), and any other civil claims, counterclaims, causes of action, rights and obligations directly or indirectly relating to the subject matters of the Proceedings and the contracts between us and Sinovel listed on Schedules 1 and 4 of the Settlement Agreement (the “Contracts”), subject to the exception described in Section 1.1 of the Settlement Agreement. The Settlement Agreement was filed as Exhibit 10.1 to the Company’s Form 8-K filed with the Securities and Exchange Commission on July 9, 2018. Under the terms of the Settlement Agreement, Sinovel agreed to pay AMSC China an aggregate cash amount in Renminbi (“RMB”) equivalent to \$57.5 million, consisting of two installments. Sinovel paid the first installment of the RMB equivalent of \$32.5 million on July 4, 2018, and paid the second installment of the RMB equivalent of \$25.0 million on December 27, 2018.

In addition, pursuant to the terms of the Settlement Agreement, we and AMSC Austria have granted Sinovel a non-exclusive license for certain of our intellectual property to be used solely in Sinovel's doubly fed wind turbines (the "License"). We have agreed not to sue Sinovel, Sinovel's power converter suppliers or Sinovel's customers for use of the technology covered by the License.

On July 25, 2018, we received notice from BASF Corporation ("BASF") that BASF will not be extending the term of the Joint Development Agreement dated March 4, 2016 ("JDA") by and between BASF and us beyond March 3, 2019. As a result, BASF will not be required to pay \$1.0 million in 2019 to us as otherwise would have been required pursuant to the terms of the JDA. To date, BASF has paid \$6.0 million to us under the JDA.

On October 31, 2018, we entered into a Subcontract Agreement with Commonwealth Edison Company ("ComEd") (the "Subcontract Agreement") for the manufacture and installation of the Company's resilient electric grid ("REG") system within ComEd's electric grid in Chicago, Illinois (the "Project"). As provided in the Subcontract Agreement, the Subcontract Agreement will become effective upon the signing of an amendment by us and the U.S. Department of Homeland Security ("DHS") to the existing contract (the "Prime Contract") between ourselves and DHS. Unless terminated earlier by ourselves or DHS according to the terms of the Subcontract Agreement, the term of the Subcontract Agreement will continue until we complete our warranty obligations under the Subcontract Agreement. Under the terms of the Subcontract Agreement, we have agreed, among other things, to provide the REG system and to supervise ComEd's installation of the REG system in Chicago. As part of our separate cost sharing arrangement with DHS under the Prime Contract, we expect funding provided by DHS in connection with the Subcontract Agreement to be between \$9.0 to \$11.0 million, which represents the total amount of revenue we are expected to recognize over the term of the Subcontract Agreement and includes up to \$1.0 million that we have agreed to reimburse ComEd for costs incurred by ComEd while undertaking its tasks under the Subcontract Agreement (the "Reimbursement Amount"). In addition, we have agreed to deliver an irrevocable letter of credit in the amount of \$5.0 million to secure certain Company obligations under the Subcontract Agreement. ComEd has agreed to provide the site and provide all civil engineering work required to support the installation, operation and integration of the REG system into ComEd's electric grid. Other than the Reimbursement Amount, ComEd is responsible for its own costs and expenses. Construction of the Project is expected to commence within six months after DHS's approval. The REG system is expected to be operational by 2021.

Critical Accounting Policies and Estimates

The preparation of the unaudited condensed consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues 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. Effective April, 1 2018, we adopted ASU 2014-09, which provides for new requirements in regards to revenue recognition. See Note 2, "Revenue Recognition" for further details. Aside from the adoption of ASU 2014-09, there were no significant changes in the critical accounting policies that were disclosed in our Form 10-K for fiscal 2017, which ended on March 31, 2018.

Results of Operations

Three and nine months ended December 31, 2018 compared to the three and nine months ended December 31, 2017

Revenues

Total revenues decreased 5% and increased 19% to \$14.1 million and \$41.6 million, respectively, for the three and nine months ended December 31, 2018, compared to \$14.9 million and \$34.9 million for the three and nine months ended December 31, 2017. Our revenues are summarized as follows (in thousands):

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Revenues:				
Wind	\$ 7,308	\$ 2,633	\$ 18,293	\$ 10,465
Grid	6,826	12,300	23,325	24,439
Total	\$ 14,134	\$ 14,933	\$ 41,618	\$ 34,904

Our Wind business unit accounted for 52% and 44% of total revenues for the three and nine months ended December 31, 2018, compared to 18% and 30% for the three and nine months ended December 31, 2017. Revenues in the Wind business unit increased 178% and 75% to \$7.3 million and \$18.3 million in the three and nine months ended December 31, 2018, from \$2.6

million and \$10.5 million in the three and nine months ended December 31, 2017. Wind business unit revenues increased due to increased ECS shipments to Inox during the 2018 periods. Inox has been active in the new central and state government auction regime in India and has over 900 MW of orders from the first four SECI central government auctions, and 50 MW from the Maharashtra state government auction. However, we cannot predict if and how successful Inox will be in executing on these orders or in obtaining new orders under the new central and state auction regime. Any failure by Inox to succeed under this regime, or any delay in Inox's ability to deliver its wind turbines, could result in fewer ECS shipments to Inox.

Our Grid business unit accounted for 48% and 56% of total revenues for the three and nine months ended December 31, 2018, compared to 82% and 70% for the three and nine months ended December 31, 2017. Our Grid business unit revenues decreased 45% and 5% to \$6.8 million and \$23.3 million in the three and nine months ended December 31, 2018, from \$12.3 million and \$24.4 million in the three and nine months ended December 31, 2017. Grid business unit revenues decreased primarily due to lower D-VAR system revenues in the three months ended December 31, 2018 compared to the prior year period and lower revenue from projects with the U.S. Navy in the nine months ended December 31, 2018, compared to the prior year period.

The following table sets forth customers who represented 10% or more of our total revenues for the three and nine months ended December 31, 2018 and 2017:

	Reportable Segment	Three months ended December 31,		Nine months ended December 31,	
		2018	2017	2018	2017
Inox Wind Limited	Wind	47%	15%	40%	27%
Vestas	Grid	<10 %	27%	15%	11%
SSE Generation Ltd.	Grid	<10 %	17%	<10 %	<10 %
Fuji Bridex Pte Ltd	Grid	17%	—%	<10 %	—%

Cost of Revenues and Gross Margin

Cost of revenues increased by 5% to \$10.4 million for the three months ended December 31, 2018, compared to \$9.9 million for the three months ended December 31, 2017. Cost of revenues decreased by 11% to \$30.4 million for the nine months ended December 31, 2018, compared to \$34.1 million for the nine months ended December 31, 2017. Gross margin was 26% for the three months ended December 31, 2018, compared to 34% for the three months ended December 31, 2017. Gross margin was 27% for the nine months ended December 31, 2018, compared to 2% for the nine months ended December 31, 2017. The decrease in gross margin in the three month period was driven by a less favorable product mix. The increase in gross margin in the nine month period was due to lower depreciation and reduced fixed factory overhead.

Operating Expenses

Research and development

R&D expenses decreased in the three and nine months ended December 31, 2018 by 18% and 13% to \$2.5 million and \$7.6 million from \$3.0 million and \$8.7 million for the three and nine months ended December 31, 2017. The decreases in R&D expenses were primarily due to decreased compensation expense.

Selling, general, and administrative

SG&A expenses decreased by 3% and 4% to \$5.3 million and \$16.3 million in the three and nine months ended December 31, 2018, from \$5.5 million and \$17.0 million in the three and nine months ended December 31, 2017. The decrease in SG&A expenses was due primarily to reduced overall compensation expense.

Gain on Sinovel settlement

We recorded a gain of \$25.0 million and \$53.7 million, net of legal and other direct costs, in the three and nine months ended December 31, 2018, respectively, as a result of the receipt of the payments from Sinovel required by the Settlement Agreement.

Amortization of acquisition related intangibles

We recorded amortization expense related to our core technology and know-how, trade names and trademark intangible assets of \$0.1 million and \$0.3 million in the three and nine months ended December 31, 2018, and \$0.1 million in each of the three and nine months ended December 31, 2017.

Restructuring

We recorded less than \$0.1 million and \$0.4 million for facility exit costs in the three and nine months ended December 31, 2018 as a result of the move of the corporate office that was announced as part of our April 4, 2017 approved restructuring plan. We recorded a restructuring charge of \$1.3 million for severance costs in the nine months ended December 31, 2017 as a result of the reduction in force also announced on April 4, 2017. Included in the \$1.3 million severance pay charged to operations in the nine months ended December 31, 2017, is \$0.5 million of severance pay for one of our former executive officers pursuant to the terms of a severance agreement dated June 30, 2017. Under the terms of the severance agreement, our former executive officer was entitled to eighteen months of his base salary, which was paid in cash by December 31, 2018.

Operating profit/(loss)

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

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Operating profit/(loss):				
Wind	\$ 24,269	\$ (1,684)	\$ 51,419	\$ (7,557)
Grid	(2,665)	(1,011)	(8,202)	(15,279)
Unallocated corporate expenses	(839)	(1,156)	(2,851)	(3,514)
Total	<u>\$ 20,765</u>	<u>\$ (3,851)</u>	<u>\$ 40,366</u>	<u>\$ (26,350)</u>

Our Wind segment generated operating income of \$24.3 million and \$51.4 million in the three and nine months ended December 31, 2018, compared to losses of \$1.7 million and \$7.6 million in the three and nine months ended December 31, 2017. The increase in the Wind business unit operating income was due primarily to the receipt of the payments from Sinovel required by the Settlement Agreement, as well as increased shipments of ECS to Inox.

Our Grid segment generated operating losses of \$2.7 million and \$8.2 million in the three and nine months ended December 31, 2018, compared to losses of \$1.0 million and \$15.3 million in the three and nine months ended December 31, 2017. The increase in the Grid business unit operating losses in the three month period was primarily due to decreased revenues, as discussed above. The decrease in the Grid business unit operating losses in the nine month period was due primarily to lower depreciation and lower operating expenses compared to the prior year period.

Unallocated corporate expenses primarily consist of stock-based compensation expense of \$0.8 million and \$0.9 million, in the three months ended December 31, 2018 and 2017, respectively and restructuring charges of less than \$0.1 million in both periods. Unallocated corporate expenses primarily consist of stock-based compensation expense of \$2.4 million and \$2.1 million and restructuring charges of \$0.4 million and \$1.3 million included in the nine months ended December 31, 2018 and 2017, respectively, as well as a gain for the change in fair value of contingent consideration of \$0.3 million and \$0.1 million in the three and nine months ended December 31, 2017, respectively.

Change in fair value of warrants

The change in fair value of warrants resulted in losses of \$2.5 million and \$2.7 million in the three and nine months ended December 31, 2018, compared to gains of \$0.4 million and \$1.5 million in the three and nine months ended December 31, 2017. The change in the fair value was primarily driven by changes in stock price, which is a key valuation metric.

Minority Interest

The gain on sale of minority interest was \$0.1 million in each of the three and nine months ended December 31, 2018, compared to no gain and a gain of \$1.0 million in the three and nine months ended December 31, 2017, respectively. The gain on sale in the 2018 periods was driven by receipt of the final payment from the sale of our minority interest in Blade Dynamics.

Interest income, net

Interest income, net, was \$0.3 million and \$0.8 million in the three and nine months ended December 31, 2018, compared to less than \$0.1 million and \$0.1 million in the three and nine months ended December 31, 2017. The increase in interest income in each of the 2018 periods was primarily related to higher cash balances earning higher interest rates than in prior periods.

Other income (expense), net

Other income (expense), net, was income of \$0.1 million and \$1.1 million in the three and nine months ended December 31, 2018, compared to expense of \$0.3 million and \$2.4 million in the three and nine months ended December 31, 2017. The increase in other income, net, during the three and nine months ended December 31, 2018, was primarily driven by higher foreign currency gains.

Income Taxes

Income tax expense was \$1.6 million and \$4.5 million in the three and nine months ended December 31, 2018, compared to income tax expense of \$0.6 million and \$0.5 million in the three and nine months ended December 31, 2017. The increase in income tax expense in the three months ended December 31, 2018 as compared to December 31, 2017 is due primarily to taxable income in foreign jurisdictions. The increase in income tax expense in the nine months ended December 31, 2018 as compared to December 31, 2017 was primarily due to the repayment of previously reserved intercompany trade balances due to AMSC Austria from AMSC China and a dividend paid by AMSC Austria to the parent company in the nine months ended December 31, 2018 following the Sinovel settlement.

Non-GAAP Measures

Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures included in this Form 10-Q, however, should be considered in addition to, and not as a substitute for or superior to the comparable measure prepared in accordance with GAAP.

We define non-GAAP net loss as net loss before sale of minority investments, stock-based compensation, gain on Sinovel settlement, net, amortization of acquisition-related intangibles, changes in fair value of warrants and contingent consideration, non-cash interest expense, tax effect of adjustments, and the other non-cash or unusual charges, indicated in the table below. We believe non-GAAP net loss assists management and investors in comparing our performance across reporting periods on a consistent basis by excluding these non-cash or non-recurring charges that we do not believe are indicative of our core operating performance. A reconciliation of GAAP to non-GAAP net loss is set forth in the table below (in thousands, except per share data):

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 17,293	\$ (4,248)	\$ 35,114	\$ (26,782)
Sale of minority investments	(127)	—	(127)	(951)
Stock-based compensation	792	883	2,402	2,115
(Gain) on Sinovel settlement, net	(24,978)	—	(53,698)	—
Amortization of acquisition-related intangibles	85	85	255	98
Changes in fair value of warrants and contingent consideration	2,475	(126)	2,658	(1,397)
Non-cash interest expense	—	—	—	19
Tax effect of adjustments	2,163	19	4,991	142
Non-GAAP net loss	<u>\$ (2,297)</u>	<u>\$ (3,387)</u>	<u>\$ (8,405)</u>	<u>\$ (26,756)</u>
Non-GAAP net loss per share - basic	<u>\$ (0.11)</u>	<u>\$ (0.17)</u>	<u>\$ (0.41)</u>	<u>\$ (1.44)</u>
Weighted average shares outstanding - basic	<u>20,419</u>	<u>19,949</u>	<u>20,300</u>	<u>18,614</u>

We incurred non-GAAP net losses of \$2.3 million and \$8.4 million or \$0.11 and \$0.41 per share, for the three and nine months ended December 31, 2018, compared to non-GAAP net losses of \$3.4 million and \$26.8 million or \$0.17 and \$1.44 per share for the three and nine months ended December 31, 2017. The decrease in non-GAAP net loss for the nine months ended

December 31, 2018 as compared to the nine months ended December 31, 2017 was driven primarily by an increase in net income driven by higher revenues, as well as lower depreciation and operating costs.

We define non-GAAP operating cash flow as operating cash flow before: the gain on Sinovel settlement (net of legal fees and expenses); tax effect of adjustments; and other unusual cash flows or items. We believe non-GAAP operating cash flow assists management and investors in comparing our operating cash flow across reporting periods on a consistent basis by excluding these non-recurring cash items that it does not believe are indicative of our core operating cash flow. A reconciliation of GAAP to non-GAAP operating cash flow is set forth in the table below (in thousands).

	Three months ending	Nine months ending
	December 31, 2018	December 31, 2018
Operating cash flow	\$24,191	\$47,786
Sinovel settlement (net of legal fees and expenses)	(24,388)	(54,724)
Tax effect of adjustments	1,130	2,377
Non-GAAP operating cash flow	<u>\$933</u>	<u>\$(4,561)</u>

Liquidity and Capital Resources

We have experienced recurring operating losses and as of December 31, 2018 had an accumulated deficit of \$953.2 million. In addition, although we generated positive operating cash flows in the nine month period ended December 31, 2018, we have historically experienced recurring negative operating cash flows. Although our sales to Inox increased in the nine months ended December 31, 2018 compared to the nine months ended December 31, 2017, we cannot predict if and how successful Inox will be in executing on SECI orders or in obtaining additional orders under the new central and state auction regime. Any failure by Inox to succeed under this regime, or any delay in Inox's ability to deliver its wind turbines, could result in fewer ECS shipments to Inox.

Our cash requirements depend on numerous factors, including whether Inox is successful under the new central and state auction regime as noted above, the successful completion of our product development activities, our ability to commercialize our Resilient Electric Grid ("REG") and ship protection system solutions, the rate of customer and market adoption of our products, collecting receivables according to established terms, and the continued availability of U.S. government funding during the product development phase of our superconductor-based products. We continue to closely monitor our expenses and, if required, expect to further reduce our operating and capital spending to enhance liquidity.

As of December 31, 2018, we had cash, cash equivalents, and restricted cash of \$80.2 million, compared to \$34.2 million as of March 31, 2018, an increase of \$46.0 million. As of December 31, 2018, we had approximately \$28.7 million of cash, cash equivalents, and restricted cash in foreign bank accounts. Our cash and cash equivalents, and restricted cash are summarized as follows (in thousands):

	December 31, 2018	March 31,
		2018
Cash and cash equivalents	\$ 80,042	\$ 34,084
Restricted cash	165	165
Total cash, cash equivalents, and restricted cash	<u>\$ 80,207</u>	<u>\$ 34,249</u>

For the nine months ended December 31, 2018, net cash provided by operating activities was \$47.8 million compared to \$20.2 million of net cash used for the nine months ended December 31, 2017. The increase in net cash provided by operations was due primarily to the receipt of the full amount of the Sinovel settlement.

For the nine months ended December 31, 2018, net cash used in investing activities was \$0.7 million, compared to net cash used in investing activities of \$1.1 million for the nine months ended December 31, 2017. The decrease in net cash used in investing activities was due primarily to increased purchases of property, plant and equipment in the nine months ended December 31, 2017 related to the Devens facility move offset partially by a decrease in the proceeds from the sale of our minority interest in Blade Dynamics in the current year period as compared to the prior year period.

For the nine months ended December 31, 2018, net cash used in financing activities was \$0.4 million compared to net cash provided by financing activities of \$15.2 million in the nine months ended December 31, 2017. The decrease in net cash provided

by financing activities was primarily due to net proceeds of \$17.0 million from the issuance of 4.6 million shares of common stock in May 2017, with no such equity offering in the current year period.

As of December 31, 2018, we had \$0.2 million of restricted cash included in long-term assets. These amounts included in restricted cash primarily represent deposits to secure letters of credit for various supply contracts. These deposits are held in interest bearing accounts.

We believe we have sufficient available liquidity to fund our operations and capital expenditures for the next twelve months. In addition, we may seek to raise additional capital, which could be in the form of loans, convertible debt or equity, to fund our operating requirements and capital expenditures. Our liquidity is highly dependent on our ability to increase revenues, including our ability to collect revenues under our agreements with Inox, control our operating costs, and our ability to raise additional capital, if necessary. There can be no assurance that we will be able to raise additional capital, on favorable terms or at all, or execute on any other means of improving our liquidity as described above.

Legal Proceedings

We are involved in legal and administrative proceedings and claims of various types. See Part II, Item 1, "Legal Proceedings," for additional information. We record a liability in our consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. We review these estimates each accounting period as additional information is known and adjust the loss provision when appropriate. If a matter is both probable to result in liability and the amounts of loss can be reasonably estimated, we estimate and disclose the possible loss or range of loss to the extent necessary to make the consolidated financial statements not misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in our consolidated financial statements.

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 probable, we would record a liability.

In addition, we have various contractual arrangements in which minimum quantities of goods or services have been committed to be purchased on an annual basis.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance substantially converges final standards on revenue recognition between the FASB and IASB providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The FASB has subsequently issued multiple amendments to ASU 2014-09 which are all effective for annual reporting periods beginning after December 15, 2017.

As of April 1, 2018, we have adopted ASU 2014-09 and its amendments, reported the impact in our consolidated financial statements, and implemented changes to our business processes, systems and controls to support revenue recognition and the related disclosures under this ASU. Our assessment included a detailed review of representative contracts from each of our revenue streams and a comparison of our historical accounting policies and practices to the new standard. We adopted the new standards retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective transition method) to all existing contracts that have remaining obligations as of April 1, 2018. Accordingly, we have elected to retroactively adjust only those contracts that do not meet the definition of a complete contract at the date of the initial application. This guidance will lead to recognizing certain revenue transactions sooner than in the past on certain contracts, as we will need to estimate the revenue we will be entitled to upon contract completion, and later on other contracts, such as Consulting and Statement of Work transactions, due to the lack of an enforceable right to payment for performance obligations satisfied over time. There are no changes in the accounting for our largest revenue stream which includes Inox Wind Ltd as our primary customer. Across other revenue streams such as D-VAR[®] Equipment and D-VAR[®] Turnkey, the timing of

revenue recognition will be affected for multiple types of contracts, primarily multiple performance obligation contracts in our Grid business unit, but those differences did not have a material impact on our consolidated financial statements. The adjustment to opening retained earnings was not significant for the period commencing on April 1, 2018. Additionally, the adoption of this new standard is not expected to have any tax impact on the consolidated financial statements. As part of this analysis, we evaluated our information technology capabilities and systems, and did not incur significant information technology costs to modify systems currently in place.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. We adopted ASU 2016-01 effective April 1, 2018 and noted no significant impact to our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This ASU and its amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

- In July 2018, the FASB issued ASU 2018-10, *Codification improvements to Topic 842, Leases*. The amendments in ASU 2018-10 provide more clarification in regards to the application and requirements of ASU 2016-02.
- In July 2018, the FASB issued ASU 2018-11, *Topic 842, Leases - Targeted improvements*. The amendments in ASU 2018-11 provide for the option to adopt the standard prospectively and recognize a cumulative-effect adjustment to the opening balance of retained earnings as well as offer a new practical expedient that will allow us to elect, by class of underlying asset, to not separate non-lease and lease components in certain circumstances and instead to account for those components as a single item.

We are currently evaluating the provisions of ASU 2016-02 and its amendments, and assessing the impact the adoption of this guidance will have on our financial position, results of operations and disclosures. This process has included identifying the implementation team, applying the revised definition of a lease per Accounting Standards Codification ("ASC") 842 to existing agreements and, from that information, creating a preliminary population. We intend to make the policy election to exclude all leases shorter than 12 months from the recognition of the recording of the right of use ("ROU") asset and related liabilities. We expect to elect the package of three practical expedients in regards to all leases that commenced before the effective date. We expect to make a policy election to not separate non-lease and lease components for all asset classes. We anticipate the adoption of this guidance will result in certain changes to our financial statements to add the related asset and liability accounts for all of our operating leases. We will continue to assess our agreements for any other impacts that may result from the adoption of this standard. During the fourth quarter of fiscal 2018, we plan to finalize our analysis of our population of lease agreements, including the classification of type of lease for each of those agreements, assess our current controls, update the overall lease policy as well as identify and implement any changes that may be necessary to comply with the provisions of ASU 2016-02.

ASU 2016-02 becomes effective on April 1, 2019, and we expect to adopt the new standard using the modified retrospective transition method, which will impact all leases existing at, or entered into after the period of adoption. For all leases existing at the time of adoption we will recognize a cumulative effect adjustment to the opening balance of retained earnings as of April 1, 2019. We are still evaluating the final impact of this adoption method on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in ASU 2016-13 provide more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that year. We are currently evaluating the impact, if any, the adoption of ASU 2016-13 may have on our consolidated financial statements.

In 2016, the FASB issued the following two ASU's on *Statement of Cash Flows (Topic 230)*. Both amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that year.

- In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in ASU 2016-15 provide more guidance towards the classification of multiple different types of cash flows in order to reduce the diversity in reporting across entities.

- In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in ASU 2016-18 explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

We adopted ASU 2016-15 and ASU 2016-18 effective April 1, 2018 and noted no significant impact to our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. The amendments in ASU 2016-16 improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that year. We adopted ASU 2016-16 effective April 1, 2018 and noted no significant impact to our consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20)*. The amendments in ASU 2017-05 clarify the scope of Subtopic 610-20, *Other Income—Gains and Losses from the Derecognition of Non-financial Assets*, and to add guidance for partial sales of non-financial assets. Subtopic 610-20, which was issued in May 2014 as a part of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, provides guidance for recognizing gains and losses from the transfer of non-financial assets in contracts with non-customers. We adopted ASU 2017-05 effective April 1, 2018 and adjusted the opening balance of accumulated deficit for \$0.1 million for recognition of the deferred gain on the sale of the 64 Jackson Road building that occurred on March 28, 2018.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Subtopic 718) Scope of Modification Accounting*. The amendments in ASU 2017-09 provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, *Compensation—Stock Compensation*, to a change to the terms or conditions of a share-based payment award. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those periods. We adopted ASU 2017-09 effective April 1, 2018 and noted no significant impact to our consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), and Derivatives and Hedging (Topic 815)*. The amendments in ASU 2017-11 provide guidance for freestanding equity-linked financial instruments, such as warrants and conversion options in convertible debt or preferred stock, and should no longer be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. We are currently evaluating the impact of the adoption of ASU 2017-11 and do not expect a significant impact on our consolidated financial statements, primarily due to the put option feature which requires continued liability classification under ASC 840.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments in ASU 2017-12 provide improved financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. We are currently evaluating the impact the adoption of ASU 2017-12 may have on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Non-Employee Share Based Payment Accounting*. The amendments in ASU 2018-07 provide for the simplification of the measurement of share-based payment transactions for acquiring goods and services from non-employees. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. We are currently evaluating the impact of the adoption of ASU 2018-07 and do not expect it to have a significant impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in ASU 2018-13 provide for increased effectiveness of the disclosures made around fair value measurements while including consideration for costs and benefits. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those periods. We are currently evaluating the impact the adoption of ASU 2018-13 may have on our consolidated financial statements.

We do not believe that, outside of those disclosed here, there are any other recently issued accounting pronouncements that will have a material impact on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

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 December 31, 2018. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under 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 that evaluation of our disclosure controls and procedures as of December 31, 2018, 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

There were no changes to our internal controls over financial reporting during the quarter ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

None

ITEM 1A. RISK FACTORS

Except as noted below there have been no material changes to the risk factors described in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, filed with the SEC on June 6, 2018.

We face risks relating to our settlement with Sinovel.

On July 3, 2018, we and our wholly-owned subsidiaries AMSC China and AMSC Austria entered into a Settlement Agreement with Sinovel. The Settlement Agreement settles the litigation and arbitration proceedings between us and Sinovel, as further described elsewhere in this Quarterly Report. Under the terms of the Settlement Agreement, Sinovel agreed to pay AMSC China an aggregate cash amount in Renminbi (RMB) equivalent to \$57.5 million, consisting of two installments. Sinovel paid the first installment of the RMB equivalent of \$32.5 million on July 4, 2018, and paid the second installment of the RMB equivalent of \$25.0 million on December 27, 2018. There is no assurance that the relevant taxing authorities will agree with our assessment of the taxes that will be required in relation to the foregoing payments. In the event that the relevant taxing authorities disagree with our tax treatment of the settlement, our cash flows and financial position may be materially adversely affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/Furnished Herewith
		Form	File No.	Exhibit	
10.1†	Subcontract Agreement, dated October 31, 2018, by and between the Registrant and Commonwealth Edison Company.				*
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.				**
101.INS	XBRL Instance Document.***				
101.SCH	XBRL Taxonomy Extension Schema Document. ***				
101.CAL	XBRL Taxonomy Calculation Linkbase Document. ***				
101.DEF	XBRL Definition Linkbase Document. ***				
101.LAB	XBRL Taxonomy Label Linkbase Document. ***				
101.PRE	XBRL Taxonomy Presentation Linkbase Document. ***				

* Filed herewith

** Furnished herewith

*** Submitted electronically herewith

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

Attached as Exhibits 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet as of December 31, 2018 and March 31, 2018 (ii) Condensed Statements of Operations and Income for the three and nine months ended December 31, 2018 and 2017, (iii) Condensed Consolidated Statements of Comprehensive (Loss) Income for the three and nine months ended December 31, 2018 and 2017, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2018 and 2017, and (v) Notes to Condensed Consolidated Financial Statements.

Confidential Treatment Requested by
American Superconductor Corporation

Execution Copy

SUBCONTRACT AGREEMENT

This Subcontract Agreement No. 08900001-007 (the "Agreement") dated October 31, 2018 by and between American Superconductor Corporation, a Delaware corporation with offices at 114 East Main Street, Ayer, MA 01432 ("AMSC") and Commonwealth Edison, an Illinois corporation with offices at 440 South LaSalle, Chicago, IL 60605 ("Subcontractor"), and shall become effective as of the Effective Date (as defined below). AMSC and Subcontractor may be referred herein separately as a "Party" and collectively as the "Parties."

WHEREAS, the U.S. Department of Homeland Security ("DHS") awarded that certain Other Transaction Agreement number HSHQDC-08-9-00001 ("the Prime Contract" and upon execution of the DHS Amendment (as defined below), the term "Prime Contract" shall mean the Prime Contract as amended by the DHS Amendment) to AMSC to develop, design and deploy an inherently fault current limiting high temperature superconductor ("HTS") electric cable system;

WHEREAS, AMSC and Subcontractor desire to work together to complete Phase 2 (as that term is defined in the Prime Contract as in effect on the date hereof) (the "Project");

WHEREAS, AMSC has submitted to DHS a proposed form of amendment to the Prime Contract which authorizes the substitution of Subcontractor for Consolidated Edison for performance of the Project, and contains all DHS necessary consents or authorizations for Subcontractor to perform the Project, which amendment is attached hereto as Appendix G (the "Proposed DHS Amendment");

WHEREAS, DHS shall deliver a signed amendment to the Prime Contract which authorizes the substitution of Subcontractor for Consolidated Edison for performance of the Project, and contains all DHS necessary consents or authorizations for Subcontractor to perform the Project to AMSC for its signature (the "DHS Amendment");

WHEREAS, this Agreement shall become effective on the date on which AMSC and DHS have signed the DHS Amendment (the "Effective Date");

WHEREAS, until the Effective Date, this Agreement shall not be deemed to create any obligation by either Party to the other Party, or require any Party to perform any obligation with respect to the tasks described in the Prime Contract, except as expressly set forth herein; and

WHEREAS, notwithstanding the foregoing, the Parties shall be bound by the Non-Disclosure Agreement signed by the Parties on October 31, 2018 (the "NDA").

NOW, THEREFORE, in consideration of the terms and covenants of this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged by the Parties, the Parties agree, effective as of the Effective Date, as follows:

SECTION 1. SCOPE OF THE AGREEMENT AND SERVICES OBLIGATIONS

1.1. Scope. AMSC and Subcontractor acknowledge and agree that this Agreement sets forth the duties and obligations of the Parties for the Project as is described in the Statement of Work attached hereto as Appendix A (the "Statement of Work" or "Appendix A").

1.2. Performance by Subcontractor. Subcontractor shall (i) perform those tasks to be performed by it as described in the Statement of Work in accordance with the terms of this Agreement, (ii) cause its subcontractors to perform any tasks in order to achieve the milestones set forth in Section 3.2 below

Confidential Portions of this Exhibit marked as [***] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

("Milestones") that are indicated as Subcontractor's responsibility, and perform its responsibilities in accordance with this Agreement and the appendices attached hereto ("Appendices"), including by meeting all Milestones that are Subcontractor's responsibility; and (iii) cooperate with and provide reasonable support to AMSC in connection with AMSC's performance of its obligations under this Agreement and the Prime Contract (collectively (i) through (iii) are referred to as the "Subcontractor Work"). Subcontractor represents and warrants that it has the legal right to perform the Subcontractor Work. Subcontractor shall provide Subcontractor personnel and subcontractors that have the necessary skills and experience to perform the Subcontractor Work. Subcontractor shall assign the Subcontractor Work to those of its personnel or outside contractors, as it shall determine, who have the necessary skills and experience. Subcontractor shall cause the Subcontractor Work to be performed in a professional and workmanlike manner, and Subcontractor shall use commercially reasonable efforts to cause the Subcontractor Work to be performed in a timely manner.

1.3. Performance by AMSC and its Other Subcontractors. AMSC shall: (i) in accordance with its role as prime contractor for the Project, perform overall Project management; however, under no circumstances will AMSC have control over the manner or methods, including without limitation the processes and procedures, in which Subcontractor performs the Subcontractor Work hereunder; (ii) perform the tasks attributed to AMSC and ensure the performance of all tasks attributed to the other subcontractors engaged by AMSC ("Other Subcontractors"), set forth in the Statement of Work, (iii) perform in accordance with the terms of the Prime Contract, (iv) perform its responsibilities in accordance with this Agreement and the Appendices, including by meeting all milestones that are AMSC's responsibility; and (v) cooperate with and provide reasonable support to Subcontractor in connection with Subcontractor's performance of its obligations under this Agreement (collectively (i) through (v) are referred to as the "AMSC Obligations"). AMSC represents and warrants that AMSC and each of its Other Subcontractors has, and shall have, the legal right to perform the AMSC Obligations. AMSC shall provide AMSC personnel and Other Subcontractors that have the necessary skills and experience to perform the AMSC Obligations. AMSC shall cause the AMSC Obligations to be performed in a professional and workmanlike manner, and AMSC shall use commercially reasonable efforts to cause the AMSC Obligations to be performed in a timely manner. If AMSC receives notification of default or breach of the Prime Contract from DHS, AMSC shall immediately notify Subcontractor of such default or breach, and whether AMSC disputes such notice of default or breach, and to the extent such default or breach relates to the Project, provide Subcontractor a reasonable opportunity to assist in remedying such default or breach.

1.4. Acceptance. AMSC shall notify the Subcontractor in writing when the HTS Cable System (as defined in Appendix A) is ready for inspection and testing. If Subcontractor concurs that the HTS Cable System is ready for inspection and testing, Subcontractor will make the inspection and conduct testing within thirty (30) days. If the HTS Cable System performs in accordance with the terms of this Agreement, including the warranties set forth in Sections 16.1 and 16.2, and the terms of any applicable Statement of Work, Subcontractor shall accept the System by delivering a written notice of acceptance (the "Notice of Acceptance") to AMSC within ten (10) days after the completion of testing. In the event Subcontractor does not send either a Notice of Acceptance or notice of deficiencies within such ten (10) day period, then AMSC shall notify the Subcontractor in writing that Subcontractor has an additional ten (10) days from the receipt of such notice to send either a Notice of Acceptance or notice of deficiencies. In the event Subcontractor does not send either a Notice of Acceptance or notice of deficiencies within such subsequent ten (10) day period, then the HTS Cable System shall be deemed accepted by Subcontractor ("Deemed Acceptance"). Subcontractor shall not have a right to rescind Acceptance once provided. Notwithstanding anything to the contrary herein, Subcontractor shall have no obligation to accept the HTS Cable System if there has been an adverse event under Section 2.2.4 of this Agreement within thirty (30) days prior to the Acceptance (as defined below) of the HTS Cable System. As used in this Agreement,

the term "Acceptance" shall mean the first to occur of (i) Subcontractor delivers a Notice of Acceptance, or (ii) a Deemed Acceptance.

1.5. This Agreement is comprised of the following:

- This Subcontract Agreement
- Appendix A – Statement of Work
- Appendix B – Limited Rights Proprietary Information
- Appendix C – reserved
- Appendix D – Letter of Credit
- Appendix E – Backup Inventory
- Appendix F – Assigned Warranties
- Appendix G – Proposed DHS Amendment

In the event there is a conflict between the provisions contained herein and those of the Appendices, the order of precedence shall be as listed above.

1.6. Each Party shall perform its obligations in a competent, timely and efficient manner and in compliance in all material respects with all laws, statutes, codes, ordinances, rules, regulations, lawful orders, applicable guidance documents from regulatory agencies including judicial decrees and interpretations, standards, permits and licenses, including environmental laws, tax laws and applicable tax treaties, health, safety, building, and employment laws, as amended from time to time, of all Governmental Authorities that are applicable to such Party's respective obligations hereunder or applicable to any related Project documentation ("Applicable Law"). As used herein, the term "Governmental Authorities" shall mean any and all federal, state, county, municipal, local government, or any agency or subdivision of any or all of the foregoing, or any quasi-governmental agency, self-regulating organization, board, bureau, commission, department, instrumentality, or public body, or any court, administrative agency, arbitrator, mediator, regulator, or other tribunal or adjudicative authority with jurisdiction over the applicable Party and/or the Project.

1.7. Delays. To the extent permitted by Applicable Law, whenever a Party becomes aware that any actual or potential condition, event or occurrence (other than a Force Majeure Event (as defined below), in which case the provisions of Section 17.5 shall apply) may (a) delay or threaten to delay its timely performance hereunder, or (b) render it impossible or impractical to perform its obligations, the Party so affected shall promptly give notice thereof to the other Party, including the cause and expected duration of the delay and all other relevant information with respect thereto.

SECTION 2. TERM AND TERMINATION

2.1. Term. The period of performance of this Agreement shall begin on the Effective Date and, unless sooner terminated in accordance with this Section 2, shall continue through and until the completion of the Warranty Period (as defined below) (the "Term").

2.2. Termination Events.

2.2.1. Termination for Bankruptcy. Either Party may, by written notice to the other Party, cancel the whole or any portion of the Agreement in the event the other Party (i) becomes insolvent or admits its inability to pay its debts generally as they become due; (ii) becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency law, which is not fully stayed within seven (7) business days or is not dismissed or vacated within ninety (90) days after filing; (iii) is dissolved or liquidated or takes any corporate action for such purpose; (iv) makes a general assignment for the benefit of creditors; or (v) has a receiver, trustee, custodian or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business.

2.2.2. Termination for Breach. In the event that either Party commits any material breach of any representation, warranty or obligation under this Agreement which is not, within thirty (30) days of written notice thereof, (i) cured, (ii) is in the process of being cured pursuant to a plan as agreed upon by the Parties, or (iii) as may otherwise be negotiated by the Parties, the non-breaching Party may immediately terminate this Agreement; provided that Subcontractor may terminate this Agreement immediately upon written notice in the event that AMSC fails to provide the Letter of Credit (including any required replacement or renewal thereof) pursuant Section 3.4. For the avoidance of doubt, AMSC's failure to deliver the HTS Cable System which performs in accordance with the terms of this Agreement, including the warranties set forth in Section 16 and the terms of any applicable Statement of Work, shall be a material breach under this Agreement, subject to AMSC's opportunity to cure as set forth in the previous sentence.

2.2.3. Termination of or Amendment to the Project by U.S. Government. AMSC shall notify Subcontractor within three (3) days following the occurrence of (a) sending or receiving any notice of termination of the Prime Contract, (b) any termination of the Prime Contract, or (c) any amendments to the Prime Contract with regards to the Project, other than the amendments set forth in the Proposed DHS Amendment. For the avoidance of doubt, only amendments to the Prime Contract which would affect the Project, including with respect to construction requirements or standards, a Party's expenditure of funds or time, or the ability of the either Party to perform its obligations in connection with the Project, shall be subject to Section 2.2.3(c).

2.2.3.1. Either Party may terminate, at its sole discretion, this Agreement within thirty (30) days following the receipt of notice of a termination of the Prime Contract, except that, if a termination of the Prime Contract is due to AMSC's breach of the Prime Contract, only Subcontractor may terminate this Agreement, which right to terminate may be exercised at its sole discretion.

2.2.3.2. If the DHS Amendment differs from the Proposed DHS Amendment with regards to the Project (an "OTA Change"), the Parties agree as follows:

2.2.3.2.1. AMSC shall include in the written notice required pursuant to Section 2.2.3(c) a copy of the signed DHS Amendment ("Modification Notice").

2.2.3.2.2. Subcontractor may request a meeting with AMSC to review the DHS Amendment by delivering a written notice to AMSC ("Negotiation Request") at any time prior to the expiration of 30 days after receipt of the Modification Notice.

2.2.3.2.3. Promptly following AMSC's receipt of any Negotiation Request, Subcontractor and AMSC shall meet to discuss the OTA Change and possible

adjustments to this Agreement that may be requested by Subcontractor as a result of the OTA Change ("Requested Adjustment"). If, during the 30 days after the date that AMSC receives the Negotiation Request, or during any longer period as agreed upon in writing by the Parties, the Parties cannot reach an agreement with respect to any Requested Adjustment, either Party can terminate this Agreement by delivering a written termination notice to the other Party ("Termination Notice"). The Parties shall use good faith efforts to negotiate and cooperate with each other regarding any Requested Adjustment. Upon delivery of a Termination Notice, the Agreement shall terminate.

2.2.3.2.4. In the event that Subcontractor fails to deliver a Negotiation Request on or before 30 days after receipt of a Modification Notice or if Subcontractor provides AMSC with written notice that it waives its right to require a Requested Adjustment during such 30 day period, Subcontractor shall be deemed to have waived its right to require a Requested Adjustment and neither Party shall be entitled to terminate this Agreement pursuant to Section 2.2.3.2.3.

2.2.3.3. If DHS submits any additional amendments to the Prime Contract to AMSC regarding the Project after the Effective Date (each, a "Subsequent DHS Amendment"), the Parties agree as follows:

2.2.3.3.1. AMSC shall include in the written notice required pursuant to Section 2.2.3(c) a copy of the signed Subsequent DHS Amendment ("Subsequent Modification Notice").

2.2.3.3.2. Subcontractor may request a meeting with AMSC to review such Subsequent DHS Amendment by delivering a written notice to AMSC ("Subsequent Negotiation Request") at any time prior to the expiration of 30 days after receipt of the Subsequent Modification Notice.

2.2.3.3.3. Promptly following AMSC's receipt of the Subsequent Negotiation Request, Subcontractor and AMSC shall meet to discuss the Subsequent DHS Amendment and possible adjustments to this Agreement that may be requested by Subcontractor as a result of the Subsequent DHS Amendment ("Subsequent Requested Adjustment"). If, during the 30 days after the date that AMSC receives the Subsequent Negotiation Request, or during any longer period as agreed upon in writing by the Parties, the Parties cannot reach an agreement with respect to any Subsequent Requested Adjustment, either Party can terminate this Agreement by delivering written termination notice to the other Party ("Subsequent Termination Notice"). The Parties shall use good faith efforts to negotiate and cooperate with each other regarding any Subsequent Requested Adjustment. Upon delivery of a Subsequent Termination Notice, Subcontractor's sole and exclusive remedy for any and all claims arising under Section 2.2.3.3 shall be as set forth in Section 2.2.8.2 of this Agreement.

2.2.3.3.4. In the event that Subcontractor fails to deliver a Subsequent Negotiation Request on or before 30 days after receipt of a Subsequent Modification Notice or if Subcontractor provides AMSC with written notice that it waives its right to require a Subsequent Requested Adjustment during such 30 day period,

Subcontractor shall be deemed to have waived its right to require a Subsequent Requested Adjustment with respect to such Subsequent DHS Amendment and neither Party shall be entitled to terminate this Agreement pursuant to Section 2.2.3.3.3.

2.2.4. Termination for Adverse Events. Subcontractor may terminate this Agreement within thirty (30) days after receipt of notice pursuant to Section 2.2.5 if any of the following events occur at any time from the Effective Date until the date the HTS Cable System has been Accepted in accordance with Section 1.4 herein ("Commissioning"):

2.2.4.1. If AMSC commits any material default or violation of (a) any material debt agreement, instrument, indenture, mortgage or deed of trust to which it is a party or by which it is bound. AMSC shall provide Subcontractor with written notice of any material default as soon as possible after receipt thereof and, upon Subcontractor's request, status reports and any material correspondence relating thereto; or (b) the Prime Contract, or DHS terminates the Prime Contract as a result of a breach by AMSC;

2.2.4.2. If a Change In Control occurs. For purposes of this Agreement, the term "Change in Control" shall mean any of the following transactions or a series of related transactions where the acquiring, surviving or counter-party to the transaction is not a US domiciled entity having rated Baa/BBB or higher by Moody's and S&P, respectively, on or after each of the announcement and consummation of the Change of Control:

2.2.4.2.1. a sale, conveyance, transfer, distribution, lease, assignment, license or other disposition of all or substantially all of the assets of AMSC;

2.2.4.2.2. any consolidation, merger, dissolution or reorganization of AMSC in which the holders of all of the equity securities or securities or instruments convertible or exchangeable for equity securities (collectively, "securities") that may be entitled to vote for the election of any member of a board of directors or similar governing body of AMSC immediately prior to such transaction(s) hold less than fifty percent (50%) of the securities that may be entitled to vote for the election of any such member in such entity immediately following such transaction(s); or

2.2.4.2.3. any sale, transfer, issuance, or disposition of any securities of AMSC in which the holders of all of the securities that may be entitled to vote for the election of any member of a board of directors or similar governing body of AMSC immediately prior to such transaction(s) hold less than fifty percent (50%) of the securities that may be entitled to vote for the election of any such member in such entity immediately following such transaction(s);

2.2.4.3. If AMSC is unable to perform this Agreement as stated in writing by AMSC;

2.2.5. Notification of Adverse Event.

2.2.5.1. AMSC shall promptly provide written notice to Subcontractor:

2.2.5.1.1. upon the occurrence of any of the events described in subsection 2.2.4. during the term from the Effective Date through the date of Commissioning, or

2.2.5.1.2, in the event that AMSC becomes aware or reasonably believes that any of the events described in subsection 2.2.4. is imminent or likely to occur during such period.

2.2.6. Termination for Lack of Acceptance of Approvals.

2.2.6.1. AMSC may terminate this Agreement upon providing thirty (30) days prior written notice to Subcontractor if Subcontractor does not pursue all necessary approvals and permits set forth in Appendix A with reasonable diligence.

2.2.6.2. Either Party may terminate this Agreement upon providing thirty (30) days prior written notice to the other Party if Subcontractor is denied any necessary approval or permit required to be obtained by it on Appendix A and Subcontractor has not appealed, contested, or waived the condition or provided an alternate plan for obtaining such approval or permit within ninety (90) days after receipt of any such denial.

2.2.7. Reimbursement of Allowable Costs Upon Termination. In the event of any termination of this Agreement, Subcontractor shall provide to AMSC a termination proposal detailing all unpaid costs and expenses that have not already been reimbursed by Payable Milestone (as defined in Section 3.2) payments hereunder incurred through the effective date of termination ("Unpaid Amounts").

2.2.8. Effect of Termination.

2.2.8.1. If this Agreement is terminated by Subcontractor pursuant to Sections 2.2.1 and 2.2.2 hereof, Subcontractor shall, without limiting its other remedies set forth herein (subject to Sections 9.5 and 9.6), be entitled to draw the full \$5,000,000 amount of the Letter of Credit (as defined below).

2.2.8.2. If this Agreement is terminated pursuant to any of Sections 2.2.3.1, 2.2.3.3, 2.2.4 or 2.2.6 hereof, Subcontractor's sole and exclusive remedy for any and all claims arising under Sections 2.2.3.1, 2.2.3.3, 2.2.4 and 2.2.6 shall be limited to the Payable Milestones invoiced and earned up to the date of such termination plus the then outstanding amount of the Letter of Credit.

2.2.8.3. If this Agreement is terminated pursuant to Section 2.2.3.2, all rights and obligations of the Parties hereunder shall cease and be of no further force or effect; provided, however, the rights and obligations of the Parties under Section 4 (Proprietary Information), Section 5 (Intellectual Property), Section 9 (Indemnity and Limitation of Liability), Section 12 (Notices), and Section 17 (Miscellaneous) shall survive termination or cancellation of the Agreement indefinitely.

2.2.8.4. Upon the expiration or earlier termination of this Agreement other than pursuant to Section 2.2.3.2, all rights and obligations of the Parties hereunder shall cease and be of no further force or effect; provided, however, that the rights and obligations of the Parties under Section 3 (Pricing and Payment), Section 10 (Insurance), and Section 16 (Inspection and Warranty) shall survive for the duration of the Warranty Period, if applicable. However, Section 4 (Proprietary Information), Section 5 (Intellectual Property), Section 9 (Indemnity and Limitation of Liability), Section 12 (Notices), and Section 17 (Miscellaneous), shall survive termination or cancellation of the Agreement

indefinitely. Termination shall not prejudice either Party's rights accruing with regard to any period prior to the effective date of termination.

2.2.9. Continuation of Agreement after Termination Event

2.2.9.1. Without limitation on or waiver of any other rights or remedies of Subcontractor hereunder, Subcontractor shall be entitled to draw on the then outstanding amount of the Letter of Credit, upon providing written notice to AMSC within thirty (30) days following the occurrence of (a) any event that would be a default or give rise to Subcontractor's right to terminate or draw on the Letter of Credit pursuant to Sections 2.2.1, 2.2.2, 2.2.3.1, 2.2.4 or 2.2.6, or (b) any breach or failure to perform by AMSC any obligation to deliver a deliverable or provide a service expressly required or included in its respective obligations pursuant to the terms of this Agreement, in the case where Subcontractor does not terminate the Agreement, in an amount equal to Subcontractor's actual incurred damages caused by the occurrence of such event.

SECTION 3. PRICING AND PAYMENT

3.1. The total projected value to be reimbursed to Subcontractor for the Subcontractor Work required to be provided pursuant to this Agreement, including all taxes, is US \$1,000,000. AMSC's total projected value of AMSC's contribution of AMSC Obligations for the Project is [***], which amount includes the full cost of providing the HTS cable. AMSC shall pay to Subcontractor the amounts set forth below on the dates provided when Subcontractor satisfactorily completes the corresponding Milestone ("Payable Milestone") or as otherwise set forth in the Statement of Work. Section 3.1 and 3.2 may be revised or modified in accordance with subparagraph 3.2.1 herein, however the Subcontractor's reimbursement shall not exceed One Million Dollars (USD \$1,000,000) in cash. The foregoing limitation shall exclude amounts due to Subcontractor in connection with any change order mutually agreed to by the Parties, or in connection with AMSC's indemnification obligations or the Letter of Credit obligations, and shall not be deemed to limit any remedy of Subcontractor at law, in equity or otherwise available pursuant to the terms of this Agreement. Failure to provide reimbursement of a Payable Milestone as and when required pursuant to Section 3.2 and 3.3 shall be deemed to be a material breach of this Agreement subject to Section 2.2.2 of this Agreement.

3.2. Schedule of Milestones

Milestone Number	Description	Milestone Date	Reimbursement Amount
1	Notice from Subcontractor that long-lead materials (as determined by Subcontractor) have been ordered to perform the Subcontractor Work having a sale price in an amount not less than \$500,000 ("Payable Milestone #1")	To be determined by Subcontractor upon receipt of the DHS Amendment	\$500,000
2	Receipt by AMSC of plans for the designs described in Appendix A, Subcontractor Specific Responsibilities 1 through 4, together with a certification from Subcontractor that such designs are substantially complete, subject to any material assumptions set forth in such design plans.	To be determined by Subcontractor upon receipt of the DHS Amendment	\$500,000
TOTAL MILESTONE COSTS			\$1,000,000

3.2.1. At any time during the Term of the Agreement, progress or results may indicate that a change in the Statement of Work and/or the Schedule of Payable Milestones (the "Schedule") would be beneficial or required to achieve the program objectives. Recommendations for modifications, including justifications to support any changes to the Statement of Work and/or the Schedule will be documented in a letter and submitted by the Subcontractor to AMSC. This letter will detail the technical, chronological and financial impact, to the extent known to Subcontractor, of the proposed modification to this Agreement. Any resultant modification is subject to the mutual written agreement of the Parties. AMSC is not obligated to pay for, nor is Subcontractor obligated to perform, under the additional or revised Statement of Work or Schedule of Payable Milestones until such are formally adopted by mutual written agreement in accordance with the terms of this Agreement.

3.3. Payments

Subcontractor shall invoice AMSC for each completed Payable Milestone per this Section 3, and the following information shall be included on each such invoice:

- This Agreement Number
- Invoice Number and Date
- The time period covered by the invoice
- Milestone Number and Description from Schedule of Payable Milestones
- Milestone Completion Date
- Written description of work performed to complete Milestone (one or two paragraphs)
- Evidence of Subcontractor's completion for each Milestone reimbursement claimed
- Milestone Total Value in accordance with Schedule of Payable Milestones
- Subcontractor's Cost Share Amount

- Milestone Reimbursement Amount (Amount Claimed) in accordance with Schedule of Payable Milestones

3.3.1. Subcontractor shall document each Payable Milestone by submitting the deliverables in accordance with the Schedule of Payable Milestones in Section 3.2 and 3.3, and as defined in the Statement of Work. Subcontractor shall submit an electronic invoice to the email addresses below. In no event shall the date on any invoice submitted by Subcontractor precede the date on which the milestone criteria were met, as evidenced by reasonable documentation upon request of AMSC.

Send Invoices to:

American Superconductor Corporation
Attn: Accounts Payable
114 East Main Street
Ayer, MA 01432
Or email to: ap@amsc.com

With a copy to:

American Superconductor Corporation
Attn: [***]
114 East Main Street
Ayer, MA 01432
Or email to: [***]@amsc.com

3.3.2. AMSC shall reimburse Subcontractor for each completed Payable Milestone accomplished in accordance with Section 3.2 and the Statement of Work, delivered and invoiced in accordance with Section 3.3 above and approved by AMSC, subject only to Changes effectuated pursuant to Section 7. Any cost overruns incurred by Subcontractor as a result of Subcontractor's negligence or breach of its obligations to perform the Subcontractor Work pursuant to the terms of this Agreement, will be paid entirely by Subcontractor. Any cost overruns incurred by Subcontractor as a result of AMSC's or AMSC's Other Subcontractor's negligence or breach of its obligations to perform the AMSC Obligations pursuant to the terms of this Agreement, will be paid by AMSC. The Payable Milestones shall be the payment to which Subcontractor is entitled from AMSC in consideration of the completion of the Payment Milestones and shall become payable only after Subcontractor certifies that such Payable Milestone has been met. Payment shall be made by wire transfer to Subcontractor of immediately available funds in accordance with the instructions set forth immediately below or such other instructions as Subcontractor may hereafter provide by written notice delivered in accordance with this Agreement. Payments will be made by AMSC to Subcontractor's address set forth below no later than thirty (30) days after Subcontractor delivers an invoice in accordance with Section 3.3 hereof. Subcontractor shall provide the following payment information to AMSC:

Bank Account of Subcontractor:

Bank Name:
Bank Address:
BIC:
Account Number:

3.4. Letter of Credit. AMSC and Subcontractor have determined that in order to secure Subcontractor's right to recover certain losses that may be incurred after the Effective Date and secure Subcontractor's right to payment and performance pursuant to the terms of this Agreement, AMSC

shall deliver (or cause to be delivered) to Subcontractor a clean, irrevocable Letter of Credit (as defined below) in form and content satisfactory to Subcontractor, naming Subcontractor as beneficiary, a copy of which is attached to this Agreement as Appendix D within ten (10) business days after the date on which the first of the following events occurs: (1) AMSC and DHS have signed the DHS Amendment, and the DHA Amendment does not contain an OTA Change pursuant to Section 2.2.3.2; (2) the DHS Amendment contains an OTA Change and the Subcontractor fails to deliver a Negotiation Request on or before 30 days after receipt of a Modification Notice pursuant to Section 2.2.3.2.4; (3) the DHS Amendment contains an OTA Change and Subcontractor provides AMSC with written notice that it has waived its right to a Requested Adjustment pursuant to Section 2.2.3.2.4, or (4) the DHS Amendment contains an OTA Change and the Parties have reached an agreement with regards to the Requested Adjustment. The Letter of Credit must be issued by an issuing financial institution having an A- or better rating by Standard & Poor's. As used in this Agreement, "Letter of Credit" shall mean the letter of credit delivered to Subcontractor pursuant to this Section 3.4, any replacement letter of credit, and any amendment or renewal of the letter of credit or the replacement letter of credit. If AMSC at any time provides a confirming letter of credit, a replacement confirming letter of credit or an amendment or renewal of the confirming letter of credit or the replacement letter of credit, then the term "Letter of Credit" in this Agreement shall also mean the confirming letter of credit as so amended, renewed or replaced. The initial Letter of Credit to be provided under this Agreement shall have a minimum term of one year and shall automatically renew for additional renewal terms of no less than six (6) months through Commissioning and until the earlier to occur of (i) 60 days after final, unconditional and non-appealable acceptance of the HTS Cable System into the ratebase or (ii) termination of the Warranty Period (as defined below), unless the Letter of Credit or Agreement has already been terminated or cancelled by Subcontractor or otherwise drawn in full by Subcontractor. The Letter of Credit shall initially be in the amount of \$5,000,000. The Letter of Credit shall be valid for such time or until Subcontractor draws the full amount of the Letter of Credit or Subcontractor terminates the Letter of Credit. Subject to the terms of this Agreement, Subcontractor shall be entitled to draw on the Letter of Credit upon providing notice within sixty (60) days following the occurrence of (a) any event that would give rise to Subcontractor's right to terminate or draw on the Letter of Credit pursuant to Section 2.2.8, or (b) any breach or failure to perform by AMSC any obligation to deliver a deliverable or provide a service expressly required or included in its respective obligations pursuant to the terms of this Agreement or the applicable Statement of Work, in each case irrespective of whether or not Subcontractor terminates the Agreement, or (c) [***].

3.5. U.S. Comptroller General Access to Records. To the extent that the total Government payments under this Agreement exceed \$5,000,000 or to the extent required by Applicable Law, the Comptroller General, at its discretion, shall have access to and the right to examine records of any party to the Agreement or any entity that participates in the performance of this Agreement that directly pertain to and involve transactions relating to, the Agreement for a period of three (3) years after final payment is made. This requirement shall not apply with respect to any party to this Agreement or any entity that participates in the performance of the Agreement, or any subordinate element of such party or entity, that has not entered into any other contract, grant, cooperative agreement, or "other transaction" that provides for audit access by a Government entity in the 12 month period prior to the date of this Agreement. This paragraph only applies to any record that is created or maintained in the ordinary course of business or pursuant to a provision of law. The terms of this paragraph shall be included in all sub-agreements to the Agreement.

SECTION 4. PROPRIETARY INFORMATION

4.1. Any and all Proprietary Information (as that term is defined in the NDA and which shall also include Proprietary Information described in Section 5 herein) disclosed by either Party during the course of performance under this Agreement shall be subject to the terms and conditions contained in the NDA, as modified from time to time by written agreement by the Parties.

4.2. Notwithstanding any other term of this Agreement, or any other agreement between the Parties:

4.2.1. Subcontractor hereby grants to AMSC, its affiliates, and their successors and assigns a nonexclusive, worldwide, royaltyfree, right under Subcontractor's Proprietary Information and all intellectual property owned or controlled by Subcontractor, to perform the AMSC Obligations during the Term for the Project, through their employees and Other Subcontractors providing services for the Project.

4.2.2. AMSC hereby grants to Subcontractor, its affiliates, and their successors and assigns, a nonexclusive, worldwide, royaltyfree, perpetual, irrevocable, right under AMSC's Proprietary Information and all intellectual property owned or controlled by AMSC, necessary to perform the Subcontractor Work, and use, operate and maintain the HTS Cable System and any related or successor equipment and resources developed, delivered or deployed in connection with the Project , through their employees and subcontractors.

4.3. AMSC represents and warrants that other than the rights licensed pursuant to Section 4.2, no consent of any third party is necessary to use, operate and maintain the HTS Cable System; provided that the sole liability for infringement, misappropriation or violation of a third party's intellectual property shall be set forth in Section 9.3 hereof .

SECTION 5. INTELLECTUAL PROPERTY

5.1. Definitions.

The following is taken directly from the Prime Contract and required to be flowed down to all subcontractors and, therefore, changes are not allowed. For the avoidance of doubt, as used in this Article, "CONTRACTOR" means Subcontractor and "PRIME CONTRACT" shall also mean this Agreement.

As used in this Article, the following terms shall have the following meanings and such meanings shall be applicable to both the singular and plural forms of the terms. All other terms of this Section 8 shall be ascribed their plain, commonly accepted definitions.

5.1.1. "PRIME CONTRACT" means the Other Transaction Agreement No. HSHQDC-08-9-00001, including the preceding letter contract, Phases 0-2, and any modifications thereto.

5.1.2. "AUTHORIZED CONTRACTOR" means a DHS technical support services contractor, which is supporting the DHS OT Officer's Representative, the Department of Energy's (DOE's) national laboratories, the National Aeronautics and Space Administration's (NASA's) Space Center Management Contractors and the Contractor for the operation and management of the Jet Propulsion Laboratory, the Department of Defense's (DoD's) Federally Funded Research and Development Centers and University Affiliated Research Centers.

5.1.3. "BACKGROUND DATA" are any copyrightable work (WORKS), PROPRIETARY INFORMATION, TECHNICAL DATA, or COMPUTER SOFTWARE, CREATED exclusively at private expense prior to the award of or outside the scope of the PRIME CONTRACT.

5.1.4. "CREATED," in relation to any WORK, means when the WORK is fixed in any tangible medium of expression for the first time, as provided at 17 U.S.C. § 101. "Background Works" are Works Created outside of the PRIME CONTRACT and "Foreground Works" are Works Created under the PRIME CONTRACT.

5.1.5. "CRITICAL ENERGY INFRASTRUCTURE INFORMATION" means specific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure that: (1) relates details about the production, generation, transportation, transmission, or distribution of energy; (2) could be useful to a person in planning an attack on critical infrastructure; (3) is exempt from mandatory disclosure under the Freedom of Information Act, 5 U.S.C. 552 (2000); and (4) does not simply give the general location of the critical infrastructure. However, data that convey general operating, performance, and evaluation of operation characteristics of the HTS/FCL cable system will be considered FORM, FIT, and FUNCTION DATA.

5.1.6. "DATA" means recorded information, regardless of form or the media on which it may be recorded. The term includes TECHNICAL DATA and COMPUTER SOFTWARE. The term does not include information incidental to contract administration, such as financial, administrative, cost or pricing, or management information.

5.1.7. "FORM, FIT, AND FUNCTION DATA" means data relating to items, components, or processes that are sufficient to enable physical and functional interchangeability, and data identifying source, size, configuration, mating, and attachment characteristics, functional characteristics, and performance requirements. For computer software it means data identifying source, functional characteristics, and performance requirements but specifically excludes the source code, algorithms, processes, formulas, and flow charts of the software.

5.1.8. "GOVERNMENT" or "U.S. GOVERNMENT" or "UNITED STATES GOVERNMENT" means the Government of the United States of America. For the purpose of limitations on the disclosure of BACKGROUND DATA, PHASES 0-2 FOREGROUND DATA, the Government means Federal employees of DHS, DOE, NASA, and DoD.

5.1.9. "GOVERNMENT PURPOSE" means any activity in which the GOVERNMENT is a party, including cooperative agreements with international or multi-national defense organizations or sales or transfers by the GOVERNMENT to foreign governments or international organizations. GOVERNMENT PURPOSES include competitive procurement, but do not include the rights to use, modify, reproduce, release, perform, display, or disclose SUBJECT INVENTIONS or GOVERNMENT PURPOSE RIGHTS DATA for commercial purposes or authorize others to do so.

5.1.10. "GOVERNMENT PURPOSE RIGHTS DATA" means TECHNICAL DATA OR COMPUTER SOFTWARE that is PHASES 0-2 FOREGROUND DATA, to the extent that the type of data is listed on Appendix B.

5.1.11. "GOVERNMENT PURPOSE RIGHTS" means the rights to—

5.1.11.1. Use, modify, reproduce, release, perform, display, or disclose GOVERNMENT PURPOSE RIGHTS DATA within the GOVERNMENT for GOVERNMENT PURPOSES only; and

5.1.11.2. Release or disclose GOVERNMENT PURPOSE RIGHTS DATA outside the GOVERNMENT and authorize persons to whom release or disclosure has been made to use, modify, reproduce, release, perform, display, or disclose the GOVERNMENT RIGHTS DATA for GOVERNMENT PURPOSES only. DHS shall assure that any non-GOVERNMENT party receiving GOVERNMENT PURPOSE RIGHTS DATA shall be under an obligation not to disclose or to use the GOVERNMENT PURPOSE RIGHTS DATA except for the purposes of the PRIME CONTRACT.

5.1.12. "INVENTION" means any invention or discovery that is or may be patentable or otherwise protectable under Title 35 of the United States Code or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act (7 U.S.C. § 2321 et seq.).

5.1.13. "LIMITED RIGHTS DATA" means BACKGROUND DATA.

5.1.14. "LIMITED RIGHTS" means the rights to use, modify, reproduce, release, perform, display, or disclose, in whole or in part, within the GOVERNMENT but only in connection with this Project. The GOVERNMENT may not, without the written permission of the Contractor, release or disclose the LIMITED RIGHTS DATA outside the GOVERNMENT, use the LIMITED RIGHTS DATA for manufacture, or authorize the LIMITED RIGHTS DATA to be used by another party, except that the GOVERNMENT may reproduce, release or disclose such LIMITED RIGHTS DATA or authorize the use or reproduction of the LIMITED RIGHTS DATA by AUTHORIZED CONTRACTORS if reproduction, release, disclosure, or use is for-

5.1.14.1. Use (except for commercial purposes) by support service contractors related to this Project.

5.1.14.2. Evaluation of this Project by nongovernment evaluators.

5.1.14.3. Use (except for commercial purposes) by other contractors participating in this Project.

5.1.14.4. Emergency repair or overhaul work.

5.1.15. "MADE" in relation to any INVENTION means the conception or first actual reduction to practice of such INVENTION.

5.1.16. "PATENT" means an invention, for which the U.S. Patent and Trademark Office has issued a PATENT under title 35 of the U.S. Code, or any variety of plant that is or may be protectable under the Plant Variety Protection Act (7 U.S.C. § 2321, et seq.)

5.1.17. "PRACTICAL APPLICATION" means to manufacture, in the case of a composition of product; to practice, in the case of a process or method, or to operate, in the case of a machine or system; and, in each case, under such conditions as to establish that the INVENTION is capable of being utilized and that its benefits are, to the extent permitted by law or GOVERNMENT regulations, available to the public on reasonable terms.

5.1.18. "PROPRIETARY INFORMATION" means BACKGROUND DATA, including but not limited to that listed in Attachment 1 ("LIMITED RIGHTS PROPRIETARY INFORMATION") hereto, owned by CONTRACTOR which was CREATED exclusively at private expense prior to the award of or outside the scope of the PRIME CONTRACT and which embodies trade secrets or which:

- 5.1.18.1. Is not generally known, or is not available from other sources without obligation restricting its disclosure;
- 5.1.18.2. Has not been made available by the owners to others without obligation restricting its disclosure;
- 5.1.18.3. Is not described in an issued patent or a published copyrighted work or is not otherwise available to the public without obligation restricting its disclosure; or
- 5.1.18.4. Can be withheld from disclosure under the Freedom of Information Act, 5 U.S.C. § 552 et seq.; and
- 5.1.18.5. Is identified as such by labels or markings designating the information as proprietary.

5.1.19. "SPECIAL PURPOSE LICENSE" means a license to the GOVERNMENT conveying a nonexclusive, nontransferable, irrevocable, worldwide, royalty-free license to practice and have practiced any SUBJECT INVENTION for or on behalf of the GOVERNMENT for GOVERNMENT PURPOSES only.

5.1.20. "SUBJECT INVENTION" means any INVENTION of any party MADE by its employees under the PRIME CONTRACT.

5.1.21. "TECHNICAL DATA" means recorded information of a scientific or technical nature, regardless of form or the media on which it may be recorded, CREATED or used under the PRIME CONTRACT. The term includes TECHNICAL DATA and COMPUTER SOFTWARE.

5.1.22. "COMPUTER SOFTWARE" as used in this clause, means computer programs, computer data bases, and documentation thereof, CREATED or used under the PRIME CONTRACT.

5.1.23. "UNLIMITED RIGHTS" means the rights of the GOVERNMENT to use, disclose, reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, in any manner and for any purpose, and to have or permit others to do so.

5.2. Patents.

5.2.1. PATENT Identification.

5.2.1.1. The CONTRACTOR has provided a listing of all PATENTS and pending PATENT applications owned by the CONTRACTOR and its subcontractors associated with the technology that is being pursued under the PRIME CONTRACT, classified as BACKGROUND PATENTS or as SUBJECT INVENTIONS, which listing is attached as Appendix B.

5.2.1.2. PATENT Indemnity.

5.2.1.2.1. The CONTRACTOR shall indemnify AMSC and its officers, agents, and employees against liability, including costs, for infringement of any United States PATENT (except a PATENT issued upon an application that is now or may hereafter be withheld from issue pursuant to a Secrecy Order under 35 U.S.C. § 181) arising out of the manufacture or delivery of supplies, the performance of services, or

the construction, alteration, modification, or repair of real property (hereinafter referred to as "construction work") under the Agreement, or out of the use or disposal by or for the account of AMSC of such supplies or construction work, but only in the event the infringement liability is based solely on the use, manufacture, offering for sale, sale, or importation of the deliverables provided by CONTRACTOR in accordance with this Agreement and any related BACKGROUND PATENTS. For avoidance of doubt, if the infringement liability is based on supplies, services, or construction work (A) covered by the SUBJECT INVENTIONS listed in Appendix B, (B) provided by AMSC or any other subcontractor of AMSC or (C) provided pursuant to services for any other portion of the Project not required pursuant to Section 2.2, CONTRACTOR shall have no indemnity obligation pursuant to this Agreement.

5.2.1.2.2. This indemnity shall not apply unless the CONTRACTOR shall have been informed as soon as practicable by the GOVERNMENT of the suit or action alleging such infringement and shall have been given such opportunity as is afforded by applicable laws, rules, or regulations to participate in its defense. Further, this indemnity shall not apply to:

(A) An infringement resulting from compliance with specific written instructions of the DHS OT Officer directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the PRIME CONTRACT not normally used by the CONTRACTOR;

(B) An infringement resulting from addition to or change in supplies or components furnished or construction work performed that was made subsequent to delivery or performance;

(C) A claimed infringement that is unreasonably settled without the consent of the CONTRACTOR, unless required by final decree of a court of competent jurisdiction; or

(D) An infringement resulting from: (1) the performance of AMSC or any other subcontractor of AMSC; or (2) compliance with specific written instructions of AMSC directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the Agreement not normally used by the Subcontractor.

5.2.1.3. For the purposes of this sub-clause "GOVERNMENT" shall mean AMSC.

5.2.2. Disclosure of SUBJECT INVENTIONS. The CONTRACTOR will promptly disclose to the DHS OT Officer any SUBJECT INVENTION that is MADE by its employees or is MADE under any of the CONTRACTOR's subcontracts after the execution of this Agreement.

5.2.3. Allocation of Principal Rights. Each party shall separately own any SUBJECT INVENTIONS made solely by its employees under the PRIME CONTRACT. The parties shall jointly own SUBJECT INVENTIONS MADE jointly by the GOVERNMENT and any CONTRACTOR employees under the PRIME CONTRACT. The CONTRACTOR hereby grants the GOVERNMENT a SPECIAL PURPOSE LICENSE to each SUBJECT INVENTION.

5.2.4. Action to Protect the GOVERNMENT's Interest.

5.2.4.1. The CONTRACTOR agrees to execute or to have executed and promptly deliver to GOVERNMENT all instruments necessary to establish or confirm the rights the GOVERNMENT has throughout the world in those SUBJECT INVENTIONS.

5.2.4.2. The CONTRACTOR shall include, within the specification of any United States PATENT application and any PATENT issuing thereon covering a SUBJECT INVENTION, the following statement: "This invention was made with Government support under Agreement No.: HSHQDC-08-9-00001. The Government has certain rights in the invention."

5.2.5. Reporting on Utilization of SUBJECT INVENTIONS. Upon request by the GOVERNMENT, the CONTRACTOR shall submit a final report on the utilization of SUBJECT INVENTIONS or on efforts at obtaining such utilization that are being made by the CONTRACTOR or its licensees or assignees. The report shall include information regarding the status of development, date of first commercial sale or use, gross royalties received by the CONTRACTOR, its subcontractor(s), and such other data and information as the GOVERNMENT may reasonably specify. The CONTRACTOR also agrees to provide additional reports as may be requested by the GOVERNMENT. The GOVERNMENT shall not disclose such information to persons outside the GOVERNMENT without permission of the CONTRACTOR.

5.2.6. Non-exclusive Licenses to Others. In addition to the SPECIAL PURPOSE LICENSE, the CONTRACTOR, its exclusive licensee, or any assignee agree to grant a non-exclusive license(s) to a responsible applicant(s), upon terms that are reasonable under the circumstances, if:

5.2.6.1. The CONTRACTOR or assignee has not taken effective steps, consistent with the intent of the PRIME CONTRACT, to achieve practical application of the SUBJECT INVENTION within 5 years of the termination or expiration of the PRIME CONTRACT;

5.2.6.2. Such action is necessary to alleviate health or safety needs that are not reasonably satisfied by the CONTRACTOR, its exclusive licensees, or any assignee; or

5.2.6.3. Such action is necessary to meet requirements for public use and such requirements are not reasonably satisfied by the CONTRACTOR, its exclusive licensee, or assignee.

If the CONTRACTOR, exclusive licensee, or assignee refuses to grant such a non-exclusive license, the GOVERNMENT has the right to seek resolution through the disputes process set forth in the Prime Contract.

5.3. Copyrights

5.3.1. COPYRIGHT Ownership. The CONTRACTOR shall own the copyright in all Foreground and Background Works which are copyrightable under Title 17, United States Code. The Contractor shall have the option to register the copyright at the Contractor's expense.

5.3.2. Rights to the GOVERNMENT. The CONTRACTOR hereby grants to the GOVERNMENT:

5.3.2.1. UNLIMITED RIGHTS in all FORM, FIT, AND FUNCTION DATA and all Phase 0-2 FOREGROUND DATA, except to the extent that the PHASE 0-2 FOREGROUND DATA qualifies and is properly marked as:

5.3.2.1.1. One of the types of data listed on Appendix B (LIMITED RIGHTS PROPRIETARY INFORMATION/GOVERNMENT PURPOSE RIGHTS DATA AND SOFTWARE);

5.3.2.1.2. GOVERNMENT PURPOSE RIGHTS DATA produced under Phases 0-2; or

5.3.2.1.3. LIMITED RIGHTS.

5.3.3. Disclosure. The CONTRACTOR shall furnish to the GOVERNMENT, at no cost to the GOVERNMENT and upon written request by the GOVERNMENT, three (3) copies of each FOREGROUND DATA deliverable, if the WORK is required to be delivered to the GOVERNMENT under the PRIME CONTRACT.

5.3.4. Additional Data Requirements.

5.3.4.1. In addition to the TECHNICAL DATA or COMPUTER SOFTWARE specified to be delivered under the PRIME CONTRACT, the DHS OT Officer may, at any time during the PRIME CONTRACT performance or within a period of 3 years after acceptance of all items to be delivered under this the PRIME CONTRACT, order any data CREATED or specifically used in the performance of the PRIME CONTRACT.

5.3.4.2. When data are to be delivered under this clause, the Contractor will be compensated for converting the data into the prescribed form, for reproduction, and for delivery.

5.3.5. Consultation Before Disclosure.

5.3.5.1. In the performance of Phase 2, DHS may need to disclose LIMITED RIGHTS DATA or GOVERNMENT PURPOSE RIGHTS DATA, whether the DATA originated under Phases 0-2, to third parties for assistance in its oversight of the Project. Paragraphs (b) and (c) of this clause describe the process by which that DATA will be made available.

5.3.5.2. Prior to DHS's disclosing any LIMITED RIGHTS DATA and PHASES 0-2 FOREGROUND DATA to AUTHORIZED CONTRACTORS, DHS will provide notice to the CONTRACTOR and allow a review for identification of relevant, competing work's being performed by the same entity on a competing technology. Should any such circumstance be identified, DHS will acquire relevant facts, and the Parties will consult to reach a mutually agreeable strategy to safeguard the specific LIMITED RIGHTS or PHASES 0-2 FOREGROUND DATA.

5.3.5.3. Prior to DHS's disclosing any GOVERNMENT PURPOSE RIGHTS DATA outside of DHS, DHS will provide the notice to the CONTRACTOR.

5.3.5.4. The parties agree to confer and consult with each other prior to publication or other public disclosure of the results of work under the PRIME CONTRACT to ensure that no LIMITED RIGHTS DATA or GOVERNMENT PURPOSE RIGHTS DATA and/or military critical technology or other controlled information is released. No CRITICAL ENERGY

INFRASTRUCTURE INFORMATION may be disclosed without the prior written consent of the party who owns such information. Prior to submitting a manuscript for publication or before any other public disclosure, each party will offer the other party ample opportunity to review and approve such proposed publication or disclosure, to submit objections, and to file applications for PATENTS in a timely manner. It is understood and agreed between the parties that the Contractor may need to consult with and obtain approval from a subcontractor or other third party whose information may be included in a proposed publication or disclosure and that Contractor will be afforded ample opportunity to do so.

5.4. Subcontract Agreements. The CONTRACTOR shall include this Section 8, suitably modified, to identify the Parties, in all subcontracts or lower tier agreements, regardless of tier.

SECTION 6. DELIVERY AND INSTALLATION

6.1. Delivery. Each Party shall be responsible for the delivery of all deliverables and the performance of all services required or included in its respective obligations pursuant to the terms of this Agreement and the Statement of Work.

6.2. Each Party shall diligently pursue and otherwise use commercially reasonable efforts to render its performance in accordance with this Agreement and the Statement of Work.

6.3. If a delivery is not completed in accordance with the schedule in Section 3.2 or Appendix A (the "Delivery Breach"), the Party obligated to deliver shall promptly notify the other Party of the estimated date for conforming delivery. The receipt or acceptance of all or part of a non-conforming delivery shall not constitute a waiver of any claim, right or remedy of the receiving Party under this Agreement or under applicable law.

6.4. Installation of the Project. Each Party shall be responsible for the protection and care of the Project equipment and materials of the other Party while in the control or possession of such receiving Party or its subcontractors. Subcontractor shall make regular and diligent progress to complete the installation and energization of the Project in accordance with the terms and conditions of this Agreement.

SECTION 7. CHANGES

7.1. Any Party may request, at any time and from time to time, by written notice to the other Party, a change in Project specifications or designs, or to the method of packing or shipment, quantity ordered, destination or delivery schedule of Project equipment (each a "Proposed Change"). If any such Proposed Change causes an increase or decrease in Subcontractor's cost and/or the time for performance, Subcontractor shall notify AMSC in writing within fifteen (15) days after the date of written notice of the Proposed Change and such notice by Subcontractor shall include details of any cost and/or schedule impact, as applicable ("Change Proposal"). If AMSC and Subcontractor agree to the Change Proposal, AMSC shall submit such Change Proposal to DHS, and upon written approval by DHS, including approval of an increase in costs and DHS's obligation to reimburse such increased costs related to the Change Proposal, Subcontractor and AMSC shall implement the Proposed Change. Both parties acknowledge that the time

to process a Proposed Change may increase the overall Project schedule and that each Party will bear its own costs associated with that delay. If AMSC or Subcontractor does not agree to such Change Proposal or DHS does not approve such Proposed Change, the Parties shall continue the performance of their obligations hereunder and the Proposed Change shall not be effective. In no event shall either Party be bound by any Change Proposal or Proposed Change absent a written change order executed by Subcontractor and AMSC.

7.2. Notwithstanding Section 7.1, AMSC shall agree to implement any Proposed Change to the extent Technically Feasible upon Commercially Reasonable Terms and shall agree to implement any Proposed Change without additional charge or schedule change to the extent the Proposed Change does not require material deviations from any Statement of Work, or from costs otherwise projected for such changed item. As used in this Section 7.2, the term "Technically Feasible" means capable of accomplishment as evidenced by prior commercial success within the superconductor industry for similar projects deployed worldwide; and "Commercially Reasonable Terms" means both financial and commercial terms that, individually and in the aggregate, are consistent with concepts of good faith and fair dealing and are no less favorable to Subcontractor than those contained in this Agreement, if any, and to other AMSC customers in similar circumstances for similar work, if any.

SECTION 8. REPORTING

8.1. Subcontractor shall submit reports (the "Reports") to AMSC at such times and frequencies and containing such information as is required in writing by DHS or set forth in the applicable Statement of Work or required under the Prime Contract.

8.2. Subcontractor represents and warrants that, to the best of its knowledge after due inquiry, all information included in the Reports shall be true and accurate in all material respects.

8.3. Subcontractor expressly acknowledges and understands that the Reports may be delivered by AMSC to the DHS.

8.4. AMSC shall have no obligation to Subcontractor to review the Reports, and neither Party shall be liable for claims made by third parties, except for any United States government agency, against the other Party for any errors or omissions in the Reports required or provided by such other Party.

SECTION 9. INDEMNITY AND LIMITATION OF LIABILITY

9.1. Indemnification by Subcontractor. Subcontractor shall indemnify, defend and hold harmless AMSC, its affiliates and each of their respective officers, directors, employees, agents, successors and permitted assigns from and against any claim, loss, damage, liability or expense (including reasonable attorney's fees) arising out of any personal injury (including death) to or property damage experienced by any third party, including without limitation AMSC's employees, subcontractors and independent contractors, as a result of: (i) death or bodily injury to the extent caused by Subcontractor, its subcontractors or any affiliate thereof; (ii) the gross negligence or willful and/or reckless acts or omissions of Subcontractor or of its employees or subcontractors in its performance of its obligations

under this Agreement (except to the extent resulting from the acts taken or omitted by Subcontractor or its employees or subcontractors at the direction of AMSC or its subcontractors, or for any design or specifications provided by AMSC or its subcontractors); (iii) Subcontractor's failure to pay and discharge any taxes (including interest and penalties) for which Subcontractor is responsible; or (iv) any claim that any employee of Subcontractor, its affiliates, its contractors, or subcontractors is an employee of AMSC or a jointly employed by Subcontractor and AMSC. To receive the benefit of indemnification under this Section, the indemnified party must promptly notify Subcontractor of a claim or suit and provide reasonable cooperation (at Subcontractor's expense) and tender to Subcontractor (and its insurer) full authority to defend or settle the claim or suit (provided that Subcontractor shall obtain AMSC's prior written consent to any settlement that admits fault or wrongdoing on the part of AMSC or obligates AMSC to pay any amount not fully indemnified under this Agreement). Subcontractor has no obligation to indemnify for any settlement made without its consent or for any claim to the extent lack of prompt notice shall have prejudiced Subcontractor.

9.2. Indemnification by AMSC. AMSC shall indemnify, defend and hold harmless Subcontractor, its affiliates and each of their respective officers, directors, employees, agents, successors and permitted assigns from and against any claim, loss, damage, liability or expense (including reasonable attorney's fees) arising out of any personal injury (including death) to or property damage experienced by any third party, including without limitation Subcontractor's employees, subcontractors and independent contractors, as a result of: (i) death or bodily injury to the extent caused by AMSC, its subcontractors or any affiliate thereof (ii) the gross negligence or willful and reckless misconduct of AMSC in its performance of its obligations under this Agreement (except to the extent resulting from the acts taken or omitted by AMSC or its employees or subcontractors at the direction of Subcontractor or its subcontractors, vendors or agents or for any design or specifications provided or approved by Subcontractor or its subcontractors, vendors or agents); (iii) AMSC's failure to pay and discharge any taxes (including interest and penalties) for which AMSC or its subcontractors is responsible, or any lien or encumbrance placed upon the property of Subcontractor or its affiliates or subcontractors in connection with this Agreement as a result of AMSC or its subcontractor's acts or omissions; or (iv) any claim that any employee of AMSC, its affiliates, its contractors, or subcontractors is an employee of Subcontractor or a jointly employed by Subcontractor and AMSC. To receive the benefit of indemnification under this Section, the indemnified party must promptly notify AMSC of a claim or suit and provide reasonable cooperation (at AMSC's expense) and tender to AMSC (and its insurer) full authority to defend or settle the claim or suit (provided that AMSC shall obtain Subcontractor's prior written consent to any settlement that admits fault or wrongdoing on the part of Subcontractor or obligates Subcontractor to pay any amount not fully indemnified under this Agreement). AMSC has no obligation to indemnify for any settlement made without its consent or for any claim to the extent lack of prompt notice shall have prejudiced AMSC.

9.3. Intellectual Property Indemnity

9.3.1. Indemnity. Each Party (the "Indemnifying Party") shall indemnify, defend and hold the other Party, its affiliates and each of their respective officers, directors, employees, agents, successors and permitted assigns (the "Indemnified Party") harmless from and against all liabilities, damages, expenses, judgments and losses (including reasonable attorneys' fees) ("Losses") arising from claims raised by any

third party alleging infringement, misappropriation or violation of such third party's intellectual property as a result of the Indemnified Party's use of products, equipment, technology and/or systems (the "Products") supplied by the Indemnifying Party, provided that the Indemnified Party provides to the Indemnifying Party prompt written notice of such claim, reasonable assistance in connection with the defense of such claim, and control over the negotiation, litigation, and settlement of such claim.

9.3.2. Remedy for Infringement.

9.3.2.1. If the Indemnified Party's continued use of the Product is restricted or prohibited as a result of any such infringement, misappropriation, or violation of third party rights, Indemnifying Party shall, at Indemnified Party's option and at no charge to Indemnified Party, and in addition to Indemnified Party's other rights and remedies under this Section 9.3, (i) obtain for Indemnified Party the right to continue using the such Product; (ii) modify the item(s) in question so that it is no longer infringing (provided that such modification does not degrade the performance or quality of the Product or adversely affect Indemnified Party's intended use thereof as contemplated in this Agreement); or (iii) replace such item(s) with a non-infringing functional equivalent, provided that Indemnifying Party makes commercially reasonable efforts to ensure that the implementation of such equivalent does not have any adverse impact on Indemnified Party use thereof or performance of any of its business operations related thereto.

9.3.2.2. If none of Section 9.3.2.1(i), (ii) or (iii) is available to Indemnifying Party after exercising all commercially reasonable efforts, it shall have the right to require Indemnified Party to cease using and to remove the affected Product, provided that Indemnified Party shall maintain all rights and remedies otherwise available under this Section 9.3.

9.3.2.3. Notwithstanding the foregoing, Indemnifying Party shall not have any obligation of indemnification under Section 9.3 to the extent that such infringement or misappropriation is directly attributable to: (i) modifications made by Indemnified Party or any other party after delivery to Indemnified Party (other than at Indemnifying Party's direction) if such infringement or misappropriation would not have occurred but for such modification, (ii) the combination of the Product with items not furnished, specified or reasonably anticipated by Indemnifying Party to be used by Indemnified Party or contemplated by this Agreement if such infringement or misappropriation would not have occurred but for such combined use, (iii) any infringement or misappropriation arising from Indemnifying Party's compliance with Indemnified Party's designs, specifications, or directions if such infringement or misappropriation would not have occurred but for such compliance and Indemnifying Party had no reasonable basis for knowing that such compliance would result in an infringement or misappropriation, or (iv) any intellectual property or Proprietary Information in which the Indemnified Party or any affiliate of the Indemnified Party has an ownership interest or license (independent of this Agreement).

9.3.3. Sole Liability. Except to the extent set forth in Section 5, this section states the Indemnifying Party's sole liability for intellectual property infringement for which the Indemnifying Party is responsible hereunder. If there is a conflict between Section 5.2.1.2 and this Section 9.3., Section 5.2.1.2 shall govern.

9.4. Survival. The Parties' respective indemnity obligations shall survive completion of the work and, in any event, for [***] ([***)] years after the earlier to occur of (a) termination of this Agreement and (b) [***] years from the date of Commissioning; provided that with respect to any claims for indemnification for which a party has provided notice to the other party within such period, the rights and obligations of the parties with respect to such indemnified claims shall continue through the full and final resolution of such claims.

9.5. Limitation of Liability. EXCEPT WITH REGARD TO CAUSES OF ACTIONS ARISING FROM A PARTY'S OR ITS AFFILIATE'S OR SUBCONTRACTORS' FRAUD, GROSS NEGLIGENCE OR WILLFUL AND INTENTIONAL MISCONDUCT, A BREACH OF CONFIDENTIALITY OBLIGATIONS OR DAMAGES FOR INDEMNIFICATION FOR BODILY INJURY OR DEATH AS SET FORTH IN, AND SUBJECT TO THE PROVISIONS OF, SECTIONS 9.1 AND 9.2 OF THIS AGREEMENT (COLLECTIVELY, "CAUSES OF ACTION"), THE AGGREGATE LIABILITY OF EACH PARTY, ITS AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUBCONTRACTORS AND SUPPLIERS IN ANY AND ALL CAUSES OF ACTION ARISING UNDER, OUT OF, OR IN RELATION TO THIS AGREEMENT, OR THE PERFORMANCE, BREACH OR TERMINATION OF THIS AGREEMENT SHALL NOT EXCEED TWENTY MILLION DOLLARS (US\$20,000,000), REGARDLESS OF WHETHER THE CAUSE OF ACTION ARISES IN TORT, INCLUDING, WITHOUT LIMITATION, NEGLIGENCE OR STRICT LIABILITY, IN CONTRACT, UNDER STATUTE OR OTHERWISE.

9.6. Waiver of Consequential Damages. EXCEPT WITH REGARD TO CAUSES OF ACTIONS ARISING FROM A PARTY'S OR ITS AFFILIATE'S OR SUBCONTRACTORS' FRAUD, GROSS NEGLIGENCE OR WILLFUL AND INTENTIONAL MISCONDUCT, A BREACH OF CONFIDENTIALITY OBLIGATIONS OR DAMAGES FOR INDEMNIFICATION FOR BODILY INJURY OR DEATH AS SET FORTH IN, AND SUBJECT TO THE PROVISIONS OF, SECTIONS 9.1 AND 9.2 OF THIS AGREEMENT, NO PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES.

SECTION 10. INSURANCE

10.1. AMSC shall provide and maintain in effect during the performance of any AMSC Obligations under the Statement of Work and this Agreement minimum insurance coverage with carriers authorized to conduct business in the State in which the AMSC Obligations is to be done and otherwise reasonably satisfactory to Subcontractor for a period beginning on the Effective Date and remaining in effect for not less than three (3) years from the date of Commissioning, and in no event less than the duration of this Agreement, including: (a) Workers Compensation insurance with statutory limits, as required by the state in which the AMSC Obligations are to be performed; (b) Employer's liability insurance with limits of not less than one million dollars (\$1,000,000.00) each accident for bodily injury by accident, each employee for bodily injury by disease, and policy limit; (c) Commercial general liability (CGL) insurance (with coverage consistent with ISO Form CG 00 01 12 07 or its equivalent with a limit of not less than four million dollars (\$4,000,000.00) per occurrence and per project or per location aggregate, covering liability for bodily injury and property damage, arising from premises, operations, independent contractors, personal injury/advertising injury, and products/completed operations . CGL insurance includes coverage for claims against Subcontractor for injuries to AMSC personnel; (d) Automobile liability insurance coverage (including coverage for claims against Buyer for injuries to AMSC personnel) for owned, non-owned, and hired autos with a limit of not less than two million dollars (\$2,000,000.00) per accident; (e) Errors and Omissions insurance coverage with a limit of not less than twenty million

dollars (\$20,000,000); and (f) Excess or Umbrella liability insurance coverage (including coverage for claims against Subcontractor for injuries to AMSC personnel) with a limit of not less than twenty million dollars (\$20,000,000) per occurrence. These limits apply in excess of each of the above mentioned policies. Excess coverage shall be follow form. The liability limits under Sections 10(c), 10(d) and 10(f) may be met with any combination of primary and Excess or Umbrella Insurance policy limits totaling twenty million dollars (\$20,000,000).

10.2. If any policy is written on a claims made basis, the retroactive date may not be advanced beyond the date of the first Statement of Work and coverage shall be maintained in full force and effect for five (5) years after termination of this Agreement and all Statements of Work. AMSC shall be responsible for any deductibles or self-insured retentions applicable to the insurance provided in compliance with Section 10. To the extent permitted by Applicable Laws, unless otherwise provided, all above-mentioned insurance policies shall:(1) Except for excess/umbrella liability, workers' compensation and automobile liability insurance be primary and non-contributory to any other insurance carried by Subcontractor; (2) Contain cross-liability coverage as provided under standard ISO Forms' separation of insureds clause; (3) Provide for a waiver of all rights of subrogation which AMSC's insurance carrier might exercise against Subcontractor; (4) Not require contribution before any Excess or Umbrella liability coverage will apply; (5) having ratings of A-/VII or better in the Best's Key Rating Insurance Guide (latest edition in effect at the latest date stated in the Certificate of Insurance; and (6) not include any endorsement limiting coverage available to Subcontractor which is otherwise required by this Section 10.

10.3. All liability insurance policies shall name Subcontractor and its affiliates and their officers, directors, employees, agents, representatives, affiliates, subsidiaries, successors, and assigns, as additional insureds, shall be primary to any other insurance carried by Subcontractor, and shall provide coverage consistent with ISO Form CG 2026 (11/85), or the combination of ISO Form CG 20 10 04 13 and CG 20 37 04 13, or their equivalents, and shall maintain the required coverages (including but not limited to coverage for claims against Subcontractor for injuries to AMSC Personnel), for a period of not less than five (5) years from the date of termination of this Agreement. AMSC shall provide evidence of the required insurance coverage and file with Subcontractor a Certificate of Insurance acceptable to Subcontractor prior to commencement of the AMSC Obligations.

SECTION 11.ASSIGNMENT AND AMENDMENT

11.1. Assignment. This Agreement may not be assigned or transferred, in whole or in part, by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed.

11.2. Amendment. This Agreement may not be amended except by a written instrument, signed by the Parties.

SECTION 12. NOTICES

12.1. All notices required or permitted to be given under this Agreement shall be in writing and signed by or on behalf of the Party giving it and shall be given by hand delivery, courier or by prepaid recorded airmail to the respective addresses for the Party to receive it as shown below (or at such other address as such Party shall have specified by a notice given to the other Party hereto in accordance with this Section 12.1). All such notices shall be deemed to be given (i) if delivered by hand or courier, when delivered, and

(ii) if sent by prepaid recorded airmail delivery or regulated airmail post, upon receipt; provided, however, that any delivery made after 5:00 pm on a business day or at any time on a non-business day shall be deemed to be received on the next following business day.

12.1.1. Notice to AMSC shall be given to:

American Superconductor Corporation
114 East Main Street
Ayer, MA 01432
Attention: [***]
Telephone: [***]
[***]@amsc.com
With a copy to:

American Superconductor Corporation
114 East Main Street
Ayer, MA 01432
Attention: General Counsel
legal@amsc.com

12.1.2. Notices to Subcontractor shall be given to:

Commonwealth Edison
One Lincoln Center
Oak Brook Terrace, IL 60181
Attention: [***]
office [***]
[***]@exeloncorp.com

With a copy to (which copy shall not be deemed notice):

[***]Ballard Spahr LLP
1735 Market St., Suite 5100
Philadelphia, PA 19103
Telephone: [***]

SECTION 13. REPRESENTATIONS AND WARRANTIES

13.1. Organization and Qualification of the Parties. Each Party represents and warrants that it is duly organized, validly existing and in good standing under the laws of the state of its formation and has all necessary power and authority to enter into this Agreement and the agreements contemplated hereunder, including without limitation its agreements with subcontractors to carry out its obligations hereunder. Each Party is duly licensed or qualified to do business and is in good standing in each jurisdiction where such licensing or qualification is necessary to perform its obligations hereunder, except for such failure to license or qualify that would not reasonably be expected to have an adverse effect on such Party's ability to perform its obligations pursuant to the terms hereof.

13.2. Authorization and Authority. The execution and delivery of this Agreement and any ancillary documents related hereto, the performance of each Party of its obligations hereunder are within each Party's corporate powers and have been duly authorized by all necessary action on the part of each Party. This Agreement has been duly executed and delivered by each Party, and (assuming due authorization, execution and delivery by the other parties thereto) this Agreement constitutes, the legal, valid and binding obligations of each Party enforceable against each Party in accordance with its respective terms, subject only to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

13.3. Compliance with Laws. Each Party has conducted its business in accordance with all material respects of Applicable Laws and is not in violation of any Applicable Law, except for such failure to comply or violations that would not reasonably be expected to have an adverse effect on such Party's ability to perform its obligations pursuant to the terms hereof.

13.4. Except for the permits required to be obtained by Subcontractor set forth on Appendix A, Subcontractor has obtained or will obtain in a timely manner all approvals and consents of third parties necessary for it to perform its obligations under this Agreement.

13.5. AMSC has obtained or will obtain in a timely manner all approvals and consents of third parties necessary for it to perform its obligations under this Agreement.

13.6. This Agreement constitutes the valid and binding agreement of the Parties, enforceable against each Party in accordance with its terms, subject only to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

13.7. AMSC represents that the Refrigeration System (as defined in Appendix A) together with the Bailed Property (as defined below) are sufficient to support, use, operate and maintain the HTS Cable System. This representation shall expire and be of no further force and effect upon Commissioning. Upon Commissioning, Subcontractor shall forever release and waive any and all claims and rights under this Section 13.7, including without limitation its right to rescission. For the avoidance of doubt, nothing in this Section 13.7 shall affect Subcontractor's rights under Section 16.

SECTION 14. EXPORT REGULATIONS

14.1. All technical data or commodities of United States origin made available directly or indirectly hereunder shall be used subject to and in accordance with Applicable Laws and regulations of the departments and agencies of the United States Government. Each Party agrees not to export or re-export, directly or indirectly, any technical data of United States origin acquired from the other Party or any commodities using such data to any destination requiring United States Government approval for such re-

export until a request for approval, if necessary, has been submitted to and granted by the United States Government.

SECTION 15. TRANSFER OF OWNERSHIP

15.1. Except as otherwise set forth in this Agreement, title and risk of loss of the equipment shall pass to Subcontractor upon Acceptance.

15.2. The site shall remain under Subcontractor's control throughout the Project and Warranty Period. Subcontractor shall comply with Subcontractor's jobsite security procedures and at all times conduct operations under this Agreement in a manner to mitigate the risk of loss, theft, or damage by vandalism, sabotage or any other means to any work, materials, equipment or other property.

SECTION 16. INSPECTION AND WARRANTY

16.1. Material Warranty. For a period of [***] ([***)] years from date of Commissioning, however not exceeding a maximum period of [***] ([***)] months from the date of shipment of the cable system to Subcontractor (the "Warranty Period"), AMSC warrants that the HTS Cable System, software and materials required to be provided or verified by AMSC pursuant to this Agreement, including Appendix A, AMSC Specific Responsibilities ("Material") and all components thereof, and HTS Cable System as a whole, will: (1) comply with the Specifications for such Materials, including the HTS Cable System as a whole, whether existing on the date hereof or developed pursuant to the terms hereof, and the terms of this Agreement, (2) be free from defects in design, workmanship and materials, (3) be conveyed to Subcontractor with good and merchantable title, (4) be free and clear of all security interests, liens, encumbrances or claims of AMSC, Other Subcontractors and third-party suppliers, (5) be free of any claim of unfair competition, (6) be fit for the particular purpose intended therefor to the extent such purpose is set forth in, or reasonably anticipated by, the Agreement, (7) be sourced, manufactured, sold and delivered in accordance with the then-prevailing Applicable Laws, and industry standards and practices, (8) be fully tested in accordance with the Agreement, (9) be of new or unused manufacture, unless specifically noted otherwise in the Agreement, and (10) be interoperable in accordance with the HTS Cable System requirements and Specifications with the system components in which such Material is installed.

16.2. Services Warranty. For the duration of the Warranty Period, AMSC warrants that the services required to be provided by AMSC pursuant to this Agreement, including Appendix A, AMSC Specific Responsibilities ("Services") furnished to Subcontractor under this Agreement will: (1) comply with the operational metrics defined as the circuit and HTS Cable System as a whole, shall be able to operate pursuant to the Specifications and at the design ampacity rating and not have to be de-rated because of HTS Cable System deficiencies, (2) be free from defects in design, workmanship and materials, (3) be conveyed to Subcontractor with good and merchantable title, (4) be free and clear of all security interests, liens, encumbrances or claims of AMSC, Other Subcontractors and third-party suppliers, and (5) be free of any claim of unfair competition, (6) fit for the particular purpose intended therefor to the extent such purpose is set forth in, or reasonably anticipated by, the Agreement, (7) be performed in accordance with the then-

prevailing Applicable Laws, and industry standards and practices, and (8) be fully tested in accordance with the Agreement.

16.3. Remedies.

16.3.1. *Material.* If any Material does not comply with the foregoing warranties and Subcontractor gives AMSC notice of such noncompliance within the Warranty Period, then AMSC will (at its sole expense) promptly correct by repair or replacement any non-conforming Material such that it complies with the foregoing warranties and shall reimburse Subcontractor for the actual and reasonable cost to repair or replace any Subcontractor parties' property damaged by such non-conforming Material as soon as reasonably possible. [***]. Subject to the limitations in Section 9.5 and 9.6, all costs and expenses associated with the identification of non-conforming Material, repair or replacement of Material or Subcontractor property, including Subcontractor's and AMSC's investigations and root cause analyses; gaining access to or removal or replacement of systems, structures or other parts of Subcontractor's facility and all transportation costs will be paid by AMSC, and Subcontractor may charge AMSC all reasonable expenses of unpacking, examining, repacking and reshipping any rejected Material. All warranties for any repaired or replaced Material will terminate at the end of the Warranty Period.

16.3.2. *Services.* If any of the Services do not comply with the foregoing warranties and Subcontractor notifies AMSC within the Warranty Period, then AMSC will (at its sole expense) promptly re-perform the nonconforming Services such that it complies with the foregoing warranties and shall reimburse Subcontractor for the actual and reasonable cost to repair or replace any Subcontractor property damaged by such nonconforming Services as soon as reasonably possible. Subject to the limitations of Section 9.5 and 9.6, all costs and expenses associated with the identification of the non-conforming Services, re-performance of the nonconforming Services and repair or replacement of Subcontractor property, including Subcontractor's and AMSC's investigations and root cause analyses; gaining access to or removal or replacement of systems, structures or other parts of Subcontractor's facility; and all transportation costs will be paid by AMSC. All warranties for any re-performed Services will terminate at the end of the Warranty Period.

16.4. Inspection.

16.4.1. *DHS.* The Parties shall permit DHS to inspect the work performed in the Subcontractor's and/or its subcontractor's facility(ies) or by AMSC to the extent required in the Prime Contract as of the date hereof.

16.4.2. *Effect.* No inspection, testing, acceptance, payment, or use of any Material or Services will affect the warranties and obligations of AMSC under this Agreement, and such warranties and obligations will survive any such inspection, testing, acceptance, payment, or use.

16.5. Subcontractor's Right to Perform. In the event of AMSC's failure to repair or replace the Material, or AMSC's failure to re-perform the Services within thirty (30) days of Subcontractor's notice of noncompliance to AMSC under Sections 16.3.1 and 16.3.2, as the case may be, or such shorter time

as may be reasonably required to avoid the lapse of any warranty rights with respect to Section 16.7, Subcontractor may correct any deficiencies in the Material or Services, or may purchase replacement Material or Services. Subcontractor may either invoice AMSC for the reasonable cost of correcting the deficiencies (including the costs directly attributable to other services that are required to be performed in connection with the correction of such noncompliance), invoice AMSC for the cost of replacement, or deduct the cost associated with correction or replacement from any payments due or subsequently due AMSC, provided, however, that any third party retained by Subcontractor must comply with the manuals and instructions of AMSC in all material respects, unless otherwise agreed by the Parties in writing, and carry out any such remedy in a workmanlike manner in order for AMSC to be responsible for any subsequent damages under this Section 16.5. AMSC shall not be responsible for damage to the extent resulting from or caused by the failure to comply with such manuals and instructions.

16.6. Backup Inventory and Bailed Property

- 16.6.1. As promptly and as soon as reasonably practicable following execution of this Agreement and no later than the date of Commissioning, AMSC shall deliver to Subcontractor a list of all backup/replacement equipment, supplies, materials, machinery and other items necessary for the operation and maintenance of the HTS Cable System in accordance with this Agreement (collectively, "**Backup Inventory**"). Such list shall be appended to Appendix E. Upon Commissioning, title to such Backup Inventory will immediately transfer to Subcontractor and such Backup Inventory will at all times remain the property of Subcontractor and be held by Subcontractor.
- 16.6.2. Effective as of Commissioning, AMSC hereby assigns to Subcontractor exclusive right, title or interest in and to Backup Inventory, except for AMSC's limited right, subject to Subcontractor's sole discretion, to use the Backup Inventory in the performance of AMSC's obligations under this Agreement. AMSC shall not use the Backup Inventory for any other purpose.
- 16.6.3. All replacement parts, additions, improvements, and accessories for such Backup Inventory will automatically become Subcontractor's property. All replacements of Backup Inventory will also be Subcontractor's property. AMSC shall replace any missing components of or inserts to any Backup Inventory.
- 16.6.4. AMSC will maintain a written inventory of all Backup Inventory that sets forth a description of all Backup Inventory, and provide a copy of this inventory to Subcontractor upon request. AMSC shall immediately sign any documents reasonably requested by Subcontractor to evidence all of Subcontractor's rights to and interests in Backup Inventory.
- 16.6.5. An amount of superconducting wire sufficient to reproduce the longest segment of cable used in this Project ("**Bailed Property**") shall be held by AMSC throughout the Warranty Period in connection with the Project and upon Commissioning, title to such Bailed Property will transfer to Subcontractor and be held by AMSC on a bailment-at-will basis. At the end of the Warranty Period AMSC shall ship the Bailed Property to Subcontractor.

16.6.6. Only Subcontractor has any right, title or interest in and to Bailed Property, except for AMSC's limited right, subject to Subcontractor's sole discretion, to use the Bailed Property in the performance of AMSC's obligations under this Agreement. AMSC shall not use the Bailed Property for any other purpose. AMSC shall not commingle Bailed Property with the property of AMSC or with that of a Person other than Subcontractor or AMSC and shall not move any Bailed Property from AMSC's premises without the prior written approval by Subcontractor. Subcontractor may, at any time, for any reason and without payment of any kind, retake possession of any Bailed Property without the necessity of payment or notice to AMSC, or a hearing or a court order, which rights, if any, are waived by AMSC. Upon Subcontractor's request, Bailed Property will be immediately released to Subcontractor or delivered to Subcontractor by AMSC. AMSC's continued holding of Bailed Property after demand has been made by Subcontractor for delivery will substantially impair the value thereof, and, accordingly, Subcontractor will be entitled to a court order of possession without any need or proving damages or a bond. To the fullest extent permitted by law, AMSC shall not allow any encumbrance to be imposed on or attach to the Bailed Property through AMSC or as a result of AMSC's action or inaction, and AMSC hereby waives any encumbrance that it may have or acquire in the Bailed Property.

16.6.7. If the bailment relationship described in this Section 16.6 is deemed to be a secured financing transaction, AMSC grants to Subcontractor a continuing security interest in any rights or interests it may have in the Bailed Property.

16.6.8. AMSC shall bear all risk of loss of and damage to Bailed Property. AMSC shall, at its own expense, for the benefit of Subcontractor, insure all Bailed Property with full and extended coverage for all losses, for its full replacement value, in accordance with the terms of Section 16. AMSC shall, at its sole cost and expense, maintain, repair, refurbish and replace Bailed Property.

16.6.9. AMSC shall mark all Bailed Property permanently and conspicuously to identify it as the property of Subcontractor, and indicate Subcontractor's name and address. AMSC shall immediately sign any documents reasonably requested by Subcontractor to evidence all of Subcontractor's rights to and interests in Bailed Property. AMSC grants to Subcontractor a limited and irrevocable power of attorney, coupled with an interest, to execute and record on AMSC's behalf any documents with respect to Bailed Property that Subcontractor determines are reasonably necessary to reflect Subcontractor's interest in the Bailed Property.

16.7. Assignment of Warranties. AMSC shall and does hereby assign to Subcontractor the benefits of the warranties provided by [***] and [***] as attached in Appendix F to AMSC for the Material provided by them hereunder; provided, however, that Subcontractor shall only receive the benefit of such assignment if (1) AMSC ceases to exist prior to the expiration of the Term of the Agreement, or (2) Subcontractor is allowed to repair or replace any Material or re-perform any Services as detailed in the first sentence of Section 16.5 hereof. AMSC will perform its responsibilities so that such warranties remain in full force and effect throughout the Term of this Agreement.

SECTION 17. MISCELLANEOUS

17.1. Dispute Resolution: Governing Law. The Parties may attempt to resolve any disputes internally escalating unresolved disputes to the individuals set forth in Section 12.1. Notwithstanding the foregoing, either party may seek relief or bring suit at any time in accordance with the terms set forth below in this Section 17.1. This Agreement shall be construed and interpreted, without giving effect to

principles of conflict of law, in accordance with the laws of the State of Delaware. EACH PARTY IRREVOCABLY CONSENTS TO THE U.S. DISTRICT COURT, OR THE STATE COURT IF THERE IS NO FEDERAL JURISDICTION, LOCATED NEW CASTLE COUNTY, DELAWARE AS VENUE FOR ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THESE TERMS AND CONDITIONS OR ANY STATEMENT OF WORK ISSUED HEREUNDER, AND IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING.

17.2. Severability. Should any of the provisions of the Agreement be determined to be unenforceable or prohibited by applicable law, this Agreement shall be considered divisible as to such provisions, which shall then be inoperative; but the remaining provisions hereof shall be valid and binding.

17.3. No Waiver. No failure or delay on the part of AMSC or Subcontractor in the exercise of any power, right or privilege, and no course of dealing between AMSC and Subcontractor, shall operate as a waiver thereof, nor shall any single or partial exercise of any power, right or privilege preclude other or further exercise thereof or the exercise of any other power, right or privilege. Any waiver of any provision of this Agreement, and any consent to any departure by AMSC or Subcontractor from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which such waiver or consent was given.

17.4. Public Statements and Publicity. Except as set forth in this Section 17.4, any public announcement must be mutually agreed upon by the Parties. AMSC and Subcontractor will work together and prepare a complete list of talking points which can be publicly announced by either Party as needed. The Parties will review this list of talking points regularly on an as needed basis, but no less than quarterly, and updated if needed based on the status of the Agreement. All public announcements by the Parties regarding this Agreement will be limited to the contents of this list of talking points. Notwithstanding the foregoing, AMSC may make any public disclosure required by Applicable Law, as determined by AMSC in its sole and absolute discretion, regarding this Agreement and/or the Project, and, in the event that AMSC makes any such disclosure, AMSC will provide Subcontractor notice of such public disclosure at least four (4) hours prior to making such disclosure.

17.5. Force Majeure. Neither Party shall be liable or responsible to the other Party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments hereunder), when and to the extent such failure or delay is caused by or results from the following force majeure events ("Force Majeure Events"): (a) acts of God; (b) flood, fire, earthquake or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order or law; (e) actions, embargoes or blockades in effect on or after the date of this Agreement; (f) action by any Governmental Authority; (g) national or regional emergency; and (h) strikes or labor unrest beyond the reasonable control of the party claiming a Force Majeure Event ("Claiming Party"); (i) shortage of adequate power or transportation facilities beyond the reasonable control of the Claiming Party; and (j) other similar events beyond the reasonable control of the Claiming Party. The Claiming Party shall give notice within three (3) business days of the Force Majeure Event to the other Party, stating a reasonable estimate of the period of time the occurrence is expected to continue. The Claiming Party shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized. The Claiming Party shall resume the performance of its obligations as soon as reasonably practicable.

17.6. Entire Agreement. This Agreement, including all Appendices hereto and such other documents expressly incorporated by reference herein, including the Prime Contract, embodies the entire

Agreement between the Parties with respect to the subject matter hereof, and supersedes all prior agreements or understandings with respect to such subject matter.

17.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together shall constitute one and the same agreement. This Agreement may be executed and delivered by facsimile or by .pdf file and upon such delivery the facsimile or .pdf signature will be deemed to have the same effect as if the original signature had been delivered to the other Party.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first written above.

AMERICAN SUPERCONDUCTOR CORPORATION COMMONWEALTH EDISON

By: /s/ Daniel Patrick McGahn By: /s/ Terence Donnelly

Print Name: Daniel Patrick McGahn Print Name: Terence Donnelly

Title: Chairman, President & CEO Title: President and Chief Operating Officer

Date: 10/31/18 Date: 10/31/18

APPENDIX A

STATEMENT OF WORK

Overview

This document defines the division of responsibilities between the Parties. In general terms, the intent is that AMSC will provide an HTS cable of the design proven at Testing in Hannover Germany, witnessed by Subcontractor representatives. After signing the parties shall perform subsequent testing on samples from the production cable as necessary to validate the production cable performance is consistent with the previous full cable test witnessed by ComEd. AMSC shall provide, pursuant to the terms hereof, such final cable along with the refrigeration system previously built for use in the Project (the "Refrigeration System") and controls, systems, software and other materials necessary to operate and maintain the foregoing (collectively the "HTS Cable System"). Installation of the HTS Cable System itself will be AMSC's responsibility, including verification of Subcontractor's performance of the Subcontractor Responsibilities set forth below. AMSC will also Commission the HTS Cable System, provide support and report on the HTS Cable System's operation for one year following Commissioning to satisfy its contractual agreement with DHS.

Subcontractor will provide the site, necessary enclosures, foundations, utilities and facilities meeting the Specification to support the installation and operation of the HTS Cable System and its integration into the Subcontractor distribution system. Subcontractor will install such equipment to the extent expressly required by, and in accordance with, the Specification and subject to AMSC's obligations to install equipment expressly required to be installed by AMSC pursuant to the Specification, such as the HTS cable, terminations and splice, and interconnection piping to connect the HTS cable to the refrigeration system. Subcontractor shall obtain all necessary approvals and permits required for Subcontractor to perform its obligations in connection with the Project.

As used in this Agreement, the term "Specification" or "Specifications" means the written parameters, requirements and other specifications for the installation, operation and maintenance of the HTS Cable System, including the Materials and other software and equipment ancillary thereto and the Services and other tasks required in connection with such installation, operation and maintenance, in each case as set forth in the Agreement (including the Appendix A), as modified pursuant to the mutual written agreement of the Parties, or contained in any written documentation provided by a Party or its subcontractors or suppliers and accepted by the other Party ("Documentation"), and in the case of the Subcontractor Specific Responsibilities in Section 1 through 4 below, the specifications prepared by, and certified to be satisfactory to Subcontractor ("Site Spec"); provided that in the event of a conflict between (a) a specification in any Documentation and (b) any specification set forth in this Agreement, a Site Spec or mutually agreed in writing by the Parties, the specification in subsection (b) shall control over the Documentation.

Subcontractor Specific Responsibilities

The following items are the responsibility of Subcontractor. To the extent these items are related to the HTS Cable System, AMSC will provide technical support as needed or reasonably requested ("AMSC Support").

1. Design of the overall substation layout to accommodate the HTS Cable System.
2. Design, permitting and construction of foundations for HTS cable terminations. [***]. If needed, protection from snow build-up will also be provided.
3. Design, permitting, construction and installation of a [***] enclosure, with foundations, for the HTS Refrigeration system and ancillary components, control panels and instrumentation. This will include the utilities needed for the refrigeration system. This includes foundations for the refrigeration chillers which are to be mounted outside, but adjacent to, the refrigeration enclosure. A temporary space outside the enclosure is required to place a [***] LN2 tank for the cable initial cooldown process.
4. Design, procurement, construction and installation of any substation structures and equipment necessary to connect the HTS cable to the [***] substation system.
5. Trenching, ducts or similar as chosen by Subcontractor for the HTS cable [***]. This must include a [***] or similar for the HTS [***], and provisions for valves and instrumentation at both HTS cable terminations.
6. Electrical interconnect from HTS cable terminations to the Subcontractor system including all related equipment and installation thereof such as risers, bus work, circuit breakers, monitoring and protection PT's and CT's, etc.
7. Off-load and installation of the Refrigeration system into the Refrigeration enclosure. This will include set-up and connection to the Subcontractor provided enclosure and utilities. Off-load, installation, set-up and connection of the chillers is part of this item.
8. Connection of AMSC provided controls, alarms and instrumentation to the Subcontractor [***] networks. Programming of [***] for Operations and Engineering, and Remote interfaces is implied.
9. Intentionally Deleted.
10. Physical access, security, temporary site office and sanitary facilities for use by employees of AMSC and its contractors during installation and commissioning. This will include secure storage of tools and equipment and a laydown area at site for AMSC and their subcontractors' materials and equipment required for installation and commissioning.
11. Temporary power and simple weather shelter to support making outdoor connections.
12. Monthly progress reports to include schedule, technical and [***] information. [***] information is for comparison to the [***] proposal provided to DHS in the AMSC/ DHS Agreement.
13. Proof of completion of all Milestones executed by Subcontractor set forth in Schedule 1 to this Appendix A, regardless of whether the Milestone is billable by Subcontractor or not.
14. Participation in quarterly progress reviews with AMSC and DHS from the project start through the first year of operation.
15. Support for start-up and commissioning of the HTS Cable System including the Refrigeration System, as expressly set forth in this Agreement, a Statement of Work or written commissioning plan signed by the Parties.

16. Expedient access pursuant to the access procedures set forth in this Agreement, to site to affect parameter changes, adjustments, repairs, or data collection during operation of the cable system.

AMSC Specific Responsibilities

The following items are the responsibility of AMSC. Subcontractor will provide support as needed.

1. A delivered HTS cable, [***] terminations and [***] of the design which was tested and witnessed by Subcontractor at the [***] facility in September 2016. The cable will be approximately [***] in length. A [***] of suitable length (approximately [***]) will also be provided. Final length to be agreed upon by Subcontractor and AMSC.
2. Support to engineer the interfaces between the AMSC refrigeration and cable system controller and the Subcontractor [***] network interfaces.
3. A refrigeration system including controls and chillers, [***].
4. Installation of the HTS cable, Terminations and [***]. Interconnection piping to connect the HTS cable to the refrigeration system.
5. Provide the AMSC Support.
6. Verify that Subcontractor has performed the Subcontractor Responsibilities necessary for commissioning and performance of the AMSC Specific Responsibilities and required by the Specification.
7. Start-up, cool down and commissioning of the commercially operational HTS Cable System. This will include filling of liquid nitrogen (LN2) as necessary.
8. Start-up and commissioning of the Refrigeration System. This will include filling of liquid nitrogen (LN2) as necessary.
9. Delivery of HTS Cable System operating and maintenance manual and training.

APPENDIX B

LIMITED RIGHTS PROPRIETARY INFORMATION/GOVERNMENT

PURPOSE RIGHTS DATA AND SOFTWARE

<i>Technical Data/Computer Software To Be Furnished with Restrictions</i>	<i>Basis for Assertion</i>	<i>Asserted Rights Category</i>	<i>Person Asserting Restrictions</i>	<i>Expiration Date</i>
1. Pre-existing integrated HTS/FCL cable data	Developed at private expense outside of Agreement	Limited Rights Proprietary Information	American Superconductor	N/A
2. Pre-existing HTS/FCL cable wire data	Developed at private expense outside of Agreement	Limited Rights Proprietary Information	American Superconductor	N/A
3. Pre-existing stand-alone fault current limiter data	Developed at private expense outside of Agreement	Limited Rights Proprietary Information	American Superconductor	N/A
4. Integrated HTS/FCL cable data developed on this Agreement	Developed under the Letter Contract or this Agreement	Government Purpose Rights	American Superconductor	N/A
5. HTS/FCL cable wire data developed on this Agreement	Developed in part or whole under the Letter Contract or this Agreement	Government Purpose Rights	American Superconductor	N/A
6. Stand-alone fault current limiter data developed on this Agreement	Developed in part or whole under the Letter Contract or this Agreement	Government Purpose rights	American Superconductor or its Stand-alone FCL Subcontractors	N/A
7. Pre-existing Stand-alone fault current limiter data	Developed at private expense outside of Agreement	Limited Rights Proprietary Information	Stand-alone FCL Subcontractors	N/A

APPENDIX B (cont.)

LIMITED RIGHTS PROPRIETARY INFORMATION/GOVERNMENT

PURPOSE RIGHTS DATA AND SOFTWARE

<i>Technical Data/Computer Software To Be Furnished with Restrictions</i>	<i>Basis for Assertion</i>	<i>Asserted Rights Category</i>	<i>Person Asserting Restrictions</i>	<i>Expiration Date</i>
8. Pre-existing HTS cable, cable termination and/or raw materials there-of data	Developed at private expense outside of Agreement	Limited Rights Proprietary Information	[***]	N/A
9. Integrated HTS/FCL cable, cable termination and/or raw materials there-of data developed on the Agreement	Developed in part or whole under the Letter Contract or this Agreement	Government Purpose Rights	[***]	N/A
10. Pre-existing cryogenics and refrigeration system data	Developed at private expense outside of Agreement	Limited Rights Proprietary Information	[***]	N/A
11. All other technical data and computer software developed by American Superconductor or its Other Subcontractors under this Agreement	Developed in part or whole under the Letter Contract or this Agreement	Government Purpose Rights	American Superconductor or its Other Subcontractors, as applicable	N/A

AMSC and its Other Subcontractors reserve the right to supplement the above list of data and software items upon mutual agreement of the Government.

AMSC proprietary data regarding HTS wire, other than the items listed above, will not be delivered under this Agreement.

APPENDIX C

APPENDIX C

RESERVED

Confidential Portions of this Exhibit marked as [***] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

APPENDIX D

LETTER OF CREDIT

[ISSUER'S LETTERHEAD]

Irrevocable, Unconditional, Standby Letter of Credit

Date of Issuance: [DATE]

Reference Number: [NUMBER]

Expiration Date: [DATE]

Applicant:

Beneficiary:

American Superconductor Corporation, a Delaware corporation
with offices at [114 East Main Street, Ayer, MA 01432]

Commonwealth Edison Company, an Illinois corporation with
offices at 440 South LaSalle, Chicago, IL 60605

Ladies and Gentlemen:

We hereby issue this Irrevocable, Unconditional, Standby Letter of Credit, with reference number [NUMBER] ("**Standby Letter of Credit**"), in favor of Commonwealth Edison Company ("**Beneficiary**"), for the account of American Superconductor Corporation ("**Applicant**"), and authorize Beneficiary to draw on us at sight, up to an aggregate amount of \$5,000,000.

Partial and multiple drawings are permitted under this Standby Letter of Credit. The aggregate amount available under this Standby Letter of Credit at any time shall be the face amount of this Standby Letter of Credit, less the aggregate amount of all partial drawings previously paid to Beneficiary at such time.

The expiration date of this Standby Letter of Credit ("**Expiration Date**") is the date that is the fifth anniversary of the date of Commissioning (as such term is defined in the Subcontract Agreement, dated [_____] [____], 2018 between Applicant and Beneficiary, as such agreement may be amended and supplemented from time to time, whether now or hereafter executed, and any replacements or substitutions thereof), provided that if such date is not a Business Day, the Expiration Date shall be the next following Business Day. As used herein, "**Business Day**" shall mean any day other than a Saturday, Sunday or day on which banking institutions are authorized or required to be closed in the state of Delaware.

Amounts drawn under this Standby Letter of Credit must specify the number of this Standby Letter of Credit, the amount to be drawn, a current contact for Beneficiary including email and telephone number, and wiring instructions for Beneficiary's account. Any sight draft may be presented to us by electronic, reprographic, computerized or automated system, or by carbon copy, but in any event must visibly bear the word "original" and be presented at the Office for Presentment identified below not later than the Expiration Date. If the document is signed, the signature may consist of (or may appear to us as) an original handwritten signature, a facsimile signature or any other mechanical or electronic method of authentication.

Beneficiary shall include with any presentation a copy of this Standby Letter of Credit.

We undertake to pay Beneficiary under this Standby Letter of Credit within three (3) business days of receipt by us of a sight draft presented pursuant to the terms of this Standby Letter of Credit. Beneficiary shall receive payment from us by wire transfer to a bank account of Beneficiary, as described in such sight draft. If any sight draft presented under this Standby Letter of Credit does not comply with the terms and conditions hereof, we will advise the contact for Beneficiary by email and telephone within one (1) Business Day and give the reasons for such non-compliance.

This Standby Letter of Credit is irrevocable, unconditional and transferable. This Standby Letter of Credit may be transferred without charge one or more times upon receipt of the written instructions of the Beneficiary.

This Standby Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

This Standby Letter of Credit is governed by and construed in accordance with the laws of the state of Delaware, without regard to conflicts of laws principles.

Very truly yours,

[ISSUER'S NAME]

By _____

Name:

Title:

Office for Presentment:

_____]

APPENDIX E

BACKUP INVENTORY

BACKUP INVENTORY

List to be provided by AMSC within one hundred eighty (180) days of the Effective Date of this Agreement.

Confidential Portions of this Exhibit marked as [***] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

APPENDIX F

ASSIGNED WARRANTIES

[***]:

1.1. Performance of Work.

1.1.1 **Material Warranty.** For a period of [***] ([***)] years from the date that the cable system (“Material”) has been commissioned, however not exceeding a maximum period of [***] from the date of shipment to Subcontractor, Seller warrants that the Material furnished to Buyer under these Terms and Conditions and all components thereof will: (1) comply with the Specifications contained in or developed in accordance with these Terms and Conditions, (2) be free from defects in design, workmanship and materials, (3) be conveyed to Buyer with good and merchantable title, (4) be free and clear of all security interests, liens, encumbrances or claims of Seller, subcontractors and third-party suppliers, (5) be free of any claim of infringement, misappropriation, unfair competition or violation of any third-party right, including intellectual property rights, (6) be fit for the particular purpose intended therefor to the extent such purpose is set forth in the technical specification, (7) be sourced, manufactured, sold and delivered in accordance with the then-prevailing applicable laws, and industry standards as defined in the technical specification, (8) be fully tested in accordance with these Terms and Conditions, (9) be of new manufacture, unless specifically noted otherwise in the Contract Documents.

1.1.2 **Services Warranty.** For a period of [***] ([***)] years from the date that the services”) have been accepted pursuant to the terms hereof, Buyer has signed a certificate of final completion for the work related to the services, however not exceeding a maximum period of five years plus 2 weeks after written notice of the Seller of final completion of the Service, Seller warrants that the services furnished to Buyer under these Terms and Conditions will: (1) comply with the specifications contained in or developed in accordance with these Terms and Conditions, (2) be free from defects in design, workmanship and materials, (3) be conveyed to Buyer with good and merchantable title, (4) be free and clear of all security interests, liens, encumbrances or claims of Seller, subcontractors and third-party suppliers, and (5) be free of any claim of infringement, misappropriation, unfair competition or violation of any third-party right, including intellectual property rights, (6) fit for the particular purpose intended therefor to the extent such purpose is set forth in the technical specification, (7) be performed in accordance with the then-prevailing applicable Laws, and industry standards as defined in the technical specification, and (8) be fully tested in accordance with these Terms and Conditions.

1.1.3 These warranties are in lieu of any warranty of merchantability and other warranties of any kind, whether express or implied.

1.2. Remedies.

1.2.1 Material. If any Material does not comply with the foregoing warranties and Buyer gives Seller notice of such noncompliance within the applicable Material warranty period set forth in this Article 7, then Seller will (at its sole expense) promptly correct by repair or replacement any non-conforming Material. The decision whether to repair or replace any non-conforming Material will be made with the concurrence of Buyer and the repair or replacement will be scheduled consistent with Buyer's operating requirements so as to minimize loss of production or use of the Material, other material or of any plant or equipment of which the Material is a part. Notwithstanding any other provisions in these Terms and Conditions to the contrary, all costs and expenses associated with the identification of non-conforming Material, repair or replacement of Material or Buyer's or Commonwealth Edison's ("ComEd") property, including Buyer's and Seller's investigations and root cause analyses; gaining access to or removal or replacement of systems, structures or other parts of Buyer's facility and all transportation costs will be paid by Seller, and Buyer may charge Seller all expenses of unpacking, examining, repacking and reshipping any rejected Material. All warranties for any repaired or replaced Material will be [***] ([***)] years from the date of repair or replacement.

1.2.2 The forgoing warranty shall in no event extend to:

- Material that have been subject to misuse, mishandling, neglect accident, damage by circumstances beyond the Seller's reasonable control,
- Material that has been repaired, modified or replaced by Buyer or any third party without Seller's prior written authorization.

1.2.3 Services. If any of the services do not comply with the foregoing warranties and Buyer notifies Seller within the applicable services warranty period set forth in this Article 7, then Seller will (at its sole expense) promptly re-perform the nonconforming services and reimburse Buyer for the cost to repair or replace any Buyer's or ComEd's property damaged or otherwise adversely affected by such non-conformance. Notwithstanding any other provisions in these Terms and Conditions to the contrary, all costs and expenses associated with the identification of the non-conforming services, re-performance of the nonconforming services and repair or replacement of Buyer's or ComEd's property, including Buyer's and Seller's investigations and root cause analyses; gaining access to or removal or replacement of systems, structures or other parts of Buyer's facility; and all transportation costs will be paid by Seller. All such re-performed services and repairs will be performed on a schedule to be agreed upon by Buyer. The warranty for any such re-performed services will be [***] ([***)] years from the date of re-performance of the services

1.3. Inspection.

1.3.1 Buyer's inspection, testing, or payment, will not affect the warranties and obligations of Seller under these Terms and Conditions or these Terms and Conditions, and such warranties and obligations will survive any such inspection, testing, or payment, or use.

1.4. Buyer's Right to Perform.

1.4.1 In the event of Seller's failure to repair or replace the Material within a reasonable period of time, or Seller's failure to re-perform the Services within a reasonable period of time, in accordance with the terms hereof, Buyer, after notice to Seller, may correct any deficiencies in the Material or Services, or may purchase replacement Material or Services. Buyer may either invoice Seller for the cost of correcting the deficiencies (including the costs directly attributable to other services that are required to be performed in connection with the correction of such deficiencies), invoice Seller for the cost of replacement, or deduct the cost associated with correction or replacement from any payments due or subsequently due Seller.

1.5. Assignment of Warranties.

1.5.1 Seller consents to Buyer's assignment to ComEd of all of Buyer's rights, benefits and interests of every kind arising out of this Section 7. In the event that ComEd reaches out directly to Seller, Seller agrees that it shall provide the benefits of the warranties under this Section 7 to ComEd to the full extent as if ComEd were the Buyer herein.

1.6. Liability

1.6.1 In the case of damage caused negligently or in case of expenses incurred for supplementary performance, the liability of the Seller shall be limited to [***]% of the contract price per incidence of loss, with a total of [***]% of the contract price. Compensation for indirect damage, for lost profits and loss of production are excluded. The limitation or exclusion of liability applies regardless of the basis of claim (e.g. contract – including indemnification – or tort) and also in favour of the vicarious agents of the Seller, unless mandatory law provides otherwise. In the case of damages caused intentionally, the liability of the Seller is unlimited.

[***]:

[***] agrees to supply a warranty to ComEd pursuant to the terms of that certain [***]. Additional [***] agreement signed by and among, AMSC, [***] and ComEd dated _____, 2018.

Appendix G
Proposed DHS Amendment

[***]

Confidential Portions of this Exhibit marked as [***] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

ATTACHMENT 4

STATEMENT OF WORK

ATTACHMENT 6

Updated Payable Milestones

Confidential Portions of this Exhibit marked as [***] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

ATTACHMENT 7

Updated Schedule of Payments

Page 17 of 17

Confidential Portions of this Exhibit marked as [***] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

AMERICAN SUPERCONDUCTOR CORPORATION
CERTIFICATIONS

I, Daniel P. McGahn, 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: February 5, 2019

By:

/s/Daniel P. McGahn

Daniel P. McGahn
Chief Executive Officer

AMERICAN SUPERCONDUCTOR CORPORATION
CERTIFICATIONS

I, John W. Kosiba, Jr., 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: February 5, 2019

By:

/s/John W. Kosiba, Jr.

John W. Kosiba, Jr.
Chief Financial Officer

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 December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Daniel P. McGahn, 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: February 5, 2019

By:

/s/**Daniel P. McGahn**

Daniel P. McGahn
Chief Executive Officer

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 December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John W. Kosiba, Jr., 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: February 5, 2019

By:

/s/John W. Kosiba, Jr.

John W. Kosiba, Jr.
Chief Financial Officer