

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1 TO FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 [FEE REQUIRED]

For the Year Ended March 31, 1996

COMMISSION FILE NO. 0-19672

AMERICAN SUPERCONDUCTOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

04-2959321

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification Number)

Two Technology Drive, Westborough, Massachusetts

01581

(Address of principal executive offices)

(Zip Code)

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

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

None

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

Common Stock, \$.01 par value

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 X

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of Registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. []

On April 30, 1996, the aggregate market value of voting Common Stock held
by nonaffiliates of the registrant was \$125,214,587.50, based on the closing
price of the Common Stock on the Nasdaq National Market on April 30, 1996.

Number of shares of Common Stock outstanding as of June 21, 1996 was
9,558,457.

Documents Incorporated By Reference

Document

Form 10-K Part

Definitive Proxy Statement with
respect to the Annual Meeting of
Stockholders for the fiscal year
ended March 31, 1996, to be filed
with the Securities and Exchange
Commission by July 29, 1996

Part III

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

Item 14(c) to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1996 is hereby amended and restated in its entirety as set forth below.

- (a) The following documents are filed as APPENDIX B hereto and are included as part of this Annual Report on Form 10-K.

Financial Statements:

Report of Independent Accountants
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Cash Flows
Consolidated Statements of Changes in Stockholders' Equity
Notes to Consolidated Financial Statements

- (b) The Company is not filing any financial statement schedules as part of this Annual Report on Form 10-K because they are not applicable or the required information is included in the financial statements or notes thereto.
- (c) The list of Exhibits filed as a part of this Annual Report on Form 10-K are set forth on the Exhibit Index immediately preceding such Exhibits, and is incorporated herein by reference.
- (d) Reports on Form 8-K.

No reports on Form 8-K were filed during the last quarter of the Company's fiscal year ended March 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K/A amending its annual report on Form 10-K for the fiscal year ended March 31, 1996 to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN SUPERCONDUCTOR CORPORATION

By: /s/ Ramesh L. Ratan

Ramesh L. Ratan,
Executive Vice President,
Corporate Development,
Chief Financial Officer and Secretary

Date: March 7, 1997

EXHIBIT INDEX

Exhibit No. -----	Description -----	Page No. -----
3.1**	-Restated Certificate of Incorporation of the Registrant.....	
3.2*	-By-laws of the Registrant, as amended to date.....	
4.1*	-Specimen Certificate for shares of Common Stock, \$.01 par value, of the Registrant.....	
\$10.1*	-1987 Stock Plan.....	
\$10.2*	-1991 Director Stock Option Plan.....	
\$10.3*	-Employment Agreement dated as of December 4, 1991 between the Registrant and Gregory J. Yurek.....	
\$10.4*	-Employment Agreement dated as of December 4, 1991 between the Registrant and Alexis P. Malozemoff.....	
10.5*	-Form of Employee Nondisclosure and Developments Agreement.....	
\$10.6*	-Employee Nondisclosure and Developments Agreement dated as of December 26, 1990 between the Registrant and Alexis P. Malozemoff.....	
\$10.7*	-Noncompetition Agreement dated as of July 10, 1987 between the Registrant and John Vander Sande.....	
\$10.8*	-License Agreement between the Registrant and MIT dated as of July 6, 1987.....	
\$10.9*	-License Agreement between the Registrant and MIT dated as of January 31, 1989.....	
\$10.10*	-License Agreement dated as of August 1, 1991.....	
\$10.11*	-License Agreement dated as of September 1, 1991.....	
\$10.12**	-Second Amendment dated as of January 27, 1992 between the Registrant and MIT amending the License Agreement dated as of July 6, 1987 between the Registrant and MIT.....	
\$10.13***	-Technology Development and Patent Licensing Agreement dated October 7, 1992 among the Registrant and Electricity Corporation of New Zealand Limited and Industrial Research Limited.....	
\$10.14***	-Employment Agreement dated as of December 31, 1992 between American Superconductor Europe GmbH and Dr. Gero Papst.....	
10.15***	-Lease dated March 9, 1993 between CGLIC on Behalf of its Separate Account R, as Landlord, and the Registrant.....	
10.16+	-First Amendment to Lease between CGLIC, on Behalf of its Separate Account R, as Landlord, and the Registrant, as Tenant dated October 27, 1993.....	
\$10.17***	-1993 Stock Option Plan.....	

\$10.18****	-Contract between the Registrant and the Naval Research Laboratory dated as of July 27, 1993.....
10.19++	-Agreement dated January 1, 1994 between Pirelli Cavi S.p.A. and the Registrant.....
\$\$\$10.20	-Agreement between Pirelli Cavi S.p.A. and American Superconductor Corporation, dated October 1, 1995
\$10.21++	-Technology Development and Patent Licensing Agreement, First Amendment dated August 7, 1993 among the Registrant and Electricity Corporation of New Zealand and Industrial Research Limited.....
\$10.22*	-Research and Development Agreement dated May 25, 1990 between Inco Alloys International, Inc. ("Inco") and the Registrant (the "Inco Agreement").....
10.23***	-Letter Agreement relating to the extension of the Inco Agreement dated as of May 11, 1993 between Inco and the Registrant.....
\$\$\$10.24	-Research and Development Agreement between Inco Alloys International and American Superconductor Corporation, dated January 1, 1996
\$10.25+++	-Amendment to Research and Development Agreement dated as of March 1, 1994 by and between the Registrant and Inco
10.26+++	-Subcontract Agreement effective as of September 30, 1993 by and between the Registrant and Reliance Electric Company
\$10.27#	-Fourth Amendment, dated May 15, 1995, to the Exclusive License Agreement between the Registrant and MIT dated July 6, 1987
\$\$10.28#	-1994 Director Stock Option Plan
\$\$10.29##	-1996 Stock Incentive Plan
\$\$\$10.30	-Management Agreement between Electric Power Research Institute, Inc. and American Superconductor Corporation, effective January 1, 1996
\$\$\$10.31	-Technology License Agreement between Electric Power Research Institute, Inc. and American Superconductor Corporation, effective January 1, 1996
\$\$\$10.32	-Warrant granted to Electric Power Research Institute, Inc. by American Superconductor Corporation, dated March 26, 1996.
\$10.33##	-Consulting Agreement dated as of January 1, 1996 between the Registrant and John Vander Sande
\$10.34##	Consulting Agreement dated as of May 1, 1996 between the Registrant and Frank Borman.
\$10.35##	Consulting Agreement dated as of October 1, 1995 between the Registrant and Richard Drouin.
21.1***	-Subsidiaries
23.1	-Consent of Coopers & Lybrand L.L.P.

* Incorporated by reference to Exhibits to the Registrant's Registration Statement on Form S-1 (File No. 33-43647).

- ** Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed with the Commission on June 29, 1992.
- *** Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed with the Commission on June 29, 1993.
- **** Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 filed with the Commission on August 16, 1993.
- + Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1993 filed with the Commission on January 26, 1994.
- ++ Incorporated by reference to Exhibits to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended December 31, 1993 filed with the Commission on March 28, 1994.
- +++ Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed with the Commission on June 29, 1994.
- # Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed with the Commission on June 29, 1995.
- ## Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed with the Commission on June 28, 1996.
- \$ Confidential treatment previously requested and granted with respect to certain portions, which portions were omitted and filed separately with the Commission.
- \$\$ Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Form 10-K.
- \$\$\$ Confidential treatment requested as to certain portions, which portions were omitted and filed separately with the Commission with this Annual Report on Form 10-K.

AGREEMENT

BETWEEN

PIRELLI CAVI S.P.A.

AND

AMERICAN SUPERCONDUCTOR CORPORATION

DATED

OCTOBER 1, 1995

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AMENDED AGREEMENT

This is an amended research, development and exploitation agreement (the "Agreement"), dated and effective as of October 1, 1995, between PIRELLI CAVI S.P.A., a corporation organized under the laws of Italy ("Pirelli"), and AMERICAN SUPERCONDUCTOR CORPORATION, a corporation organized under the laws of Delaware ("ASC").

WHEREAS, ASC and Cables Pirelli S.A. ("CPSA"), an Affiliate (as defined in Section 1.1) of Pirelli, were parties to a Research and Development Agreement, dated as of February 1st, 1990 (the "1990 Agreement"), which provided for basic research on high-temperature superconductors to be used in wire and cable products and development work on wire products using high-temperature superconductors; and WHEREAS, ASC, when the 1990 Agreement was entered into, had developed or acquired and had the ownership of or rights to utilize certain proprietary technology relating to superconductors; and

WHEREAS, CPSA, when the 1990 Agreement was entered into, had developed and had the ownership of certain proprietary technology relating to wire and cable products; and

WHEREAS, CPSA, pursuant to Section 8.6 of the 1990 Agreement, has assigned to Pirelli all of its rights, title and interest in

and to the 1990 Agreement; and

WHEREAS, the research activities under the 1990 Agreement have continued without interruption under an agreement between Pirelli and ASC dated as of January 1, 1994 (the "1994 Agreement"); and

WHEREAS, Pirelli, prior to the effective date of the 1994 Agreement, had developed and had the ownership of certain proprietary technology relating to wire and cable products; and

WHEREAS, Pirelli is interested in developing commercially exploitable superconducting wire and line transmission products and accessories using superconductors and such superconductor wires not presently available and in order to do so is willing to support the research and development of such superconductors at ASC; and

WHEREAS, ASC has carried on and is willing to carry on research and development program on superconducting wires, the goal of which is to produce superconducting wires which are suitable for the production of commercially exploitable superconducting line transmission products; and

WHEREAS, the parties wish to amend the 1994 Agreement and the terms and conditions for the continued research and development program and to define the ownership of the results of such a program and the rights of exploitation of such results;

NOW, THEREFORE, for and in consideration of these premises,

which are part and parcel of this Agreement, and of the mutual covenants and agreements contained in this Agreement, and subject to the terms and conditions set forth in this Agreement, the parties agree as set forth below.

Section 1. DEFINITIONS

For the purpose of this Agreement the following capitalized terms have the following meanings:

1.1 "AFFILIATE" means, as to any Person, another Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person.

1.2 "AGREEMENT" means this Agreement, including Exhibits 2.1, 2.7, 2.9 and 4.8 with the same effect as if they were incorporated in this Agreement itself.

1.3 "ASC" means American Superconductor Corporation, a Delaware corporation.

1.4 "CABLE WIRE" means a Superconductor Wire, designed to transmit electrical power or electrical signals, and to be used in the Field.

1.5 "CPSA" means Cables Pirelli S.A., an Affiliate of Pirelli.

1.6 "CONTRACT TECHNOLOGY" means all Technology:

(i) conceived, first reduced to practice or developed by ASC alone or in conjunction with any other party;

(ii) in which ASC has acquired rights other than by reason of this Agreement;

during the Research and Development Period but before termination or expiration of the Agreement and which has not become Excluded Technology (as defined in Section 1.9).

1.7 "CONTROL CABLES" means single-core or multi-core cables made up from Cable Wire, with or without a protective sheath, designed and intended to operate at direct current or low frequency alternating current for the purpose of transmitting control signals from an external transmitting point to an apparatus to be controlled, or for transmitting signals from said apparatus to said external transmitting point; provided, however, that for the purposes of this Agreement, Control Cables shall not include cables for the transmission of voice or video signals or digital signals other than digital signals which are transmitted between said external transmitting point and said apparatus.

1.8 "CURRENT LEADS" means electrical leads made up from superconductors, including but not limited to Materials, and designed to conduct electricity from a source operating at room temperature to a device or equipment operating at lower temperatures.

1.9 "EXCLUDED TECHNOLOGY" means any Technology as described in Section 8.5.4.

1.10 "FAR EAST" means Bangladesh, Burma, Cambodia, China, India, Indonesia, Korea, Laos, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Vietnam.

1.11 "FIELD" means the field of Line transmission and distribution of (i) electrical power from at least one point to another and (ii) electrical control signals, where "Line transmission and distribution" means transmission and distribution by cable, wire or the like physical link in the form of an elongated conductor which is used to transport electrons, provided however that the Field does not include Other Superconductor Products (as defined in section 1.16).

1.12 "INCO AGREEMENT" means the agreement, dated June 27, 1988, between ASC and Inco Alloys, Inc. (together with its Affiliates, "Inco"), as that agreement has been or may be amended, extended, modified or superseded.

1.13 "MAGNET CABLES" means single core or multi core cables made up from Magnet Wires, with or without a protective sheath, which are designed to operate with direct current or alternating current for the purpose of generating magnetic fields.

1.14 "MAGNET WIRE" means an electrically insulated Superconductor Wire, designed to operate with direct or alternating current and to be used in the manufacture of magnet

Cables, magnets, coils or other forms or devices for the generation of magnetic fields.

1.15 "MATERIALS" means superconductor materials and precursors of these materials in raw form such as granules or powder, or in any partially or fully processed form such as Superconductor Wire which can be used, for example, as Cable Wire, Magnet Wire or any other wire, tape, rod, sheet, tube, or arbitrarily shaped superconductor, whether or not clad, and which become superconductive when the temperature thereof is the temperature of liquid nitrogen or higher.

1.16 "OTHER SUPERCONDUCTOR PRODUCTS" means the following products made from Materials (or other superconductors): Current Leads; Magnet Wire; Magnet Cables; Transmission Current Limiters; Distribution Current Limiters; transformers; power electronic devices; energy storage devices; coils and other devices when used for the generation of magnetic fields; wires or cables made from Superconductor Wire when used for transmission of voice, data, or video signals and which are other than Control Cables.

1.17 "PERSON" means any individual, partnership, joint venture, corporation, trust, estate or government or any department or agency of a government.

1.18 "PIRELLI" means Pirelli Cavi S.p.A., a corporation organized under the laws of Italy.

1.19 "POWER CABLES" means single-core or multi-core cables

made up from Cable Wires, with or without a protective sheath, and which are designed to operate with direct current, or low frequency (typically 50 to 60 Hz) alternating current for the purpose of transmitting electric power.

1.20 "PRODUCTS" means any product, composition, method, machinery, apparatus, service or the like which are or will be used in the Field including, but without limitation, Cable Wire, Control Cables, Materials, Power Cables, Superconductor Wire and raw materials or semi-finished products thereof, and any method, composition or apparatus to produce them.

1.21 "PROGRAM" means Research and Development Program I and any Subsequent Research and Development Program.

1.22 "PROJECT BOARD" see Section 2.9.

1.23 "RESEARCH AND DEVELOPMENT PROGRAM I" means the research and development activities that are described in Section 2.

1.24 "RESEARCH AND DEVELOPMENT PERIOD" means the period prior to September 30, 1999 or prior to the end of period ASC is conducting Research and Development Programs for New Products accepted by Pirelli, whichever is later.

1.25 "SPECIFICATIONS" means Pirelli's specifications for the electrical, magnetic, geometrical and mechanical characteristics of, as well as their cost objective for, the Cable Wires intended for use in the production of Power Cables, all as currently set forth in EXHIBIT A TO EXHIBIT 2.1, as they may be modified by

mutual consent of the parties, and the consent of ASC shall not be unreasonably withheld.

1.26 "SUBSEQUENT RESEARCH AND DEVELOPMENT PROGRAM" means a program for a research and development relevant to the Field proposed by ASC pursuant to Section 2.17.

1.27 "SUPERCONDUCTOR WIRE" means a fully reacted length of wire or tape containing superconductor materials and which is designed to transmit either direct or alternating current in the superconducting state.

1.28 "TECHNOLOGY" means any and all data and information of a Person, whether or not patentable and whether or not copyrightable, including, without limitation, ideas, concepts, formulas, methods, procedures, designs, compositions, plans, applications, specifications (Specifications included), drawings, techniques, processes, research, technical data, know-how, apparatus, equipment, samples, inventions, discoveries, and the like, and financial data, business plans, demonstrations and trade secrets (all whether or not in tangible or oral form) and all intellectual property rights associated therewith, including any of the aforesaid rights available to such Person which such Person is free to disclose and license or sub-license.

1.29 "TRANSMISSION CURRENT LIMITERS" means current limiting devices for preventing fault overload in a power transmission systems operating at voltages greater than 20KV. Transmission

Current Limiters does not include current limiting devices for preventing fault overload in power distribution systems which operate at voltages equal to or less than 20KV ("Distribution Current Limiters").

1.30 "1990 AGREEMENT" means the Research and Development Agreement dated as of February 1, 1990 between ASC and CPSA.

1.31 "1994 AGREEMENT" means the Research and Development Agreement dated as of January 1, 1994 between ASC and Pirelli.

Section 2. THE PROGRAMS AND THE BUSINESS DEVELOPMENT PLAN

2.1 SCOPE OF RESEARCH AND DEVELOPMENT PROGRAMS. The Programs shall consist of research and development activities performed by ASC in cooperation with Pirelli (to which Pirelli has contributed as described in Sections 2.12 and 2.17) and by Pirelli as contemplated in Section 2.2 with the goal of developing Cable Wire which can be used to produce Power and Control Cables. Research and Development Program I is more specifically described in EXHIBIT 2.1.

2.2 PIRELLI CABLE RESEARCH AND DEVELOPMENT. Pirelli will during the Programs and at its own expense develop, design and experimentally produce prototypes of commercial Power and/or Control Cable(s) utilizing Cable Wire produced by ASC.

2.3 THE BUSINESS DEVELOPMENT PLAN. Before October 1, 1997

or another date mutually agreed by the parties, a Business Development Plan will be performed by Pirelli at its own expense and in cooperation with ASC, consisting of experimental production, investigating market needs, defining technical specifications for Cable Wire and Power and Control Cable(s) meeting such needs, defining price targets, to the extent and along the lines described in Exhibit 2.1, with the goal of developing markets for Power Cables and/or Control Cables.

2.4 BEST EFFORTS PERFORMANCE. Each party shall use its best efforts to achieve the goals set forth in Sections 2.1, 2.2 and 2.3. In particular, each party shall provide personnel qualified to perform the activities contemplated by Sections 2.1, 2.2 and 2.3 and appropriate resources to enable Research and Development Program I and the Business Development Plan to progress in accordance with the goals and criteria set forth in Exhibit 2.1. During the period extending from 1 October 1995 through 30 September 1999 (or during a shorter period if Pirelli terminates Research and Development Program I before 1 October 1999), ASC shall spend at least US \$5,000,000 per year in research and development on superconductor materials, precursors of superconductor materials and/or wire and tape containing superconductor materials, in addition to the amounts paid by Pirelli pursuant to Section 2.12. If ASC cannot demonstrate that it has either (i) spent at least US \$5,000,000 as stated above or

(ii) achieved the milestones defined in Research and Development Program I, ASC shall be considered to have made a material breach of this Agreement.

2.5 RECIPROCAL DISCLOSURES. Subject to the provisions of Section 7 (Confidentiality), and solely for the purposes of the Programs, each party, to the extent that it now has or hereafter obtains the right to do so, shall make available to the other party all Technology necessary to carry out their obligations under Sections 2.1, 2.2 and 2.3. The rights of either party to use or exploit any Technology other than in the course of the Programs, and the disclosure of Technology other than in and for the purposes of the Programs, shall be as provided in Section 3 and Section 4.

2.6 CHECK POINTS. During the Programs and during the Business Development Plan a check point in each calendar year shall be established by the parties in order to verify the feasibility, timing and results of the activities undertaken pursuant to that Program. In the event that Pirelli at the time of any check point finds that a Program is not feasible from a technical point of view, Pirelli may terminate its participation in the Program as provided in Section 8.3.

2.7. PARTICIPATION OF PIRELLI EMPLOYEES. ASC agrees to permit, and to assist Pirelli in making it possible for, up to two (2) qualified technical employees of Pirelli (or of any Affiliate

of Pirelli designated by Pirelli) to participate as researchers in the Programs, preferably for periods not less than 6 months. ASC and Pirelli agree that, during the time in which any such employees are participating in Programs, they shall be employees of Pirelli (or of an Affiliate of Pirelli), and shall not be deemed to be employed by ASC or any of its Affiliates during that time. Pirelli shall pay such employees, salaries and other benefits as additional funding for Programs. As employees of Pirelli, such employees shall have no authority whatsoever to act on behalf of or contractually bind Pirelli or any of its Affiliates. At the end of their participation in Programs, Pirelli shall have the right to appoint additional employees to replace the employees who leave Programs. Each such individual designated by Pirelli shall execute a confidentiality agreement with ASC, in form and substance as set forth in EXHIBIT 2.7.

2.8 VISITS. During the Programs, each party may send technical personnel to the other party or receive technical personnel from the other party for consultation on the problems arising from the research and development activities and for discussion of the results of the Programs. The duration and frequency of these consultations and visits shall be determined by informal agreement of the parties, from time to time, as requests may be made therefore, and permission for such visits shall not be unreasonably withheld.

2.9 PROJECT BOARD. There is hereby established a Project Review Board (the "Project Board"), which shall have the responsibility for the management, supervision, approval or disapproval of the research during the Programs and of Program budgets. The Project Board shall be comprised of four members, two appointed by ASC and two appointed by Pirelli. The Project Board's responsibilities, obligations and powers are set forth in EXHIBIT 2.9.

2.10 PROJECT BOARD MEETINGS. The Project Board shall meet on the dates of the check points established pursuant to Section 2.6 and at such other times as the parties may agree to. Personnel of the parties, other than the Board Members, may be invited to the meetings on the basis of their contribution to the technical problems under discussion. Minutes of each meeting shall be kept and shall be countersigned by one representative of each party within thirty (30) days after each meeting.

2.11 RECORDS AND REPORTS. ASC will prepare and maintain full and accurate records and books relating to the progress and status of the Programs, the conception and reduction to practice of the Contract Technology, all financial matters connected therewith, and all expenditures made or costs incurred in connection therewith. These records and books shall be made available at all reasonable times to Pirelli and the Project Board for the purposes of management, supervision and verification of ASC's obligations

hereunder. At least once each calendar quarter, within fifteen (15) days after the end of the quarter, ASC will prepare and deliver to Pirelli and the Project Board reports setting forth:

- (a) summaries of the status and progress of then-current Programs;
- (b) all expenditures made or costs incurred in connection therewith; and
- (c) projections of expenditures required in connection with then-current Programs for each of the four calendar quarters following the date of such reports.

2.12 FUNDING OF RESEARCH AND DEVELOPMENT PROGRAM I AND SUBSEQUENT RESEARCH AND DEVELOPMENT PROGRAMS.

(a) Pirelli shall, subject to the provisions of Section 8.3 and the timely performance by ASC of all its obligations hereunder, pay to ASC for its performance under Research and Development Program I in each contract year, starting from the effective date of this agreement the following amounts:

	Year 1	Year 2	Year 3	Year 4

US\$	3,500,000	2,500,000	2,500,000	1,500,000

Of the amount for Year 1, US \$1,000,000 is for research and development work performed prior to October 1, 1995 and US \$2,500,000 is for work subsequent to October 1, 1995.

The above payments shall be invoiced quarterly in advance.

With respect to Year 1, the first two payments (in a total amount of \$2,000,000 now being due) shall be paid before March 31, 1996, and subsequent payments shall be paid within ninety (90) days of the date of invoice. Payments for Years 2 through 4 shall be made within sixty (60) days of the date of invoice, in accordance with the payment schedule in the projected budget set forth in Exhibit 2.1, as that budget may be reasonably adjusted by the parties with reference to the quarterly projections submitted by ASC pursuant to Section 2.11. All amounts paid by Pirelli pursuant to this Section 2.12 shall be expended for no purpose other than Research and Development Program I unless re-allocated by Pirelli according to Section 2.17. All equipment purchased with such amounts and with the approval of Pirelli shall be the property of ASC. All payment obligations of Pirelli under this Section shall cease upon early termination of this Agreement pursuant to Section 8.3. In the event that Pirelli has made an advance quarterly payment and Research and Development Program I is terminated before the end of a quarter for which payment has been made, ASC shall refund to Pirelli the excess of the quarterly payment above amounts expended prior to the notice of termination and amounts reasonably required to terminate the Program after such notice has been given unless Pirelli has not re-allocated funding in accordance with Section 2.17.

(b) The funding to be provided by Pirelli for a Subsequent

Research and Development Program shall be as follows:

(i) 25% of the cost relating thereto; or

(ii) such different percentage the parties may establish as set forth below;

PROVIDED HOWEVER that ASC shall make available funding for the development of Technology relevant to such Program at a level that is not less than Pirelli's contribution under the Program, which calculation shall not take into account any funding received by ASC from third parties on specific programs outside and not relevant to the Field.

The above joint funding by Pirelli and ASC of such Program is to be proportional to the projected business in the Field utilizing the Technology relative to the total projected business utilizing the Technology. The initial funding shall be as provided in (b) (i) above unless the parties agree otherwise. Thereafter, within the month of February each year the parties shall discuss in good faith if there are elements at hand which may lead to the determination of the value of the business in the Field related to the total business to which the Technology in question relates. If the parties determine to establish a different percentage then the funding, from the date of such determination, shall be amended accordingly.

If the parties cannot agree on the percentage to be provided by Pirelli, either party may request that the relevant percentage,

based on the above criteria, be defined by an independent expert agreed upon by the parties or, failing such agreement, by the President of the American Arbitration Association, at the request of either party.

2.13 CERTAIN ASC RESEARCH PROJECTS NOT INVOLVING POWER OR CONTROL CABLES.

During the Research and Development Period, prior to entering into any relationship with any third party concerning research directed to the development, manufacture, installation or operation of products which are designed to be used for transmission of voice, data or video signals, ASC shall give Pirelli notice of its intent to enter a relationship with a third party, and, if requested by Pirelli, Pirelli and ASC shall attempt, in good faith, to agree upon a similar relationship between the two of them. If Pirelli does not request such negotiation, or, after good faith negotiations by ASC and Pirelli agreement on the terms of the relationship is not reached within six months of ASC's notice, ASC shall have the right to enter into such a relationship with a third party at any time during the subsequent 24-month period. If ASC does not enter into a written agreement with such third party within that 24-month period, ASC's right to enter into such an agreement shall cease and Pirelli shall again have the right of first negotiation, described above, as to any such proposed subsequent relationship.

2.14 OTHER ASC RESEARCH PROJECTS INVOLVING POWER CABLES.

Without the prior written consent of Pirelli, during the Research and Development Period ASC shall not enter into any other agreement or other arrangement concerning participation in, funding of, or any partnership, joint venture or similar relationship involving, ASC research activities directed specifically to the Field with:

(a) a utility whose business includes the generation and/or distribution of electricity,

(b) any person or company, or through an affiliate or company, engaged in the manufacture and sale of Cable Wire, Control Cables or Power Cables, or

(c) any organization involved in Cable Wire, Control Cable or Power Cable research.

This Section 2.14 shall not affect the right of ASC to enter into any agreement with any person or company outside the Field, but during the Research and Development Period ASC shall inform Pirelli of any proposed agreement with a party within (a) through (c) above prior to entering into the same.

2.15 RESEARCH PROJECT RELATING TO TRANSMISSION CURRENT LIMITERS. Not later than 1 June 1996, ASC shall provide Pirelli a proposal for a new separately funded program to be carried out by the parties for the research and development and commercial exploitation of Transmission Current Limiters. Thereafter, the parties will negotiate in good faith with respect to an agreement

for the research and development and commercial exploitation of Transmission Current Limiters. If the parties fail to reach such agreement within three (3) months from the date ASC provides its proposal to Pirelli, then ASC shall be free to negotiate also with third parties provided that ASC hereby grants Pirelli a first refusal right to enter into any such agreement. ASC shall, before consummating any such agreement with a third party, give Pirelli notice (a "License Notice") containing a copy of the proposed agreement with such third party relating to the Transmission Current Limiters. Pirelli shall have a period of ninety (90) days following the License Notice in which to exercise its right of first refusal. If Pirelli does not exercise its right of first refusal within the applicable time, ASC shall be free to consummate such arrangement with the relevant third party; provided the transaction is consummated without any material changes which are more favorable to such third party than the terms specified in the License Notice.

2.16 CLEARANCE.

(a) The parties shall, before June 30, 1997, jointly perform a patent clearance of Contract Technology.

(b) ASC shall, during the term of this Agreement, inform Pirelli of any third party industrial property rights known to it that may be relevant to the activities of ASC in the Field or to the rights granted to Pirelli in Section 4.1.

(c) ASC shall, promptly after the date of this Agreement, inform Pirelli of the existence of any third party know-how or intellectual property rights relating to the Field available to it which it cannot disclose or license to Pirelli and provide Pirelli evidence in support of such information.

(d) ASC Undertakes not to knowingly direct a Program in a way which would result in Contract Technology being dependent on third party's intellectual property right, unless ASC has either (i) disclosed to Pirelli all the relevant information known to it with respect to such third party intellectual property rights and any related negotiations or agreements, or (ii) succeeded in obtaining licenses from such third parties relating to such rights, including the right to grant Pirelli a sub-license to the extent necessary to exercise the rights granted in Section 4.1.

2.17 PIRELLI OPTION FOR ADDITIONAL RESEARCH AND DEVELOPMENT IN THE FIELD.

(a) If ASC, during the term of this Agreement, becomes aware of Technology which has potential applications in the Field or if ASC begins exploratory research and development concerning such Technology, itself, in collaboration with or through third parties, then ASC shall promptly inform Pirelli. When ASC has concluded that the Technology has a potential for Product applications in the Field, a research and development proposal for a Subsequent Research and Development Program shall be submitted

to Pirelli. Such proposal shall contain a detailed written program, including: (i) a proposed statement of work; (ii) an analysis of the potential advantages of the proposed activities with respect to the Technology being developed under Research and Development Program I or the then existing Subsequent Research and Development Programs; (iii) to the extent feasible, an analysis of ASC's and any third party's intellectual property rights relating to the proposed activities and the exploitation of the resulting products which is known to ASC; (iv) milestones; (v) and projected costs for such Program.

(b) If Pirelli accepts to fund a Subsequent Research and Development Program the following shall apply:

(i) the terms and conditions of this Agreement shall apply to such Subsequent Research and Development Program;

(ii) the funding to be provided by Pirelli for such Subsequent Research and Development Program may be in addition to the funding provided for Research and Development Program I pursuant to Section 2.12 or be provided by allocating, wholly or partly, the funding under Section 2.12 to such Subsequent Research and Development Program.

(c) If Pirelli elects not to participate in the funding of a proposal for a Subsequent Research and Development Program the following shall apply:

(i) ASC shall have the right to pursue such Subsequent

Research and Development Program itself at its own expense, but ASC's right to accept funding of such Subsequent Research and Development Program from any third party is subject to the provisions of Section 2.14;

(ii) ASC shall from time to time inform Pirelli of the results of its research and development relating to such Subsequent Research and Development Program;

(iii) Pirelli shall, for a period of four (4) years from the date of the proposal in section (a) above, have the right to participate in the funding of such Subsequent Research and Development Program. If Pirelli makes such election then Pirelli shall, in addition to the funding going forward calculated in accordance with Section 2.12 (b), make a payment to ASC for the activities undertaken by ASC prior to such election equal to the cost of such Subsequent Research and Development Program up to the date of such election calculated in accordance with Section 2.12 (b) multiplied by a factor of 1,5;

(iv) upon Pirelli exercising the right in Section (c) (iii) the provisions of Section (b) shall apply to such Subsequent Research and Development Program;

(d) if Pirelli has not exercised the right in Section (c) (iii) within the period stated therein the provisions of Section 8.5.4 shall apply to such Subsequent Research and Development Program.

Section 3. OWNERSHIP OF RESEARCH AND DEVELOPMENT

PROGRAM RESULTS

3.1 OWNERSHIP OF CONTRACT TECHNOLOGY.

(a) ASC shall own all Contract Technology, except as provided in Section 3.1 b., but Pirelli shall have exclusive rights in all such Contract Technology in the Field as provided in Section 4.

(b) Pirelli shall own Contract Technology developed in the course of a Program directed specifically to the design and manufacture of Power Cables and Control Cables, but ASC shall have the exclusive, irrevocable and royalty-free right to use all such Contract Technology outside the Field.

3.2 COOPERATION. Subject to Sections 3.3 and 7, ASC and Pirelli shall provide each other with all Technology which is useful or needed to obtain patents directed to Contract Technology owned by the other party in any country according to the patent laws of the countries where the patent protection is sought by the other party; including under any international patent convention such as the Paris Convention, the Patent Cooperation Treaty or the European Patent Convention. Prior to the filing by one party or its Affiliate of a patent application containing information as to Technology of the other party, such one party shall provide to such other party a copy of the proposed patent application at

least thirty (30) business days prior to the proposed filing date of or earliest bar date for such application, and unless such one party has received the consent of the such other party or its Affiliate (which consent shall not unreasonably be withheld, provided that it shall not be unreasonable for ASC to withhold consent to disclosure in a patent application of Technology owned by ASC relating to the manufacture, but not to the specifications, properties or characteristics, of Cable Wires or Superconductor Wires, and provided further that it shall not be unreasonable for Pirelli to withhold consent to disclosure in a patent application of Technology owned by Pirelli relating to the manufacture, but not to the specifications properties or characteristics, of Power Cables or Control Cables), or has met the conditions of Section 3.3, such one party shall not file such proposed application.

3.3 CONFIDENTIALITY RESTRICTION. Neither party shall disclose any Technology received from the other party, or otherwise disclose any such Technology of the other party in a patent application or in connection with the filing or prosecution of any patent application or the defense or enforcement of any patent except: (i) as permitted by Section 7, and (ii) to the extent that one party or its Affiliate has included any such Technology in a patent application filed by such one party or its Affiliate, such Technology may be included in applications filed by the other party or its Affiliates.

If in the judgment of the other party it is necessary to include any Technology of such one party in a patent application, the other party will so inform such one party, and the parties will consult in good faith to attempt to resolve whether such Technology may be so included.

Section 4. EXPLOITATION RIGHTS

4.1 PIRELLI'S EXPLOITATION RIGHTS.

(a) ASC grants Pirelli and Pirelli's Affiliates the worldwide, irrevocable, royalty-bearing, exclusive license in the Field, to use Contract Technology to manufacture, have manufactured, use and sell the Products.

(b) Pirelli shall have the right in the Field to sub-license any ASC patent rights included in Contract Technology licensed to Pirelli pursuant to Section 4.1 a. Pirelli will notify ASC before entering into formal negotiations with any third party with respect to grant of sub-licenses hereunder, will keep ASC constantly and fully informed with respect to any such negotiations under specific ASC patent rights, and allow representatives of ASC to consult with Pirelli's attorneys with respect to all aspects of such negotiations, provided however that the foregoing shall not limit Pirelli's rights to conduct preliminary discussions with third parties relating to

sub-licensing hereunder without prior notice to ASC. If the third party grants any rights to Pirelli pursuant to such negotiations, Pirelli shall use its best efforts to ensure that such rights inure to the benefit of ASC, ASC Affiliates, and joint ventures to which ASC is a party at least to the extent that they include rights to manufacture, use or sell any Products.

(c) Pirelli shall not knowingly sell Cable Wire, Superconductor Wire or Materials to customers who intend to use them outside the Field. To the extent it is reasonably practicable, Pirelli shall sell Cable Wire, Superconductor Wire or Materials that potentially have applications outside the Field only under an express agreement limiting the use thereof to use in the Field. If use outside the Field has occurred notwithstanding the provisions of this Section, Pirelli shall supply to ASC all data and information relating sales to a party making such use as ASC may reasonably require to enforce its rights hereunder.

4.2 ASC'S EXPLOITATION RIGHTS.

(a) Pirelli grants to ASC, ASC's Affiliates, and any joint venture in which ASC or ASC's Affiliates hold an interest, the exclusive, irrevocable and royalty-free license, under all rights now and hereafter granted to Pirelli pursuant to Section 4.1, to use Contract Technology in the Field:

(i) to manufacture Cable Wire in Canada, the United States of America, Mexico, Japan and the Far East, subject to Sections

4.1(b), 4.3 and 4.4;

(ii) to sell such Cable Wire in and for use in Canada, the United States of America and Mexico exclusively to Pirelli and Pirelli's Affiliates, who shall purchase such Cable Wire for use in Canada, the United States of America and Mexico only from ASC or ASC's Affiliates or, at ASC's option, a joint venture in which ASC or ASC's Affiliates hold an interest, subject to Sections 4.1(b), 4.6, 4.8 and 8.5.3;

(iii) to sell such Cable Wire in Japan for use in the domestic market of Japan, subject to the provisions of Sections 4.1(b) and 4.3;

(iv) to sell such Cable Wire in and for use in the Far East exclusively to Pirelli and Pirelli's Affiliates who shall purchase such Cable Wire for use in Products sold in the Far East only from ASC, ASC Affiliates or manufacturing operations established pursuant to Sections 4.1(b), 4.3, 4.4 or 4.5.

(b) Nothing in this Agreement shall limit ASC's right to manufacture, use or sell Materials or Superconductor Wire for any application which is not in the Field. ASC shall not knowingly sell Materials or Superconductor Wire to customers (other than Pirelli) who intend to use such Materials or Superconductor Wire in the Field. To the extent it is reasonably practicable, ASC shall sell Materials or Superconductor Wire that potentially have applications in the Field only under an express agreement limiting

the use thereof to use outside the Field. If use in the Field has occurred notwithstanding the provisions of this Section, ASC shall supply to Pirelli all data and information relating sales to a party making such use as Pirelli may reasonably require to enforce its rights hereunder.

4.3 MANUFACTURING AND SUB-LICENSING IN JAPAN.

Notwithstanding the provisions of Sections 4.1 and 4.2:

(a) MANUFACTURE OF CABLE WIRE. Any manufacturing of Cable Wire in Japan by a joint venture in which ASC or ASC Affiliates hold an interest shall be by such a venture in which ASC and/or ASC Affiliates, alone or in combination with Pirelli and/or Pirelli Affiliates, hold a majority interest;

(b) PIRELLI RIGHTS. Pirelli may grant any third party in Japan non-exclusive rights in the Field under any patent rights included in Contract Technology;

(c) SUB-LICENSING FOR CONTROL AND POWER CABLES. Pirelli will, at the request of ASC, grant customers in Japan of ASC, ASC Affiliates, or joint ventures in which ASC or ASC Affiliates hold an interest, a royalty-free, non-exclusive, sub-license under any patent rights included in the Contract Technology to use Cable Wire in Power and Control Cables in the domestic market of Japan, provided that Pirelli shall not be obliged to grant any such sub-license unless any such customer, at the request of Pirelli, has disclosed to Pirelli all patent rights available to it at the

time that ASC's request is made relating to Cable Wire and Power and Control Cables, and, at the request of Pirelli, has granted Pirelli non-exclusive, royalty-free rights under such patent rights to use Cable Wire in Control or Power Cables in the domestic market of Japan. For the avoidance of doubt it is hereby declared that nothing contained in this Agreement shall constitute an obligation on Pirelli to grant licenses under any patent rights owned by it or its Affiliates relating to Power and Control Cables.

4.4 MANUFACTURING IN CANADA THE UNITED STATES OF AMERICA AND MEXICO AND THE FAR EAST.

(a) CANADA, THE UNITED STATES OF AMERICA AND MEXICO. In the event that ASC decides to establish a separate manufacturing facility exclusively for the manufacture of Cable Wire in Canada, the United States of America or Mexico, Pirelli and ASC agree to investigate in good faith the potential for Pirelli's participation in the manufacturing of Cable Wire in Canada, the United States of America or Mexico through a minority interest in such facility. ASC shall have the right to sub-license the rights granted in Section 4.2 a. to such a manufacturing operation. Such sub-license shall be a royalty-bearing license and may include the right to use any Contract Technology licensed to ASC under Section 4.2 a.

(b) THE FAR EAST. If the opportunity to establish

manufacturing facilities for the production of Cable Wire in the Far East shall be identified by ASC or be offered to ASC by a third party, then ASC shall promptly notify Pirelli of such opportunity and, within sixty (60) days of such notification, Pirelli may elect to have such Cable Wire manufactured by a joint operation controlled by ASC in which ASC shall have a majority interest if permitted by law, and otherwise an interest greater than that of any other single participant, and in which Pirelli also shall have an interest. ASC shall have the right to sub-license the rights granted in Section 4.2 a. to such a manufacturing operation. Such sub-license shall be a royalty-bearing license and may include the right to use any Contract Technology licensed to ASC under Section 4.2 a. in the manufacture of Cable Wire. Such manufacturing operation shall sell such Cable Wire to third parties only for use in the domestic market of Japan, as provided in Section 4.2 a., or to Pirelli and Pirelli's Affiliates.

4.5 MANUFACTURING OUTSIDE CANADA, THE UNITED STATES OF AMERICA, MEXICO, JAPAN AND THE FAR EAST. Notwithstanding the provisions of section 4.1, Pirelli shall, subject to Section 4.8, purchase from ASC or ASC Affiliates, in the aggregate, acumulative total of at least US \$10,000,000 (ten million US dollars) of Cable Wire for use in Control Cable and Power Cables to be sold outside Canada, the United States of America, Japan,

Mexico and the Far East prior to commencing commercial manufacture of Cable Wire pursuant to the license in Section 4.1 itself or through any Affiliate. ASC shall have the right to participate, and at its request may participate, in any such manufacturing of such Cable Wire by a joint Pirelli-ASC venture in which ASC has a minority interest, the terms and conditions of such joint venture and the extent of ASC's interest therein to be determined by subsequent negotiations between the parties, the conduct of such negotiations shall not delay any activities in relation to the setting up of such manufacturing. In any event, however, Pirelli and ASC agree to investigate in good faith the potential for the supply of partially processed Materials, such as billets or rods, for use in the manufacture of such Cable Wire employing a metallic precursor process from ASC or a joint venture including ASC and Inco, to the extent that ASC or such joint venture can supply such partially processed Materials on reasonable commercial terms.

4.6 EXCLUSIVE SUPPLY; PRESERVATION OF PIRELLI'S SUPPLY

(a) Pirelli agrees that Pirelli and Pirelli Affiliates will purchase from ASC, ASC Affiliates, and joint ventures (other than manufacturing operations established pursuant to Section 4.5) in which ASC or ASC Affiliates have an interest Pirelli's and Pirelli Affiliates' requirements for Cable Wire utilizing or covered by any Contract Technology ("Contract Technology Cable Wire") as follows:

(i) Pirelli's and Pirelli Affiliates' requirements for Contract Technology Cable Wire used or sold in Canada, the United States of America, and Mexico,

(ii) To the extent that such requirements are not purchased from manufacturing operations established pursuant to Section 4.5, Pirelli's and Pirelli Affiliates' requirements for Contract Technology Cable Wire used or sold in the Far East and Japan, and

(iii) To the extent that such requirements are not purchased from manufacturing operations established pursuant to Section 4.5, Pirelli's and Pirelli Affiliates' requirements for Contract Technology Cable Wire used or sold outside Canada, the United States of America, Canada, Mexico, Japan and the Far East.

(b) ASC shall, with respect to the countries and geographical areas of Section 4.6 a. supply to Pirelli and Pirelli's Affiliates all the quantities for Contract Technology Cable Wire that may be ordered by them under this Agreement. Two years before the expected commencement of commercial sales, the parties will develop a procedure to be followed for forecasting and meeting the needs of Pirelli of such Cable Wire to be manufactured by ASC, ASC Affiliates and any joint venture (other than manufacturing operations established pursuant to Section 4.5) in which ASC or ASC Affiliates hold an interest and supplied to Pirelli and Pirelli Affiliates pursuant to Section 4.6 a. and for

forecasting the facility requirements of ASC for such supplies of such Cable Wire on an on-going basis. If ASC, ASC Affiliates or such joint ventures thereafter (i) do not together commit to supply all requirements of such Cable Wire meeting the Specifications for use in Products to be sold in Canada, the United States of America and Mexico for a given calendar year, (ii) do not together commit to supply all requirements (other than requirements provided by manufacturing operations established pursuant to Section 4.5) of such Cable Wire for use in Products to be sold in the Far East or Japan by Pirelli and Pirelli Affiliates for a given calendar year, (iii) do not together commit to supply all requirements (other than requirements provided by manufacturing operations established pursuant to Section 4.5) for such Cable Wire for use in Products to be sold outside Canada, the United States of America, Canada, Mexico, Japan and the Far East for a given calendar year, or (iv) having committed to supply a particular quantity of such Cable Wire to Pirelli or Pirelli's Affiliates for a given calendar year, fail to supply at least 80% of that amount as ordered by Pirelli and Pirelli's Affiliates, then Pirelli may, notwithstanding the provisions of Sections 4.2, 4.5 and 4.6 a., (i) import such Cable Wire from manufacturing operations established pursuant to Section 4.5 during the period of shortage to make up for the resulting shortage or (ii) purchase such Cable Wire from other sources in the relevant territory,

provided that to the extent Pirelli purchases any Contract Technology Cable Wire from other sources Pirelli will pay ASC a royalty with respect to such Cable Wire at the royalty rate specified in Section 4.12.

(c) If, in any calendar year, Pirelli, Pirelli Affiliates and Pirelli joint ventures (other than joint Pirelli-ASC joint ventures authorized by Section 4) obtain less than all of their requirements of Contract Technology Cable Wire from ASC, ASC Affiliates, joint Pirelli-ASC joint ventures authorized by Section 4 or manufacturing operations established pursuant to Section 4.5. Pirelli will pay ASC a royalty with respect to all Contract Technology Cable Wire obtained from anyone other than ASC, ASC Affiliates, joint Pirelli-ASC joint ventures authorized by Section 4 or manufacturing operations established pursuant to Section 4.5. The royalty shall be paid at the royalty rates specified in section 4.12 with respect to the first 5% of such requirements of Contract Technology Cable Wire obtained from such others and, only with respect to the royalty rate specified in section 4.12 (b) for royalties to ASC, at 150% of such royalty with respect to all other Contract Technology Cable Wire obtained from such others.

(d) The provisions of Section 4.6 c. shall not apply to the extent that the failure of Pirelli, Pirelli Affiliates and Pirelli joint ventures (other than joint Pirelli-ASC joint ventures

authorized by Section 4) is caused by ASC's failure to commit to supply or to supply cable wire as provided in Section 4.6 b.

4.7 IRREVOCABILITY OF PIRELLI'S EXPLOITATION RIGHTS.

(a) It is agreed and understood that the rights granted to Pirelli in section 4.1, shall not and cannot be revoked, voided, or rescinded for any reason whatsoever in consideration of the financing of the Programs provided by Pirelli under this Agreement, the 1990 Agreement and the 1994 Agreement. ASC's sole remedy in case of Pirelli's breach of any of the provisions of this Agreement shall be limited to the recovery of any damages, if applicable, and of any payments due hereunder, plus interest on any sum recovered. ASC waives any claims or rights to seek rescission of this Agreement.

(b) If Pirelli terminates this Agreement as provided in section 8.5.2 the rights granted to Pirelli shall be modified as provided in Section 8.5.2.

4.8 PRICE OF CABLE WIRE. The price at which Cable Wire shall be sold by ASC and ASC Affiliates and purchased by Pirelli for commercial applications pursuant to this Section 4 shall be determined by the parties within two (2) years from the date of this Agreement in accordance with SCHEDULE 4.8 attached hereto.

4.9 SALES OF SUPERCONDUCTOR WIRE TO PIRELLI. In consideration of the contribution made by Pirelli through the 1990 and 1994 Agreements, Pirelli and its Affiliates shall have the

right, in any year following the first year in which ASC and its Affiliates sell at least US \$7,500,000 (seven and one-half million US dollars) worth of Magnet Wire in Europe, to purchase from ASC and its Affiliates Superconductor Wire to be used in the manufacture of Magnet Wire and to sell Magnet Wire only in Europe. The price and other terms for the sale of Superconductor Wire to Pirelli pursuant to this Section 4.9 shall be determined by future agreement between the parties, but in any case shall be at least as favorable to Pirelli as those on which Superconductor Wire in similar quantities and under similar conditions is sold by ASC to third parties.

4.10 SUBLICENSE OF RIGHTS UNDER INCO AGREEMENT. In connection with the joint ventures authorized by Section 4.5 or the license granted under Section 4.1 and to the extent it is permitted to do so, ASC will offer to sublicense the wire forming technology, licensed to it pursuant to the Inco Agreement, to Pirelli, Pirelli Affiliates, Pirelli's sub-licensees or Pirelli joint ventures authorized by Section 4.5; and Pirelli, Pirelli Affiliates, Pirelli's sub-licensees and Pirelli joint ventures authorized by Section 4.5 may accept such sublicenses on the terms required by the Inco Agreement as needed in connection with their manufacture and sale of Products.

4.11 ADDITIONAL LICENSES. In connection with the license granted pursuant to Section 4.1 and to the extent it is permitted

to do so, ASC will exercise its best efforts to cause its licensors of Contract Technology to grant to Pirelli or Pirelli Affiliates, such rights as may be required by Pirelli or Pirelli Affiliates, to exercise the rights in the Field granted herein. ASC shall, within thirty (30) days after the execution of this Agreement, supply Pirelli with a list of any such licenses, and shall up-date such list twice per year before June 30 and December 31. If ASC, notwithstanding exercising its best efforts, is unable to secure such rights for Pirelli or Pirelli's Affiliates it shall promptly inform Pirelli giving full details relating to the arrangement in question.

4.12 ROYALTY AMOUNTS. Under any royalty-bearing license granted pursuant to Section 4.1 to Pirelli, Pirelli's Affiliates, or Pirelli joint ventures authorized by Section 4.5, Pirelli will pay ASC royalties with respect to Products (other than Control Cables or Power Cables) used or sold by or on behalf of the relevant licensee, provided however that no royalty shall be payable in relation to the use or sale of such Products purchased from ASC or ASC Affiliates. The royalties shall be paid in an amount including (a) the aggregate royalties payable by ASC to third parties with respect to the exercise by or on behalf of the licensee of any rights sublicensed to the relevant licensee hereunder (such payments required by any existing agreements of ASC to be disclosed within ninety (90) days after the date of this

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Agreement and any payments required by future agreements of ASC to be disclosed promptly after the execution of such agreements, subject to the provisions of Section 2.16) and (b) a royalty with respect to Products (other than Control Cables or Power Cables) used or sold by or on behalf of the relevant licensee calculated from the net sales price of Products (other than Control Cables or Power Cables) at a rate of **** of the net sales price for Products (other than Control Cables or Power Cables) sold by or on behalf of the licensee up to US \$10,000,000 (ten million US dollars) in any year, and **** of the net sales price for any excess over US \$10,000,000 (ten million US dollars) in Product (other than Control Cables or Power Cables) sales in any year. The net sales price for any sale to a party which is neither Pirelli nor a Pirelli Affiliate shall be defined as the gross sales price less (i) normal sales discounts (ii) allowances for defective products, (iii) freight, (iv) insurance, (v) packing, (vi) commissions, and (vii) any value added or other taxes levied on the manufacture or the sale. The net sales price for any sale to Pirelli or a Pirelli Affiliate shall be defined as the net sales price for the most recent sale to a party which is neither Pirelli nor a Pirelli Affiliate involving similar types and quantities of Products (other than Control Cables or Power Cables). In the event that a net sales price cannot be established in this manner, the applicable net sales price will be

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ASTERISKS DENOTE SUCH OMISSIONS.

negotiated in good faith by the parties, and if the parties cannot, in good faith, agree on an applicable price, for the purpose of settling such dispute only, royalties will be payable by the licensee at the royalty rate specified above multiplied by ***** of the direct manufacturing costs (including, without limitation, materials, labor and energy) of the Products (other than Control Cables or Power Cables) sold, however, the **** of the direct manufacturing costs shall not be used for any other purpose, including determining the net sales price of Products (other than Control Cables or Power Cables).

It is understood that only one royalty under this Section shall be payable in respect of any Product and that royalty shall accrue on the Product sold by Pirelli, Pirelli's Affiliates, or Pirelli joint ventures authorized by Section 4.5 to a third party, except that the royalty due on sale of Cable Wire should accrue on its sale to either a third party or to Pirelli or a Pirelli Affiliate as provided in this Section 4.12.

4.13 TRANSFER COSTS. Pirelli shall reimburse ASC its reasonable expenses, including salaries and other reasonable and customary benefits of ASC personnel, for the implementation of the licenses granted pursuant to Section 4.1, of Contract Technology relating to facilities, equipment and processes employed in ASC's manufacture of Cable Wire.

4.14 DISCLOSURE OF TECHNOLOGY AND TECHNICAL ASSISTANCE BY

ASC. In connection with the license granted pursuant to Section 4.1, ASC shall disclose to Pirelli, on a continuing basis, such licensed Contract Technology as it exists from time to time during the term of this Agreement as may be necessary or useful for Pirelli to exercise such rights and shall, at the request of Pirelli, provide reasonable technical assistance as hereinafter provided.

The disclosure of Technology by ASC, for use by Pirelli in connection with the exploitation of Pirelli's rights under this Section 4, shall take place through exchange of written reports, personal meetings, visits of Pirelli personnel to the facilities of ASC and/or ASC's Affiliates and ASC allowing Pirelli access to and the right to review and copy documents, interview personnel of ASC etc., at reasonable intervals, during normal office hours and with reasonable prior written notice.

ASC shall, at the request of Pirelli, provide Pirelli with Contract Technology and technical assistance as reasonably required to permit Pirelli to exercise the rights granted in section 4.1 through:

(a) supply of technical information such as, without limitation, drawings, blue-prints, raw material and technical specifications, machinery, equipment and plant designs, manufacturing data and procedures, maintenance procedures, manuals, list of suppliers, quality control and waste handling;

(b) training of Pirelli personnel in the facilities of ASC;

(c) technical assistance as reasonably requested by Pirelli by ASC's personnel at the facilities of Pirelli, including assistance for installation and commissioning of the first plant of Pirelli;

(d) as reasonably requested by Pirelli, periodic visits of ASC's technicians to Pirelli facilities for reasonable periods of time (e.g. visits by two technicians each for a period of two days once every six (6) months) to meet with Pirelli's technicians to discuss the techniques for the manufacture of Cable Wire and the maintenance of the equipment for such manufacture;

(e) reasonable availability of ASC's technicians to answer questions and solve problems that Pirelli may submit in writing or by phone.

The duration and timing of the technical assistance and the training shall be defined by the parties in good faith negotiations, provided that Pirelli shall, prior to starting its own production, have the right to send up to ten (10) technicians to any Cable Wire manufacturing facility of ASC or ASC's Affiliates or, if ASC or its Affiliates have no such facility, the manufacturing facility of a joint venture of ASC, for a period of up to six (6) months each to receive training, and further provided that ASC shall provide reasonable technical assistance

for a period of six (6) months to the first facility constructed by Pirelli, Pirelli's Affiliates or Pirelli-ASC joint ventures to provide assistance in the installation and commissioning of such facility for the manufacture of Cable Wire.

As provided in section 4.14, Pirelli shall pay all of ASC's reasonable expenses in connection with any and all technical assistance, training and transfer of information envisaged or provided for under this Section 4.15.

Pirelli may from time to time supply to ASC data and information relating to its manufacturing techniques relating to Cable Wire as required to permit ASC to supply Pirelli and Pirelli's Affiliates with Cable Wire of similar quality as the Cable Wire produced by Pirelli.

SECTION 5. 1990 AGREEMENT AND THE 1994 AGREEMENT

5.1 PARTIAL TERMINATION OF THE 1990 AGREEMENT. The 1990 Agreement shall terminate upon payment to ASC of all payments due to ASC from Pirelli under the 1990 Agreement, and thereafter shall have no further legal effect except that the following provisions of the 1990 Agreement shall remain in effect: Article II, Section 2.13 (RIGHTS AND OBLIGATIONS OF CLOSE OF RESEARCH PROGRAM) and, to the extent required by Section 2.13, Article I (Definitions) and Article III (NEW TECHNOLOGY). ASC agrees that it has received from Pirelli all payments due to ASC from Pirelli under the 1990 Agreement.

5.2 PARTIAL TERMINATION OF THE 1994 AGREEMENT. The 1994 Agreement shall terminate upon payments to ASC of all payments due to ASC from Pirelli under the 1994 Agreement, and therefore shall have no further legal effect except that the following provisions of the 1994 Agreement shall remain in effect: Section 3.1 and 3.2; Article 1 (Definitions); and Article 7 (Confidentiality).

SECTION 6. REPRESENTATIONS AND WARRANTIES

6.1 REPRESENTATIONS AND WARRANTIES OF PIRELLI. Pirelli represents and warrants to ASC as follows:

6.1.1 ORGANIZATION AND AUTHORITY. Pirelli is a corporation duly organized, validly existing and in good standing under the laws of the Republic of Italy and has full corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Pirelli is qualified and in good standing as a foreign corporation doing business in all jurisdictions where failure to so qualify would have a material adverse effect on its business and/or assets. Pirelli has full corporate power and authority to enter into and perform its obligations under this Agreement in accordance with its terms.

6.1.2 AUTHORIZATION; NO VIOLATION. The execution, delivery and performance of this Agreement by Pirelli have been duly authorized by all requisite corporate action of Pirelli, and this Agreement constitutes the valid and binding obligation of

Pirelli, enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the performance by Pirelli of its obligations hereunder shall (i) violate any provision of its Certificate of Incorporation or by-laws; (ii) violate, conflict with, or result in the breach or termination of any agreement or instrument to which Pirelli is a party or by which it is bound, which breach or termination would adversely affect Pirelli's ability to perform its obligations under this Agreement; (iii) violate any judgment, order, injunction, decree or award against, or binding upon, Pirelli; or, (iv) constitute a violation by Pirelli of any law, directive or regulation of any jurisdiction.

6.1.3 APPROVALS AND CONSENTS. The execution and delivery of this Agreement and the performance by Pirelli of its obligations hereunder do not require notice to, or the approval or consent of, any third party, including without limitation any educational institution, or governmental or other regulatory agency, except as provided in section 9.15.

6.2 REPRESENTATIONS AND WARRANTIES OF ASC. ASC represents and warrants to Pirelli as follows:

6.2.1 ORGANIZATION AND AUTHORITY. ASC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to own, lease and operate its properties and

to carry on its business as now being conducted. ASC is qualified and in good standing as a foreign corporation doing business in all jurisdictions where failure to so qualify would have a material adverse effect on its business and/or assets. ASC has full corporate power and authority to enter into and perform its obligations under this Agreement in accordance with its terms.

6.2.2 AUTHORIZATION; NO VIOLATION. The execution, delivery and performance of this Agreement by ASC has been duly authorized by all requisite corporate action of ASC, and this Agreement constitutes the valid and binding obligation of ASC, enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the performance by ASC of its obligations hereunder shall (i) violate any provision of its Certificate of Incorporation or by-laws; (ii) violate, conflict with or result in the breach or termination of any agreement or instrument to which ASC is a party or by which it is bound, which breach or termination would adversely affect ASC's ability to perform its obligations under this Agreement; (iii) violate any judgment, order, injunction, decree or award against, or binding upon, ASC; or, (iv) constitute a violation by ASC of any law, directive, or regulation of any jurisdiction.

6.2.3 APPROVAL AND CONSENTS. The execution and delivery of this Agreement and the performance by ASC of its obligations hereunder do not require notice to, or the approval or

consent of, any third party, including without limitation any governmental or other regulatory agency, except as provided in section 9.15.

6.2.4 THIRD PARTY AGREEMENTS AND INTELLECTUAL PROPERTY RIGHTS. ASC has obtained certain intellectual property licenses from third parties and to the extent that it is permitted to do so by such licenses, it will sublicense to Pirelli and its Affiliates on reasonable terms any intellectual property covered by those licenses which is necessary in order for Pirelli or its Affiliates to exercise the rights which Pirelli and its Affiliates have received or are to receive under this Agreement. Any Cable Wire sold by ASC to Pirelli shall be sold free of any claim by any third party with which ASC has any agreement that the sale is in breach of such agreement, and from any claim by any third party licensor of ASC with respect to any intellectual property licensed to ASC by such licensor.

SECTION 7. CONFIDENTIALITY

7.1 OBLIGATION TO MAINTAIN SECRECY. Each party undertakes to keep secret and confidential and to use only as provided in this Agreement, all Technology disclosed to it by the other party during the term of this Agreement.

7.2 EXCEPTIONS. Notwithstanding the provisions of Section 7.1, a party receiving Technology from the other party may disclose such Technology:

(a) pursuant to an order or judgment of any competent court or governmental body, provided that the receiving party so obliged to disclose shall give written notice of such order or judgment to the other party prior to making such disclosure and shall use reasonable efforts to obtain a protective order covering such Technology,

(b) if required to do so by any law, rule or regulation provided notice has been given as required by Clause (a) above,

(c) if such Technology is or becomes generally available to the public through any means other than breach of this Agreement,

(d) if such Technology is disclosed to the receiving party without any obligation of confidentiality by a third party who has the right to make such disclosure,

(e) if such Technology has been developed independently by the receiving party without use of or benefit from such Technology of the other party as can be shown by written evidence,

(f) if such Technology was in the possession of the receiving party without an obligation of confidence prior to the 1990 Agreement, as can be shown by written evidence,

(g) if the disclosing party provides advance written authorization for the disclosure,

(h) if such Technology was disclosed by the disclosing party to a third party other than under conditions of confidence,

(i) to those of its employees, consultants, contractors, who have agreed in writing to be bound by the same confidentiality obligations contained in this Section 7 and who need to use such Technology for the purposes of this Agreement, provided with respect to such consultants and contractors that disclosure shall be made on a "need to know" basis for work performed on the behalf of Pirelli or its Affiliates.

7.3 MATTERS NOT CONSIDERED PUBLIC KNOWLEDGE. For the purposes of Section 7.2, Technology shall not be deemed to be generally available to the public, disclosed without any obligation of confidentiality or conditions of confidence, or developed independently (hereinafter in this Section 7.3 collectively referred to as "public knowledge"), if

(a) the general principle is public knowledge or known but the particular practice is not itself public knowledge,

(b) the generic information is public knowledge but the specific information is not itself public knowledge or,

(c) it constitutes a combination (not itself public knowledge) of information which is public knowledge.

7.4 PERIOD OF CONFIDENTIALITY. The provisions of this Section 7 shall remain in effect for five (5) years after the expiration or termination of this Agreement or any extensions thereto, but in no event less than ten (10) years from the date of this Agreement.

7.5 COVENANT OF ASC. ASC undertakes, notwithstanding the provisions of Section 7.2 (e), (f) and (h), for the period of confidentiality in section 7.4, not to make available Contract Technology to the public in any way which would be materially detrimental to or materially diminish the value of the rights granted to Pirelli under this Agreement.

SECTION 8. TERM AND EXTENSION

8.1 TERM OF RESEARCH AND DEVELOPMENT PROGRAM I. Insofar as they relate to the Research and Development Program I (including redirection thereof as provided in Section 2.17), the provisions set forth in Section 2 of this Agreement shall remain in force until October 1, 1999 unless earlier terminated or extended pursuant to this Section 8. Except as otherwise provided herein, termination of a Program (including but not limited to Research and Development Program I) shall not affect any other rights or obligations of the parties contained in this Agreement.

8.2 TERM OF AGREEMENT. Unless earlier terminated or extended pursuant to this Section 8, this Agreement shall expire twenty (20) years from the date of ASC's first commercial supply of Cable Wire to Pirelli or to any Pirelli Affiliate, twenty-five (25) years from the date of this Agreement, or upon the expiration of the last-to-expire patent included in Contract Technology licensed to Pirelli hereunder, whichever is the last to occur.

8.3 EARLY TERMINATION. Pirelli shall have the right to

terminate Research and Development Program I, the Business Plan, and this Agreement upon (a) the failure of ASC, after consultation, to provide and continue to provide qualified personnel and appropriate resources to enable Research and Development Program I and the Business Development Plan to progress in accordance with the goals and criteria set forth in Exhibit 2.1, (b) a determination by Pirelli that further development in Research and Development Program I is not technically feasible, and/or (c) a determination by Pirelli that the results of the clearance in section 2.16 or the non-availability of additional licenses under Section 4.11 do not justify the further financing of Research and Development Program I in accordance with section 2.12. Pirelli shall have the right to terminate its participation in any other Program upon (d) the failure of ASC, after consultation, to provide and continue to provide qualified personnel and appropriate resources to enable such Program to progress in accordance with the goals and criteria set forth in statement of work for such Program, (e) a determination by Pirelli that further development pursuant to such Program is not technically feasible, or (f) a determination by Pirelli that the results of the clearance in section 2.16 for such Program does not justify the further financing.

Subject to Section 4.7, either party shall have the right to terminate a Program, the Business Development Plan, and this

Agreement upon a material breach by the other of any representations, warranties, covenants or obligations hereunder. Termination pursuant to the provisions of this Section 8.3 shall be accomplished by the giving of written notice by the terminating party to the other party of its election to terminate and specifying the date of termination, the failure or the breach, such notice to be given not less than 90 days prior to such date of termination. If such breach can be cured, the party receiving such notice shall have the right to prevent termination by curing the specified breach within such 90 day period.

8.4 EXTENSIONS.

(a) This Agreement and/or a Program may be extended by mutual agreement.

(b) If either party requests an extension of a Program, both parties shall then negotiate in good faith to reach an agreement on such an extension; however if agreement is not reached, Pirelli nonetheless shall have the right to extend a Program in a manner consistent with the then-current statement of work for such Program and under the terms and conditions set forth in Section 2, provided that the amount paid by Pirelli to ASC for such extended Program shall be equal to the amount paid or to be paid by Pirelli with respect to the last year of the then-current Program. All of the other terms of this Agreement shall be effective with respect to any such extension.

8.5. EFFECT OF TERMINATION OR EXPIRATION.

8.5.1 Except as specifically otherwise set forth in this Section 8.5, upon termination (but not expiration) of Research and Development Program I as provided in Section 8.5.2 or 8.5.3, or upon either termination or expiration of this Agreement, the provisions of this Agreement shall no longer have any legal effect except that the following provisions shall survive and shall not be subject to any limit of time except those expressed in the provisions themselves:

Section	1	(Definitions)
Section	3	(Ownership of Research and Development Program Results)
Section	4.1	(Pirelli's Exploitation Rights)
Section	4.2	(ASC's Exploitation Rights)
Section	4.7	(Irrevocability of Pirelli's Exploitation Rights)
Section	5	(1990 Agreement and 1994 Agreement)
Section	6	(Representations and Warranties)
Section	7	(Confidentiality)
Section	9.1	(Indemnification)
Section	9.2	(Non-Solicitation)
Section	9.3	(Export Controls)
Section	9.5	(Resolution of Disputes)
Section	9.6	(Publicity)

CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION.
ASTERISKS DENOTE SUCH OMISSIONS.

Section 9.7 (Assignment)
Section 9.8 (Notices)
Section 9.9 (No Prejudice by Inaction)
Section 9.11 (Written Amendments Only)
Section 9.12 (Applicable Law; Entire Agreement; Headings)

8.5.2 Termination of a Program shall not be considered termination of this Agreement. However, if Pirelli terminates the Programs prior to ***** or before paying to ASC the amount of US \$10,000,000 pursuant to Section 2.12 for reasons other than a breach of this Agreement by ASC (including the provisions of Section 8.3(a)) then the rights granted to Pirelli in Section 4.1(a) shall become non-exclusive, Pirelli shall have no rights under Sections 2.17 and 4.1(b), and ASC shall have no further obligations under Section 2.

8.5.3 If this Agreement is terminated by Pirelli as a result of a breach of this Agreement by ASC (including the provisions of Section 8.3(a)), or Research and Development Program I (including any redirection thereof as provided in Section 2.17) expires prior to the supply by ASC to Pirelli of Cable Wire meeting the Specifications and ASC elects not to continue Research and Development Program I notwithstanding Pirelli's request to do so, then this Agreement and all rights of ASC under Sections 4.3(c), 4.4, 4.5 and 4.6 shall immediately terminate, and ASC's rights under Sections 4.2 (ii) and (iv) shall become non-exclusive.

8.5.4 If Pirelli elects not to participate in a Subsequent Research and Development Program and the period in Section 2.17 (c) (iii) has elapsed for such Subsequent Research and Development Program or if Pirelli terminates its participation in a Subsequent Research and Development Program, for reasons other than those of Section 8.3(d), (e) or (f), prior to the supply by ASC to Pirelli of a product meeting the specifications established for such Subsequent Research and Development Program, then (i) all rights of Pirelli in any Contract Technology developed in the course of such Subsequent Research and Development Program shall terminate and such Contract Technology shall be considered Excluded Technology; (ii) ASC shall have the right to manufacture, use and sell (but not to sublicense others to manufacture) Cable Wire employing Excluded Technology. To the extent that ASC requires the right to use Contract Technology to exercise its right to use Excluded Technology to manufacture, use and sell Cable Wire Pirelli shall, at the request of ASC, grant ASC such rights on reasonable terms and conditions to be agreed upon.

8.5.5 Upon expiration (but not termination) of this Agreement, Pirelli shall have a fully paid-up license to use Contract Technology licensed pursuant to Section 4.1 with no further payments to ASC. Expiration of this Agreement shall not affect the rights or obligations of ASC, ASC Affiliates, Pirelli or Pirelli Affiliates with respect to any joint venture in which

ASC or an ASC Affiliate, one hand, and Pirelli and a Pirelli Affiliate on the other hand, have an interest.

SECTION 9. MISCELLANEOUS

9.1 INDEMNIFICATION. ASC acknowledges that substantially all research activities conducted pursuant to this Agreement shall be carried on in facilities controlled by it. All activities carried on by either party pursuant to this Agreement in the United States of America shall be made in full compliance with all applicable United States federal, state and local laws, regulations and ordinances, including, without limitation, all such laws, regulations and ordinances pertaining to the protection of the environment and hazardous or toxic substances or wastes as defined in such laws, regulations or ordinances. Each party shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs, losses or expenses suffered by the other resulting from or arising in connection with any violation or alleged violation of any such laws, regulations or ordinances by the party, or resulting from the negligence of the party or from the intentional act or failure to act of the party, if the other party has given the party prompt written notice of the assertion of any such claim against it and cooperates with the party in the defense of any such claim.

9.2 NON-SOLICITATION. While this Agreement is in effect and for a period of one year after it has been terminated, neither

party will employ, nor solicit for employment, any executive, officer or other employee of the other or its Affiliates. Each party acknowledges that any violation by it of the covenant contained in this Section 9.2 is likely to cause damage to the other party, which may not be adequately compensated by money damages, and each party agrees that this Section 9.2 may be enforced by an order for specific performance or injunctive or other appropriate relief by a court of competent jurisdiction, in addition to any other remedies provided by law.

9.3 EXPORT CONTROLS. The parties agree to comply with all applicable export control laws and regulations of the United States, Italy, or any other country. The parties will not export or re-export the technical data, computer software, prototypes and other commodities which are the subject of this Agreement to any prohibited destination, including, but not limited to, Libya, Iran, Iraq, South African military or police entities, Syria, and other destinations found in Country Groups Q, S, W, Y or Z in the U.S. Export Administration Guidelines. The parties will obtain all appropriate export and re-export authorizations required under the Export Administration Regulations of the U.S. Department of Commerce, the International Traffic in Arms Regulations of the U.S. Department of State, the Nuclear Regulatory Commission, and any other government agency controlling the export of technical data, computer software, prototypes and other commodities which

are the subject of this Agreement. Each party neither represents that a license shall not be required nor that, if required, it shall be issued. To the extent licenses are required, each party will use its best efforts to obtain, or to assist the other party to obtain, them.

9.4 FORCE MAJEURE. If the performance of any obligation under this Agreement is prevented by any cause beyond the reasonable control of a party, such party shall be excused from such performance for so long as is reasonable. The party so prevented shall use all practical efforts to perform its obligations as soon as possible.

9.5 RESOLUTION OF DISPUTES. Any dispute arising under or in connection with this Agreement shall be resolved by arbitration at a mutually agreeable site within four hundred (400) kilometers of New York City under the rules of the American Arbitration Association, applying the law of the State of New York. Demands for arbitration shall be made in writing and shall be served upon the party to whom the demand is addressed by registered mail. Application may be made to any court having jurisdiction for judicial acceptance of the award and for an order of enforcement.

9.6 PUBLICITY. During the term of this Agreement and any extension thereof, and unless otherwise required by court order, governmental law or regulation, or any other operation of law, neither ASC nor Pirelli shall issue, nor permit its employees to

issue, any news release, advertisement, publicity or promotional material, or technical articles or paper that quotes any of its employees, officers or directors in connection with the Research and Development Program, or that discloses Technology of the other party, the results of the Research and Development Program or any of the terms of this Agreement (except insofar as such Technology, results or terms previously have been properly disclosed), without the prior review and consent of the other party. All such material shall be submitted by fax to:

FOR PIRELLI: A. Bolza
FOR ASC: G. Yurek, President

The recipient shall be deemed to consent to the technical article or paper only if the recipient does not respond within ten (10) business days and shall be deemed to consent to any other publication hereunder if the recipient does not respond within fifteen (15) business days.

9.7 ASSIGNMENT. This Agreement shall be binding upon, and inure to the benefit of, ASC and Pirelli and their respective successors and permitted assigns. Neither party may assign its rights and obligations under this Agreement without the prior written consent of the other party, EXCEPT THAT, (i) either party may assign all or any part of its right, title and interest in and to this Agreement to any entity that succeeds to all or substantially all of the business assets of the assignor to which

this Agreement relates, provided however that if an assignee of either party uses a technology for the manufacture of Products which permits such assignee to manufacture the Products without using Contract Technology licensed hereunder, then, in case Pirelli is the assignor, the rights in Section 4.1 a. shall become non-exclusive and, in case ASC is the assignor, the rights in Section 4.2 shall become non-exclusive, and (ii) either party may assign all or any part of its right, title and interest in and to this Agreement (other than ASC's obligations under Section 2 which may be assigned under this clause (ii) only with the consent of Pirelli) to an Affiliate or Affiliates without giving prior notice to or obtaining the consent of the other party. In the event of any such assignment or sublicense under this Section 9.7, the assigning party shall remain liable for all of its obligations under this Agreement accrued prior to such assignment or sub-license and shall continue to be bound by the secrecy obligations in Section 7.

9.8 NOTICES. Any notice or communication given pursuant to this Agreement by either party to the other shall be in writing and delivered or mailed by registered or certified mail, airmail postage prepaid (airmail notices shall be deemed to have been given 10 days after having been mailed), as follows:

If to Pirelli: Pirelli Cavi S.p.A,
Viale Sarca, 202

20126 Milano MI
Italy
Attention: Director of Research and Development

If to ASC: American Superconductor Corporation
Two Technology Drive
Westborough, MA 01583
Attention: President

9.9 NO PREJUDICE BY INACTION. NO failure or delay on the part of a party to exercise any of its rights under this Agreement shall be construed to prejudice its rights in connection with that or any subsequent default.

9.10 RELATIONSHIP OF PARTIES. Nothing in this Agreement shall be construed to constitute either party as the partner, joint venturer, agent, employee or Affiliate of the other, it being intended that the parties shall remain independent contractors and neither party shall be liable for the obligations, liabilities or representations of the other.

9.11 WRITTEN AMENDMENTS ONLY. No agreement or understanding varying or extending this Agreement will be binding upon either party unless it is in writing and signed by a duly authorized officer or representative of both parties.

9.12 APPLICABLE LAW; ENTIRE AGREEMENT; HEADINGS. This Agreement shall be construed in accordance with the laws of the

State of New York. This Agreement may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. This Agreement contains the entire understanding between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

9.13 COVENANTS WITH RESPECT TO CONDUCT OF LITIGATION. The parties agree, with respect to the conduct of any litigation (including any mediation or arbitration) regarding any aspect of Contract Technology licensed to Pirelli pursuant to Section 4.1, as follows:

9.13.1 Each party shall promptly notify the other regarding any suspected or ascertained infringement of such rights of which it becomes aware.

9.13.2 Pirelli shall have the right to take any action it deems necessary against suspected or ascertained infringement of Contract Technology in the Field, provided, with respect to such Technology licensed to ASC from third parties, that ASC itself has been granted such right and that such right is transferable to Pirelli. ASC shall disclose any such limitations in its agreements with third parties to Pirelli as part of the clearance pursuant to Section 2.16. Pirelli shall inform ASC

before commencing any suit involving any Contract Technology. If Pirelli is sued it shall promptly notify ASC.

9.13.3 If Pirelli sues or is sued ASC shall have the right to join in such litigation at its own expense. Any such suit shall be conducted by Pirelli, provided that ASC shall have the right, but not the obligation, to join in any such suit at its own expense, and also shall have the right to control any such suit to the extent that such suit involves any ASC Contract Technology applicable outside the Field. ASC shall exercise the right to take control over such suit within thirty (30) days of receipt of Pirelli's written request to make such election. If ASC does not exercise its right to take control within said thirty-days-period, ASC shall be deemed to have waived such right to do so.

9.13.4 If ASC wants to sue, it shall have the right to so, provided that it shall inform Pirelli in advance. If ASC brings a suit or is sued, to the extent that such suit involves any infringement of Contract Technology in the Field, Pirelli shall have the right to join in such litigation at its own expense, provided that any such suit shall be conducted by ASC.

9.13.5 Each party shall keep the other party constantly and fully informed in relation to any litigation pursued by it under this Section and shall allow representatives of the other party to consult with its attorneys with respect to

all aspects of such litigation.

9.13.6 Pirelli shall have the full control of the direction of any lawsuit which is conducted by Pirelli and does not involve ASC Contract Technology applicable outside the Field, including the settlement thereof, subject to the provisions of section 9.13.7

9.13.7 Neither party shall enter into any settlement or consent judgment or voluntary final disposition of any lawsuit, without the consent of the other, if such settlement would require such other party to be subject to an injunction or to make a monetary payment or other consideration, other than legal fees and expenses. Neither shall either party enter into any such settlement, consent judgment or voluntary final disposition that affects any rights owned by or licensed to the other, which consent shall not be unreasonably withheld. ASC will not enter into any settlement or consent judgment or voluntary final disposition of any suit commenced by or against Pirelli as to which ASC has assumed control as provided in Section 9.13.3 without the consent of Pirelli, which consent will not be unreasonably withheld.

9.13.8 Except as otherwise provided, each party shall cover its own costs in connection with any litigation under this section. Any recovery made either by Pirelli or ASC in any lawsuit under this Section shall be applied first to repay

Pirelli's and ASC's respective actual legal out-of-pocket expenses and fees, or equitable proportions of them, associated with any lawsuit under this Section out of any recovery made by either Pirelli or ASC; and if ASC and Pirelli are both parties to the suit, any excess amount shall be divided equally between them.

9.14 PROVISIONS RELATING TO THE BANKRUPTCY CODE. All rights and licenses granted under this Agreement by either party to the other party are, and shall be deemed to be for the purpose of Section 365(n) of Title 11 of the United States Code (collectively, the Bankruptcy Code), licenses of rights to "intellectual property," as defined under Section 101 of the Bankruptcy Code. The parties agree that: (i) each party, as licensee or sublicensee under this Agreement, shall retain and may fully exercise all of its rights and election under the Bankruptcy Code, including, without limitation, any and all rights to use and exploit all technology and other rights licensed hereunder and any improvements and developments thereof in accordance with the provisions of this Agreement, to the extent that the technology and other rights licensed hereunder or improvements or developments exist prior to the commencement of case under the Bankruptcy Code involving the other party (as debtor) and regardless of when a patent application, continuation application or any other application or registration with respect to technology and other rights licensed hereunder or any improvements

or developments thereof is filed; and (ii) all rights to sue and exploit any and all intellectual property rights relating to the technology and other rights licensed hereunder and any improvements or developments thereof in accordance with the provisions of this Agreement, shall be deemed to exist immediately prior to the commencement of such case under the Bankruptcy Code, regardless of which the technology and other rights licensed hereunder, improvements or developments arise.

9.15 HART-SCOTT-RODINO AND EUROPEAN COMMISSION FILINGS.

(a) As promptly as practicable after the execution of this Agreement, Pirelli and ASC shall:

(i) file all reports and notifications that are required to be filed under the Hart-Scott-Rodino Act and shall cooperate in connection with such filings or responses to requests for additional information;

(ii) file all reports and notifications that may be required to be filed with the Commission of the European Community and shall cooperate in connection with such filings or responses to requests for additional information.

The parties shall use their best efforts to resolve objections, if any, as the Antitrust Division of the Department of Justice, the Federal Trade Commission, the European Commission, state antitrust enforcement authorities or competition authorities of any other jurisdiction may assert under the antitrust and

competition laws with respect to the transaction contemplated hereby.

(b) The entering into force of the license granted under Section 4 of this Agreement is subject to approval of this Agreement under the Hart-Scott-Rodino Act. All other provisions of this Agreement enter into force on the effective date.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first written above.

PIRELLI CAVI S.p.A.

AMERICAN SUPERCONDUCTOR CORPORATION

By: /s/ Giuseppe Morchio

By: /s/ G. J. Yurek

Its:

Its: President

EXHIBIT 2.1

Pirelli/ASC

Technical Development Program Statement of Work

FOREWORD

The Research, Development and Exploitation Agreement, between Pirelli Cavi S.p.A. and American Superconductor Corporation (the "Agreement") has established the basic requirements and time lines needed for HTS Cable Wire to be evaluated for commercial power transmission applications. During the period between 1 February 1990 and 31 September 1995, the parties developed, manufactured and evaluated the MCA1 wire and conceived and demonstrated the laminated Cable Wire (a new Cable Wire geometry which can significantly enhance performance and minimize future development cost). The Project Review Board and Business Review Board have judged that the accomplishments under this Agreement are sufficient to demonstrate the potential for HTS Cable Wire to be economically and technically viable, and therefore warrants additional focused effort to produce a commercially viable HTS Cable Wire by October 1999.

CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION.
ASTERISKS DENOTE SUCH OMISSION.

TECHNICAL PROGRAM OBJECTIVES

- o The principal objective of the Phase III Pirelli/ASC Technical Development is to develop HTS wire that meets the specifications for cable applications.
- o A second objective of the program is for Pirelli/ASC to analyze and model the future potential for HTS cable technology to be economically competitive with ***** technology upon reaching ***** wire production level.

Details of the technical program plan will be established and updated by the Project Review Board. Details of the business development program plan will be established and updated by a Development Review Board which shall substitute the Business Review Board under the 1994 Agreement. These plans will be based on the following general outline.

WIRE SPECIFICATIONS FOR POWER CABLE APPLICATIONS

The specification is focused on achieving a commercially viable HTS Cable Wire by *****. It is based on the current Pirelli/ASC understanding of ***** , suitable for ***** and **** applications. This specification will be updated on a

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regular basis, as new information is developed concerning wire operating performance, commercial cable performance and commercial cable system costs.

The Cable Wire specification is composed of two exhibits; Table 1 provides the performance and targets as a function of , Table 2 provides basic Cable Wire requirements and objectives for all wires produced between . This combined wire specification (Table 1 and 2) defines the specifications and the quantifiable method for Pirelli to monitor for the Cable Wire during the Phase III of this Pirelli/ASC Technical Development Program.

TABLE 1: Table 1 provides a listing of the as a function of time. The target milestones include; (a) in , indicating the potential for , (b) demonstration of the in the , assuming a , and (c) the ASC theoretical cost per , assuming Cable Wire manufacture in quantities and price. These milestones provide a meaningful way to judge future potential of , the existing performance characteristics in

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***** lengths and a method for ***** over time.

ASC has completed a preliminary analysis of the direct material and labor cost for Cable Wire produced in 1999, at ***** manufacture volume. The projected direct costs assume **** ***** (no ***** has been applied), constant cost for ***** market price ***** associated with ***** and **** fabrication, and ***** costs associated with ***** (no ***** are included).

The forecast direct costs are divided by the following categories:

***** cost (*****):	\$*****
***** cost (*****):	\$*****
***** cost:	\$*****

Total Forecast Direct Cost:	\$*****

ASC will provide to Pirelli a revised forecast for direct material and labor cost per meter of Cable Wire on December 1996, 1997 and 1998. The forecast will define the projected ***** , assuming: ***** manufacture volume, manufacture experience and new processes developed during the given year, and dollar

values will be provided in the "then year" dollars.

TABLE 2: Table 2 defines the ***** for the
***** program. *****
are defined in terms of the ***** for each given period.
TECHNOLOGY DEVELOPMENT

A ***** technology development program is envisioned to improve wire
performance to meet the *****
specification: ***** and *****. The
Program ***** for each element is identified in Table 1.

WIRE PERFORMANCE

The objective for this effort is to produce a Cable Wire which will be
technically and economically viable for ***** product.

Wire Performance is divided into two major categories; (a) *****
optimization (optimization of *****
optimization (optimization of the ***** of the *****
1).

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The ***** Cable Wire is composed of ***** to an ***** (the traditional *****).

This Cable Wire configuration offers the wire designer ***** new ***** in incorporating ***** and ***** materials into Cable Wires. The ***** will serve as the ***** for subsequent Cable Wire development. The ***** development effort will be focused on achieving the Table 2 objectives: significantly improving the ***** and ***** (which affects *****).

This ***** will be enhanced over time by replacing the ***** with subsequently ***** . The intent is to qualify one ***** Cable Wire for ***** and ***** , and then ***** Cable Wires can be qualified with significantly less effort as *** ***** are ***** into ***** Cable Wire ***** .

ASC will take the critical current performance enhancements discovered and funded by the ASC R&D group (typically *****

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*****) and define and demonstrate the manufacture process to
produce *****.

Topics under the Wire Performance task include: ***** vs
***** , ***** , ***** , ***** , ***** ,
***** , ***** , ***** , ***** , ***** ,
***** , ***** , ***** , ***** , ***** ,
***** , ***** , ***** , ***** , ***** , ***** vs
***** , ***** , ***** , ***** , ***** , ***** vs
***** , ***** , ***** , ***** , ***** , *****
***** , ***** , ***** , ***** and *****.

LONG LENGTH WIRE AND COST

The objective for this effort is to develop and implement a Cable Wire
manufacture and test process which will produce technically and economically
viable Cable Wire for ***** product.

ASC will provide to Pirelli a revised forecast for direct material and labor
cost per meter of Cable Wire on December 1996, 1997 and 1998. The forecast will
define the projected 1999 unit cost, assuming: 1000 km/year manufacture volume,
manufacture experience and new processes developed during the given year, and
dollar

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values will be provided in the "then year" dollars.

The strategy for reducing the ***** for the commercial HTS Cable Wire is based on the following elements: Increase ***** to reduce the ***** unit and increase *****. This can be accomplished by ***** the **** and ***** and ***** Implement ***** for ***** ***** to ***** Implement ***** and ***** to ***** and ***** Maximize ***** and ***** , ***** to ***** Maximize ***** to reduce ***** per unit and ***** Implement method for **** ***** to ***** per unit and ***** Establish confidence using ***** vs ***** to ***** per unit and ***** Reduce ***** unit **** by strengthening ***** . Develop methods for further reducing ***** .

AC LOSS

The objective for this effort is to characterize the ** performance of each Cable Wire generation and working closely with Pirelli determine the relationship between ***** and the ***** for the *****

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*****. The intent is to define the ***** needed and possible for *. This effort will provide ***** guidance for the ***** effort.

PROGRAM MANPOWER AND SPENDING BUDGET

Pirelli funding for the Phase III Pirelli/ASC Technical Development Program will be applied to the tasks defined in the Technology Development Section above. The ASC Manufacture Development efforts will be directed to the ***** of the *. The average annual budget for this activity is ***** and a ***** is anticipated. This program will yield a *****.

RECORDS AND REPORTS

ASC will prepare reports in accordance with section 2.11 of the Agreement concerning all expenditures made or costs incurred in connection with the Research and Development Program and on all expenditures relating to its research and development on *, ***** of ***** and/or * and * containing *, in addition to the amounts paid by Pirelli, in accordance with

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section 2.4. These reports shall be submitted to Pirelli at least once each calendar quarter, within fifteen (15) days after the end of the quarter, and will include:

- (a) a detailed statement of all expenditures made or costs incurred in connection with the above items; and
- (b) projections of expenditures required in connection with the Research and Development Program for each of the four calendar quarters following the date of such reports.

BUSINESS DEVELOPMENT PROGRAM
- - - - -

Pirelli and ASC will form a Development Review Board which shall substitute the Business Review Board under the 1994 Agreement, which shall meet on a semi-annual basis. The objectives for this effort will be to prepare Pirelli and ASC for the exploitation of the license granted to Pirelli under this Agreement and in particular to exchange information concerning:

- 1. the ***** for ***** and ***** and ***** made therefrom with particular reference to ***** needs/requirements;
- 2. ***** development;
- 3. definition of ***** of ***** and ***** to meet such market needs/requirements;
- 4. status of ***** or potentially ***** HTS products;

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- 5. review of ***** of ***** which may affect the activities of Pirelli and ASC;
- 6. programing of the **** necessary to ***** the ***** and the ***** necessary to ***** for *****.

Table 1: Phase III Pirelli/ASC Technical Development Specification
October 1, 1996

MILESTONE TARGETS FOR THE AMENDED PROGRAM

	Manufacture Performance *****	Theoretical Material Unit Cost *****
Research Development ** ***** ***** ***** ***** ***** *****	***** ***** ***** ***** ***** ***** *****	***** *****, ***** ***** ***** *** *****
*****	*****	*****
*****		*****
*****	*****	*****
*****	*****	*****
*****	*****	*****
*****	*****	*****

Note: All material unit costs are provided in 1995 dollars.

ASC PROPRIETARY DATA

Exhibit 2.7

AGREEMENT

THIS AGREEMENT (the "Agreement") is made this ____ day of _____ 199_ by American Superconductor Corporation ("ASC"), Pirelli Cavi, S.p.A. ("Pirelli"), and _____ an individual employed by Pirelli (or a Pirelli Affiliate) and residing at _____ (the "Assigned Employee").

Contemporaneously herewith, ASC and Pirelli have entered into an Agreement (the "Pirelli-ASC Agreement"), to which this Agreement is Exhibit 2.7, pursuant to which Pirelli and ASC will enter into and conduct a research and development program regarding the development and production of superconducting wires and cables. As provided in Section 2.7 of the Pirelli-ASC Agreement, various technical employees of Pirelli may participate in the Research Program (as defined in the Pirelli-ASC Agreement).

In consideration of the mutual covenants and promises contained in the Pirelli-ASC Agreement and of ASC's permitting such technical employee to obtain access to confidential and proprietary information of ASC, ASC, Pirelli and the Assigned Employee agree as follows:

1. EXPENSES; BENEFITS. Pirelli shall pay the Assigned Employee's salary and reimburse the Assigned Employee for all reasonable and necessary expenses incurred or paid by her/him in

connection with, or related to, his/her activities at ASC. The Assigned Employee shall not be entitled to any benefits, coverages or privileges, including, without limitation, social security, unemployment, medical or pension payments, made available to employees of ASC.

2. INVENTIONS AND PROPRIETARY INFORMATION

2.1 INVENTIONS

(a) Except as otherwise provided in, and subject to ASC's obligations under, the Pirelli-ASC Agreement (i) all inventions, discoveries, innovations and improvements whether or not patentable and whether or not copyrightable ("Inventions") related to the business of ASC which are conceived or reduced to practice by the Assigned Employee, solely or jointly with others and whether during normal business hours or otherwise, during the period that s/he is at ASC, or thereafter if resulting or directly derived from Proprietary Information (as defined below), shall be the sole property of ASC; and (ii) the Assigned Employee hereby assigns, and agrees to assign, to ASC all Inventions and any and all related patents and other industrial and intellectual property rights and applications therefor, in the United States and elsewhere, and agrees further, at the request of ASC and at ASC's expense, to take such further acts and to execute such further documents as may be necessary or desirable to fully and completely effectuate this assignment and to secure and protect any such

patents and other industrial or intellectual property rights.

(b) The Assigned Employee shall promptly disclose to ASC all Inventions and will maintain adequate and current written records (in the form of notes, sketches, drawings and as may be specified by ASC) to document the conception and/or first actual reduction to practice of any Invention.

2.2 PROPRIETARY INFORMATION.

(a) The Assigned Employee acknowledges that his/her relationship with ASC is one of high trust and confidence and that in the course of activities at ASC s/he will have access to and contact with Proprietary Information. The Assigned Employee agrees that s/he will not at any time disclose to others, or use for his/her benefit or the benefit of others (except as may be permitted by written agreement between ASC and Pirelli), any Proprietary Information or Invention.

(b) For purpose of this Agreement, Proprietary Information shall mean, by way of illustration and not limitation, all information (whether or not patentable and whether or not copyrightable) owned, possessed or used by ASC, including, without limitation, any Invention, formula, apparatus, equipment, trade secret, process, research, technical data or know-how, that is communicated to, learned of, developed or otherwise acquired by the Assigned Employee in the course of his/her activities at ASC.

(c) The Assigned Employee's obligations under this

Section 2 shall not apply to any information that (i) is or becomes known to the general public under circumstances involving no breach by the Assigned Employee or others of the terms of this Section 2.2, (ii) is generally disclosed to third parties by ASC without restriction on such third parties, (iii) is approved for release by written authorization of the Board of Directors of ASC, or (iv) was known to the Assigned Employee (as shown by tangible evidence and other than under condition of confidence) before the commencement of his/her assignment to ASC.

(d) Upon termination of his/her activities at ASC, or at any other time upon request by ASC, the Assigned Employee shall promptly deliver to ASC all records, laboratory and research notebooks and other documents (and all copies or reproductions of such materials) relating to the business of ASC; provided however that U.S. counsel to Pirelli in connection with Pirelli-ASC Agreement shall retain one copy of each of the foregoing in confidentiality and under lock and key for the sole purpose of reference with respect to the obligations of the parties hereunder.

3. PIRELLI EFFORTS. Pirelli agrees to use its best efforts to insure that the Assigned Employee meets all of his/her obligations hereunder.

4. REMEDIES. Pirelli and the Assigned Employee acknowledge that any breach of the provisions of Section 2 shall

result in serious and irreparable injury to ASC for which ASC cannot be adequately compensated by monetary damages alone. The Assigned Employee and Pirelli agree, therefore, that, in addition to any other remedy it may have, ASC shall be entitled to enforce the specific performance of this Agreement and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without the necessity of proving actual damages.

Exhibit 2.9

Pirelli Cavi, S.p.A. - ASC Agreement

Project Review Board

Terms of Reference of the Project Review Board (PRB)

- 1 - The PRB shall be composed of 2 representatives of each party, with the possibility of inviting specialists whenever required by the complexity of any item to be discussed.
- 2 - The PRB has the task of
 - (a) agreeing to any changes to the Scope of Work presented as Exhibit 2.1 to the Pirelli-AS Agreement, including changes in any specific targets to be achieved or any time limits.
 - (b) monitoring performance against the Scope of Work, and setting up check points for the critical results to be achieved.
 - (c) recommending action as required to achieve the objectives of the Project, including change of scope if convenient in the light of new developments in the field.
 - (d) monitoring costs of the Project and advising Management of Pirelli and ASC of any change with respect to the original plan.
- 3 - At least one of the Pirelli representatives shall be a person with significant involvement in R&D on superconductivity.

One of the ASC representatives shall be the person responsible for the implementation in ASC of the agreed research program.
- 4 - The PRB shall meet as provided in the Pirelli-ASC Agreement, typically quarterly, and shall have access to the necessary technical and financial documentation which shall be provided by the Parties before the meeting.
- 5 - The decisions of the PRB shall be taken unanimously. In case of failure to agree, the relevant matter shall be submitted to the Managements of Pirelli and ASC for final decision.

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SCHEDULE 4.8 PRICE FOR CABLE WIRE

The transfer price of Cable Wire from ASC to Pirelli will be based on a pricing mechanism that provides a ***** of the ***** and *****.

The ***** to be ***** is defined as the difference between (a) the ***** charged by ***** to the ***** and (b) the *** of the ***** incurred by *** to ***** the ***** and by ***** to ***** the *****.

The ***** so determined will be ***** and ***** on either the basis of the ***** and ***** in their respective ***** , and ***** , or of another mechanism that is acceptable to both parties. For the purposes of this calculation, ***** will not be included.

Both Pirelli and ASC will work together to further define the transfer pricing mechanism when more concrete information such as the commercial specifications, forecasted demand, facility requirements, etc. on the Cable Wire and Power Cable and/or Power Cable system is available. This work will be completed by ***** or another date mutually acceptable by the parties.

ASC/IAI

RESEARCH & DEVELOPMENT AGREEMENT

JANUARY 1, 1996

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RESEARCH AND DEVELOPMENT AGREEMENT

THIS RESEARCH AND DEVELOPMENT AGREEMENT, which is effective as of January 1, 1996 ("EFFECTIVE DATE"), is made by and between American Superconductor Corporation ("ASC"), a Delaware corporation having a place of business at Two Technology Drive, Westborough, Massachusetts 01581, and Inco Alloys International, Inc. ("IAI"), a Delaware corporation having a place of business at 3200 Riverside Drive, Huntington, West Virginia 25705

W I T N E S S E T H

WHEREAS, ASC has developed and/or acquired, and owns a body of proprietary technology, or rights thereto, relating to superconductors, including but not limited to high temperature oxide superconductors and techniques for causing the oxidation of metals for subsequent use in the form of superconductive wires, rods, ribbons and other product forms ("ASC PROPRIETARY TECHNOLOGY");

WHEREAS, IAI has developed and owns rights to (a) proprietary technology relating to a *****

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***** (hereinafter collectively referred to as the "IAI
PROPRIETARY TECHNOLOGY");

WHEREAS, pursuant to a prior agreement (the "OLD AGREEMENT") entered into between them and dated May 25, 1990 (which agreement, as heretofore amended is now superseded hereby), ASC and IAI have, during the period July 1, 1988 through December 31, 1995, conducted a research and development program which demonstrated the feasibility of forming precursor materials using IAI Proprietary Technology and converting them to superconducting materials using ASC's Proprietary Technology, and in which the parties jointly developed technology (the "JD TECHNOLOGY") related to the formation of specific superconducting materials;

WHEREAS, the parties are desirous of entering into a further research and development Program (the "PROGRAM") in which work will be done by both parties with the objectives of further developing processing technologies, providing superconducting materials for evaluation/research purposes and for sale, and generating engineering data that will be useful or necessary in setting up a pilot plant to produce Precursor Material(s) in a joint venture, which the parties contemplate entering into at such time that the demand for the Precursor Material(s) in question reaches a level that makes a joint venture commercially viable;

NOW, THEREFORE, in consideration of the mutual covenants herein set forth, the parties hereto agree as follows:

ARTICLE I: DEFINITIONS

1.1 "PRECURSOR MATERIAL(S)" shall mean any system of at least one reactive metallic component which has been subjected to IAI's Mechanical Alloying process, both as originally produced by such Mechanical Alloying and as subsequently consolidated and formed into a rod, wire or other such form by Mechanical Deformation. Precursor Material shall not include a system which has been processed to be superconducting. The term "REACTIVE METALLIC COMPONENT" shall not include a non-reactive or noble metal such as gold, silver or platinum.

1.2 "MECHANICAL DEFORMATION" shall mean the deforming, whether by hot, warm or cold working and whether by forging, rolling, extruding or any other process, of a Precursor Material from one product form (such as billet, slab, powder, plate, bar, etc.) into another product form (such as rod, wire, strip, sheet tubing, or other shape), or reducing the size thereof.

1.3 "SUPERCONDUCTING MATERIALS" shall mean any ceramic material(s), which is superconducting, including but not limited to oxides, sulfides, nitrides, carbides and other ceramics, ceramics produced from Precursor Materials, and ceramics produced directly from other metal forming methods and subsequently formed into rod, wire or other such form.

ARTICLE II: THE PROGRAM

2.1 SCOPE. The Program shall consist of research and development conducted by ASC and IAI, subject to the terms and conditions of this Agreement, into the development and production of Precursor Materials, the development of Mechanical Deformation, and the development and manufacture of Superconducting Materials in the form of wires, bars, rods, sheets, strip, tubing or other shapes, all as more specifically described in the Statement of Work attached hereto as Exhibit A and incorporated herein by reference.

2.2 DURATION. The Program shall remain in effect for a period of three years from 1 January 1996, subject to annual renewals, and unless earlier terminated, all as hereinafter set forth.

2.3 FUNDING.

2.3.1 IAI FUNDING OF WORK PERFORMED BY ASC. IAI will provide funds to support the Program in an aggregate amount of up to \$1.1 Million during the first year. The amount of funding, expected to be no more than the first year annually, for the second and third years of the Program, subject to mutually agreed to renewals of the Agreement, will be determined at least sixty (60) days before the end of each year of the Program. Funding for the first year of the Program will be in four equal quarterly payments of \$275,000.00 each, payable by no later than February

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15, 1996 and the fifteenth day of each calendar quarter thereafter. Payments for the second and third years of funding will be made quarterly within fifteen (15) days of the start of each calendar quarter. All funds paid by IAI pursuant to this Section shall be expended for no purpose other than the Program. All equipment purchased with such funds shall be the property of ASC, but the Joint Venture will be given any of such equipment it requests. If ASC ceases operations and is liquidated during the term of the Agreement, IAI will become the owner of the equipment. All funding obligations of IAI under this Section shall cease upon early expiration or termination of this Agreement pursuant to Section 2.7 hereof.

2.3.2 IAI FUNDING OF WORK PERFORMED BY IAI.

(a) IAI will provide funds to support the IAI portion of the Program in an aggregate amount of at least ***** during the first year of the Program. The level of funding for the second and third years of the Program subject to mutually agreed Agreement renewals will be determined at least sixty (60) days before the end of the prior calendar year of the Program.

(b) As part of the work to be performed by IAI, IAI will have the option to assign by mutual agreement one or more IAI employee(s) to be located at ASC to directly participate in ASC R&D work covered under the Program. All employee related costs, e.g., salary, benefits, travel, supplies and office rental, for

such IAI employee(s) will be paid by IAI. The IAI employee(s) will report to the Chief Technical Officer, VP Manufacturing or Program Manager unless otherwise agreed, on Program issues, and to the IAI VP. Research & Technology on administrative matters.

2.3.3 ASC FUNDING. ASC will fund the Program in an annual aggregate amount of up to US \$1.2 Million. The amount of funding for the second and third years of the Program subject to mutually agreed to renewals of the Agreement will be determined at least sixty (60) days before the end of each year of the Program. All funds paid by ASC pursuant to this Section shall be expended for no purpose other than the Program. All equipment purchased with such funds shall be the property of ASC, but the Joint Venture will be given any of such equipment it requests. If ASC ceases operations and is liquidated during the term of the Agreement, IAI will become the owner of the equipment. All funding obligations of ASC under this Section shall cease upon early termination by IAI or ASC pursuant to Section 2.7 hereof.

2.4 MANAGEMENT OF RESEARCH. ASC shall be responsible for the direct management and supervision of the research conducted in the Program at ASC, and IAI shall be responsible for the direct management of the research in the Program at IAI and Michigan Technical University, subject to the oversight responsibilities of the Review Board referred to below. Both ASC and IAI shall staff the Program with qualified personnel to enable the Program to

progress in accordance with the goals and criteria set forth in Exhibit A hereto.

2.5 PROGRAM REVIEW BOARD. There is hereby established a Program Review Board (the "REVIEW BOARD"), which shall have the responsibility of overseeing and monitoring the Program. The Review Board shall be comprised of four (4) members, consisting of two (2) representatives appointed by ASC and two (2) representatives appointed by IAI. The Review Board's responsibilities, obligations and powers (including alteration of the scope and direction of the Program as made necessary or desirable by developments in the Program and/or in the field of superconductivity) shall be as specifically set forth on Exhibit B attached hereto and incorporated herein by reference.

2.6 PARTIES TO MAKE TECHNOLOGY AVAILABLE. To the extent that they now or hereafter have the legal right to do so, ASC and IAI hereby agree that, throughout the Program, each will make available to the other such technology (including proprietary technology) relating to Precursor Material(s), Mechanical Deformation, and/or converting Precursor Material(s) to Superconducting Material(s) as may be reasonably necessary to carry out the Program.

2.7 RENEWAL, EXPIRATION OR TERMINATION. The parties will determine the business viability of continuing the Program at the end of each year of the Program and renew the Agreement, effective

January 1, 1997 and January 1, 1998 respectively, for years two and three of the Agreement. If the Program is not renewed, i.e. the Program is to be terminated, the party deciding not to renew the Agreement will advise the other party in writing sixty (60) days prior to the scheduled renewal date. Funding of the Program will continue during this notice period, at the end of which the Agreement shall expire. Notwithstanding the absence of any such notice of a decision not to renew, the Agreement shall expire, and be deemed to have terminated without default by either party:

a) on December 31, 1996 if the parties fail to agree, on or before such date, upon either the funding of the Program for calendar year 1997, or the formation of a joint venture.

b) on December 31, 1997 if the parties fail to agree, on or before such date, upon either the funding of the Program for calendar year 1998, or the formation of a joint venture.

c) on December 31, 1998 if the parties fail to agree, on or before such date, upon a further renewal of the Agreement and the appropriate funding therefor, or the formation of a joint venture.

2.7.1 EARLY TERMINATION. Either party shall have the right to terminate the Program, in the event of a breach by the other party of a material obligation hereunder, by serving sixty

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(60) days' written notice upon the other party, setting forth the cause and specifying the date of termination. The party in breach shall provide a plan for corrective action to cure the breach within this sixty (60) day period. The non-breaching party shall have thirty (30) days to either approve the plan or reject it. If the parties are unable to agree upon a plan for corrective action within sixty (60) days the agreement shall terminate.

2.7.2 CONDITIONAL STOCK WARRANTS. If the Agreement is terminated after December 31, 1997 or the Joint Venture is not formed at the end of the Agreement period, then ASC will provide the following consideration to IAI:

- (a) If either or both of ASC and IAI determine(s) that the Precursor Material product will not achieve the technical goals set forth in Exhibit A hereto, or will not be commercially viable,
- OR If the Joint Venture discounted Cash Flow ("DCF") analysis shows a return on investment ("ROI") of less than *** and IAI decides not to proceed with the program or Joint Venture,

then at the time when it is determined that a joint venture will not be formed between ASC and IAI for the manufacture of Precursor Materials, ASC will convey to IAI, ASC warrants (the "WARRANTS"), as full consideration for the IAI investments disbursed to ASC pursuant hereto, as follows:

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(i) To compute the number of ASC shares into which the Warrants to be so issued may be subsequently converted (the "NUMBER OF WARRANTS"), the IAI quarterly investment made pursuant hereto after December 31, 1995 will be divided by the greater of ***** for ASC stock during that calendar quarter, or ***** agreed floor price, with appropriate adjustment of (x) and (y) for any stock splits. The Number of Warrants so calculated for each quarterly investment during the period from January 1, 1996 to the date of conveyance of the Warrants, will be adjusted for any subsequent stock splits, and will be added together and distributed to IAI, without payment of any additional consideration by IAI. (ii) The Warrants so conveyed to IAI will be exercisable at any time during the ten (10) year period following the date of such conveyance. (iii) The price (the "Strike Price") at which the various Warrants so conveyed will be exercisable will be specified as the relevant ***** used to compute the Number of Warrants for the IAI calendar quarter investment for which the Warrants in question were issued.

(iv) At IAI's option, ASC will permit IAI to exercise the Warrants in the form of a cashless transaction, whereby ASC will sell the IAI Warrants on IAI's behalf and at no additional cost to IAI, and will remit to IAI the funds corresponding to the excess of the ASC stock price at the time of such exercise over the specified Strike Price of the Warrants.

(b) If IAI determines that the Precursor Material product or Joint Venture will not be commercially viable, for reasons other than as identified in Section 2.7.2(a),

OR If IAI decides not to continue investing in the Precursor Material product for reasons that are not associated with the technical or commercial viability of the Precursor Material product, then ASC will convey Warrants to IAI in accordance with all of the terms set forth in Section 2.7.2 (a), except that the Number of Warrants shall be one-half (1/2) of the number computed in the manner set forth in Section 2.7.2(a).

2.8 RECORDS AND REPORTS. ASC and IAI will prepare and maintain full and accurate records and books relating to the progress and status of the Program, all financial matters connected therewith, and all expenditures made or costs incurred in connection therewith. Such records and books shall be made

available at all reasonable times for inspection and review by the Review Board and/or its designees. At least once each calendar quarter, ASC and IAI will prepare and deliver to the other (with copies to the Review Board) reports setting forth: (a) summaries of the status and progress of the Program; (b) all expenditures made or costs incurred in connection therewith; and (c) projections of expenditures required in connection with the Program for each of the 12 months following the date of such reports.

2.9 PRECURSOR MATERIAL(S). Should one party conclude that a Precursor Material(s) tested under the Program is not commercially viable, or should one party choose for any reason to discontinue development of such Precursor Material(s) under the Program or to exclude such Precursor Material(s) from the products to be exploited by a joint venture formed pursuant hereto, the other party shall have the right to exploit (and have exploited on its behalf) such Precursor Material(s) in the field of superconductivity without accounting to the one party. Should such situation occur, if IAI is the one party it hereby agrees to license its Mechanical Alloying and its Mechanical Deformation technologies to ASC, or on behalf of ASC, under reasonable terms and conditions for use in connection with such Precursor Material(s) and if ASC is the one party it hereby agrees, at IAI's option, to either (a) issue warrants to IAI in accordance with

Section 2.7.2, or (b) license its Proprietary Technology for converting Precursor Materials to Superconducting Materials to IAI, or on behalf of IAI, under reasonable terms and conditions for use in connection with such Precursor Material(s).

2.10 SUCCESS OF PROGRAM.

(a) By no later than October 1, 1998 (or within sixty (60) days after the end of calendar year 1996 or 1997, in the event that this Agreement is not extended for the subsequent year upon mutually acceptable terms) IAI and ASC shall determine in good faith whether to enter into a joint venture pursuant to the terms of ARTICLE III hereof for the purpose of commercially exploiting the Joint Technology.

(b) If the parties determine not to enter into a joint venture, or if for any reason the parties fail to enter into a Joint Venture not later than October 1, 1998 (or any mutually agreed upon extension pursuant to Section 2.10(c)), then

(i) neither party shall have any further rights or obligations pursuant to Articles III and IV hereof; and

(ii) all other provisions of this Agreement shall remain in full force and effect.

(c) IAI and ASC may mutually agree to extend the Program beyond December 31, 1998 and postpone the decision in regard to a joint venture until more data, information and expertise is assembled, or to complete negotiations directed to

formation of joint venture.

2.11 RIGHTS AND OBLIGATIONS AT CLOSE OF THE PROGRAM. At such time as the Program comes to any end, whether by expiration or as a result of early termination by IAI or ASC,

(a) Neither party shall have any further obligations to make technology available pursuant to Section 2.6;

(b) with respect to technology that either party has previously furnished to the other pursuant to Section 2.6, subject to the licensing obligations set forth in paragraphs (e) and (f) below, neither party shall have any license under any patent rights of the other and (ii) either party's rights to use or disclose Confidential Information of the other party shall be governed by the provisions of Section 5.1;

(c) Subject to the provisions of Sections 2.12, 5.1 and 5.3, either party may use any information in its possession that was generated in the course of the Program;

(d) ASC shall retain ownership of all equipment purchased by ASC with funds provided hereunder by IAI, except that if the Joint Venture comes into being this equipment will if so requested become the property of the Joint Venture, and if ASC and the Joint Venture both cease to operate, the equipment will be transferred to IAI.

(e) In the event that the Program is terminated as a result of a decision by one party not to proceed therewith, the

one party shall be prepared to make available to the other party, upon reasonable terms, a non-exclusive license to such technology, relating to Precursor Materials and previously disclosed pursuant to Sections 2.6 and 2.9, as may be useful to the other party to make Superconducting Material(s). This non-exclusive licensing provision shall apply only to the extent that the terminating party (or, at the option of the other party, a joint venture formed pursuant to Articles III and IV) is unwilling or unable to supply Precursor Materials to the other party under terms and conditions reasonably acceptable to the other party.

(f) In the event that the parties do not proceed with a joint venture within the period(s) provided by Section 2.10, then each party shall be obligated to make available to the other party, upon reasonable terms, a non-exclusive license to such technology, relating to Precursor Material(s) and previously disclosed pursuant to Sections 2.6 and 2.9, as may be useful to the other party to make Superconducting Materials, to the extent that the granting party in question may legally grant such license.

2.12 INVENTIONS. With respect to any inventions, discoveries, manufacturing processes or procedures, trade secrets, or other technical information or know-how (hereinafter collectively, "INVENTIONS") conceived or reduced to practice as a result of or otherwise in the course of the efforts expended by

ASC and/or IAI during the course of or as a consequence of the Program,

(a) all such Inventions shall be owned jointly by the parties;

(b) ASC shall not use (or license others to use) such Inventions relating to Mechanical Alloying or Mechanical Deformation except to make, use or sell (i) Superconducting Materials, (ii) any other superconductors, including elemental, metallic alloy, intermetallic and organic superconductors, or (iii) any products or systems containing any such Superconducting Materials or other superconductors, or any parts or components of any such products or systems;

(c) IAI shall not use (or license others to use) any such Invention (i) to make, use or sell Superconducting Materials (ii) except as provided as Section 4.2.3 to make, use or sell Precursor Material(s);

(d) Either party may, at its own cost and option, file patent applications directed to jointly owned Inventions, but the parties will consult with each other prior to filing any such applications and, after filing, IAI and ASC will, jointly, and then the Joint Venture, if it comes into being will be responsible for further prosecution, maintenance and record keeping;

(e) To the extent there is any infringement of rights in jointly-owned patents, either party may (at its own option and

expense) bring suit with respect to any such infringement in its field of interest and the other party (at the cost of the party bringing suit) will cooperate. Either party, at its own option and expense, may bring suit with respect to any infringement of a patent owned solely by it;

(f) If ASC ceases to conduct business in the field of Superconducting Materials; then IAI shall have an exclusive license (subject to any licenses then previously granted) to use such Inventions to make, use or sell Precursor Materials and Superconducting Materials;

(g) If IAI ceases to conduct business in the Mechanical Alloying or Mechanical Deformation field, then ASC shall have an exclusive license (subject to any licenses then previously granted) to use such Inventions to make, use or sell Precursor Materials and Superconducting Materials.

ARTICLE III: JOINT VENTURE

3.1 Provided that ASC and IAI agree that it is feasible and desirable to proceed towards the commercial exploitation of the Proprietary and Joint Technologies, then the parties shall negotiate in good faith to form a jointly owned business entity (the "JOINT VENTURE"), to produce Precursor Materials and/or, as noted below, Superconducting Materials ("JV PRODUCTS"). The parties have agreed that each of them shall advise the other, by no later than October 1, 1998, of its intention to form such a

Joint Venture, notwithstanding the possibility that further expenditures may be required on development or scale-up activities before commercial production can be commenced.

3.2 Should the parties proceed with forming such Joint Venture, then the rights and obligations of the parties in and to the Joint Venture, will be set forth in a suitable agreement (the "JOINT VENTURE AGREEMENT") which the parties will enter into at such time. It is agreed and understood that the parties will seek to ensure that any Joint Venture Agreement which they enter into will incorporate and implement the general principles set forth in the following sections of this ARTICLE III.

3.3 The business of the Joint Venture will comprise the operations of Mechanically Alloying of metallic powders, and consolidation and Mechanical Deformation to produce agreed forms of Precursor Materials.

In the event that ASC plans to manufacture Superconducting Material(s) based on Precursor Material(s) other than with a third party with whom it has a strategic alliance or relationship to produce end products, then the Joint Venture will be provided an opportunity to participate in the manufacturing of the Superconducting Materials.

3.4 The prime assets of the Joint Venture will comprise all of the patents and know-how developed jointly by the parties since the commencement of their collaboration, and the right to practice

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the patents and know-how owned by, or licensed to, either of the parties and required to produce the JV Product(s), to the extent that the parties may legally grant such licenses (collectively the "JV TECHNOLOGY"), as well as contributions of equipment and/or cash made by the parties to the Joint Venture upon its formation.

3.5 For purposes of computing the percentage ownership ("EQUITY INTEREST") of each of the parties in the Joint Venture at the time of its formation, and of adjusting such equity interests to reflect any future dilution due to a failure to contribute to future cash requirements of the Joint Venture, the contribution of the JV Technology to the Joint Venture by the parties shall be deemed an equal investment by each party, and the value of such combined investment through December 31, 1995 deemed to be \$*****. Effective January 1, 1996, the investment base for the Joint Venture will be the sum of the deemed investment base for the period prior to January 1, 1996, plus dollar for dollar investments made by either party from January 1, 1996 onwards.

3.6 It is intended that the contributions, of cash or equipment, to be made by the parties to the Joint Venture at the time of its formation, will be substantially equal so that their Equity Interests in the Joint Venture will be substantially equal.

3.7 The parties may agree to add minority participants to the Joint Venture, in which event the equity interests to be acquired by such participants would be contributed equally from

the equity interests of ASC and IAI, unless otherwise agreed.

3.8 Major decision making for Joint Venture matters would be by a Joint Venture committee ("BOARD"), on which the representation and voting power would reflect the equity interests of the Joint Venture partners, with appropriate protection for any minority interest, as explained below.

3.9 Matters to be decided by the Board would include major expenditures, approval of budgets and issuing of called sums seeking additional capital contributions from the partners, in proportion to their respective equity interests.

3.10 Failure to contribute to approved budgets would result in dilution of the equity interest of the party in question, based on the valuation of the investments of the parties, at the time of such failure to contribute, in accordance with the provision of Section 3.5 above.

3.11 Unless or until otherwise decided by the Board, ASC will provide management for operations of the Joint Venture's facility, as well as technical and/or administrative services for the Joint Venture, all in accordance with contracts approved by the Board.

3.12 Decisions of the Board will be made based on simple majority voting, except that the following matters will require the approval of a two thirds majority of the Board:

- a) dissolution of the Joint Venture;
- b) sale or disposition of any Joint Venture asset

having a fair market value of ONE MILLION (U.S.\$1,000,000.00) DOLLARS or more;

c) location or relocation of any Joint Venture owned or leased commercial production facility;

d) approval of any right or license to be granted to a third party to practice any of the JV Technology;

e) approval of any budget entailing an expenditure, in any given year, amounting to more than 50% of the then current total cumulative investment of the partners in the Joint Venture.

f) approval of any contract between the Joint Venture and one of the Joint Venture partners.

3.13 The Joint Venture would supply and ASC would purchase all of ASC's requirements for JV Product(s), at a price (the "PURCHASE PRICE") to be set by the Board of the Joint Venture. The Joint Venture may also sell JV Product(s) to third parties, as authorized by ASC.

3.14 The understanding is that the Purchase Price should correspond to the price obtainable by the Joint Venture from an arm's length transaction with a third party (less any customary sales commission), and, in the absence of such a reference price, the Purchase Price should be reasonable in relation to the market price of the system, device or component (the "END PRODUCT") which is made by ASC from the JV Product(s), and should ensure to the

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Joint Venture a reasonable level of profit, in accordance with Section 3.15 below.

3.15 It is understood that the Board will seek to establish the Purchase or Transfer Price, and modify it from time to time, considering, among others, the following criteria:

a) Taking into account all costs, both fixed and variable, other than the cost of silver used which is to be passed through to ASC (the "SILVER ACCOUNTING COSTS") incurred in the various operations involved in the production of the End Product, and the selling price of such End Product, exclusive of the cost of the silver therein (the "SILVER-FREE SELLING PRICE"), the Purchase Price should consist of the cost of the included silver (adjusted for processing yield, inventory carrying and scrap-recycling costs) plus an amount which would be related to the Silver-free Selling Price in a ratio commensurate with the relation of the Silver-free Cost of producing the JV Product to the Silver-free Cost of producing the End Product.

b) The Board will aim to set the Purchase Price in order to achieve a minimum gross margin as defined by standard accounting practice that results in a *** DCF ROI calculation for the Joint Venture, again using standard accounting practice and treating the Silver Accounting Costs as indicated in paragraph 3.15(a).

c) The gross margin for the Joint Venture will be similar to the average gross margin for Metallic Precursor Superconducting wire sold by ASC.

ARTICLE IV. RIGHTS AND OBLIGATIONS REGARDING JOINT VENTURE

4.0 THE JOINT VENTURE

4.0.1 The Joint Venture shall produce JV Product(s), using technology (including Joint Technology (as defined in Exhibit D) and technology developed in the course of the Program and thereafter) relating to Mechanical Alloying or Mechanical Deformation, and shall sell such JV Product(s) to or through ASC upon the terms and conditions referred to in ARTICLE III above.

4.0.2 The Joint Venture may also decide to sell one or more JV Product(s) to third parties as authorized by ASC.

4.0.3 The Joint Venture will be responsible for:

(a) The prosecution, maintenance and enforcement of patents and patent applications and Inventions used by the Joint Venture owned by either party; and

(b) Payment of all royalties due to third parties on account of manufacture, use or sale of any Inventions licensed or sublicensed to the Joint Venture.

4.0.4 Any Inventions conceived or reduced to practice in the course of work by or for the Joint Venture shall be owned, and the, parties shall have rights therein, as provided in Section 2.12; however, the Joint Venture shall have the

exclusive, royalty-free right to use such Inventions to manufacture JV Product(s).

4.0.5 So long as ASC purchases all its requirements of JV Product(s) from the Joint Venture, the Joint Venture will not compete with ASC in respect of the commercial sale of JV Products. The Joint Venture also will agree that, if in any country ASC owns or is the exclusive licensee of an issued duly maintained patent having one or more claims which have not been held invalid that encompass oxidation of Precursor Materials, it will not knowingly sell Precursor Materials to any customer (other than a licensee of ASC regarding said oxidation process) for manufacture or sale of JV Products in such country. To implement this provision, ASC shall provide the Joint Venture with a list of apposite patents, which list shall be updated from time to time.

4.0.6 ASC and IAI will form a Joint Venture Planning Team by June 1, 1997 to initiate detailed reviews of the JV business model, assess the commercial status of development work and establish the plan and timing for the formation of the Joint Venture.

4.1 AMERICAN SUPERCONDUCTOR CORPORATION.

4.1.1 In the event ASC, during the life of this Agreement or of the contemplated Joint Venture, obtains rights from a third party, determines that it already possesses, or independently develops materials or materials processing

technology that would be of value in the Joint Venture, it shall endeavor to make such technology available for use in the Joint Venture.

4.1.2 ASC agrees to purchase all its commercial requirements for JV Product(s) exclusively from the Joint Venture, to the extent the Joint Venture is ready, willing and able to supply the same upon the terms and conditions referred to in ARTICLE III above, for a period commensurate with the life of the Joint Venture. It is understood and agreed that ASC is free to produce or to purchase Superconducting Materials other than the JV Product(s); it is also understood and agreed that ASC is free to produce and purchase Precursor Materials of the type which are unavailable from the Joint Venture. This provision does not apply to Precursor Material(s) which fall within Section 4.2.1, below.

4.2 INCO ALLOYS INTERNATIONAL, INC.

4.2.1 In the event that the Joint Venture is unable to manufacture Precursor Material(s) so as to satisfy its requirements therefor, IAI agrees to use its best efforts to do so, and only if it is unable to do so, IAI will license its Mechanical Alloying and Mechanical Deformation technologies to ASC, or another company designated by ASC, solely for the purpose of producing Precursor Materials under reasonable terms and conditions in order that ASC shall have a source of Precursor Materials.

4.2.2 In the event IAI, during the life of this Agreement or of the contemplated Joint Venture, obtains rights from a third party, determines that it already possesses, or independently develops materials, materials processing, or oxidation technology, which would be of value in the Joint Venture, it shall endeavor to make such technology available to the Joint Venture.

4.2.3 IAI agrees not to commercially sell, or license a third party to sell, Precursor Materials or JV Superconducting Materials competitive with Precursor Materials or Superconducting Materials of ASC or the Joint Venture for a period of three (3) years from the termination of this Agreement or for the period of the Joint Venture, whichever is longer. IAI further agrees that, if in any country ASC holds an issued, duly maintained patent having one or more claims which have not been held invalid that encompass oxidation of Precursor Materials, it will not knowingly sell Precursor Materials to any customer (other than a licensee of ASC regarding said oxidation process) for manufacture or sale of Superconducting Materials in such country. To implement this provision, ASC shall provide IAI with a list of apposite patents, which list shall be updated from time to time.

ARTICLE V. CONFIDENTIALITY

5.1 The parties agree that throughout the duration of the Program and any Joint Venture which is formed, and for a period of

five (5) years thereafter, or until December 31, 2001, whichever is longer, neither party shall disclose Confidential Information belonging to the other to any third party or, except as provided by Sections 2.11 and 2.12, use the same for any purpose other than the Program. Information shall not be deemed Confidential, and the receiving party shall have no obligations in respect of any information which (i) is known to the receiving party prior to disclosure, as evidenced by the receiving party's tangible records; or (ii) is or becomes known to the public through no act or omission on the part of the receiving party; or (iii) is obtained by the receiving party from a third party who is not under any obligation or restriction not to disclose the same; or (iv) is approved for release or utilization outside the scope of the Program by the express written authorization of the disclosing party. As used herein, "Confidential Information" shall mean information designated and labeled as such in writing by the disclosing party and, if disclosed verbally, reduced to writing and forwarded to the receiving party with a "Confidential" designation within thirty (30) days after verbal disclosure. This provision applies only to information provided in connection with the Development Period, and the parties agree that any Joint Venture or other commercial agreement may include further, longer term and more stringent confidentiality provisions.

5.2 It is understood that third parties will be doing

consulting work, or working in partnership, for or with IAI and/or ASC. Thus, either IAI or ASC may disclose on a need to know basis Confidential Information of the other provided that each individual or company to whom such information is disclosed undertakes in writing to maintain such information confidential on the same basis as required in Section 5.1.

5.3 All information relating to Inventions, including but not limited to information included in Program reports and technical data generated at either IAI or ASC in the course of the Program shall be "Confidential Information" subject to the obligations of Section 5.1; and such information may be released only after approval of the Review Board, except that to the extent that either party is required to release or disclose such information as part of its normal business operation it may do so on terms and conditions consistent with those on which it releases or discloses its own similar confidential information.

ARTICLE VI. MISCELLANEOUS

6.1 ASSIGNMENT: BENEFIT AND BINDING. This Agreement shall be binding upon, and inure to the benefit of, ASC and IAI and their respective successors and permitted assigns. Except to a successor of substantially its entire business to which this Agreement relates, neither party hereto may assign its rights and obligations under this Agreement without the prior written consent of the other party.

6.2 EXPORT CONTROLS. It is understood that ASC, IAI and the Joint Venture are (or will be) subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes and other commodities (including the Arms Export Control Act, as amended, and the Export Administration Act of 1979), and that its obligations hereunder are contingent on compliance with applicable United States export laws and regulations. The transfer of certain technical data and commodities outside the United States may be prohibited, and even if permitted may require a license from the cognizant agency of the United States Government and/or written assurances by ASC, IAI or the Joint Venture that ASC, IAI or the Joint Venture shall not export data or commodities to certain foreign countries without prior approval of such agency. Neither ASC, nor IAI, nor the Joint Venture represent that a license shall not be required or that, if required, it shall be issued.

6.3 NOTICES. Any notice or communication given pursuant to this Agreement by either party to the other shall be in writing and delivered or mailed by registered or certified mail, postage prepaid (mailed notices shall be deemed given when duly mailed), as follows:

If to IAI: Inco Alloys International, Inc.
 3200 Riverside Drive
 Huntington, West Virginia 25705
 Attention: VP., Research & Technology

If to ASC: American Superconductor Corporation
Two Technology Drive
Westborough, Massachusetts, 01581
Attention: Chief Financial Officer

6.4 APPLICABLE LAW; ENTIRE AGREEMENT; HEADINGS. This Agreement shall be construed in accordance with the laws of Massachusetts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement and the other agreements, certificates, instruments and documents provided for or contemplated by this Agreement contain the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior agreements and understandings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first written above.

AMERICAN SUPERCONDUCTOR CORPORATION

INCO ALLOYS INTERNATIONAL, INC.

By: /s/ Ramesh Ratan

By: /s/ John H. Tundermann

Title: Exec. V.P.

Title V.P. Research & Technology

Date: March 26, 1996

Date 2 April 1996

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EXHIBIT - A

COLLABORATIVE ASC/IAI PROGRAM
FOR ***** CONDUCTOR DEVELOPMENT

INTRODUCTION

The ***** in the ***** system is particularly attractive for ***** because of its intrinsic ***** vis-a-vis the ***** phase that is currently under development worldwide. No matter what its ***** much of its ability to carry supercurrent well below ***** to ***** of the ***** at ****, whereas well textured ***** can carry substantial supercurrent out to several ***** at any ***** , enabling ***** in this important and significantly *****.

***** is also an attractive for ***** and ***** - particularly within a ***** . Low AC-loss requires fine filaments that in turn require small superconducting oxide grains. The ***** of ***** made by the ***** are about an ***** of ***** than ***** , enabling the fabrication of the fine filament composite wires that are required for ***** .

***** has, however, not been ***** in a ***** thus far because the ***** for ***** to the ***** and ***** to the *****) has not been ***** .

Recent developments have, however, opened up an opportunity to establish the required level of *****:

ASC demonstrated a significant level of ***** in the closely related ***** of the ***** via ***** in an ***** . Unfortunately, *** ***** and the need for even better textures limit the direct use of this material.

***** and ***** demonstrated the ability to ***** for ***** , and the ***** of ***** that are

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***** on such *****.

***** demonstrated *****
***** in ***** (up
to *****) on ***** using an
*****.

ASC demonstrated ***** in ***** using only a
***** with ***** (less than *****)
*****). ***** in these ***** is
under investigation.

These results, combined with the unique ability of an ***** to make
***** via a ***** , present us with a major
opportunity to develop and manufacture ***** and ***** in
***** that are suitable for use in
***** applications above *****.

The focus of the proposed program is to ***** in
***** made by an ***** ,
demonstrate commanding ***** , demonstrate ***** and
scale up through process development to full scale manufacturing over a
*****.

The performance and manufacturing capability specified below will be so uniquely
superior to the existing ***** process (whether ***** or **)
that full displacement of the ***** can be anticipated. A *****
timescale is feasible if yearly milestones are met, because the program builds
on the extensive ***** already established.

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PROPOSED MILESTONES FOR ***** PROGRAM BEGINNING JAN. 1996:

*****:

*****:

Development of ***** and ***** for *****
of ***** Demonstration of ***** or
***** to an initial level of
***** of *****
Demonstration of reaction to form ***** with at least an
***** of ***** (*****)

*****:

Demonstration of *****
in ***** to the ***** , at ***** over
***** Demonstration of
***** in
***** to the **** ***** , at ***** over

*****:

*****:

Enhancement of ** to ***** at ***** in **** *****
Demonstration of ***** in ***** ***** at
***** Process development and scale up to *****
Demonstration of *****: ** for ***** for
***** or ***** application.

*****:

*****:

Enhancement of ** to ***** in ** at ***** in **** *****
Reduction of ***** in ***** ***** at
***** established with ***** to ****
***** manufacturing Demonstration of
*****:

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***** , ***** at ***** for *****
and *****

PROGRAM OUTLINE, *****

- A. ***** development and fabrication
 - 1) ***** and ***** development
 - 2) ***** fabrication
- B. ***** development in *****
 - 1) ***** in ***** *****
 - 2) ***** and ***** development for

 - 3) ***** for ***** formation a)
***** b) *****
 - 4) Establish ***** techniques

PROJECTED RESOURCES FOR IN-HOUSE WORK AT ASC IN *****

***** ***** ***** *****

Cost at current rates:

labor and misc. -	eqmt. - *****

(fully burdened)	

Additional resource, particularly in the ***** development, required at
*** and ***. Also some support in the ***** area at ***.

For ***** and *****, resource will be substantially increased to ***** ,
because of ***** and ***** work proceeding in parallel with
ongoing ***** to push ** and ** and minimize *****.

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DETAILED PLAN FOR ***** DEVELOPMENT, *****

A. ***** DEVELOPMENT AND FABRICATION

Goal:
- - - - -

Develop a ***** process and make
***** required for experiments.

Method Overview:
- - - - -

- 1) Develop ***** for * and ** that allow ***** , and develop a ***** (perhaps involving *****) via correlations between ***** , ***** and ***** . Major responsibility here at ***** .
- 2) Establish ***** and other ***** parameters for *****
- 3) Fabricate ***** as needed

Key tasks
- - - - -

- Complete analysis of ***** alloys
- Complete ***** experiments with ***** to establish their suitability for *****
- Select the best ***** and develop optimal ***** via correlations between ***** and *****
- Optimize the process to attain the control over ***** and ***** required for forming *****
- Establish ***** and other ***** parameters for *****
- Make ***** and **** for experiments

B. ***** DEVELOPMENT IN *****

B1) ***** IN *****

Goal:
- - - - -

Establish ***** adjacent to each
***** for the ***** of *****

Method overview:
- - - - -

Test feasibility of and develop methods for attaining *****
in the ***** using ***** and *****

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a) Develop thermal-mechanical processes to form *****
adjacent to the ***** ***** in **** and/or

b) Test the feasibility of packing ***** ***** in the *****
and thereby maintaining or forming suitably *****
adjacent to **** ***** after *****.

Key tasks:

- - - - -

- set up ***** (*****) ***** with ***** capability.
- make ***** and ***** without ***** following the ***** - identify promising ***** , starting with ***** . - process ***** or ***** following promising conditions identified above and optimize processes for ***** adjacent to ***** - determine promising ***** for ***** the ***** between ***** and correlate to ***** in ***** .
- test the feasibility of introducing a ***** ***** in ***** such that its ***** throughout ***** is preserved or enhanced (***** , etc.).
- ***** , see part B4 below. This will include both **** and ***** with focus on ***** and ***** at the ***** , as well as ***** throughout each ***** and across the ***** of ***** .
- ***** as in part B3 below

B2) ***** AND ***** DEVELOPMENT FOR *****

Goal:

- - - - -

Establish a route to ***** using *****

Method overview:

- - - - -

Build on initial work of ***** to develop suitable **
***** and ***** to enable obtaining
***** in *****

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Tasks:

- Determine ***** and ***** effects on ***** and ** (how **** do they have to be?). Reaction as in part B3 below
- Investigate ***** in different portions of each or neighboring *****; reaction as in part B3 below
- Determine ***** (***** and *****) effects on *****
- After initial phase development of both B1 and B2, develop configurations in conjunction with ***** (*****) as a base for ***** in *****
- Make ***** following the results from above and optimize ***** for *****

B3) ***** FOR ***** FORMATION

Goal:

Develop and optimize ***** to form ***** from ***** demonstrating ***** and **.

Method overview:

Building on the favorable ***** of ** and the favorable ***** of *** ***** and ** of ***** will be explored to achieve favorable ***** reaction. Use knowledge base from earlier in-house **** ** work as well as outside work on ***** and *****. A particular opportunity is in the ***** and ***** used for ***** that have never before been tested in a ***** environment.

Two basic mechanisms will be explored: 1) ***** of ***** on the ***** of ** to transfer the ***** from the ***** into the ***** and 2) ***** in ***** of **.

Key tasks

B3A) DEVELOP METHODS FOR ***** FROM ***** TO *****

- Adapt some ***** for attaining the desired *** ***** conditions using ***** and/or ***** ,

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- Determine the ***** of ***** within ***** at various stages of ***** after *****.
- Determine ***** for ***** via ***** and *** to establish ***** at ***** (to be used for *****).

B3B) DEVELOP AND UNDERSTAND OPTIMAL ***** FOR *****,

- Develop correlations between ***** and **.
- In proximity with *****
- In ***** for *****
- Explore ***** for ***** processing
- Determine potential benefit of ***** some of the ***** to different ***** of each *****.
- Determine the utility of *** or ***** for ***** and *****.
- Use ***** or ***** wherever possible, with the ***** and ***** for ***** and ***** as in B4
- As a ***** study, investigate possible ***** in the *****
- Optimize ** and ** towards the performance milestones

B4) CHARACTERIZATION TECHNIQUES

GOAL: establish ***** and ***** for determining ***** in both ***** and ***** , and do ***** , ***** and ***** samples

METHOD OVERVIEW: These measurements are critical for the program and rapid turnaround will be essential. ASC must therefore bring the required ***** in house (approx *****), with resolution to ***** via ***** and/or ***** . ***** will be used to evaluate ***** , and ***** for ***** will also be employed. ***** will also be confirmed (*****).

Tasks:

- hire ***** at ASC with *****; purchase and install *****
- develop ***** and ***** techniques to enable ***** of both ***** and *****

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- prepare ***** and generate *****; analyze
***** for *****
- interact with **** for ***** of *****,
both ***** and *****
- carry out standard ***** and ***** in
support of the overall program

EXHIBIT B

ASC/IAI Research and Development Agreement
Program Review Board

Terms of Reference of the Program Review Board (PRB).

1. The PRB shall be composed of 2 representatives of each party, with the possibility of inviting specialists wherever required by the complexity of any item to be discussed.
2. The PRB has the task of
 - (a) agreeing in detail on the research plan, including specific targets to be achieved within well defined time limits;
 - (b) monitoring performance against plan, setting up check points for the critical results to be achieved;
 - (c) recommending action to respective management of IAI and ASC as required to achieve the objectives of the Program, including change of scope if convenient in the light of new developments in the field.
 - (d) monitoring costs of the Program and advising Management of IAI and ASC of any change proposed with respect to the original plan.
 - (e) setting milestones for the subsequent year of the program at least 90 days before the end of the current program year.
3. At least one representative of IAI and ASC, respectively shall be a person with significant involvement in R&D of the agreed research program.
4. The PRB shall meet quarterly and shall have access to the necessary technical and financial documentation which shall be provided by the Parties before the meeting.
5. The PRB will review invention disclosures and make recommendations to the Managements of ASC and IAI regarding which disclosures are to be submitted for patent consideration. It is further understood by IAI and ASC that the burden of full prior art disclosure to the United States Patent and Trademark Office rests with both parties.

6. The decisions of the PRB shall be taken unanimously. In case of failure to agree, the relevant matter shall be submitted to the Managements of IAI and ASC for final decision.

EXHIBIT C

ASC/IAI Research & Development Agreement

Inco Superconducting Investments/Expenditures
1988 - 1995

The Inco expenditures for the period 1988 - 1995 on the joint superconductor R&D activities are:

IAI Expenditures (US \$)

Year	IAI Internal	MTU	Total
-----	-----	-----	-----
1988	11,987	17,730	29,717
1989	107,410	123,434	230,844
1990	69,896	166,520	236,416
1991	88,145	127,805	215,950
1992	267,362	93,756	361,118
1993	95,022	96,110	191,132
1994	109,989	167,821	200,307
1995	230,268	90,318	398,089
	-----	-----	-----
TOTAL	980,079	883,494	1,863,573

Inco US Expenditures (US \$)

Year	Amount
-----	-----
1990	825,000
1991	1,100,000
1992	1,100,000
1993	575,000
1994	1,100,000
1995	1,100,000

TOTAL	5,800,000

Grand Total Inco Investment/Expenditures 1988 - 1995:
US \$7,663,573

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RESEARCH AND DEVELOPMENT AGREEMENT

EXHIBIT D
JOINT TECHNOLOGY INVENTORY

1. Preparation of Superconducting Oxides And Oxide-Metal Composites

ASC-1; Owner MIT; exclusive license
Patent Number 4,826,808, issue date 5/2/89
Patent Number 5,204,318, issue date 4/20/93
Patent Number 5,189,009, issue date 2/23/93
Patent Number 5,439,880, issue date 8/8/95
Patent Application ***** , application pending
Patent Application ***** , application pending

A method of preparing a superconducting oxide by combining the metallic elements of the oxide to form an alloy, followed by oxidation of the alloy to form the oxide. Superconducting oxide-metal composites are prepared in which a noble metal phase intimately mixed with the oxide phase results in improved mechanical properties. The superconducting oxides and oxide-metal composites are provided in a variety of useful forms.

2. Textured Oxide Composites by Directional Oxidation

ASC-3; Owner MIT; License option abandoned, Disclosure Status: Closed

Methods for getting texturing by oxygen or temperature gradients from metallic precursors.

3. Process for Forming Superconductor Precursor

ASC-9; Patent applied for jointly
Patent Number 5,034,373, issue date 7/23/91

The invention provides a process for production of silver-containing precursor alloys to oxide superconductors, said alloys having reduced amounts of intermetallics. Powders containing metallic elemental components of an oxide superconductor are high energy milled for a predetermined amount of time to increase homogeneity of the mixed metallic elemental components of the oxide superconductor. Silver is then high energy milled into the metallic components. The mixed silver and metallic elemental components of the oxide superconductor are compacted for the silver-containing superconductor precursor. The compacted powder is preferably hot worked at a temperature of at

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least 50% of the precursor alloy's melting temperature in degrees Kelvin.

4. Process for Making Electrical Connections to High Temperature

Superconductors Using a Metallic Precursor and The Product Made Thereby

ASC-10; Owner: ASC
Patent Number 5,116,810, issue date 3/2/92
Patent Number 5,321,003, issue date 6/14/94

Superconducting joint metallurgically bonding a pair of shaped superconducting pieces. Each of the pieces is formed by combining the metallic elements of a superconducting oxide in substantially the stoichiometric proportions needed to form the superconducting oxide, and then forming the combined metallic elements into a shaped piece.

5. Process for Making Ceramic/Metal and Ceramic/Ceramic Laminates by Oxidation

of a Metal Precursor

ASC-11; Owner ASC
Patent Number 5,259,885, issue date 11/9/93

A method of preparing a laminated ceramic. The method includes preparing a precursor having at least one noble metal element component and at least two non-noble metal elements. The precursor is iteratively exposed to a first environment to form an oxidized zone having a first concentration of a primary ceramic phase containing the non-noble metal elements and then to a second environment to form a second oxidized zone having a second concentration of the primary ceramic phase, the second concentration being less than the first concentration.

6. A Method of Producing *****

***** of *****

of *****

*****; Owner: ***
Patent Application *****
application pending

A method for ***** of ***** uses the
***** as *****.

7. ***** and *****

*****; Owner: ***
Patent Application *****; application
pending

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A process for making ***** or **** ** from a ***** includes an ***** to form ***** followed by a series of ***** and ***** to form the *****.

8. High Pressure Oxidation of Precursor Alloys

ASC-20; Owner: ASC
Patent Number 5,472,527, issue date 12/5/95

A method for forming unsegregated metal oxide-silver composites includes preparing a precursor alloy comprising silver and precursor elements of a desired metal oxide and oxidizing the alloy under conditions of high oxygen activity selected to permit diffusion of oxygen into silver while significantly restricting the diffusion of the precursor elements into silver, such that oxidation of the precursor elements to the metal oxide occurs before diffusion of the metallic elements into silver. Further processing of the metal oxide composite affords an oxide superconducting composite with a highly unsegregated microstructure.

9. ***** for *****

*****; Owner: **
Patent Application *****; application pending

***** after ***** improves properties by *****.

10. *****

*****; Owner: **
Patent Application *****; application pending

Using a ***** of ***** achieves higher **** than by conventional techniques.

11. Method for Improving the ***** of

*****; Owner: **
Patent Application *****; application pending

An added ***** at ***** and *** ***** improves *****.

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12. Method For ***** and ***** and *****

in *****

*****; Owner: ***
Notebook entries and disclosure at ASC

***** during ***** is reduced by ***** to the
***** on its way into and out of *****.

13. A Method for ***** in *** ***** by

*****; Owner: ***
Notebook entries and disclosure at ASC

The adverse effects of ***** between ***** and *** for ***** in
***** are ***** by *****.

14. *****

*****; Owner: ***
Patent Application *****; application pending

***** of ***** suitable for ***** may be formed by
***** in a *****.

15. *****

*****; Owner: ***
Patent Application *****; application pending

A process for producing *****
***** in ***** surrounded by a
***** at least the ***** of which are also
***** . Key process steps are the ***** of a
***** to *****
at least the ***** of the ***** the ***** to
**** and ***** the ***** within the ***** via
***** by the ***** and
substantially without ***** of the *****.

16. Production of Oxidic Superconductor Precursors

Owner: IAII
Patent Number 4,962,084, issue date 10/9/90

A process for producing an oxidic superconductor precursor alloy which comprises
mechanically alloying metallic elemental constituents of the oxidic
superconductor in stoichiometric proportions and in the presence of a process
control agent

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non-detrimental to the superconductor to provide a uniform mechanically alloyed product which is compacted and worked to provide a product form such as wire, tape or thin strip. This product form can then be given the configuration required for use (e.g. open coil) and then oxidized to provide the superconductor. 7 claims.

17. Production of Oxidic Superconductors By Zone Oxidation Of A Precursor Alloy

Owner:IAII
Patent Number 4,962,085, issue date 10/9/90

Discloses a process for producing oxidic superconductors having advantageously textured oxide structures which involves zone oxidizing elongated metallic precursors of the superconductors. 11 claims.

18. Methods For Producing ***** And *****

***** From ***** Or

Owner: *****

This patent application (not filed but reflects ongoing activity) describes ***** and ***** into ***** , with particular emphasis on methods for improving the ***** and ***** of such ***** . Upon ***** , the ***** or ***** transform to ***** or ***** .

19. Method(s) For Producing *****

***** Using a Combination Of ***** And

Owner: ****

***** or ***** of ***** ***** compositions, coupled with ***** results in a ***** that overcomes a ***** problem associated with only ***** processing. ***** parameters are defined.

20 Method(s) For Producing *****

***** Using ***** To *****

And *****

Owner: ****

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Utilization of ***** of ***** can markedly enhance quality of ***** by increasing ***** , minimizing ***** and aiding ***** . Manufacturing of ***** can also be improved by reducing ***** problems, accelerating ***** , reducing ***** and eliminating propensity for ***** of ***** in the final product. Compositional ranges and methods of manufacturing the ***** are defined.

21. Process for Extrusion Of ***** And *****

*****; Owner: ***

A method for achieving very high ***** (up to *****) of ***** encased in ***** . ***** of both ***** and ***** are treated, and their collection using an ***** apparatus. Key process variables are ***** , and ***** .

22. Process For *****

*****; Owner: ****

A method for ***** . ***** , both ***** and ***** , are covered. Key process variables are ***** and ***** .

MANAGEMENT AGREEMENT
BETWEEN
ELECTRIC POWER RESEARCH INSTITUTE, INC.
AND
AMERICAN SUPERCONDUCTOR CORPORATION

This management Agreement ("Agreement") effective January 1, 1996, by and between the Electric Power Research Institute, Inc. ("EPRI"), a non-profit corporation organized and existing under the laws of the District of Columbia and American Superconductor Corporation ("ASC"), a corporation organized and existing under the laws of the State of Delaware.

WHEREAS, EPRI funds and supports research and development activities for the benefit of the American utility industry and the public as a whole, including research and development with respect to high temperature superconducting biaxially textured coated conductors (the "Field"); and

WHEREAS, ASC has carried on and is willing to carry on a research and development program on superconducting wires, the goal of which is to produce superconducting wires which are suitable for commercial exploitation; and

WHEREAS, EPRI has or shall grant, and ASC desires to acquire, an exclusive license under terms and conditions set forth in the Technology License Agreement, and ASC has reviewed the terms and conditions of the agreements between EPRI and third parties presently in effect and identified in Attachment A of the Technology License Agreement; and,

WHEREAS, ASC has agreed, subject to the terms of the Technology License Agreement and the Warrant Agreement, to issue EPRI a Warrant to purchase 100,000 shares of ASC Common Stock at a purchase price of \$14 per share.

WHEREAS, EPRI and ASC desire to form a strategic alliance to fund certain research and development programs in the area of high temperature superconductor ("HTS") biaxially coated conductors ultimately leading to the production and commercialization by ASC of advanced HTS wire and other products.

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NOW, THEREFORE, for and in consideration of these premises and of the mutual covenants and agreements contained in this agreement, and subject to the terms and conditions set forth in this Agreement, the parties agree as set forth below.

Section 1. DEFINITIONS

For the purpose of this Agreement the following capitalized terms are defined as follows:

1.1 "Agreement" means this Agreement, including Table 1 and 2.

1.2 "ASC" means American Superconductor Corporation.

1.3 "Contract Year" means any National Laboratory or other organization conducting research and/or development activities funded in whole or in part by EPRI and/or ASC.

1.4 "Contract Year" means a twelve-month period commencing on the effective date of this Agreement or any anniversary of such effective date.

1.5 "EPRI" means the Electric Power Research Institute, Inc.

1.6 "EPRI Technology" means Technology useful in the Program in which EPRI has rights or as to which EPRI at any time has the right to grant licenses conceived, created, reduced to practice or otherwise developed at any time prior to the end of the Research and Development Program in the course of any of the contracts between EPRI and third parties listed below in Table 1 (and any extensions or modifications thereof) or in the course of any work in connection with the Research and Development Program.

TABLE 1

CONTRACTOR	CONTRACT NUMBER	PERIOD OF PERFORMANCE	
*****	*****	*****	*****
		****	*****
*****	*****	*****	*****
		****	*****
*****	*****	*****	*****
		****	*****

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1.7 "Program Field" means the "high temperature superconductor ("HTS")
biaxially textured coated conductors, including any compositions, processes or
apparatus used in the manufacture of such conductors.

1.8 "Research and Development Program" means a research and development
program directed to the "development of HTS biaxially textured coated
conductors.

1.9 "Program Contract" means any contract between EPRI and/or ASC, on the
one hand, and a Contract Organization, on the other hand, pursuant to which such
Contract Organization conducts activities in connection with the Research and
Development Program.

1.10 "Proprietary Data" means all confidential information or data of any
type, whether or not patentable and whether or not copyrightable, including,
without limitation, ideas, concepts, formulas, methods, procedures, designs,
compositions, plans, applications, specifications, drawings, techniques,
processes, research, technical data, know-how, apparatus, equipment, samples,
inventions (patented and not patented), discoveries, and the like, and financial
data, business plans, demonstrations and trade secrets (all whether or not in
tangible or oral form).

1.11 "Research and Development Period" means the four-year period
commencing on the effective date of this Agreement, unless extended pursuant to
Section 5.6 or earlier terminated pursuant to Section 5.2 or 5.3 in which case
it means that period as so extended or limited.

1.12 "Warrant" means the Common Stock Purchase Warrant issued to EPRI by
ASC of even date herewith, a copy of which is included as Attachment B to the
Technology License Agreement.

1.13 "Technology License Agreement" means the Agreement of even date
between EPRI and ASC pursuant to which EPRI has licensed certain Technology to
ASC, a copy of which is included herein as Attachment A.

1.14 "Warrant Agreement" means the agreement of even date between EPRI and
ASC, a copy of which is included as Attachment B to the Technology License
Agreement, a copy of which is included

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as Attachment A to this Agreement, providing the grant to EPRI of Warrants for the purchase of ASC Common Stock.

1.15 "First Contract Year" shall include EPRI activities and funding in the Program Field prior to the effective date of this Agreement, together with EPRI activities and funding in the Field during the first twelve month period commencing on the effective date of this Agreement.

1.16 "Second Contract Year" shall mean the twelve month period commencing on the first anniversary of the effective date of this Agreement.

Section 2. THE RESEARCH AND DEVELOPMENT PROGRAM

2.1 Scope of Research and Development Program. The Research and Development Program shall consist of research and development activities in the Program Field performed by ASC to the extent financially supported by EPRI or performed by Contract Organizations pursuant to contracts with EPRI or ASC to the extent financially supported by EPRI and/or ASC, with the goal of developing HTS biaxially textured coated conductors, all as more specifically provided below in Table 2. Table 2 details the anticipated annual funding allocations for Research and Development for Phase I. The Research and Development Program shall consist of two phases. Phase I shall be an initial phase directed principally to determining the viability of the concepts of the Research and Development Program and shall be conducted during the first two Contract Years of this Agreement. Phase II shall consist of further work conducted during subsequent Contract Years. No obligation is created hereunder for EPRI to contribute funds towards Phase II or beyond the first two contract years of this Agreement.

TABLE 2

Contractor	EPRI	ASC	Total
****	****	****	****
****		***	***
*****	***	**	***
****	**		**
*****	***		***
*****	***		***
***		***	***
*****		***	***
 TOTAL *	 \$1,000	 \$2,500	 \$3,500

* Amounts above in K\$.

2.2 Contracts and Working Relationships with Other Parties.

a. ASC and EPRI recognize that the work contemplated by the Research and Development Program will involve work done pursuant to Program Contracts and will require the negotiation and execution of Program Contracts, including modification(s) and extension(s) of both existing and future contracts and agreements.

b. ASC and EPRI agree to work together to:

i. negotiate and execute such contracts and agreements as may be necessary to carry out the Research and Development Program contemplated by this Agreement.

ii. enlist the support of and participation by the U.S. Department of Energy ("DOE") in research and development activities to be conducted by National Laboratories in connection with the Research and Development Program, and

iii. enlist the support of and participation by those responsible for or in any way controlling the activities of any Contract Organization.

c. Research and development activities that are funded and contracted separately by either ASC or EPRI, will be managed by the sponsoring organization. The sponsoring organization is obligated to ensure that the other organization is able to participate in developing, approving, coordinating, reviewing and providing input to all separately funded research and development in the Research and Development Program and to use its best efforts to permit the non-sponsoring organization to participate in all negotiations and discussions between the sponsoring organization and any Contract Organization regarding Program Contracts and research and development activities conducted, or potentially to be conducted, in connection with the Research and Development Program. The Non-sponsoring organization will be informed of the technical progress and will be provided copies of all correspondence and the like relating thereto on regular intervals but will not have direct control over the research and development activities. The Joint Steering Committee will develop, approve, review, and provide input with respect to all separately and jointly funded research and development activities in connection with the Research and Development Program, and shall be provided copies of all records, reports, and other documents relating thereto.

2.3 Best Efforts Performance. Each party shall use its best efforts to achieve the goals set forth in Section 2.1 and Table 2. In particular, each party shall provide personnel qualified to perform the activities contemplated so that the Research and Development Program will achieve such goals, and shall use its best efforts to enter into such project contracts as may be reasonably required to achieve such goals.

2.4 Disclosures.

a. Subject to the provisions of Section 4 (Confidentiality), solely for the purposes of the Research and Development Program, EPRI shall make available to ASC all EPRI Technology necessary for ASC to carry out its obligations under Section 2. The rights of ASC to use or exploit any Technology (including Proprietary Data) other than in the course of the Research and Development Program, and to use or disclose Proprietary Data other than for purposes of the Research and Development Program, shall be as provided in the Technology License Agreement.

b. Solely for the purposes of the Research and Development Program, ASC and EPRI shall make available to Contract Organizations such Technology (including Proprietary Data) as is reasonably necessary for the respective Contract Organization to carry out its obligations under a particular contract or agreement. The extent to which disclosure of its Proprietary Data shall be made shall be at the option of the disclosing party taking into account the reasonable needs of the Person to which disclosure is to be made. No such Technology or Proprietary Data is required to be disclosed under terms that would permit the Person to which disclosure is made to use or disclose the same other than for the purpose of the Research and Development Program.

2.5 Check points. During the Research and Development Program a check point in each calendar year shall be established by the parties in order to certify the feasibility, timing and results of the activities undertaken pursuant to that program.

2.6 Visits. During the Research and Development Program, each party may (i) send technical personnel to the other party or Contract Organizations as provided in the Program Contract terms and conditions or (ii) receive technical personnel from the other party for consultation on the problems arising from the research and development activities and for discussion of the results of the Research and Development Program. The duration and frequency

of these consultations and visits shall be determined by informal agreement of the parties, from time to time, as requests may be made therefore, and permission for such visits shall not be unreasonably withheld.

2.7 Joint Steering Committee. ASC and EPRI agree to form a Joint Steering Committee consisting of an equal number of representatives from ASC and EPRI for the purpose of developing, approving, coordinating reviewing and providing input with respect to all research and development activities in the Research and Development Program. Dr. Alexis P. Malozemoff of ASC and Dr. Paul M Grant of EPRI would be the principal members of the Joint Steering Committee. The members of the Joint Steering Committee agree to communicate together routinely and on a continuing basis concerning all the work in the Field.

In the event the Joint Steering Committee is unable to reach agreement in approving, coordinating, reviewing and providing input with respect to the research and development activities, a group consisting of an equal number of representatives from ASC and EPRI from senior management, including Dr. Gregory J. Yurek of ASC and Dr. Tomas R. Schneider of EPRI, shall be assembled for the purpose of resolving management disagreement(s).

2.8 Joint Steering Committee Meetings. The Joint Steering Committee shall meet on the dates of the check points established pursuant to Section 2.5 and at such other times as the parties may agree to. Personnel of the parties, other than the Committee members, may be invited to the meetings on the basis of their contribution to the technical problems under discussion. ASC will be responsible for keeping the minutes of each meeting, and these minutes shall be countersigned by one representative of each party within thirty (30) days after each meeting.

2.9 Records and Reports.

a. Records. Each party will prepare and maintain full accurate records and books relating to the progress and status of the Research and Development Program performed or funded by it, all financial matters connected therewith, and all expenditures made or costs incurred in connection therewith. These records and books shall be made available at all reasonable times to the Joint Steering Committee for management and supervision purposes and verification of the parties' obligations hereunder. Upon the written request of either party, the records of the other shall be subject to audit, by a public accountant selected by the requesting party and reasonably acceptable to the other party, at

the cost of requesting party. It is the intent of the parties that no such audits shall be performed more than once a year, and once upon expiration or termination of this Agreement.

b. Reports. At least once each calendar quarter, within fifteen (15) days after the end of the quarter, each party will prepare and deliver to the Joint Steering Committee reports setting forth:

(i) summaries of the status and progress of the Research and Development Program;

(ii) all expenditures made or costs incurred in connection therewith; and

(iii) projections of expenditures required in connection with the Research and Development Program for each of the four calendar quarters following the date of such reports.

2.10 Research and Development Payments and Expenditures. EPRI agrees to contribute a minimum of \$2.0 million during calendar 1996 and 1997 to fund and manage the EPRI Technology. The funding by EPRI would be made directly to the National Laboratories and other organizations depending on the terms of the agreement reached with the National Laboratories and other organizations. Any monies paid by EPRI to ASC pursuant to this Agreement will be subject to a separate Program Contract. The parties anticipated that increased work may be performed during Phase II if Phase I of the Research and Development Program is successful, and agree that the amounts to be contributed by EPRI will negotiate a new warrant agreement in view of such subsequent contributions.

Section 3. REPRESENTATIONS AND WARRANTIES

3.1 Representations And Warranties of EPRI. EPRI represents and warrants to ASC as follows:

a. Organization and Authority. EPRI is a non-profit corporation duly organized, validly existing and in good standing under the laws of the District of Columbia and has full power and authority to own, lease and operate its properties and to carry on its business as now being conducted. EPRI is qualified and in good standing as a foreign corporation doing business in all jurisdictions in which where failure to so qualify would have a material adverse effect on its business and/or assets. EPRI has

full power and authority to enter into and perform its obligations under this Agreement in accordance with its terms.

b. Authorization; No violation. The execution, delivery and performance of this Agreement by EPRI have been duly authorized by all requisite corporate action of EPRI, and this Agreement constitutes the valid and binding obligation of EPRI, enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the performance by EPRI of its obligations hereunder shall (i) violate any provision of its Certificate of Incorporation or By-Laws; (ii) violate, conflict with, or result in the breach or termination of any agreement or instrument to which EPRI is a party or by which it is bound, which breach or termination would adversely affect EPRI's ability to perform its obligations under this Agreement, (iii) violate any judgment, order, injunction, decree or award against, or binding upon, EPRI; or, (iv) constitute a violation by EPRI of any law, directive or regulation of any jurisdiction.

c. Approvals and Consents. The execution and delivery of this Agreement and the performance by EPRI of its obligations hereunder do not require notice to, or the approval or consent of, any third party, including without limitation any educational institution, or governmental or other regulatory agency.

3.2 Representations and Warranties of ASC. ASC represents and warrants to EPRI as follows:

a. Organization and Authority. ASC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. ASC has full corporate power and authority to enter into and perform its obligations under this Agreement in accordance with its terms.

b. Authorization; No Violation. The execution, delivery and performance of this Agreement by ASC has been duly authorized by all requisite corporate action of ASC, and this Agreement constitutes the valid and binding obligation of ASC, enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the performance by ASC of its obligations hereunder shall (i) violate any provision of its Certificate of Incorporation or by-laws; (ii) violate, conflict with or result in the breach or termination of any agreement or instrument to which ASC is a party or by which it is bound, which breach or termination would adversely affect ASC's ability to

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ASTERISKS DENOTE SUCH OMISSIONS.

perform its obligations under this Agreement; (iii) violate any judgment, order, injunction, decree or aware against, or binding upon. ASC; or, (iv) constitute a violation by ASC of any law, directive, or regulation of any jurisdiction.

c. Approval and Consents. The execution and delivery of this Agreement and the performance by ASC of its obligations hereunder do not require notice to, or the approval or consent of, any third party, including without limitation any governmental or other regulatory agency.

d. ASC has made a good faith determination that the fair market value of the assets acquired pursuant to the Technology License Agreement is less than
*****.

Section 4. CONFIDENTIALITY

4.1 Obligation to Maintain Secrecy. Each party undertakes to keep secret and confidential and to use only as provided in this Agreement, all Proprietary Data disclosed to it by other party during the term of this Agreement or that is Program Technology.

4.2 Exceptions. Notwithstanding the provisions of Section 4.1, a party may disclose Proprietary Data received from the other party or that is Program Technology.

a. pursuant to a nonappealable order or judgment of any competent court or governmental body, provided that the receiving party so obliged to disclose shall give notice of such order or judgment to the other party and shall use reasonable efforts to obtain a protective order covering this Proprietary Data,

b. if required to do so by any law, rule or regulation,

c. if such Proprietary Data is or becomes generally available to the public through any means other than breach of this Agreement,

d. if such Proprietary Data is disclosed to the receiving party without any obligation of confidentiality by a third party who has the right to make such disclosure,

e. if such Proprietary Data was in the possession of the receiving party without an obligation of confidence prior to the effective date of this Agreement,

f. if the other party provides advance written authorization for the disclosure,

g. under terms and conditions substantially the same as those provided in this Section 4, to those of its employees, consultants, contractors, and sub-licensees who need to use such Proprietary Data for the purposes of this Agreement,

h. as permitted by the Technology License Agreement.

4.3. Disclosure in Patent Applications. Neither party will disclose Proprietary Data received from the other party or that is Program Technology in a patent application or in connection with the filing or prosecution of any patent application without the prior approval of the other party. If, in the judgment of the other party, it is reasonably necessary to include any such Proprietary Data in a patent application, the party will so inform the other party and the parties will consult in good faith to attempt to resolve whether and the manner in which such Proprietary Data may be so disclosed.

4.4 Matters Not Considered Public Knowledge For the Purposes of Section 4.2. Proprietary Data received from the other party or that is Program Technology in a patent application or in connection with the filing or prosecution of any patent application without the prior approval of the other party. If, in the judgment of the other party, it is reasonably necessary to include any such Proprietary Data in a patent application, the party will so inform the other party and the parties will consult in good faith to attempt to resolve whether, and the manner in which, such Proprietary Data may be so disclosed.

a. the general principle is public knowledge or known to such party but the particular practice is not itself public knowledge or so known,

b. the generic information is public knowledge or known to such party but the specific information is not in itself public knowledge or so known, or,

c. it constitutes a combination (not itself public knowledge or known to such party) of information which is public knowledge or known to such party.

4.5 Period of Confidentiality. The provisions of this Section 4 shall remain in effect for five (5) years after the expiration or termination of this Agreement or any extensions thereto, provided, however, that as to any particular Proprietary Data such provisions shall remain in effect for not less than ten (10) years from the date that such particular Proprietary Data was (i) first created or (ii) first disclosed by the disclosing party to the receiving party of this Agreement, whichever is longer.

Section 5. TERM, TERMINATION AND EXTENSION

5.1 Term of Agreement. This Agreement shall be effective January 1, 1996 and remain in force four years from the effective date of this Agreement, unless earlier terminated as provided in this Section 5.

5.2 Early termination. EPRI may discontinue expenditures of funds pursuant to this Agreement at any time within thirty (30) days written notice to ASC; however, if EPRI discontinues expenditures of funds during the first two Contract Years of this Agreement, then (a) EPRI's right to acquire or exercise Warrants will be adjusted in proportion to the fraction of \$2.0 million dollars that EPRI has expended under EPRI Technology. In the event of early termination, the five hundred thousand dollar amount referenced in section 4.02(b) of the Technology License Agreement shall be changed in accord with the fraction of \$2.0 million provided in section 2.1 that EPRI has expended during the First and Second Contract Years.

Either party shall have the right to terminate this Agreement effective two years after the effective date hereof, upon a determination by it that the results of Phase I of the Research and Development Program do not justify continuing with Phase II, by giving written notice to the other party of its intent to so terminate not later than ninety (90) days before the second anniversary of the effective date of this Agreement. If neither party makes such a determination and gives such notice, then this Agreement shall remain in effect for the full term thereof.

5.3 Termination for Bankruptcy. EPRI may terminate this Agreement by giving ten (10) days written notice to ASC if ASC files or has filed against it any petition in bankruptcy or any proceeding relating to insolvency, receivership, liquidation, or composition for the benefit of creditors, if that petition or proceeding is not dismissed with prejudice within thirty (30) days after filing. Such termination shall be effective as of the tenth

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WITH THE SECURITIES AND EXCHANGE COMMISSION.
ASTERISKS DENOTE SUCH OMISSIONS.

day following such notice. If EPRI terminates this Agreement pursuant to this paragraph, EPRI shall not be obligated to make any further payments to ASC hereunder.

5.4 Continuation Program Contracts. If either party terminates the Research and Development Program or this Agreement as provided in this Section 5, then the other party shall have the right to insure the continuation of any Program Contracts then in effect by (i) providing the termination party written notice of its desire to do so and (ii) agreeing to assume responsibility for any payments thereunder due under any such Program Contracts with respect to periods more than two years after the effective date of this Agreement.

5.5 Termination for Material Breach. Either party shall have the right to terminate the Research and Development Program and this Agreement upon a material breach by the other of any warranties, covenants or obligations hereunder. Termination pursuant to the provisions of this Section 5.5 shall be accomplished by the giving of written notice by the terminating party to the other party of its election to terminate and specifying the date of termination, and the breach that is the basis for termination, such notice to be given not less than 90 days prior to such date of termination. If such breach can be cured, the party receiving such notice shall have the right to prevent termination by curing the specified breach within such 90 day period.

5.6 Extensions. This Agreement and/or the Research and Development Program may be extended by mutual agreement. If either party requests an extension, both parties shall then negotiate in good faith to reach an agreement on such an extension.

5.7 Effect of Termination or Expiration. Except as specifically otherwise set forth in this Section 5.7, upon either termination or expiration of this Agreement, the provisions of this Agreement shall no longer have any legal effect except that the following provisions shall survive and shall not be subject to any limit of time except those expressed in the provisions themselves:

Attachment A	Technology License Agreement
Attachment B	Warrant Agreement
Section 1	Definitions
Section 2.9,a.	Records
Section 3	Representations and Warranties

Section 4	Confidentiality
Section 5.4	Continuation of Program Contracts
Section 5.7	Effect of Termination or Expiration
Section 6.1	Export Controls
Section 6.2	Indemnification
Section 6.3	Resolution of Disputes
Section 6.5	Publicity
Section 6.6	Assignment
Section 6.7	Notices
Section 6.10	Written Amendment Only
Section 6.11	Application Law; Entire Agreement, Headings
Section 6.12	National Cooperative Research and Production Act Filings

Section 6. MISCELLANEOUS

6.1 Export Controls. The parties agree to comply with all applicable export control laws and regulations of the United States.

6.2 Force Majeure. If the performance of any obligation under this Agreement is prevented by any cause beyond the reasonable control of a party, such party shall be excused from such performance for so long as is reasonable. The party so prevented shall use all practical efforts to perform its obligations as soon as possible.

6.3 Resolution of Disputes. If a dispute arises out of or relating to this Agreement, or any breach thereof, and if such dispute cannot be settled through direct negotiation between the parties, the parties shall submit the dispute to nonbinding mediation with a mediator to be mutually agreed upon by the parties. The mediation may be initiated by the written request of either party to the other party and shall commence within fifteen (15) days of receipt of such notice, unless otherwise agreed by the parties.

6.4 Arbitration. In the event of the failure of any such mediation as provided for under Section 6.3 above, the parties shall then settle the dispute by arbitration conducted in San Francisco, California, in accordance with the rules then in effect of the American Arbitration Association by three (3) arbitrators appointed in accordance with such rules. The award rendered by the Arbitrators shall be final and binding, and judgment may be entered upon it in any court having jurisdiction thereof.

Notwithstanding the foregoing, the parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration agreement and without any abridgement of the powers of the arbitrators.

6.5 Publicity. During the term of this Agreement and any extension thereof, and unless otherwise required by court order, governmental law or regulation, or any other operation of law, neither ASC nor EPRI shall:

a. Issue any statement to the public or the press regarding the subject matter of this Agreement without the prior consent of the other; provided, however, that ASC may issue any statement or communication if it is advised by counsel that such statement or communication is required to comply with applicable law, governmental rule or regulation, or stock market rule.

b. Permit its employees to issue any technical article or paper that quotes any of its employees, officers or directors in connection with the Research and Development Program, or that discloses Proprietary Data of the other party, the results of the Research and Development Program or any of the terms of this Agreement (except insofar as such Proprietary Data, results or terms previously have been properly disclosed), without the prior review and consent of the other party, provided, however, that the recipient shall be deemed to consent to the technical article or paper only if the recipient does not respond within ten (10) business days.

6.6 Assignment. This Agreement shall be binding upon, and inure to the benefit of, ASC and EPRI and their respective successors and permitted assigns. Neither party may assign its rights and obligations under this Agreement without the prior written consent of the other party, except that either party may assign all or any part of its right, title and interest in and to this Agreement to (i) a wholly-owned subsidiary or (ii) any entity that succeeds to all or substantially all of the business assets of the assignor, provided that the other party is advised of the assignment in writing at least thirty (30) days before the effective date of the assignment, that the assignee agrees in writing prior to the effective date of the assignment to be bound by all of the terms and conditions of this agreement, and that assigning party shall remain liable for all of its obligations under this Agreement.

6.7 Notices. Any notice or communication given pursuant to this Agreement by either party to the other shall be in writing and delivered or mailed by registered or certified mail, airmail postage prepaid (airmail notices shall be deemed to have been given 10 days after having been mailed), as follows:

If to EPRI: Electric Power Research Institute
P. O. Box 10412
Palo Alto, CA 94303

Attention: Director of Contracts

If to ASC: American Superconductor Corporation
Two Technology Drive
Westborough, MA 01583

Attention: President

or to such other address as the address shall have last furnished in writing to the addressor.

6.8 No Prejudice by inaction. No failure or delay on the part of a party to exercise any of its rights under this Agreement shall be construed to prejudice its rights in connection with that or any subsequent default.

6.9 Relationship of Parties. Nothing in this Agreement shall be construed to constitute either party as the partner, joint venture, agent, employee or affiliate of the other, it being intended that the parties shall remain independent contractors and neither party shall be liable for the obligations, liabilities or representations of the other.

6.10 Written Amendments Only. No agreement or understanding varying or extending this Agreement will be binding upon either party unless it is in writing and signed by a duly authorized officer or representative of both parties.

6.11 Applicable Law; Entire Agreement; Headings. This Agreement including the Technology License Agreement and the Warrant Agreement shall be construed in accordance with the laws of the State of California. This Agreement may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. This Agreement including the Technology License Agreement and the Warrant Agreement contain the entire understanding between the parties with respect to the subject matter of this Agreement and

supersedes all prior agreements and understandings. The headings contained in this agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first written above.

ELECTRIC POWER RESEARCH
INSTITUTE, INC.

AMERICAN SUPERCONDUCTOR
CORPORATION

BY: /s/ Alan Germanis

Its: Director of Contracts

3/25/96

BY: /s/ Ramesh Ratan

Its: Exec. V.P.

3/26/96

ATTACHMENT A
AND ATTACHMENT B
ARE FILED HERewith AS
EXHIBIT 10.31 AND
EXHIBIT 10.32,
RESPECTIVELY

TECHNOLOGY LICENSE AGREEMENT

between

ELECTRIC POWER RESEARCH INSTITUTE, INC.

and

AMERICAN SUPERCONDUCTOR
CORPORATION

TECHNOLOGY LICENSE AGREEMENT

BETWEEN

ELECTRIC POWER RESEARCH INSTITUTE, INC.

AND

AMERICAN SUPERCONDUCTOR CORPORATION

THIS AGREEMENT effective on the 1st day of January, 1996 between ELECTRIC POWER RESEARCH INSTITUTE, INC. (hereinafter called "EPRI"), a non-profit corporation organized under the laws of the District of Columbia, having offices at 3412 Hillview Avenue, Palo Alto, California 94304, and AMERICAN SUPERCONDUCTOR CORPORATION, a corporation of the State of Delaware, having a principal place of business at Two Technology Drive, Westborough, MA, 01581 (hereinafter referred to as "LICENSEE").

WITNESSETH

WHEREAS, EPRI is engaged in a research and development program with respect to the area of superconducting technologies described at Subarticle 1.01; and

WHEREAS, LICENSEE is engaged and will continue to be engaged in its own research and development programs with respect to the Field; and

WHEREAS, EPRI shall own or owns or shall have the right to grant licenses in Intellectual Property created under EPRI contract(s) in the Field; and

WHEREAS, EPRI and LICENSEE desire to form an alliance in the Field ultimately leading to production and commercialization by LICENSEE of advanced HTS wire or other products in the Field; and

WHEREAS, EPRI desires to grant, and agrees to grant, and LICENSEE desires to obtain an exclusive license under patents (if any when granted to EPRI), patent applications, confidential data and trade secrets owned by EPRI or which EPRI otherwise has the right to license pertaining to the Field,

NOW, THEREFORE, in consideration of the premises, mutual covenants, and obligations herein contained, it is agreed by and between the parties hereto as follows:

ARTICLE I - DEFINITIONS

1.01 "Field" shall mean superconducting technologies which result from research and development in the area of high temperature superconducting biaxially textured coated conductors as described in greater detail in Attachment A incorporated herein by this reference.

1.02 "Intellectual Property" shall mean all intellectual property rights vested in EPRI (i.e., owned by EPRI or which EPRI otherwise has the right to license) pertaining to the Field. Said Intellectual Property shall include, but is not limited to, patents (if and when granted), patent applications (if any), confidential data, proprietary designs and design procedures, computer programs and databases, test procedures and related trade secrets, developed or owned by or licensed to EPRI in the Field.

1.03 "Management Agreement" means the agreement of even date between EPRI and ASC pursuant to which EPRI and ASC have agreed to cooperate with each other regarding their separate R&D Programs and to fund these research and development programs in the Field.

1.04 "Program Technology" means all Technology conceived, reduced to practice, created or otherwise developed under a contract in the Field funded in whole or in part by EPRI and/or ASC pursuant to the Management Agreement.

1.05 "Warrant Agreement" means the agreement of even date between EPRI and ASC, a copy of which is attached as Attachment B to this Agreement, providing the grant to EPRI of warrants for the purchase of 100,000 shares ASC Common Stock.

1.06 "Effective Date" of this Technology License Agreement shall mean January 1, 1996.

ARTICLE II - GRANT

2.01 EPRI hereby grants, and agrees to grant, to LICENSEE an exclusive, nontransferable, (except as set forth in Subarticles 3.02 and 7.01) worldwide, royalty-free license to use the Intellectual Property in the further development, use,

manufacture, distribution, lease, sale and in other forms of commerce, subject to the terms and conditions of this Agreement.

2.02 Nothing contained in this Agreement shall be construed as granting to LICENSEE any other right or license, either express or implied, under any right of EPRI now or hereafter owned or controlled by EPRI, except the express rights hereinabove granted.

2.03 The license hereinabove granted neither constitutes nor includes an agreement by EPRI to provide or to furnish service, support or assistance of any nature and no service, support or assistance has been, is being or will be furnished by EPRI hereunder.

2.04 To the extent that EPRI is unable to license any EPRI Intellectual Property to LICENSEE on an exclusive, worldwide, royalty-free basis, EPRI will grant such license as it has the right to grant.

ARTICLE III - PROPRIETARY RIGHTS AND CONFIDENTIALITY

3.01 As between the parties, LICENSEE acknowledges that the Intellectual Property is and shall at all times be and remain the sole and exclusive property of EPRI, and LICENSEE shall derive no rights, title or interest therein except as expressly set forth in this Agreement. Further, LICENSEE hereby acknowledges that a breach of the confidentiality provisions hereunder may cause EPRI irreparable harm and damage which may not be recoverable at law.

3.02 Subject to the terms and conditions set forth herein, with the consent of EPRI, which consent shall not unreasonably be withheld, LICENSEE may:

- (A) grant sublicenses in the EPRI Intellectual Property or any portion thereof to others; or
- (B) disclose Proprietary Data (including patent applications, confidential data and trade secrets) associated with or embodied in EPRI Intellectual Property.

EPRI consents to LICENSEE granting Sublicense(s) to Pirelli (i.e., Pirelli S.P.A., its subsidiaries and affiliates), and to joint ventures to which LICENSEE or Pirelli are a party, and to disclosure of Proprietary Data to the extent that such disclosure is reasonably required and consistent with exercise of the rights

licensed hereunder and with the standard of care which LICENSEE uses to protect its own similar proprietary information. The terms of the Pirelli Sublicense(s) to EPRI Intellectual Property may be exclusive in the field of Line transmission and distribution of electrical power and electrical control signals, where "Line" means cable, wire or like physical link in the form of an elongated conductor which is used to transport electrons, and non-exclusive in other fields of use. LICENSEE shall grant no exclusive rights to EPRI Intellectual Property unless required by Agreements between Pirelli and LICENSEE which existed prior to the Effective Date of this Agreement. Upon EPRI's written request and under terms of confidentiality, LICENSEE shall allow EPRI to review Agreements (past and future) between LICENSEE and Pirelli which pertain to EPRI's Intellectual Property.

3.03 LICENSEE agrees to protect the confidentiality of the patent applications, confidential data and trade secrets included in the Intellectual Property with the same standard of care which it uses to protect its own valuable trade secrets and proprietary information. LICENSEE shall not be so obligated for such portions of the Proprietary Information which:

- (A) are already or otherwise become publicly known through no act or failure to act of LICENSEE; or
- (B) are received from third parties asserting they are subject to no restriction of confidentiality; or
- (C) were developed by LICENSEE independently of and prior to the disclosure of EPRI Proprietary Information to LICENSEE.

ARTICLE IV - CONSIDERATION

4.01 In consideration of the rights granted to LICENSEE under Article III herein, EPRI shall receive an equity position ownership position in LICENSEE corporation in the form of valuable stock warrants, as provided in the Warrant Agreement attached to this Agreement and incorporated herein at Attachment B.

4.02 LICENSEE shall show due diligence in its commercialization of the EPRI Intellectual Property in the Field. The following criteria shall be used to determine whether the required due diligence has been shown by LICENSEE:

- (A) During the two years following the Effective Date of this Agreement, LICENSEE shall expend a total of not less than \$5,000,000 in research and development pertaining to high temperature superconducting ("HTS") biaxially textured coated conductors and multifilimentary wires produced by metallic precursor technology, at least \$2,000,000 of which shall be expended in each of such years. For the purposes of this paragraph, the amount expended by LICENSEE includes, but is not limited to, costs and expenses of work done by LICENSEE and any amounts paid by LICENSEE to fund work done by LICENSEE and any amounts paid by LICENSEE to fund work done by others as provided in the Management Agreement.
- (B) Subsequent to the term of the Warrants issued to EPRI pursuant to Attachment B, if there was no time during the term of the Warrants that EPRI could have received at least five hundred thousand dollars (\$500,000) by exercising the Warrants, then the license hereunder shall convert to a non-exclusive license; provided however, that ASC shall have the option to retain the license on an exclusive royalty-free basis by promptly paying EPRI in cash an amount equal to the difference between five hundred thousand dollars (\$500,000) and the maximum realizable amount to EPRI if EPRI had exercised at any time during the term of the Warrants;
- (C) LICENSEE shall offer for sale at commercial quantities products based on EPRI Intellectual Property Rights and/or Program Technology within ten (10) years after execution of this Technology License Agreement. This period will be extended for five (5) additional years if LICENSEE demonstrates to the reasonable satisfaction of EPRI that during such additional years LICENSEE is diligently engaged in research and development directed to offering such products for sale at commercial quantities.

4.03 If LICENSEE fails to meet the criteria of due diligence set forth above, EPRI shall, in writing, advise LICENSEE of these deficiencies. LICENSEE shall have sixty (60) days to provide either a justification for the deficiencies or to propose a plan of corrective action. EPRI shall have (30) days either to approve the plan (or to accept the justification) or to reject it. If the parties are either unable to agree upon a plan or corrective

action or if the agreed-upon plan does not cure the failure of due diligence within ninety (90) days (or whatever time is provided for in the plan), the license shall convert without further action by EPRI to a non-exclusive License. Upon such failure of due diligence, LICENSEE grants to EPRI a non-exclusive license to LICENSEE's Program Technology; provided however that such license shall not extend to the field of Line transmission and distribution of electrical power and electrical control signals, where "Line" means cable, wire or like physical link in the form of an elongated conductor which is used to transport electrons. This exclusion is due to the relationship between Pirelli and LICENSEE in the above field of use.

4.04 A failure of LICENSEE to meet the criteria of due diligence set forth in Subarticle 4.02 or to cure any such failure pursuant to a plan as provided in Subarticle 4.03 shall not be deemed a material breach of this Agreement.

4.05 LICENSEE shall maintain accurate and auditable accounting records relating to its research and development activities in the Field. This includes necessary records and source documents verifying that the requirement of subarticles 4.01 and 4.02 are being satisfied. Upon the written request of EPRI, said accounting records shall be subject to audit by EPRI or, at EPRI's option, a public accounting firm designated by EPRI. It is the intent of the parties that such audits shall not be performed more frequently than once a year and once upon expiration or termination of this Agreement.

4.06 During the normal course of EPRI's research Program in the Field, from time to time, EPRI may seek and obtain patent protection regarding inventions in the Field. EPRI agrees to inform LICENSEE of all patent disclosures and of EPRI's intention to file for patent protection prior to the filing of any patent application; and to provide LICENSEE copies of documents filed in or received from any patent office in connection with any such application. Within a reasonable time of not more than thirty (30) days after receiving notice of such intention or a copy of any document received from a patent office, if LICENSEE does not object in writing to the filing of such patent protection or to the continued prosecution or maintenance of such patent application, then LICENSEE agrees to reimburse EPRI for all reasonable and normal costs and expenses actually incurred by EPRI regarding such patent filing and application. These costs and expenses shall not include any of EPRI's internal management or administrative expenses. If EPRI decides not to seek patent protection with respect to any invention in the Field, or not to

maintain any application or patent in the Field, it shall notify LICENSEE and LICENSEE may seek such patent protection or maintain such application or patent in EPRI's name but at LICENSEE's sole expense.

ARTICLE V - DURATION AND TERMINATION

5.01 Unless sooner terminated, this License Agreement shall continue for a period of twenty (20) years from the effective date herein or until the date of expiration of the last patent to expire, whichever date is later.

5.02 Failure by either party to comply with any of the material obligations and conditions contained in this Agreement shall constitute a default and shall entitle the other party to give to the party in default notice requiring the party in default to cure or to make good such default. If such default is not cured or made good within sixty (60) days after receipt of such notice, the other party shall be entitled and empowered to terminate this Agreement by giving to the party in default notice of termination of this Agreement which termination shall take effect upon the later of either the date of receipt of such notice of termination or a later date of termination if specified therein.

5.03 Upon termination of this Agreement by EPRI for material breach by LICENSEE, the license granted to LICENSEE under the Subarticle 2.01 shall terminate and LICENSEE shall promptly cease to manufacture, or to have manufactured, HTS wire or other products which infringe any of the EPRI Intellectual Property. Termination under this Subarticle shall have no impact on the Warrant Agreement.

5.04 Surviving termination of this Agreement for any reason are:

- (A) the provisions of Article III; and
- (B) the provisions of Article IV: and
- (C) the provisions of subarticle 5.02,5.03 and 5.04; and
- (D) the provisions of subarticles 6.01 and 6.04; and

- (E) any cause of action or claim of either party accrued or to accrue because of any breach or default by the other party including, but not limited to, injunctive relief and any other relief available whether in law or in equity.

5.05 In the event of possible receivership or bankruptcy of LICENSEE, LICENSEE must inform EPRI of its intention to file a voluntary petition in bankruptcy or of another's intention to file an involuntary petition in bankruptcy, if known to LICENSEE, to be received, if possible at least thirty (30) days prior to filing such a petition. LICENSEE's filing without conforming to this requirement shall be deemed a material, pre-petition incurable breach. In the event LICENSEE shall make an assignment for the benefit of creditors, or in the event LICENSEE shall substantially discontinue its business, EPRI may terminate this License Agreement effective immediately on notice to LICENSEE, but without prejudice to any rights of EPRI under this Agreement.

ARTICLE VI - REPRESENTATIONS AND WARRANTIES

6.01 EPRI represents and warrants that it has the right to grant the license herein.

6.02 EPRI does not represent or warrant that the use of the Intellectual Property licensed hereunder will be free of infringement of the right of other parties.

6.03 NEITHER EPRI, ANY MEMBER OF EPRI, NOR ANY PERSON OR ORGANIZATION ACTING ON BEHALF OF ANY OF THEM MAKES ANY REPRESENTATION OR WARRANTY EXPRESSED OR IMPLIED WITH RESPECT TO:

- (A) THE ACCURACY, COMPLETENESS OR USEFULNESS OF THE INTELLECTUAL PROPERTY LICENSED UNDER THIS AGREEMENT, OR
- (B) THE MERCHANTABILITY OR THE FITNESS FOR ANY PURPOSE OF THE INTELLECTUAL PROPERTY LICENSED UNDER THIS AGREEMENT.

6.04 LICENSEE agrees to indemnify EPRI and to hold EPRI harmless against all loss, cost or damage resulting from judgments arising from claims of third parties for physical loss or injury, or economic loss, arising from or in connection with LICENSEE's manufacturing, assembly, use, sale or lease of HTS wire or other

Field products incorporating the embodiments of the EPRI Intellectual Property.

ARTICLE VII - MISCELLANEOUS

7.01 This License Agreement may be assigned by either party to a wholly owned subsidiary, without the prior consent of the other party, provided that:

- (A) the other party is advised of the assignment, in writing, at least thirty (30) days before the effective date of the assignment; and
- (B) the subsidiary to whom this Agreement is assigned agrees, in writing prior to the assignment, to be bound by all the terms and conditions of this Agreement.

Other than to a wholly-owned subsidiary, this License Agreement may not be assigned by LICENSEE without the prior, written consent of EPRI and then only to a party which assumes all the obligations of LICENSEE.

7.02 LICENSEE agrees that any disclosure of technical information under the terms of this Agreement shall be in compliance with the regulations of any United States governmental agency exercising jurisdiction with respect to the transfer of technical data and information outside the United States of America.

7.03 LICENSEE may use the term "EPRI LICENSEE" in connection with any use, manufacture, distribution, or sale of HTC wire or other Field products. If so instructed in writing by EPRI, LICENSEE shall cease to use this or similar language associating EPRI with the HTS wire or other Field products.

7.04 To the extent practical, and unless otherwise instructed, in writing, by EPRI, LICENSEE agrees to incorporate in its promotional literature suitable acknowledgment of EPRI participation in co-funding and co-developing LICENSEE products, and, furthermore, to also acknowledge such participation in LICENSEE-authored publications in the open scientific and technical literature in the manner traditional to the professional community.

7.05 This License Agreement constitutes the entire agreement between the parties hereto with respect to its subject matter and supersedes all previous agreements whether written or oral.

7.06 This Agreement may be modified, amended, superseded or terminated, other than by its terms, only by a writing duly signed by authorized representatives of both parties. This Agreement, which includes the Warrant Agreement at Attachment B, is the controlling document with regards to the rights and obligations each party has to the other in the rights of the Program Technology and any ambiguity, uncertainty or conflict which arises between prior or concurrent documents and this Agreement shall be resolved in favor of this Agreement.

7.07 If any term or provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the remaining terms and provisions shall remain in effect.

7.08 Any notice, report, or statement required to be given or made hereunder shall be considered properly given when mailed by registered or certified mail, return receipt requested, postage prepaid to the respective address of each party as follows:

<p>EPRI:</p> <p>Manager, Intellectual Property Electric Power Research Institute P.O. Box 10412 Palo Alto, CA 94303</p>	<p>LICENSEE:</p> <p>Ramesh Ratan American Superconductor Corporation Two Technology Drive Westborough, Massachusetts 01581</p>
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or to such other address as the addressee shall have last furnished in writing to the addressor.

7.09 This License Agreement shall be construed in accordance with the laws of the State of California.

7.10 Except for injunctive relief relating to breaches of the confidentiality provisions of this License Agreement, any dispute or controversy arising out of or relating to this License Agreement, or any modification or extension thereof, shall be settled by arbitration conducted in the City of San Francisco, California, in accordance with the rules of the American Arbitration Association and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The parties consent to the jurisdiction of the Supreme

Court of the State of California, and of the United States District Court for the Northern District of California, for all purposes in connection with arbitration.

IN WITNESS WHEREOF, the parties have respectively caused this instrument to be executed by duly authorized officers of each of the dates indicated.

AMERICAN SUPERCONDUCTOR
CORPORATION

ELECTRIC POWER RESEARCH
INSTITUTE, INC.

By: /s/ Ramesh Ratan

By: /s/ Arthur Kenny

Name: Ramesh Ratan
Title: Executive Vice President
Date: 3/26/96

Name: Arthur Kenny
Title: Intellectual Property
Attorney
Intellectual Property
Department
Date: 3/25/96

CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION.
ASTERISKS DENOTE SUCH OMISSIONS.

ATTACHMENT A

The Field specifically includes the following research and development between EPRI and third parties listed below in Table A:

Contractor	Contract Number	Period of Performance	
*****	*****	Start	*****
		End	*****
*****	*****	Start	*****
		End	*****
*****	*****	Start	*****
		End	*****
*****	*****	Start	*****
		End	*****

The Field shall further consist of research and development activities performed by ASC to the extent financially supported by EPRI or performed pursuant to contracts with EPRI or ASC to the extent financially supported by EPRI and/or ASC, with the goal of *****, all as provided below in Table B representing the anticipated annual funding for *****:

Contractor	TABLE B		Total
	EPRI	ASC	
****	****	****	****
****		***	***
*****	***	**	***
****	**		**
*****	***		***
*****	***		***
***		***	***
Total*	\$1,000	\$500	\$1,500

*Amounts above in K\$.

The anticipated annual funding for ASC's *** program is \$2,000 K\$ per year, bringing the ASC total to \$5,000 K\$ over two years, with at least \$2,000 K\$ to be expended in each of such years.

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ASTERISKS DENOTE SUCH OMISSIONS.

NOTES:

- 1) EPRI/ASC Program Funding at a total of \$7M over two years and \$5M over two years for ASC, with at least \$2M to be expended by ASC in each of such years.
- 2) ***** funding includes ***** to *****, remaining funding via *****.
- 3) EPRI contracts to fund ***** program.

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON
EXERCISE OF THIS WARRANT ARE SUBJECT TO THE RESTRICTIONS ON
TRANSFER SET FORTH IN SECTIONS 4 AND 10 OF THIS WARRANT

Date of Issuance: March 26, 1996

Number of Shares: 100,000
(subject to adjustment)

American Superconductor Corporation

Common Stock Purchase Warrant

(Void after March 26, 2006)

American Superconductor Corporation, a Delaware corporation (the "Company"), for value received, hereby certifies that Electric Power Research Institute ("EPRI"), or its registered assigns (the "Registered Holder"), is entitled, subject to the terms set forth below, to purchase from the Company, at any time on or after the date of issuance and on or before March 26, 2006 at not later than 5:00 p.m. (Boston, Massachusetts time) (the "Expiration Time"), 100,000 shares of Common Stock, \$.01 par value per share, of the Company, at a purchase price of \$14.00 per share. The shares purchasable upon exercise of this Warrant, and the purchase price per share, each as adjusted from time to time pursuant to the provisions of this Warrant, are hereinafter referred to as the "Warrant Shares" and the "Purchase Price," respectively.

1. EXERCISE.

(a) Subject to the terms set forth below and subject to any revisions described therein, this Warrant shall be exercisable for 100,000 shares of Common Stock of the Company as follows:

(i) On the date one year after the date of issuance of this Warrant and at any time thereafter until the Expiration Time, this Warrant shall be exercisable for 12,500 shares of Common Stock of the Company (the "First Year Warrant Shares").

(ii) In addition to the First Year Warrant Shares, on the date two years after the date of issuance of this Warrant and at any time thereafter until the Expiration Time, this Warrant shall be exercisable for an additional 25,000 shares of Common Stock of the Company (the "Second Year Warrant Shares").

(iii) In addition to the First Year Warrant Shares and Second Year Warrant Shares, on the date three years after the date of issuance of this Warrant and at any time thereafter until the Expiration Time, this Warrant shall be exercisable for an additional 25,000 shares of Common Stock of the Company (the "Third Year Warrant Shares"); provided however, that in the event that the aggregate amount contributed by EPRI (the "EPRI Contribution") in the form of direct costs pursuant to Section 2 of the Research and Development Agreement dated as of the date of this Warrant between the Company and EPRI (the "Agreement") during the first two contract years under the Agreement is less than \$2.0 million, then the number of Third Year Warrant Shares (and, if necessary, the number of Fourth or Fifth Year Warrant Shares, as defined below) shall be reduced by the number obtained by dividing (x) the excess of \$2.0 million over the EPRI Contribution by (y) the number 20, it being agreed that the exercisability of this Warrant is not contingent upon amounts contributed by EPRI in excess of the \$2.0 million to be contributed during the first two contract years under the Agreement.

(iv) In addition to the First Year Warrant Shares, Second Year Warrant Shares and Third Year Warrant Shares, on the date four years after the date of issuance of this Warrant and at any time thereafter until the Expiration Time, this Warrant shall be exercisable for an additional 25,000 shares of Common Stock of the Company (the "Fourth Year Warrant Shares").

(v) In addition to the First Year Warrant Shares, Second Year Warrant Shares, Third Year Warrant Shares and Fourth Year Warrant Shares, on the date five years after the date of issuance of this Warrant, and at any time thereafter until the Expiration Time, this Warrant shall be exercisable for an additional 12,500 shares of Common Stock of the Company (the "Fifth Year Warrant Shares").

(vi) Notwithstanding anything to the contrary contained in subsections 1(a)(i) through 1(a)(v) above, in the event that any person or entity acquires ownership of capital stock of the Company representing a majority of the total outstanding voting power, whether by merger, acquisition or otherwise, or in the event of a sale of all or substantially all

of the assets of the Company, this Warrant shall be exercisable, immediately upon such an event and at any time thereafter until the Expiration Time, for 100,000 shares of Common Stock of the Company (less any shares previously purchased upon exercise of this Warrant) or for such securities for which this Warrant may become exercisable pursuant to subsection 2(b) below.

(b) This Warrant may be exercised by the Registered Holder, in whole or in part, by surrendering this Warrant, with the purchase form appended hereto as EXHIBIT I duly executed by such Registered Holder or by such Registered Holder's duly authorized attorney, at the principal office of the Company, or at such other office or agency as the Company may designate, accompanied by payment in full, in lawful money of the United States, of the Purchase Price payable in respect of the number of Warrant Shares purchased upon such exercise.

(c) The Registered Holder may, at its option, elect to pay some or all of the Purchase Price payable upon an exercise of this Warrant by cancelling a portion of this Warrant exercisable for such number of Warrant Shares as is determined by dividing (i) the total Purchase Price payable in respect of the number of Warrant Shares being purchased upon such exercise by (ii) the excess of the Fair Market Value per share of Common Stock as of the effective date of exercise, as determined pursuant to subsection 1(d) below (the "Exercise Date") over the Purchase Price per share. If the Registered Holder wishes to exercise this Warrant pursuant to this method of payment with respect to the maximum number of Warrant Shares purchasable pursuant to this method, then the number of Warrant Shares so purchasable shall be equal to the total number of Warrant Shares, minus the product obtained by multiplying (x) the total number of Warrant Shares by (y) a fraction, the numerator of which shall be the Purchase Price per share and the denominator of which shall be the Fair Market Value per share of Common Stock as of the Exercise Date. The Fair Market Value per share of Common Stock shall be determined as follows:

(i) If the Common Stock is listed on a national securities exchange, the Nasdaq National Market, the Nasdaq Small-Cap Market, or another nationally recognized exchange or trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the last reported sale price per share of Common Stock thereon on the Exercise Date; or, if no such price is reported on such date, such price on the next preceding trading day (provided that if no such price is reported

on the next preceding trading day, the Fair Market Value per share of Common Stock shall be determined pursuant to clause (ii)).

(ii) If the Common Stock is not listed on a national securities exchange, the Nasdaq National Market, the Nasdaq Small-Cap Market or another nationally recognized exchange or trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the amount most recently determined by the Board of Directors to represent the fair market value per share of the Common Stock (including without limitation a determination for purposes of granting Common Stock options or issuing Common Stock under an employee benefit plan of the Company); and, upon request of the Registered Holder, the Board of Directors (or a representative thereof) shall promptly notify the Registered Holder of the Fair Market Value per share of Common Stock. Notwithstanding the foregoing, if the Board of Directors has not made such a determination within the three-month period prior to the Exercise Date, then (A) the Fair Market Value per share of Common Stock shall be the amount next determined by the Board of Directors to represent the fair market value per share of the Common Stock (including without limitation a determination for purposes of granting Common Stock options or issuing Common Stock under an employee benefit plan of the Company), (B) the Board of Directors shall make such a determination within 15 days of a request by the Registered Holder that it do so, and (C) the exercise of this Warrant pursuant to this subsection 1(c) shall be delayed until such determination is made.

(d) Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in subsection 1(b) above. At such time, the person or persons in whose name or names any certificates for Warrant Shares shall be issuable upon such exercise as provided in subsection 1(e) below shall be deemed to have become the holder or holders of record of the Warrant Shares represented by such certificates.

(e) As soon as practicable after the exercise of this Warrant in full or in part, and in any event within 10 days thereafter, the Company, at its expense, will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of full Warrant Shares to which such Registered Holder shall be entitled upon such exercise plus, in lieu of any fractional share to which such Registered Holder would otherwise be entitled, cash in an amount determined pursuant to Section 3 hereof; and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of Warrant Shares equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the sum of (a) the number of such shares purchased by the Registered Holder upon such exercise plus (b) the number of Warrant Shares (if any) covered by the portion of this Warrant cancelled in payment of the Purchase Price payable upon such exercise pursuant to subsection 1(c) above.

2. ADJUSTMENTS.

(a) If outstanding shares of the Company's Common Stock shall be subdivided into a greater number of shares or a dividend in Common Stock shall be paid in respect of Common Stock, the Purchase Price in effect immediately prior to such subdivision or at the distribution date of such dividend shall simultaneously with the effectiveness of such subdivision or immediately after the distribution date of such dividend be proportionately reduced. If outstanding shares of Common Stock shall be combined into a smaller number of shares, the Purchase Price in effect immediately prior to such combination shall, simultaneously with the effectiveness of such combination, be proportionately increased. When any adjustment is required to be made in the Purchase Price, the number of Warrant Shares purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(b) If there shall occur any capital reorganization or reclassification of the Company's Common Stock (other than a change in par value or a subdivision or combination as provided for in subsection 2(a) above), or any consolidation or merger of the Company with or into another corporation, or a transfer of all or substantially all of the assets of the Company, then (in addition to any rights to which the Registered Holder may be entitled under subsection 1(a)(vi) above), as part of any such

reorganization, reclassification, consolidation, merger or sale, as the case may be, lawful provision shall be made so that the Registered Holder of this Warrant shall have the right thereafter to receive upon the exercise hereof the kind and amount of shares of stock or other securities or property which such Registered Holder would have been entitled to receive if, immediately prior to any such reorganization, reclassification, consolidation, merger or sale, as the case may be, such Registered Holder had held the number of shares of Common Stock which were then purchasable upon the exercise of this Warrant. In any such case, appropriate adjustment (as reasonably determined in good faith by the Board of Directors of the Company) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Registered Holder of this Warrant, such that the provisions set forth in this Section 2 (including provisions with respect to adjustment of the Purchase Price) shall thereafter be applicable, as nearly as is reasonably practicable, in relation to any shares of stock or other securities or property thereafter deliverable upon the exercise of this Warrant.

(c) When any adjustment is required to be made in the Purchase Price, the Company shall promptly mail to the Registered Holder a certificate setting forth the Purchase Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Such certificate shall also set forth the kind and amount of stock or other securities or property into which this Warrant shall be exercisable following the occurrence of any of the events specified in subsection 2(a) or (b) above.

3. FRACTIONAL SHARES. The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but shall make an adjustment therefor in cash on the basis of the Fair Market Value per share of Common Stock, as determined pursuant to subsection 1(c) above.

4. REQUIREMENTS FOR TRANSFER.

(a) This Warrant and the Warrant Shares shall not be sold or transferred unless either (i) they first shall have been registered under the Securities Act of 1933, as amended (the "Act"), or (ii) the Company first shall have been furnished with an opinion of legal counsel, reasonably satisfactory to the Company, to the effect that such sale or transfer is, and the issuance by the Company of shares of Common Stock upon exercise thereof will be, exempt from the registration requirements of the Act.

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

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

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

5. NO IMPAIRMENT. The Company will not, by amendment of its charter or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

6. NOTICES OF RECORD DATE, ETC. in case:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right; or

(b) of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the surviving entity), or any transfer of all or substantially all of the assets of the Company; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company, then, and in each such

case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon the exercise of this Warrant) shall be entitled to exchange their shares of Common Stock (or such other stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up. Such notice shall be mailed at least ten (10) days prior to the record date or effective date for the event specified in such notice.

7. RESERVATION OF STOCK. The Company will at all times reserve and keep available, solely for issuance and delivery upon the exercise of this Warrant, such number of Warrant Shares and other stock, securities and property, as from time to time shall be issuable upon the exercise of this Warrant.

8. EXCHANGE OF WARRANTS. Upon the surrender by the Registered Holder of any Warrant or Warrants, properly endorsed, to the Company at the principal office of the Company, the Company will, subject to the provisions of Section 4 hereof, issue and deliver to or upon the order of such Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of such Registered Holder or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant or Warrants so surrendered.

9. REPLACEMENT OF WARRANTS. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

10. TRANSFERS, ETC.

(a) The Company will maintain a register containing the names and addresses of the Registered Holders of this Warrant. Any Registered Holder may change its or his address as shown on the warrant register by written notice to the Company requesting such change.

(b) Subject to the provisions of Section 4 hereof, this Warrant and all rights hereunder are transferable, in whole, upon surrender of this Warrant with a properly executed assignment (in the form of EXHIBIT II hereto) at the principal office of the Company; provided that no such transfer may be made unless such transfer is made to an affiliate of EPRI (including without limitation any for-profit or non-profit corporation or other entity in which EPRI holds, directly or indirectly, a controlling interest).

(c) Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder of this Warrant as the absolute owner hereof for all purposes; PROVIDED, HOWEVER, that if and when this Warrant is properly assigned in blank, the Company may (but shall not be obligated to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

11. REPRESENTATIONS OF THE REGISTERED HOLDER. The Registered Holder of this Warrant represents and warrants to the Company as follows:

(a) INVESTMENT. The Registered Holder is acquiring this Warrant and the Warrant Shares issuable upon the exercise of this Warrant for its own account for investment and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same, except as otherwise may be permitted under applicable securities laws.

(b) AUTHORITY. The Registered Holder has full power and authority to enter into and to perform this Warrant in accordance with its terms. The Registered Holder has not been organized, reorganized or recapitalized specifically for the purpose of investing in the Company.

(c) EXPERIENCE. The Registered Holder has made detailed inquiry concerning the Company, its business and its personnel; the officers of the Company have made available to the

Registered Holder the opportunity to ask questions and receive answers concerning the terms and conditions of the this Warrant and the Warrant Shares and to obtain any additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of information provided by the Company to the Registered Holder; and the Registered Holder has adequate net worth and means of providing for its current needs and personal contingencies to sustain a complete loss of its investment in the Company; the Registered Holder's overall commitment to investments which are not readily marketable is not disproportionate to his or its net worth and the Registered Holder's investment in this Warrant and the Warrant Shares issuable upon exercise of this Warrant will not cause such overall commitment to become excessive.

(d) ACCREDITED INVESTOR. The Registered Holder is an Accredited Investor within the definition set forth in Rule 501(a) promulgated under the Securities Act.

12. MAILING OF NOTICES, ETC. All notices and other communications from the Company to the Registered Holder of this Warrant shall be mailed by first-class certified or registered mail, postage prepaid, to the address furnished to the Company in writing by the last Registered Holder of this Warrant who shall have furnished an address to the Company in writing. All notices and other communications from the Registered Holder of this Warrant or in connection herewith to the Company shall be mailed by first-class certified or registered mail, postage prepaid, to the Company at its principal office set forth below. If the Company should at any time change the location of its principal office to a place other than as set forth below, it shall give prompt written notice to the Registered Holder of this Warrant and thereafter all references in this Warrant to the location of its principal office at the particular time shall be as so specified in such notice.

13. NO RIGHTS AS STOCKHOLDER. Until the exercise of this Warrant, the Registered Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company.

14. CHANGE OR WAIVER. Any term of this Warrant may be changed or waived only by an instrument in writing signed by the party against which enforcement of the change or waiver is sought.

15. HEADINGS. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

16. GOVERNING LAW. This Warrant will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

AMERICAN SUPERCONDUCTOR CORPORATION

By: /s/ Ramesh Ratan

[Corporate Seal]

Title: Exec. V.P.

AGREED AND ACCEPTED:

ELECTRIC POWER RESEARCH INSTITUTE

By: /s/ Kurt Yeager

Title:

PURCHASE FORM

To: _____

Dated: _____

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby irrevocably elects to purchase _____ shares of the Common Stock covered by such Warrant. The undersigned herewith makes payment of \$_____, representing the full purchase price for such shares at the price per share provided for in such Warrant. Such payment takes the form of (check applicable box or boxes):

/ / \$_____ in lawful money of the United States, and/or

/ / the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ Warrant Shares (using a Fair Market Value of \$_____ per share for purposes of this calculation).

Signature:

Address:

ASSIGNMENT FORM

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

Name of Assignee	Address	No. of Shares
-----	-----	-----

Dated: _____	Signature: _____
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Dated: _____	Witness: _____
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