

**AMERICAN SUPERCONDUCTOR CORPORATION**  
**114 East Main Street**  
**Ayer, Massachusetts 01432**

*Notice of Annual Meeting of Stockholders to  
be Held on Thursday, August 1, 2019*

The Annual Meeting of Stockholders of American Superconductor Corporation (“AMSC”) will be held at AMSC’s corporate headquarters, located at 114 East Main Street, Ayer, Massachusetts 01432, on Thursday, August 1, 2019 at 8:30 a.m., local time, to consider and act upon the following matters:

1. To elect Vikram S. Budhraja, Arthur H. House, Barbara G. Littlefield, Daniel P. McGahn and David R. Oliver, Jr. as directors of AMSC for a term of office expiring at the 2020 annual meeting of stockholders.
2. To approve amendments to AMSC’s 2007 Stock Incentive Plan to add 1,200,000 shares to the total number of shares available for issuance under the plan and to remove certain provisions that were otherwise required for awards to qualify as performance-based compensation under an exception to Section 162(m) of the Internal Revenue Code of 1986, as amended, prior to its repeal.
3. To approve amendments to AMSC’s Amended and Restated 2007 Director Stock Plan to add 50,000 shares to the total number of shares available for issuance under the plan and to change the timing of option awards granted in connection with a non-employee director’s initial election to the Board of Directors.
4. To ratify the selection by the Audit Committee of the Board of Directors of RSM US LLP as AMSC’s independent registered public accounting firm for the current fiscal year.
5. To transact such other business as may properly come before the meeting or any continuation, postponement or adjournment thereof.

Stockholders of record at the close of business on June 7, 2019 will be entitled to notice of and to vote at the annual meeting or any continuation, postponement or adjournment thereof. The stock transfer books of AMSC will remain open.

By Order of the Board of Directors,



John R. Samia, Secretary

Ayer, Massachusetts  
June 20, 2019

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE SUBMIT YOUR PROXY (1) OVER THE INTERNET, (2) BY TELEPHONE, OR (3) BY MAIL. FOR SPECIFIC INSTRUCTIONS, PLEASE REFER TO THE QUESTIONS AND ANSWERS BEGINNING ON THE FIRST PAGE OF THE PROXY STATEMENT AND THE INSTRUCTIONS ON THE PROXY CARD RELATING TO THE ANNUAL MEETING.**

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**AMERICAN SUPERCONDUCTOR CORPORATION**  
**114 East Main Street**  
**Ayer, Massachusetts 01432**

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**PROXY STATEMENT**  
**For the Annual Meeting of Stockholders to be Held on Thursday, August 1, 2019**

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This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors, or Board, of American Superconductor Corporation, or AMSC, for use at the Annual Meeting of Stockholders, or Annual Meeting, to be held on Thursday, August 1, 2019, beginning at 8:30 a.m., local time, at AMSC's corporate headquarters, located at 114 East Main Street, Ayer, Massachusetts 01432, and at any continuation, postponement or adjournment of the Annual Meeting. On or about June 20, 2019, we are releasing this proxy statement together with our annual report, consisting of our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, or 2018 Annual Report, and other information required by the rules of the Securities and Exchange Commission, or SEC, to our stockholders of record on the record date for the meeting. Our 2018 Annual Report is provided without exhibits. Exhibits will be provided, at no charge, upon written request addressed to American Superconductor Corporation, 114 East Main Street, Ayer, MA 01432, Attention: Investor Relations.

Our fiscal year begins on April 1 and ends on March 31. When we refer to a particular fiscal year, we are referring to the fiscal year ended on March 31 of the following year. For example, fiscal 2018 refers to the fiscal year ended March 31, 2019.

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**Important Notice Regarding the Availability of Proxy Materials  
for the Stockholder Meeting to be Held on August 1, 2019**

**AMSC's proxy statement and annual report are available at  
[www.proxyvote.com](http://www.proxyvote.com)**

The following proxy materials are available for review at *www.proxyvote.com*:

- our 2019 proxy statement;
- our 2018 Annual Report; and
- any amendments or supplements to our proxy materials that are filed with the SEC.

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**INFORMATION ABOUT THIS PROXY STATEMENT**

**Why you received this proxy statement.** You are viewing or have received these proxy materials because AMSC's Board is soliciting your proxy to vote your shares at the Annual Meeting. This proxy statement includes information that we are required to provide to you under the rules of the SEC and that is designed to assist you in voting your shares.

**Notice of Internet Availability of Proxy Materials.** As permitted by SEC rules, AMSC is making this proxy statement and its 2018 Annual Report available to certain of its stockholders electronically via the Internet. On or about June 20, 2019, we mailed to these stockholders a Notice of Internet Availability of Proxy Materials, or Internet Notice, containing instructions on how to access this proxy statement and our 2018 Annual Report and vote online. If you received an Internet Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you specifically request them. Instead, the Internet Notice instructs you on how to access and review all of the important information contained in the proxy statement and 2018 Annual Report. The Internet Notice also instructs you on how you may submit your proxy over the Internet. If you received an Internet Notice by mail and would like to receive a printed copy of our proxy materials, then you should follow the instructions for requesting such materials contained on the Internet Notice.

**Printed Copies of Our Proxy Materials.** Some of our stockholders received printed copies of our proxy statement, 2018 Annual Report and proxy card. If you received printed copies of our proxy materials, then instructions regarding how you can vote are contained on the proxy card included in the materials.

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## INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

### *What is the purpose of the Annual Meeting?*

At our Annual Meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of the directors named in this proxy statement, the approval of amendments to our 2007 Stock Incentive Plan, the approval of amendments to our Amended and Restated 2007 Director Stock Plan and the ratification of the selection of our independent registered public accounting firm. Stockholders may also consider such other business as may properly come before the meeting. We are not aware of any other business to be brought before the meeting. If any other business is properly brought before the meeting, the designated officers serving as proxies will vote in accordance with their best judgment.

### *Who is entitled to vote?*

You are entitled to vote at the Annual Meeting, or any continuation, postponement or adjournment of the Annual Meeting, only if you were a stockholder of record at the close of business on the record date, June 7, 2019, or if you hold a valid proxy for the Annual Meeting. The number of stockholders of record as of the June 7, 2019 record date was 185. Holders of shares of our common stock are entitled to one vote per share.

### *Who can attend the meeting?*

All stockholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Please note that if you hold your shares in “street name” (through a bank, broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership in AMSC as of the record date or the Internet Notice you received from your bank, broker or other nominee to be admitted to the Annual Meeting. You may obtain directions to the location of our Annual Meeting by writing our Investor Relations department at 114 East Main Street, Ayer, Massachusetts 01432 or by calling (978) 399-8344.

### *What constitutes a quorum?*

The holders of a majority of the shares of common stock outstanding and entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business at the Annual Meeting. Shares of common stock represented in person or by proxy (including shares that abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted as present and entitled to vote for purposes of determining whether a quorum is present at the Annual Meeting. As of the June 7, 2019 record date, 21,613,368 shares of our common stock were outstanding and entitled to vote.

### *How do I vote?*

If you are a stockholder of record, meaning your shares are registered in your name, you may vote:

(1) **Over the Internet:** Go to the website of our tabulator, Broadridge, at [www.proxyvote.com](http://www.proxyvote.com). Use the vote control number printed on your Internet Notice or proxy card to access your account and vote your shares. You must specify how you want your shares voted or your Internet vote cannot be completed and you will receive an error message. Your shares will be voted according to your instructions.

(2) **By Telephone:** Call 1-800-690-6903, toll free from the U.S. and Canada, and follow the instructions on your proxy card. You must specify how you want your shares voted and confirm your vote at the end of the call or your telephone vote cannot be completed. Your shares will be voted according to your instructions.

(3) **By Mail:** Complete and sign your proxy card and mail it in the accompanying postage prepaid envelope to Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Your shares will be voted according to your instructions. If you do not specify how you want your shares voted, they will be voted as recommended by our Board of Directors.

(4) **In Person at the Annual Meeting:** If you attend the Annual Meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which we will provide to you at the Annual Meeting.

If your shares are held in “street name,” meaning they are held for your account by a bank, broker or other nominee, you may vote:

(1) **Over the Internet or by Telephone:** You will receive instructions from your bank, broker or other nominee if they permit Internet or telephone voting. You should follow those instructions.

(2) **By Mail:** You will receive instructions from your bank, broker or other nominee explaining how you can vote your shares by mail. You should follow those instructions.

(3) **In Person at the Annual Meeting:** To be able to vote your shares held in street name in person at the Annual Meeting, you will need to obtain a legal proxy (separate from the proxy card supplied by us) that is prepared and supplied by your bank, broker or other nominee. **You will not be able to vote in person at the Annual Meeting unless you have a proxy from your bank, broker or other nominee issued in your name giving you the right to vote your shares.**

***Can I change my proxy after I return my proxy card?***

Yes. You may revoke your proxy and change your vote at any time before the Annual Meeting. To do so, you must do one of the following:

(1) Vote over the Internet or by telephone as instructed above. Only your latest Internet or telephone vote is counted.

(2) Sign a new proxy card and submit it as instructed above. Only your latest dated proxy card will be counted.

(3) Attend the Annual Meeting, request that your proxy be revoked and vote in person as instructed above. Attending the Annual Meeting will not revoke your proxy unless you specifically request it.

***Will my shares be voted if I don't return my proxy?***

If your shares are registered directly in your name, your shares will not be voted if you do not vote over the Internet, by telephone, by returning your proxy card or voting by ballot at the Annual Meeting. If your shares are held in “street name” by a bank, broker or other nominee, that person, as the record holder of your shares, is required to vote your shares according to your instructions. Your bank, broker or other nominee will send you directions on how to vote those shares. Under applicable stock exchange rules, if you do not give instructions to your bank, broker or other nominee, it will still be able to vote your shares with respect to certain “discretionary” items, such as the ratification of the selection of RSM US LLP as our independent registered public accounting firm, but will not be allowed to vote your shares with respect to certain “non-discretionary” items, such as the election of directors, the approval of amendments to our 2007 Stock Incentive Plan and the approval of amendments to our Amended and Restated 2007 Director Stock Plan. In the case of “non-discretionary” items, shares for which your bank, broker or other nominee does not receive voting instructions will be treated as “broker non-votes.”

***What is the vote required to approve each matter?***

(1) **Election of Directors.** Directors will be elected by a plurality of the votes cast by the stockholders entitled to vote on the election. This means that the five nominees receiving the most affirmative votes will be elected as directors at the Annual Meeting. Votes withheld and “broker non-votes” will have no effect on the outcome of the election of directors.

(2) **Approval of Amendments to our 2007 Stock Incentive Plan.** The affirmative vote of the holders of a majority of the shares of common stock voting on the matter is required for approval of amendments to our 2007 Stock Incentive Plan. Abstentions and “broker non-votes” will have no effect on the outcome of this proposal.

(3) **Approval of Amendments to our Amended and Restated 2007 Director Stock Plan.** The affirmative vote of the holders of a majority of the shares of common stock voting on the matter is required for approval of amendments to our Amended and Restated 2007 Director Stock Plan. Abstentions and “broker non-votes” will have no effect on the outcome of this proposal.

(4) **Ratification of the Selection of our Independent Registered Public Accounting Firm.** The affirmative vote of the holders of a majority of the shares of common stock voting on the matter is required for the ratification of the selection by the Audit Committee of RSM US LLP as our independent registered public accounting firm for the current fiscal year. Abstentions will have no effect on the outcome of this proposal. Because brokers have discretionary authority to vote on the ratification of the selection of our independent registered public accounting firm, we do not expect any “broker non-votes” in connection with this proposal.

***Who will count the votes?***

Our Board of Directors has appointed a representative of Broadridge Financial Solutions to serve as the inspector of elections at the Annual Meeting and to tabulate the votes.

***Are there other matters to be voted on at the meeting?***

As of the date of this proxy statement, our Board of Directors does not know of any other matters which may come before the meeting, other than the matters described in this proxy statement. Should any other matter requiring a vote of our stockholders arise and be properly presented at the Annual Meeting, the proxy for the Annual Meeting confers upon the persons named in the proxy and designated to vote the shares discretionary authority to vote, or otherwise act, with respect to any such matter in accordance with their best judgment.

**Our Board encourages stockholders to attend the Annual Meeting. Whether or not you plan to attend, you are urged to submit your proxy. Prompt response will greatly facilitate arrangements for the meeting and your cooperation will be appreciated. Stockholders who attend the Annual Meeting may vote their stock personally even though they may have sent in their proxies.**

## STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our common stock as of May 31, 2019, or such earlier date as indicated below, by:

- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our directors;
- each of our “named executive officers” (as defined in the “Compensation Discussion and Analysis” section of this proxy statement); and
- all directors and executive officers as a group.

Unless otherwise provided, the address of each individual listed below is c/o American Superconductor Corporation, 114 East Main Street, Ayer, Massachusetts 01432.

<u>Name of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned (1)</u>	<u>Percentage of Common Stock Outstanding (2)</u>
<i>Five Percent Stockholders</i>		
Kevin Douglas and related group (3) . . . . . c/o 125 East Sir Francis Drake Blvd. Suite 400, Larkspur, CA 94903	2,039,248	9.5%
AWM Investment Company, Inc. and related group (4) . . . . . c/o Special Situations Funds 527 Madison Avenue Suite 2600, New York, NY 10022	1,385,341	6.5%
Footprints Asset Management & Research, Inc. (5) . . . . . 11422 Miracle Hills Drive, Suite 208 Omaha, NE 68154	1,248,158	5.8%
Thomas A. Satterfield, Jr., and related group (6) . . . . . 2609 Caldwell Mill Lane Birmingham, AL 35243	1,138,765	5.3%
<i>Directors</i>		
Daniel P. McGahn (7) . . . . .	500,447	2.3%
Vikram S. Budhraj . . . . .	45,529	*
Arthur H. House (8) . . . . .	25,028	*
Barbara G. Littlefield . . . . .	—	*
David R. Oliver, Jr. . . . .	27,369	*
<i>Other Named Executive Officers</i>		
John W. Kosiba, Jr. (9) . . . . .	203,176	*
All directors and executive officers as a group (6 persons) (10) . . . . .	801,549	3.7%

\* Less than 1%.

(1) The inclusion of any shares of common stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. In accordance with the rules of the SEC, each stockholder is deemed to beneficially own any shares subject to stock options that are currently exercisable or exercisable within 60 days after May 31, 2019, and any reference below to shares subject to outstanding stock options held by the person in question refers only to such stock options. Except as indicated by the footnotes below, we believe that the persons and entities named in the table above have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

- (2) To calculate the percentage of outstanding shares of common stock held by each stockholder, the number of shares deemed outstanding includes 21,450,112 shares outstanding as of May 31, 2019, plus any shares subject to outstanding stock options or warrants currently exercisable or exercisable within 60 days after May 31, 2019 held by the stockholder in question.
- (3) Information is derived from the Schedule 13D/A filed on May 5, 2015 by Kevin Douglas, Michelle Douglas, James E. Douglas III, K&M Douglas Trust, Douglas Family Trust and James Douglas and Jean Douglas Irrevocable Descendants' Trust, and is as of April 24, 2015. According to the Schedule 13D/A, Kevin Douglas has shared voting power with respect to 1,490,795 shares and shared dispositive power with respect to 2,039,248 shares; Michelle Douglas has shared voting power and shared dispositive power with respect to 1,490,795 shares; James E. Douglas III has sole voting power and shared dispositive power with respect to 204,100 shares; K&M Douglas Trust has sole voting and dispositive power with respect to 834,533 shares; Douglas Family Trust has sole voting and shared dispositive power with respect to 344,353 shares; and James Douglas and Jean Douglas Irrevocable Descendants' Trust has sole voting and dispositive power with respect to 656,262 shares.
- (4) Information is derived from the Schedule 13G/A filed on February 13, 2019 by AWM Investment Company, Inc., a Delaware Corporation ("AWM"), the investment adviser to Special Situations Fund III QP, L.P., Special Situations Cayman Fund, L.P., Special Situations Technology Fund, L.P. and Special Situations Technology Fund II, L.P., which is as of December 31, 2018. Special Situations Fund III QP, L.P. holds 486,782 shares, Special Situations Cayman Fund, L.P. holds 157,484 shares, Special Situations Technology Fund, L.P. holds 120,766 shares and Special Situations Technology Fund II, L.P. holds 620,309 shares. According to the Schedule 13G/A, AWM Investment Company, Inc. has sole voting and dispositive power over all 1,385,341 shares.
- (5) Information is derived from the Schedule 13G filed on February 14, 2019 by Footprints Asset Management & Research, Inc., which is as of December 31, 2018. According to the Schedule 13G, Footprints Asset Management & Research, Inc. has sole voting and dispositive power over all 1,248,158 shares.
- (6) Information is derived from the Schedule 13G/A filed on February 13, 2019 by Thomas A. Satterfield, Jr., which is as of December 31, 2018. According to the Schedule 13G/A, Thomas J. Satterfield, Jr., has shared voting and dispositive power with respect to 1,068,765 shares and sole voting and dispositive power with respect to 70,000 shares. Mr. Satterfield holds 30,000 shares jointly with his spouse; Tomsat Investment & Trading Co., Inc., a corporation wholly owned by Mr. Satterfield and of which he serves as President, holds 95,000 shares; Caldwell Mill Opportunity Fund, which fund is managed by an entity of which Mr. Satterfield owns a 50% interest and serves as Chief Investment Manager, holds 420,135 shares; and Riachuello Ranch LLC, a closely held limited liability company in which Mr. Satterfield owns an approximately 11.1% interest and for which he serves as President, holds 10,000 shares. Additionally, Mr. Satterfield has limited powers of attorney for voting and disposition purposes with respect to the following shares: A.G. Family L.P. (429,630 shares); Thomas A. Satterfield, Sr. (30,000 shares); Jeanette Satterfield Kaiser (25,000 shares); Richard W. Kaiser (10,000 shares); David A. Satterfield (15,000 shares); Parker Satterfield under the Uniform Gifts to Minors Act (2,000 shares); Alexandria Pontikes (1,000 shares); and Camille Pontikes (1,000 shares). These individuals and entities have the right to receive or the power to direct the receipt of the proceeds from the sale of their respective shares.
- (7) Includes 47,497 shares subject to outstanding stock options, 305,625 shares subject to certain restrictions on transfer and a risk of forfeiture in favor of AMSC and 6,330 shares held indirectly through AMSC's 401(k) plan. Mr. McGahn has sole voting power over 500,447 of such shares and sole dispositive power over 476,699 of such shares. 23,748 shares subject to outstanding options are subject to a domestic relations agreement pursuant to which they will be transferred upon the occurrence of certain events. Therefore, Mr. McGahn does not have dispositive power over these shares.
- (8) Includes 9,703 shares subject to outstanding stock options.



- (9) Includes 8,147 shares subject to outstanding stock options, 161,625 shares subject to certain restrictions on transfer and risk of forfeiture in favor of the Company and 3,482 shares held indirectly through AMSC's 401(k) plan.
- (10) Includes 65,347 shares subject to outstanding stock options, 467,250 shares subject to certain restrictions on transfer and risk of forfeiture in favor of the Company and 9,812 shares held indirectly through AMSC's 401(k) plan.

## CORPORATE GOVERNANCE

Our Board has long believed that good corporate governance is important to ensure that AMSC is managed for the long-term benefit of our stockholders. This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of our committee charters, corporate governance guidelines and code of conduct described below have been posted in the “Corporate Governance” section of the “Investors” page of our website at [www.ams.com](http://www.ams.com). Alternatively, you can request a copy of any of these documents by writing our Investor Relations department at 114 East Main Street, Ayer, Massachusetts 01432 or by calling (978) 399-8344.

### Members of the Board

Set forth below, for each director, are his or her name and age, his or her positions (if any) with us, his or her principal occupation and business experience during at least the past five years, the names of other public companies of which he or she has served as a director during at least the past five years and the year of the commencement of his or her term as a director of AMSC. Each of the individuals named below is a nominee for election to our Board at the Annual Meeting. There are no family relationships among any of our directors and executive officers.

**Vikram S. Budhraj**, age 71, has been president and chief executive officer of Electric Power Group, LLC, a Pasadena, California-based privately held firm that provides smart grid synchrophasor technology applications and services, power grid reliability monitoring solutions, and strategic and consulting services to the electric power industry, since January 2000. From 1977 to January 2000, Mr. Budhraj served in key executive and senior management positions at Edison International, the parent company of Southern California Edison, including: president of Edison Technology Solutions; senior vice president and head of the Power Grid Business Unit of Southern California Edison responsible for all transmission assets and control center operations; and vice president of System Planning, Fuels and Operations of Southern California Edison. He is a founding member of the Consortium for Electric Reliability Technology Solutions (CERTS) and worked with the U.S.-Canadian Power Systems Outage Task Force that was formed to investigate the root causes of the August 14, 2003 power blackout in the Northeast. Mr. Budhraj has previously served as a director of several organizations, including the California Independent System Operator (CAISO), which manages California’s power transmission system, and SoftSwitching Technologies, which provides scalable power quality and monitoring solutions. We believe Mr. Budhraj’s qualifications to sit on our Board include his extensive operational knowledge of, and executive level management experience in, the electric power industry. Mr. Budhraj has been a director of our company since 2004.

**Arthur H. House**, age 76, has been Chief Cybersecurity Risk Officer for the State of Connecticut since October 2016. From June 2012 until October 2016, Mr. House was chairman of the Connecticut Public Utilities Regulatory Authority. From January 2009 until May 2012, Mr. House served as Director of Communications of the Office of the Director of National Intelligence and as head of internal and external communications for the National Geospatial-Intelligence Agency, a combat support agency for the U.S. Department of Defense. From January 2002 until January 2009, he served as Senior Vice President of Public Affairs at Connecticut-based Webster Bank, a bank that provides business and consumer banking, mortgage, insurance, trust and investment services. Mr. House has also previously served in various positions at the World Bank, the National Security Council and the U.S. Senate. We believe Mr. House’s qualifications to sit on our board include his extensive experience in the utility industry, his international business and government relations experience and work in both internal and external corporate communications. Mr. House has been a director of our company since September 2016.

**Barbara G. Littlefield**, age 61, has been chief financial officer of Poseidon Water LLC, a leading developer of water infrastructure projects in North America, since August 2014. From September 2013 until August 2014, Ms. Littlefield served as senior vice president, strategy and corporate development, of Poseidon Water LLC. From February 2011 until May 2013, she was senior vice president of corporate development and a board member of Drax Biomass International Inc., an enterprise securing upstream biomass supply for large British electricity generators. From 2006 to 2010, Ms. Littlefield was an executive vice president and chief financial officer of Verenum Corporation, a joint venture company formed to commercialize second generation

biofuels technology. We believe Ms. Littlefield's qualifications to sit on our Board include her extensive financial and strategic management experience and her particular knowledge of large infrastructure projects. Ms. Littlefield has been a director of our company since May 2019.

**Daniel P. McGahn**, age 47, has been our chairman of the Board since July 2018, chief executive officer since June 2011 and president since December 2009. Mr. McGahn also served as our chief operating officer from December 2009 until May 2011, as senior vice president and general manager of our AMSC Superconductors business unit from May 2008 until December 2009 and vice president of our AMSC Superconductors business unit from January 2008 to May 2008. Previously, Mr. McGahn was our vice president of strategic planning and development from December 2006 to January 2008. From 2003 to 2006, Mr. McGahn served as executive vice president and chief marketing officer of Konarka Technologies, which develops and commercializes Konarka Power Plastic®, a material that converts light to electricity. We believe Mr. McGahn's qualifications to sit on our Board include his extensive experience with our company, including serving as our president since December 2009 and our chief executive officer since June 2011, experience in the power electronics industry and with technology companies, and strategic planning expertise gained while working in senior management and as a consultant for other public and private companies. Mr. McGahn has been a director of our company since June 2011.

**David R. Oliver, Jr.**, age 77, is currently an independent consultant. He served as a strategic advisor, mergers and acquisitions, for European Aeronautic Defense and Space Company North America (EADS NA), a European aerospace corporation, from January 2012 until July 2013. From January 2008 until December 2011, Mr. Oliver served as executive vice president and chief operating officer for EADS NA. Mr. Oliver also served as chief executive officer of the defense division of EADS NA for most of the four years preceding January 2008 except when he was running the EADS portion of the capture effort for the Air Force Tanker program. Before joining EADS NA, Mr. Oliver was stationed in Baghdad as Director of Management and Budget for the Coalition Forces. Prior to that, he served as the United States' Principal Deputy Undersecretary of Defense for Acquisition and Technology. Mr. Oliver also previously held management positions at both Westinghouse Electric and Northrop Grumman. In the Navy, he commanded diesel and nuclear submarines as well as two submarine groups during the Cold War. His last Navy appointment was as Principal Deputy to the Assistant Secretary of the Navy for Research, Development and Acquisition. Rear Admiral (retired) Oliver's military decorations include the Defense and Navy Distinguished Service Medals as well as six awards of the Legion of Merit. We believe Mr. Oliver's qualifications to sit on our Board include his extensive leadership, management and budgeting experience gained while serving as a senior officer in the United States Navy and at EADS, NA, and his valuable corporate governance experience gained while serving as a director for other public and private companies. Mr. Oliver has been a director of our company since September 2006.

### **Corporate Governance Guidelines**

Our Board has adopted corporate governance guidelines to assist in the exercise of its duties and responsibilities and to serve the best interests of AMSC and our stockholders. These guidelines, which provide a framework for the conduct of our Board's business, provide that:

- the principal responsibility of our directors is to oversee the management of our company;
- a majority of the members of our Board shall be independent directors;
- the independent directors meet regularly in executive session;
- our Board, in conjunction with the Compensation Committee, is responsible for reviewing and approving a management succession plan, including succession planning for our chief executive officer;
- directors have full and free access to management and, as necessary and appropriate, independent advisors;
- new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and
- at least annually, our Board and its committees will conduct a self-evaluation to assess whether they are functioning effectively.

## **Board Determination of Independence**

Under applicable Nasdaq rules, a director will only qualify as an “independent director” if, in the opinion of our Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board has determined that each of Mr. Budhreja, Mr. House, Ms. Littlefield, Mr. Oliver and, while he served on our Board in fiscal 2018, Mr. Wood, does not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an “independent director” as defined under Rule 5605(a)(2) of the Nasdaq Stock Market, Inc. Listing Rules.

## **Director Nomination Process**

The process followed by our Nominating and Corporate Governance Committee to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Nominating and Corporate Governance Committee and our Board. Director nominee Barbara G. Littlefield was recommended by our chief executive officer.

In considering whether to recommend any particular candidate for inclusion in our Board’s slate of recommended director nominees, the Nominating and Corporate Governance Committee applies the criteria set forth in our corporate governance guidelines, such as the candidate’s integrity, business acumen, knowledge of our business and industry, experience, diligence, interest and ability to understand conflicting interests of our various constituencies and ability to act in the interests of all stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our Board to fulfill its responsibilities.

Our Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, but believes that our Board, taken as a whole, should embody a diverse set of skills, experiences and backgrounds.

Stockholders may recommend director candidates for consideration by the Nominating and Corporate Governance Committee of our Board by submitting the stockholder’s name, address and number of shares of our stock held, and the candidate’s name, age, address and resume to our Corporate Secretary at American Superconductor Corporation, 114 East Main Street, Ayer, Massachusetts 01432. Our Board will evaluate stockholder-recommended candidates using the criteria described above. If our Board decides to nominate a stockholder-recommended candidate, then we will include his or her name in the proxy statement and proxy card for the next annual meeting.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or our Board, by following the procedures set forth under “Stockholder Proposals for 2020 Annual Meeting.” Candidates nominated by stockholders in accordance with the procedures set forth in our bylaws will not be included in our proxy statement or proxy card for the next annual meeting.

## **Board Meetings and Attendance**

Our Board met eleven times during fiscal 2018, either in person or by teleconference. During fiscal 2018, each director attended at least 95% of the aggregate number of Board meetings and meetings held by all committees on which he or she then served.

## **Director Attendance at Annual Meeting of Stockholders**

Each of our directors attended the 2018 Annual Meeting of Stockholders. Our Corporate Governance Guidelines provide that directors are expected to attend the Annual Meeting of Stockholders.

## **Board Leadership Structure**

Mr. Daniel McGahn, our chief executive officer, has served as chairman of the Board since July 27, 2018. From August 2011 until Mr. McGahn's appointment as chairman, Mr. John W. Wood, Jr., an independent director, served as chairman of our Board. Our Corporate Governance Guidelines provide the Nominating and Corporate Governance Committee with flexibility to assess our leadership structure on an ongoing basis and determine whether the positions of chief executive officer and chairman of the Board should be separate. In July 2018, our Board of Directors, upon the recommendation of our Nominating and Corporate Governance Committee, determined that, after almost eight years of having the positions of chief executive officer and chairman of the Board being separate, it was in the best interests of our company and our stockholders to have the same individual serve as chief executive officer and chairman of the Board for the following reasons:

- Our chief executive officer is more familiar with our business and strategy than a non-employee chairman would be and is thus better positioned to focus our Board's agenda on the key issues facing our company;
- A single chairman and chief executive officer provides strong and consistent leadership for our company, without risking overlap or conflict of roles;
- Oversight of our company is the responsibility of our Board as a whole, and this responsibility can be properly discharged without an independent chairman; and
- Our Lead Director can provide similar benefits to those associated with an independent chairman.

In the event that the chairman of the Board is not an independent director, our corporate governance guidelines provide that the Nominating and Corporate Governance Committee may recommend an independent director to serve as Lead Director, who shall be approved by a majority of independent directors. The Lead Director has the following duties:

- Chair any meeting of the Board at which the chairman of the Board is not present, including any executive sessions of the independent directors;
- Have the authority to call an executive session of the independent directors;
- Meet with any director who is not adequately performing his or her duties as a member of the Board or any committee;
- Facilitate communications between other members of the Board and the chairman of the Board and/or the chief executive officer; however, each director is free to communicate directly with the chairman of the Board and with the chief executive officer;
- Work with the chairman of the Board to determine the frequency and length of the Board meetings and determine the need for special meetings of the Board;
- Provide input to the agenda for each Board meeting to the chairman of the Board; and
- Otherwise consult with the chairman of the Board and/or the chief executive officer on matters relating to corporate governance and Board performance.

On July 26, 2018, the Nominating and Corporate Governance Committee recommended, and all of our independent directors approved, the appointment of Mr. Wood as our Lead Director. Upon Mr. Wood's resignation from the Board in May 2019, the Nominating and Corporate Governance Committee recommended, and all of our independent directors approved, the appointment of Mr. House as Lead Director. Mr. House will serve as Lead Director until the Annual Meeting.

## **Board Committees**

Our Board has established three standing committees — Audit, Compensation, and Nominating and Corporate Governance — each of which operates under a charter that has been approved by our Board. Current copies of each committee's charter are posted in the "Corporate Governance" section of the "Investors" page of

our website, [www.amsc.com](http://www.amsc.com). Our Board has determined that all of the members of each of our Board's three standing committees are independent as defined under the rules of the Nasdaq Stock Market, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3(c) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, in the case of all members of the Compensation Committee, the independence requirements specific to compensation committee members under the rules of the Nasdaq Stock Market.

#### *Audit Committee*

The Audit Committee's responsibilities include:

- sole and direct responsibility for appointing, compensating, evaluating, retaining and, when necessary, terminating the engagement of our independent registered public accounting firm;
- taking, or recommending that the full Board take, appropriate action to oversee the independence of our independent registered public accounting firm;
- sole and direct responsibility for overseeing the work of our independent registered public accounting firm, including resolution of disagreements between our management and independent registered public accounting firm regarding financial reporting;
- reviewing and discussing with management and the independent registered public accounting firm, and approving, our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures, and code of business conduct and ethics;
- discussing policies with respect to our assessment and management of risk (both financial and non-financial), including guidelines and policies to govern the process by which our exposure to risk is monitored, controlled and reported;
- overseeing our internal audit function;
- establishing procedures for the receipt, retention and treatment of accounting-related complaints and concerns;
- meeting independently with our internal auditing staff, independent registered public accounting firm and management;
- reviewing and approving or ratifying related person transactions; and
- preparing the Audit Committee Report required by SEC rules (which is included beginning on page 14 of this proxy statement).

The current members of the Audit Committee are Mr. Oliver (chairman), Mr. Budhraj and Ms. Littlefield. The Audit Committee met five times during fiscal 2018. Our Board has determined that each of Mr. Oliver and Ms. Littlefield is an "audit committee financial expert" as defined in applicable SEC rules.

#### *Compensation Committee*

The Compensation Committee's responsibilities include:

- reviewing and making a recommendation to our Board with respect to the chief executive officer's compensation;
- reviewing and approving the compensation of our other executive officers;
- overseeing an evaluation of our senior executives;
- overseeing and administering our incentive compensation and equity-based plans;

- retaining, in its sole discretion, and being directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel, or other advisors as it deems necessary or appropriate to carry out its responsibilities;
- reviewing and making recommendations to our Board with respect to director compensation;
- reviewing and making recommendations, upon our Board's request, to our Board relating to management succession planning;
- reviewing and discussing annually with management our "Compensation Discussion and Analysis," which is included beginning on page 16 of this proxy statement; and
- preparing the Compensation Committee Report, if required by SEC rules, which is included on page 36 of this proxy statement.

Consistent with the requirements of applicable law and our company's equity-based plans, the Compensation Committee has the authority to delegate to one or more executive officers of our company the power to grant rights or options to acquire shares of our company's common stock to employees of our company who are not directors or executive officers of our company.

The current members of the Compensation Committee are Mr. Budhraj (chairman) and Mr. House. The Compensation Committee met five times during fiscal 2018.

#### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee's responsibilities include:

- identifying individuals qualified to become Board members, consistent with criteria approved by our Board and recommending to our Board the persons to be nominated for election as directors at any meeting of stockholders and the persons to be elected by our Board to fill any vacancies on our Board;
- recommending to our Board the persons to be elected to each of our Board's committees;
- developing and recommending to our Board a set of corporate governance guidelines applicable to us;
- periodically assessing our Board's leadership structure, including whether the offices of chairman of the Board and chief executive officer should be separate; and
- overseeing the evaluation of our Board.

The current members of the Nominating and Corporate Governance Committee are Mr. House (chairman) and Mr. Oliver. The Nominating and Corporate Governance Committee met four times during fiscal 2018.

#### **Oversight of Risk**

Our Board oversees our risk management processes directly and through its committees. Our management is responsible for risk management on a day-to-day basis. The role of our Board and its committees is to oversee the risk management activities of management. In accordance with its charter, our Audit Committee discusses policies with respect to our assessment and management of risk (both financial and non-financial), including guidelines and policies to govern the process by which our exposure to risk is monitored, controlled and reported, and reports regularly to the Board on these matters. In general, our Board focuses its oversight on risk management activities relating to business strategy, acquisitions, capital allocation, organizational structure and certain operational risks. Our Compensation Committee oversees risk management activities relating to our compensation policies and practices and management succession planning. Our Nominating and Corporate Governance Committee oversees risk management activities relating to Board composition. Each committee reports to the full Board on a regular basis, including reports with respect to the committee's risk oversight activities as appropriate. Our Board does not believe that its role in the oversight of our risks affects the Board's leadership structure.

## **Executive Compensation Process**

The Compensation Committee has implemented an annual performance review program for our executives, under which annual performance objectives are determined and set forth in writing during the first quarter of each fiscal year for AMSC as a whole and for each executive individually. Annual corporate objectives are proposed by management and reviewed by our Compensation Committee and approved by our Board. These corporate objectives target the achievement of specific operational milestones. Annual individual objectives focus on contributions that facilitate the achievement of the corporate objectives and are typically set during the first quarter of each fiscal year. Individual measurable objectives are proposed by each executive, reviewed by the chief executive officer, and formed on the basis of recommendations to our Compensation Committee and our Board (in the case of our chief executive officer) with regard to executive compensation. Annual salary levels, annual bonuses, and annual stock option grants and restricted stock awards to our executives are tied to the achievement of these corporate and individual performance objectives.

Our Board has delegated to a committee of the Board, designated as the Awards Committee, which consists solely of our chairman of the Board, president and chief executive officer, Mr. McGahn, the authority to grant options and award restricted stock, subject to the terms and conditions of our 2007 Stock Incentive Plan and any other limitations set by the Board, to employees other than executive officers.

Our Compensation Committee has the authority to retain compensation consultants and other outside advisors to assist in the evaluation of executive officer compensation.

## **Communicating with the Independent Directors**

Our Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. Our Corporate Secretary is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the directors as he considers appropriate.

Under procedures approved by a majority of the independent directors, communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that our Corporate Secretary considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to our Board should address such communications to our Board c/o Corporate Secretary, American Superconductor Corporation, 114 East Main Street, Ayer, Massachusetts 01432.

## **Code of Business Conduct and Ethics**

We have adopted a written Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial and accounting officer, or persons performing similar functions. We have posted a current copy of the code in the “Corporate Governance” section of the “Investors” page of our website, *www.amsc.com*. In addition, we intend to post on our website all disclosures that are required by law or Nasdaq Stock Market listing standards concerning any amendments to, or waivers from, any provision of our code.

## **Audit Committee Report**

The Audit Committee has reviewed AMSC’s audited financial statements for the fiscal year ended March 31, 2019 and has discussed these financial statements with management and RSM US LLP (“RSM”), AMSC’s independent registered public accounting firm.

Management is responsible for AMSC’s internal control over financial reporting and the financial reporting process, and for the preparation of consolidated financial statements in accordance with accounting principles



generally accepted in the United States of America, or GAAP. AMSC's independent registered public accounting firm is responsible for performing an audit of AMSC's financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing a report on those financial statements. As appropriate, the Audit Committee reviews and evaluates, and discusses with AMSC's management, internal accounting, financial and auditing personnel, and the independent registered public accounting firm, the following:

- the plan for, and the independent registered public accounting firm's report on, the audit of AMSC's financial statements;
- AMSC's financial disclosure documents, including all financial statements and reports filed with the SEC or sent to shareholders;
- changes in AMSC's accounting practices, principles, controls or methodologies;
- significant developments or changes in accounting rules applicable to us; and
- the adequacy of AMSC's internal control over financial reporting and accounting, financial and auditing personnel.

Management represented to the Audit Committee that AMSC's financial statements had been prepared in accordance with GAAP.

The Audit Committee also discussed with RSM the matters required to be discussed by applicable accounting standards and Audit Committee rules, including the matters required by Statement on Auditing Standards No. 1301, as adopted by the Public Company Accounting Oversight Board.

The Audit Committee has received the written disclosures and the letter from AMSC's independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding AMSC's independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with AMSC's independent registered public accounting firm its independence.

Based on its discussions with management and the independent registered public accounting firm, and its review of the representations and information provided by management and the independent registered public accounting firm, the Audit Committee recommended to the Board of Directors of AMSC that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

By the Audit Committee of the Board.

David R. Oliver, Jr., *Chair*  
Vikram S. Budhraj

## INFORMATION ABOUT EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

This Compensation Discussion and Analysis (“CD&A”) describes the principles of our executive compensation program, how we applied those principles in compensating our named executive officers for the fiscal year ended March 31, 2019, or fiscal 2018, and how our compensation program drives performance.

Our named executive officers for fiscal 2018 are:

- Daniel P. McGahn, Chairman of the Board, President and Chief Executive Officer; and
- John W. Kosiba, Senior Vice President and Chief Financial Officer.

In this CD&A, we first provide an executive summary of our compensation program for fiscal 2018. We then describe our compensation philosophy and the objectives of our executive compensation program and how the Compensation Committee of our Board oversees our compensation program. We discuss the compensation determination process and describe how we determine each element of compensation.

### Executive Summary

#### *Business Overview*

Our company continues to deal diligently with major challenges that it has faced over the past few years, including the negative impact to our business resulting from (i) market, regulatory and execution challenges faced by our current largest customer, Inox Wind Group Co. Ltd., or Inox, over the past three years, and (ii) the theft of intellectual property in 2011 by our former largest customer, Sinovel Wind Group Co., Ltd., or Sinovel. In response to these events, we believe that our executive management team has responded effectively by (i) diversifying our base of customers and market geographies for our products and services, (ii) developing and introducing new products, (iii) streamlining various functions of the business, (iv) reorganizing and consolidating our global operations, and (v) reducing our global workforce and the size of our executive team in order to lower expenses.

While our company has been working through all of these major challenges, our Board and Compensation Committee have also been trying to retain our key talent at the executive level and throughout our entire organization. This has not been an easy task, especially as the economy overall has improved and employees find themselves with opportunities elsewhere.

Over the past few years, the Compensation Committee, with the help of management and its independent compensation consultant, has:

- Awarded no base salary increases to our executive officers in the past six years, including fiscal 2018.
- Maintained our performance-based annual cash bonus program while attempting to balance our ability to pay with our desire to use cash as an incentive payout when performance warrants compensation.
- Managed our equity compensation program as efficiently as possible, taking into account fluctuations in the value of our company’s stock price and, in periods where the price has declined, the corresponding declining value of our equity program and our limited pool of available shares for grant.
- Provided an overall compensation package, including bonuses (when earned) and equity awards, for each executive officer, being mindful of the balance between the need to retain critical talent to successfully navigate our company through a challenging business environment, and our company’s financial position. Given the many factors affecting our stock price and business, we believe that there may be limited retention value to our equity program for employees, including our executive officers, and we have taken that into consideration in our overall compensation program.

The remainder of this executive summary and report outlines our fiscal 2018 business accomplishments and our pay decisions, which reflect our attempt to balance doing what is appropriate for our business and our stockholders while retaining key talent during these difficult times.

## ***Overview of Fiscal 2018 Accomplishments and Financial Performance***

### *Business Accomplishments*

Our strategy is focused on growing our Grid business unit in order to diversify our revenues and to position our company to generate sustainable revenue growth. In furtherance of this strategy, we pursued the following business objectives during fiscal 2018:

- Grow Grid revenue.
- Grow Wind revenue.
- Complete long lead time order for Fort Lauderdale, LPD 28.
- Begin our Resilient Electric Grid, or REG, system project.
- Deliver 5.5 MW Electrical Control System, or ECS, units to South Korea's Doosan Heavy Industries & Construction Company, or Doosan, for offshore wind power market.

As described in more detail below, we executed on each of the business objectives described above. Having executed on these business objectives, we believe that fiscal 2018 was a year of continued progress on successfully executing our strategy and establishing what we expect to be a more predictable, re-occurring business.

We grew Grid business unit revenues in fiscal 2018 compared to fiscal 2017. Our Grid business unit revenues grew 1% to \$34.3 million in fiscal 2018, compared to \$34.1 million in fiscal 2017. This increase in Grid business unit revenues was primarily due to higher D-VAR system revenues, partially offset by lower revenues from sales to the U.S. Navy.

We grew Wind business unit revenues in fiscal 2018 compared to fiscal 2017. Our Wind business unit revenues grew 53% to \$21.9 million in fiscal 2018, compared to \$14.3 million in fiscal 2017. This increase in Wind business unit revenues was primarily due to higher ECS revenues in fiscal 2018, compared to fiscal 2017.

In September 2017, we announced that we had been awarded a contract from the U.S. Navy for the long lead materials for a high temperature superconductor-based ship protection system, or SPS, to be deployed on Fort Lauderdale, LPD 28. The scope of the SPS contract between the U.S. Navy and our company is expected to include integration and commissioning of the system. In November 2018, we completed shipment of the long lead material order from the U.S. Navy for LPD 28.

In October 2018, we announced that we entered into a Subcontract Agreement with ComEd for the manufacture and installation of our REG system within ComEd's electric grid in Chicago, Illinois. As provided in the Subcontract Agreement, the Subcontract Agreement will become effective upon the signing of an amendment by DHS and us to the existing contract between DHS and us.

In November 2017, we announced that we had entered into an agreement for a 5.5 MW offshore wind turbine design with Doosan. In January 2018, we announced an order from Doosan Heavy Industries for initial 5.5 MW ECS units. In August, September and October 2018, we started making shipments of the 5.5 MW ECS order.

### *Financial Performance*

Fiscal 2018 revenues grew 16% to \$56.2 million, compared to \$48.4 million in fiscal 2017. Our investment in new products such as REG, SPS and D-VAR VVO™ is directed toward our Grid business unit in order to diversify our revenues. Net income was \$26.8 million in fiscal 2018, or \$1.29 per diluted share, compared to net loss of \$32.8 million, or \$1.73 per diluted share in fiscal 2017. Non-GAAP Net Loss decreased to \$13.0 million, or \$0.64 per share in fiscal 2018, compared to a Non-GAAP Net Loss of \$32.2 million, or \$1.70 per share in fiscal 2017.

For more information about Non-GAAP Net Loss, including a definition and reconciliation against net loss calculated and presented in accordance with GAAP, please see the discussion in "Item 7. Management

Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Measures” commencing on page 28 of our Annual Report on Form 10-K filed on June 5, 2019.

#### *Forward-Looking Statements*

This proxy statement contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including statements regarding our expectation that successful execution of our strategy will establish a more predictable, re-occurring business; our expectation about the scope of the SPS contract between the U.S. Navy and our company; and our strategy, products and future plans and prospects. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects,” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements represent management’s current expectations and are inherently uncertain. There are a number of important factors that could materially impact the value of our common stock or cause actual results to differ materially from those indicated by such forward-looking statements. Such risks and uncertainties include: dependence on our largest customer, Inox, for a significant portion of our revenues, and our inability to predict if and when Inox’s demand dislocation will be resolved, and to the extent resolved, how successful Inox will be under India’s new central and state auction regime; our history of operating losses and negative operating cash flows, which may continue in the future and require additional financing; lower prices for other fuel sources may reduce demand for wind energy development and hurt our Wind business; our operating results may fluctuate significantly and fall below expectations; our financial condition may have an adverse effect on our customer and supplier relationships; difficulties re-establishing our HTS wire production capability in our Ayer, Massachusetts facility; dependence on attracting and retaining qualified personnel; not realizing expected sales; a failure or security breach of our information technology infrastructure; reliance on third-party manufacturers, suppliers, subcontractors and collaborators; failure to implement strategies and business goals; problems with product quality or performance; government contracts being subject to audit, modification or termination; reduction in revenue due to lack of congressional funding; additional risks from our reliance on sales in foreign countries and emerging markets; limited success marketing and selling our superconductor and system-level solutions; failure to realize benefits of acquisitions; dependence on the limited commercial use of high temperature superconductor products; failure of a widespread commercial market for our products to develop; dependence of the growth of the wind energy market on government subsidies and economic incentives; the intense competition our products face; risks related to our intellectual property; risks related to our legal proceedings; and other risks and uncertainties such those identified under the caption “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, which among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein. Any such forward-looking statements represent management’s estimates as of the date of this proxy statement. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this proxy statement.

#### *Overview of Our Executive Compensation Program*

The Compensation Committee of our Board has designed our executive compensation program to attract and retain superior employees in key positions to enable our company to succeed in the highly competitive market for talent, while simultaneously maximizing stockholder value. We intend to continue to provide a competitive compensation package to our executives, tie a significant portion of pay to performance and utilize components that best align the interests of our executives with those of our stockholders.

The following is a summary of important aspects of our executive compensation program discussed later in this CD&A:

*Key Elements of Our Compensation Program.* Our compensation program is designed to achieve these objectives through a combination of the following types of compensation:

- Base salary;
- Performance-based annual cash bonuses;

- Long-term equity incentives; and
- Severance and change-in-control benefits.

Each element of our executive compensation program is discussed in greater detail below.

- *We Intend to Pay for Performance.* A significant portion of our named executive officers' total compensation, as shown below, ties compensation directly to the achievement of corporate and individual objectives. We emphasize pay for performance in order to align executive compensation with our business strategy and the creation of long-term stockholder value.
- *Our Compensation Program Supports Our Corporate Objectives and Stockholder Interests.* Our compensation program is designed to align executive officer compensation with our short- and long-term business objectives and building long-term stockholder value by rewarding successful execution of our business plan and by tying a portion of total compensation opportunities to equity incentives.

### ***Fiscal 2018 Compensation Programs and Decisions***

In line with our executive compensation program's emphasis on pay for performance, we believe the compensation awarded to our named executive officers for fiscal 2018 properly reflected the achievement of our operating goals, our financial results, overall compensation philosophy and the challenges that our company is still experiencing:

- *No Adjustments to Base Salary.* For fiscal 2018, management recommended, and the Compensation Committee agreed, that no changes be made to our executive officers' base salaries. Our executive officers have not received any increase in base salaries for the past six years, including fiscal 2018.
- *Performance-Based Annual Cash Bonuses.* For fiscal 2018, our company primarily focused on operating cash flow, operating loss, revenues and operating expenses as objectives in our annual cash bonus program. Similar to fiscal 2017, the Compensation Committee placed a greater emphasis on achievement of corporate goals as opposed to individual goals for our annual bonus program for fiscal 2018, and viewed these corporate objectives as key for our company's short-term sustainability and long-term growth. In fiscal 2018, Messrs. McGahn and Kosiba received a cash bonus payment equal to 82% and 106%, respectively, of target bonus opportunity based on (i) overachieving on the operating expense objective, and (ii) underachieving on the operating cash flow and operating loss objectives. Revenues did not meet the threshold performance level requisite for payout, and as a result, no named executive officer received payout under this objective. See the section entitled "Performance-Based Annual Cash Bonuses" below for a description of these metrics.
- *Long-Term Equity Incentive.* The Compensation Committee granted annual long-term equity awards, consisting of both time-based awards that will vest over three years after grant and performance-based awards that will vest in tranches upon the company's achievement of quarterly revenue growth of at least ten percent (10%) as measured against the same quarter of the prior year over the performance period, to our named executive officers in fiscal 2018 based on such factors as: (i) performance and contribution during the prior fiscal year, (ii) competitive market practices, (iii) the overall compensation package for each executive officer, (iv) the need to retain critical talent to successfully navigate our company through a challenging business environment, and (v) the level of difficulty our company would face if we were to have to replace any executive officer if he or she were to voluntarily leave our company.

We believe that management made progress in fiscal 2018 on the company's strategy to grow its Grid business unit in order to diversify its revenues and position it to generate sustainable, positive operating cash flows. The Compensation Committee believes that the named executive officers' fiscal 2018 compensation was appropriate given the performance and steps taken by management to position our company to implement and realize its strategy, as noted by the business accomplishments described above.

### ***Compensation Program Philosophy and Objectives***

The Compensation Committee of our Board oversees our executive compensation program, pursuant to authority established in the Compensation Committee Charter. The Compensation Committee reviews and

approves all compensation decisions relating to our executive officers, except for the chief executive officer. The Compensation Committee reviews the compensation for our chief executive officer and makes a recommendation to our Board, and our Board determines the compensation of our chief executive officer.

Our executive compensation program is designed to meet three principal objectives:

- Attract and retain executive officers who contribute to our long-term success;
- Align compensation with our short-and long-term business objectives; and
- Motivate the executive officers to provide superior performance that will build long-term stockholder value.

These objectives collectively seek to link executive compensation to our overall company performance, which helps to ensure that the interests of our executives are aligned with the interests of our stockholders.

The Compensation Committee's decisions regarding executive compensation during fiscal 2018 were based on achieving the above objectives, with an emphasis on:

- Increasing long-term stockholder value by decreasing operating cash burn;
- Improving operational performance by increasing revenue and decreasing operating loss and operating expenses and executing to the business goals described above;
- Taking into account the nature and scope of the executive officer's position and responsibilities, including considerations of pay equity among the executive officers and retention concerns; and
- Paying reasonable and fair compensation during a challenging time for the business.

In setting executive compensation for fiscal 2018, the Compensation Committee established salary levels and established an executive incentive cash bonus plan with performance metrics that reflected our annual operating plan and strategic priorities for fiscal 2018. For fiscal 2018, the Compensation Committee established operating cash flow and financial objectives relating to operating loss, revenues and operating expenses to promote our short-term and long-term business success. In setting objectives for each of the foregoing metrics, the Compensation Committee considered multiple factors so that its decisions were informed and equitable and that our executive compensation program achieved its objectives.

#### *Stockholder Say-On-Pay Votes*

At our Annual Meeting of Stockholders held on July 27, 2017, we provided our stockholders with the opportunity to cast an advisory vote on executive compensation, and in future years such advisory vote will occur triennially. Over 88% of the votes cast on the "say on pay" vote at our Annual Meeting of Stockholders held on July 27, 2017 were voted in favor of the proposal. We have considered the results of such vote and believe the support of our stockholders for the vote proposal indicates that our stockholders are generally supportive of our approach to executive compensation. Thus, we did not make changes to our executive compensation arrangements in response to the vote. In the future, we will continue to consider the outcome of our "say on pay" votes when making compensation decisions regarding our named executive officers.

#### **The Compensation Committee's Process**

The Compensation Committee has a process to help ensure that our executive compensation program meets its principal objectives. In making compensation decisions, the Compensation Committee considers a wide variety of information, including how each compensation decision ties to its total compensation philosophy, the advice of our general counsel, who also manages our human resources function, and the thoughts of our chief executive officer and other Board members.

Our general counsel, who also manages our human resources function, regularly attended Compensation Committee meetings to provide information and recommendations regarding our executive compensation program. Among other things, he performed internal analyses of marketplace practices for executive pay, made recommendations to our chief executive officer on compensation matters for all officers and compiled other relevant data at the request of the Compensation Committee.

Our chief executive officer is actively involved in the executive compensation process. Our chief executive officer reviews the performance of each of the executive officers (other than his own) and makes recommendations to the Compensation Committee regarding the salary and long-term incentive awards for executive officers other than himself, as well as the executive compensation program's impact on attracting, retaining and motivating the level of executive talent necessary to achieve and exceed our company goals. The Compensation Committee is not bound by such recommendations, but generally takes them into consideration before making final determinations about the compensation of executive officers other than our chief executive officer.

The Compensation Committee reviews the compensation for our chief executive officer and makes a recommendation to the full Board. The full Board determines the compensation of our chief executive officer.

The Compensation Committee also considers information relevant to each executive's specific situation including the executive's marketability and the availability or scarcity of other qualified candidates, inside and outside our company, who could replace the executive should he or she leave our company.

In determining equity compensation, the Compensation Committee considers levels of past performance, performance potential, retention risk and the value of the equity compensation needed to keep the total compensation opportunity level competitive and consistent with our compensation philosophy.

*Role of Independent Compensation Consultant.* The Compensation Committee has engaged Aon Consulting, Inc., through its Radford subdivision, or Radford, since October 2016 as its independent outside compensation consultant to advise it and develop an executive compensation strategy, to assess the competitiveness of our executive compensation and to provide recommendations with respect to both the levels and structure of compensation for our executives. In fiscal 2018, Radford assessed the competitiveness of executive compensation through comparisons with peer groups and survey sources while additionally assessing our performance to ensure compensation levels were appropriately tied to performance. During early fiscal 2018, Radford advised the Compensation Committee on compensation matters for all officers and directors and met with the Compensation Committee in executive session without the presence of management, as requested by the Compensation Committee. Radford did not perform services for our company that were unrelated to Compensation Committee matters during fiscal 2018.

The Compensation Committee regularly reviews the services provided by its compensation advisers and believes that Radford is independent in providing executive compensation consulting services. The Committee conducted a specific review of its relationship with Radford in fiscal 2018 and determined that its work for the Compensation Committee did not raise any conflicts of interest, consistent with the guidance provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and by the SEC and the Nasdaq Global Select Market. The Compensation Committee continues to monitor the independence of its compensation consultant and any conflicts of interest related to services thereby on a periodic basis.

*Compensation Analysis.* Because the overall structure and philosophy of our fiscal 2018 executive compensation program was consistent with our fiscal 2017 program, the Compensation Committee determined that the peer group developed in January 2017 remained appropriate for fiscal 2018 compensation decisions, and updated the peer group company financial information and survey data, with the assistance of Radford, for the review and determination of our fiscal 2018 executive compensation packages.

In May 2018, the Compensation Committee reviewed the compensation levels of our executive officers against compensation levels at peer group companies that were selected in January 2017 based on the following criteria:

- companies within the same Global Industry Classification Standard code, Electrical Components and Equipment, and related industries;
- companies with a market capitalization of approximately three-tenths to three times our market capitalization, of which 53% have a higher market capitalization and 47% had a lower market capitalization than we had (at the time of selection in January 2017);

- companies with four quarters of trailing revenues of approximately three-tenths to three times our revenues, of which approximately 67% had higher revenues and 33% had lower revenues than we had (at the time of selection in January 2017); and
- companies with headcount of three-tenths to three times our headcount, of which 67% have a higher headcount and 33% had a lower headcount than we had (at the time of selection in January 2017).

For the analysis of our fiscal 2018 executive compensation packages, the Compensation Committee utilized the peer group approved by the Compensation Committee in January 2017 with updated peer group company financial information and survey data, less three peer group companies that had since been acquired (EnerNOC, Inc., Exar Corp. and Silver Spring Networks, Inc.) and which consisted of the following twelve companies:

#### **Peer Group Companies**

<p>American Electric Technologies, Inc.            Capstone Turbine Corp            Frequency Electronics Inc.            FuelCell Energy Inc.            Maxwell Technologies, Inc.            Orion Energy Systems, Inc.</p>	<p>Pioneer Power Solutions, Inc.            Plug Power Inc.            Preformed Line Products Company            Thermon Group Holdings, Inc.            Ultralife Corp.            Vicor Corp. Capital</p>
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The Compensation Committee utilized the peer group to provide context for its compensation decision-making. The compensation paid by peer group companies to their respective executive officers does not factor into the Compensation Committee's determination of the peer group. After the peer group companies were selected in January 2017, Radford prepared and presented a report to the Compensation Committee in each of fiscal 2017 and fiscal 2018 summarizing the competitive data and comparisons of our executive officers to the comparable company market data utilizing publicly available data from the comparable companies and broad survey data (reflecting companies of similar size in the general and high-technology industries). We use the broad survey data in conjunction with peer group data in evaluating our executive compensation practices. The Compensation Committee does not rely upon data from any individual company participating in any of these surveys in making compensation decisions and uses the general survey data as only a reference point for evaluating our executive compensation practices, as opposed to benchmarking our executive compensation practices against the general survey data. Each of our elements of compensation is reviewed as part of this analysis and evaluation.

The above review provided the Compensation Committee with general affirmation that its compensation decisions are aligned with the marketplace and our compensation program was achieving the Compensation Committee's objectives, as described above.

The Compensation Committee may, in its discretion, review and/or modify the selection criteria for our peer group and the peer group companies from year to year as it determines appropriate, depending on, among other factors, changes in the marketplace, acquisitions, divestitures and the business focus of us and/or our peer group companies.

#### **Risk Considerations in our Compensation Program**

Our Compensation Committee does not believe that any risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on our company. Our Compensation Committee believes that any risks arising from our compensation policies and practices are mitigated by:

- the multiple elements and mix of our compensation packages, including base salary, annual bonus programs and, for many of our employees, equity awards vesting over multiple years, that are intended to motivate employees to take a long-term view of our business;
- the structure of our annual cash bonus program, which (i) is based on a number of different performance measures (including operating cash flow, operating loss, revenues and operating expenses) to avoid



employees placing undue emphasis on any particular performance metric at the expense of other aspects of our business, (ii) is based on performance targets that we believe are somewhat aggressive yet reasonable and should not require undue risk-taking to achieve, and (iii) caps on the maximum payouts eligible under the program; and

- management process, controls and decision authorities established for different types and levels of decisions.

### Compensation Mix

The Compensation Committee relies upon its judgment and not upon rigid guidelines or formulas in determining the amount and mix of compensation elements for each executive officer. We seek to achieve our executive compensation objectives through the use of four compensation components, which are summarized in the table below.

Compensation Component	Principal Contributions to Compensation Objectives	Comments
<i>Base salary</i>	<ul style="list-style-type: none"> <li>• Attracts and retains talented executives with annual salary that reflects the executive’s performance, skill set and opportunities in the marketplace.</li> </ul>	<ul style="list-style-type: none"> <li>• Only component of compensation that is guaranteed.</li> <li>• Can be most influenced by individual performance.</li> <li>• No increases to base salary for executive officers were implemented in fiscal 2018.</li> <li>• Comprised 17% to 21% of total compensation for our named executive officers in fiscal 2018.</li> </ul>
<i>Performance-based annual cash bonuses</i>	<ul style="list-style-type: none"> <li>• Focuses executives on annual financial and operating results, as well as on individual performance criteria.</li> <li>• Aligns compensation with our short-term business objectives and builds longer-term stockholder value by rewarding successful execution of our business plan.</li> <li>• Enables total cash compensation to remain competitive within the marketplace for executive talent.</li> </ul>	<ul style="list-style-type: none"> <li>• Payout target for named executive officers ranges from 50% to 100% of base salary and depends upon operating loss, other financial objectives, and contribution to our financial and non-financial objectives.</li> <li>• 0% to 200% of target payout can be achieved.</li> <li>• Total cash compensation (base salary plus performance-based annual cash bonus) comprised 32% to 66% of total compensation for our named executive officers in fiscal 2018.</li> <li>• Performance-based annual cash bonus brings “at risk” fiscal 2018 cash compensation to a range of 11% to 14% of total compensation for our named executive officers.</li> </ul>

<b>Compensation Component</b>	<b>Principal Contributions to Compensation Objectives</b>	<b>Comments</b>
<i>Long-term equity incentives</i>	<ul style="list-style-type: none"> <li>• Retains critical talent needed to successfully navigate our company through a challenging business environment.</li> <li>• Aligns compensation with our long-term business objectives and builds long-term stockholder value by rewarding successful execution of our business plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Time-based and performance-based restricted stock awards were granted in fiscal 2018.</li> <li>• Long-term equity incentives comprised 34% to 67% of total compensation for our named executive officers in fiscal 2018.</li> <li>• Long-term equity incentives combined with performance-based annual cash bonus brings “at risk” fiscal 2018 total compensation to a range of 48% to 78% of total compensation for the named executive officers.</li> </ul>
<i>Severance and change-in-control benefits</i>	<ul style="list-style-type: none"> <li>• Helps to attract and retain talented executives with benefits that are comparable to those offered by companies with whom we compete for talent.</li> <li>• Incentivizes management to maximize stockholder value.</li> </ul>	<ul style="list-style-type: none"> <li>• Each severance agreement provides for certain severance benefits, primarily salary, health benefits and, in certain cases, prorated cash bonus, in the event that the executive’s employment is terminated under certain circumstances. The severance periods range from 18 months to 24 months.</li> <li>• The stock options and restricted stock awards granted to our executive officers provide for full acceleration of vesting upon a change in control of our company.</li> </ul>

While the Compensation Committee independently evaluates each of the compensation components discussed in the above table, it places greater emphasis on the sum of base salary, performance-based annual cash bonuses and long-term equity incentives rather than any one component because of their combined greater potential to influence our named executive officers’ performance. The Compensation Committee believes, and our pay mix is designed to reflect, that a substantial portion of the compensation for our named executive officers should be “at risk” and aligned with our stockholders’ interests.

***Base salary***

Base salaries are set once per year as part of the compensation review process. In May 2018, the Compensation Committee reviewed the base salary levels for Messrs. McGahn and Kosiba. Management recommended, and the Compensation Committee and the Board (in the case of our chief executive officer) agreed, that no changes would be made to these levels for fiscal 2018. Accordingly, the base salaries established for Messrs. McGahn and Kosiba for fiscal 2018 remained at \$500,000 and \$250,000, respectively. The Compensation Committee considered the base salary levels for these executives to be appropriate in light of each executive’s level of job responsibility and individual performance, overall company performance and the competitiveness of these executives’ salaries with salaries paid to executive officers in similar positions, industries and geographic locations. Base salaries for executive officers have not increased in the past six years, including fiscal 2018.

***Performance-Based Annual Cash Bonuses***

The Compensation Committee believes cash bonuses are an important factor in rewarding and motivating our executive officers. The Compensation Committee establishes a cash incentive plan for our executive officers on an annual basis, typically early in the fiscal year.

On June 28, 2018, the Compensation Committee and the Board (in the case of our chief executive officer) approved an executive incentive plan for fiscal 2018 covering all of our executive officers. Under our executive incentive plan for fiscal 2018, the Compensation Committee established operating cash flow; other financial objectives relating to operating loss, revenues and operating expenses; and individual contributions to our financial and non-financial objectives as the performance metrics for the payment of cash bonus awards for fiscal 2018. For each executive officer, the Compensation Committee assigned the following weighting to each such metric:

- our company’s operating cash flow for fiscal 2018 as compared to the established target — 50%;
- the executive’s achievement of other financial objectives relating to operating loss, revenues and operating expenses during fiscal 2018, as compared to the established targets — 30%; and
- the executive’s individual and overall contribution during fiscal 2018 towards the achievement of our company’s financial and non-financial objectives (subjective performance measure) — 20%.

Under the terms of the fiscal 2018 executive incentive plan, the Compensation Committee and the Board (in the case of our chief executive officer) designated for each named executive officer a target cash bonus amount between 50% and 100% of such named executive officer’s then current base salary. The amount of the target cash bonus award paid to each named executive officer could have been less than or greater than the executive’s target cash bonus incentive, with the amount capped at 200% of the target cash bonus amount. If less than the threshold performance level was achieved for a particular quantitative objective, no payment was received with respect to that objective in the bonus plan.

The following table sets forth each named executive officer’s annual cash bonus award opportunities for fiscal 2018 at minimum, threshold, target and maximum:

Name	Annual Cash Bonus Award Opportunity				Annual Cash Bonus Award Opportunity (\$)			
	Minimum	Threshold (% of Target)	Target (% of Base Salary)	Maximum (% of Target)	Minimum	Threshold	Target	Maximum
Daniel P. McGahn . . .	0%	30%	100%	200%	\$0	\$150,000	\$500,000	\$1,000,000
John W. Kosiba . . . . .	0%	30%	50%	200%	\$0	\$ 37,500	\$125,000	\$ 250,000

The Compensation Committee is responsible for determining the cash payout under the plan to each executive officer other than the chief executive officer. Our Board determines the cash payout under the plan for the chief executive officer, taking into account the recommendation of the Compensation Committee.

The following summarizes the cash bonus opportunity for the named executive officers under each performance metric under the fiscal 2018 executive incentive plan.

*Milestones and achievement for the operating cash flow (50%) bonus measure:* All of the named executive officers had the same operating cash flow threshold that had to be met before payout could be earned. The fiscal 2018 milestones and achievement levels for our company’s operating cash flow measure are shown below. An executive’s payout on this measure was determined through a numerical calculation based on our company’s operating cash flow (rounded to the nearest milestone) so the Compensation Committee (or, in the case of our chief executive officer, our Board) did not apply discretion.

Fiscal 2018 Milestones and Achievement for Operating Cash Flow Metric (1)				
		Threshold (30%)	Target (100%)	Maximum (200%)
Operating Cash Flow . . .	Operating Cash Flow Milestones:	\$(12.8M)	\$(6.4M)	\$0
	Operating Cash Flow Result:		\$(7.7M)	
Bonus Opportunity . . . . .	Achievement (% of Target):	80%		
	% of Target Bonus Opportunity for Metric:	88%		

(1) Operating cash flow as used in our 2018 executive incentive plan is a non-GAAP financial measure. For more information about non-GAAP operating cash flow, including a definition and reconciliation against

operating cash flow calculated and presented in accordance with GAAP, please see the discussion in “Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Measures” commencing on page 28 of our Annual Report on Form 10-K filed on June 5, 2019.

Our company’s operating cash flow for fiscal 2018 was lower than target-level expectations, resulting in a bonus payout that was 88% of the target bonus opportunity for this measure. The Compensation Committee (or, in the case of our chief executive officer, our Board) awarded bonuses under the operating cash flow measure to each named executive officer as follows:

<u>Name</u>	<u>Target Bonus for Metric</u>	<u>Total Payout for Metric</u>	<u>% of Target Bonus Opportunity for Metric</u>
Daniel P. McGahn .....	\$250,000	\$220,000	88%
John W. Kosiba .....	\$ 62,500	\$ 55,000	88%

*Other financial objectives (30%):* For fiscal 2018, the Compensation Committee (or, in the case of our chief executive officer, our Board) placed a greater emphasis on the achievement of the same corporate goals as opposed to individual goals for each executive officer under this measure, viewing these corporate goals as key for our company’s short-term sustainability and long-term growth. The Compensation Committee (or, in the case of our chief executive officer, our Board) awarded bonuses under this measure to each named executive officer as follows:

<u>Financial Objective (1)</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>Achievement (% of Target)</u>	<u>Daniel P. McGahn Payout for Metric</u>	<u>John W. Kosiba Payout for Metric</u>	<u>% of Target Bonus Opportunity for Metric</u>
Operating Loss (10%) .....	\$(22.0M)	\$(18.3M)	\$(13.7M)	98%	\$ 47,000	\$11,750	94%
AMSC Revenues (10%) .....	\$ 57.6M	\$ 72.0M	\$ 90.0M	0%	\$ —	\$ —	0%
Operating Expenses (10%) .....	\$ 37.3M	\$ 31.1M	\$ 23.3M	106%	\$ 62,000	\$15,500	124%
Total Payout .....					\$109,000	\$27,250	73%

- (1) Operating loss and operating expenses as used in our 2018 executive incentive plan are non-GAAP financial measures. Operating loss under the bonus plan is defined as operating income less gain, net of legal and other direct costs, as a result of the receipt of the payments from Sinovel required by our settlement agreement with Sinovel. Operating expenses under the bonus plan is defined as operating expenses less (i) gain, net of legal and other direct costs, as a result of the receipt of the payments from Sinovel required by our settlement agreement with Sinovel, (ii) stock compensation expense, and (iii) restructuring and impairment expenses.

*Executive contributions to company’s achievement of financial and non-financial objectives — individual performance measure (20%):* Each named executive officer was also evaluated upon his or her overall individual contribution during fiscal 2018 toward the achievement of our company’s financial and non-financial objectives. Assessment of achievement for these objectives was evaluated on the basis of the achievement of our operating goals in fiscal 2018, as well as a number of factors relating to individual performance, ability to timely deliver on strategic objectives, leadership and communication. The Compensation Committee (or, in the case of our chief executive officer, our Board) had discretionary authority to determine whether, and to what extent, these objectives had been achieved.

The Compensation Committee (or, in the case of our chief executive officer, our Board) awarded bonuses under this measure to each named executive officer as follows:

<u>Name</u>	<u>Target Bonus for Metric</u>	<u>Total Payout for Metric</u>	<u>% of Target Bonus Opportunity for Metric</u>
Daniel P. McGahn .....	\$100,000	\$82,000	82%
John W. Kosiba .....	\$ 25,000	\$50,000	200%

*Overall payout results:* In June 2019, the Compensation Committee (or, in the case of our chief executive officer, our Board) approved the following payouts under the fiscal 2018 executive incentive plan:

<u>Name</u>	<u>Fiscal 2018 Target Cash Bonus</u>	<u>Fiscal 2018 Total Cash Payout</u>	<u>% of Target Bonus Opportunity</u>
Daniel P. McGahn . . . . .	\$500,000	\$411,000	82%
John W. Kosiba . . . . .	\$125,000	\$132,250	106%

***Special Cash Bonus***

In June 2019, the Board approved a special cash bonus of \$1,000,000 for Mr. McGahn. This one-time bonus was made to Mr. McGahn for exemplary performance in connection with the settlement of all our company’s outstanding litigation and arbitration matters with Sinovel in fiscal 2018.

***Long Term Equity Incentives***

The Compensation Committee uses stock-based awards to retain executive officers and align their interests with those of our stockholders. Historically, the Compensation Committee granted stock-based awards to our executive officers purely in the form of stock options that vested in installments over multiple years, with an exercise price equal to the closing market price of our common stock on the date of grant. Over the past four fiscal years, the Compensation Committee has relied exclusively on the award of shares of restricted stock to our executive officers. The Compensation Committee awards both time-based and performance-based restricted stock awards. A time-based restricted stock award typically will vest in equal annual installments over a three-year period. A performance-based restricted stock award typically will vest upon the achievement of specific objectives relating to our performance within a specified period. The Compensation Committee believes shares of restricted stock provide a more motivating form of incentive compensation, minimize stock compensation expenses and reduce the potential dilution of our shares.

We generally grant shares of restricted stock to executive officers and other employees upon their initial hire, in connection with a promotion, and annually based on merit. To determine the amount of stock-based awards granted to executive officers, our Compensation Committee considers the performance of the individual and our company, historic stock-based awards and the awards made to those in similar positions at comparable companies.

Our Board and Compensation Committee typically meet in early May to review company performance for the prior fiscal year. At such time, the Compensation Committee (or, in the case of our chief executive officer, our Board) also reviews the performance of the executive officers over the prior fiscal year and grants equity awards, if any, to the executive officers. In fiscal 2018, the Compensation Committee and Board met in June and awarded time-based and performance-based restricted stock awards to Messrs. McGahn and Kosiba under our 2007 Stock Incentive Plan.

In fiscal 2018, when considering equity grants to our executive officers, the Compensation Committee (or, in the case of our chief executive officer, our Board) considered:

- each executive officer’s performance and contribution during the prior fiscal year;
- recommendations made by our management;
- competitive practices;
- the overall compensation package for each executive officer;
- the overall retention concerns and level of difficulty our company would face if we were to have to replace any executive officer if he or she were to voluntarily leave our company; and
- the availability of shares to grant to our employees and executive officers given our low stock price and limited share pool.

Based on such considerations, the Compensation Committee (or, in the case of our chief executive officer, our Board) awarded shares of time-based restricted stock and performance-based restricted stock to each applicable executive officer. Messrs. McGahn and Kosiba received time-based restricted stock awards of 101,250 and 44,250 shares, respectively, each of which vests in equal annual installments over a three-year period starting June 28, 2019, subject to the executive officer's continued employment. Messrs. McGahn and Kosiba also received performance-based restricted stock awards of 33,750 and 14,750 shares, respectively, each of which vests in 1/4<sup>th</sup> increments upon our company's attainment of a quarter of revenue growth of at least ten percent (10%) as measured against the same quarter of the prior year between April 1, 2018 and September 30, 2019, subject to the executive officer's continued employment. During fiscal 2018, our company achieved revenue growth of at least ten percent (10%) as measured against the same quarter of the prior year during the quarter ended June 30, 2018 and September 30, 2018, and as a result, fifty percent (50%) of the fiscal 2018 performance-based restricted shares have vested.

In addition, on November 1, 2018, the Compensation Committee awarded Mr. Kosiba 50,000 shares of restricted stock for outstanding job performance under our 2007 Stock Incentive Plan, which vest in equal annual installments over a three-year period starting November 1, 2019, subject to Mr. Kosiba's continued employment.

Finally, on January 28, 2019, Mr. McGahn surrendered 100,000 options that were granted under our 2007 Stock Incentive Plan on April 14, 2014 in order to allow our company to allocate the shares underlying these surrendered options under our 2007 Stock Incentive Plan to other company employees.

In fiscal 2019, when considering equity grants, the Compensation Committee (or, in the case of our chief executive officer, our Board) expects to make up to 1/4<sup>th</sup> of any restricted stock awards, including those to our named executive officers, subject to performance-based vesting conditions that will require the achievement of specified objectives over multiple time periods in order to vest.

### ***Benefits***

We offer a comprehensive benefits package to all full-time employees, including health and dental insurance, life and disability insurance and a 401(k) plan. Executive officers are eligible to participate in all of our employee benefit plans. The 401(k) plan includes a matching component where we will match \$0.50 on each dollar of an employee's contribution up to a maximum of 6 percent of his or her wages in the form of our stock. The employee contributions are subject to the maximum limitations as set forth in the Internal Revenue Code of 1986, as amended, or the Code.

### ***Severance and Change-in-Control Benefits***

We have entered into agreements with each of our executive officers that provide them with severance benefits in the event of the termination of their employment under specified circumstances, including termination following a change in control of our company. In addition, the stock options and restricted stock awards we grant to our executive officers provide for full acceleration of vesting upon a change in control of our company. These agreements, along with estimates of the value of the benefits payable under them, are described below under the caption "Employment Agreements and Severance Agreements with Executive Officers." We believe providing these benefits helps us compete for and retain executive talent and that our severance and change-in-control benefits are generally in line with those provided to executives by comparable companies.

### ***Tax Considerations***

The Internal Revenue Service, pursuant to Section 162(m) of the Code, generally disallows a tax deduction for all compensation in excess of \$1,000,000 paid to our chief executive officer, our chief financial officer and our three other most highly compensated executive officers. We historically intended for our stock option awards to comply with the qualified performance-based compensation exception in Section 162(m) of the Code so that the compensation remained tax deductible to us. The qualified performance-based compensation exception was generally eliminated, effective for tax years beginning following December 31, 2017, upon the enactment of the Tax Cuts and Jobs Act ("TCJ Act"), subject to limited transition relief for certain arrangements in place as of November 2, 2017. As a result, unless eligible for transition relief, our company may no longer be able to take a

deduction for any compensation paid to its named executive officers in excess of \$1,000,000. Due to the uncertainties as to the application and interpretation of Section 162(m) of the Code, especially in light of the TCJ Act, no assurance can be given that compensation will be eligible for transition relief under the TCJ Act or otherwise be deductible by the company, and the Compensation Committee reserves the right to pay compensation that will not be deductible as a result of Section 162(m) of the Code and to modify existing compensation that was initially intended to be exempt from Section 162(m) of the Code (and/or may be subject to any transition relief under the TCJ Act) if it determines that such compensation or modifications are consistent with the company's business needs.

### Fiscal 2018 Summary Compensation Table

The following table contains information with respect to the compensation for fiscal 2018 of our principal executive officer and our principal financial officer.

Name and Principal Position	Fiscal Year (1)	Salary	Bonus (2)	Stock Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
Daniel P. McGahn	2018	\$500,000	\$1,000,000	\$974,700	\$411,000	\$ 9,958	\$2,895,658
<i>President and Chief Executive Officer</i>	2017	500,000	—	756,000	134,000	9,958	1,399,958
	2016	500,000	—	—	396,000	10,920	906,920
John W. Kosiba	2018	250,000	—	803,480	132,250	9,323	1,195,053
<i>Senior Vice President, Chief Financial Officer and Treasurer (6)</i>	2017	250,000	—	241,920	33,500	9,323	534,743

- (1) Refers to the fiscal years ended March 31, 2019 (fiscal 2018), March 31, 2018 (fiscal 2017) and March 31, 2017 (fiscal 2016).
- (2) Represents a special bonus paid to Mr. McGahn earned in fiscal 2018. See "Compensation Discussion and Analysis — Compensation Mix — Special Cash Bonus" above for additional information on this special bonus.
- (3) The amounts shown reflect the grant date fair value of awards granted during the applicable fiscal year computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 14 to our audited consolidated financial statements for fiscal 2018 included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, filed with the SEC on June 5, 2019.
- (4) The included amounts in this column reflect cash bonuses paid under our executive incentive plans for fiscal 2018, fiscal 2017 and fiscal 2016. See "Compensation Discussion and Analysis — Compensation Mix — Performance-Based Annual Cash Bonuses" above for a description of the plan for fiscal 2018.
- (5) All Other Compensation is comprised of the following amounts:

Name	Fiscal Year	Life Insurance Premiums (1)	Defined Contributions for 401(k) Stock Match	Other
Daniel P. McGahn	2018	\$2,008	\$7,950	\$—
	2017	2,008	7,950	—
	2016	2,008	8,912	—
John W. Kosiba	2018	1,823	7,500	—
	2017	1,823	7,500	—

- (1) The life insurance premium amounts in the table above reflect premiums paid by us for life insurance for which the named executive is the named beneficiary.
- (6) Mr. Kosiba has served as our Senior Vice President, Chief Financial Officer and Treasurer since April 4, 2017.

## Grants of Plan-Based Awards Table for Fiscal 2018

The following table contains information concerning potential future payouts under our fiscal 2018 executive incentive plan to the named executive officers. As discussed in “Compensation Discussion and Analysis — Compensation Mix — Long Term Equity Incentives” above, we granted awards of restricted stock to our named executive officers in fiscal 2018.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (11)
		Threshold \$ (2)	Target \$ (3)	Maximum \$ (4)	Threshold # (5)	Target # (6)	Maximum # (7)				
Daniel P. McGahn . . . . .		150,000	500,000	1,000,000							
	6/28/2018							101,250(9)			\$731,025
	6/28/2018				8,437(8)	16,875(8)	33,750(8)				\$243,675
John W. Kosiba . . . . .		37,500	125,000	250,000							
	6/28/2018							44,250(9)			\$319,485
	6/28/2018				3,687(8)	7,375(8)	14,750(8)				\$106,495
	11/1/2018							50,000(10)			\$377,500

- (1) Reflects the threshold, target and maximum cash bonus amounts under our executive incentive plan for fiscal 2018. See “Compensation Discussion and Analysis — Compensation Mix — Performance — Based Annual Cash Bonuses” above for a description of this plan. The amounts actually paid to the named executive officers under this plan are shown above in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (2) Reflects the total minimum amount that would have been earned if the minimum targets for all of the annual metrics had been achieved.
- (3) Reflects the total amount that would have been earned if the targeted annual metrics had been achieved.
- (4) Reflects the total maximum amount that would have been earned if the maximum targets for all of the annual metrics had been achieved.
- (5) Reflects the total minimum amount of shares that would have vested if the minimum performance target for the performance target had been achieved.
- (6) Reflects the total amount of shares that would have vested if the targeted performance metric had been achieved.
- (7) Reflects the total maximum amount of shares that would have been earned if the maximum target for the performance metric had been achieved.
- (8) Performance-based stock award which vests in 1/4<sup>th</sup> increments upon our company’s attainment of a quarter of revenue growth of at least ten percent (10%) as measured against the same quarter of the prior year between April 1, 2018 and September 30, 2019, subject to the executive officer’s continued employment.
- (9) Restricted stock award vests in equal installments over a 3-year period with the first tranche vesting on June 28, 2019.
- (10) Restricted stock award vests in equal installments over a 3-year period with the first tranche vesting on November 1, 2019.
- (11) Grant date value represents the FASB ASC Topic 718 value of the restricted stock award as of the grant date. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 14 to our audited consolidated financial statements for fiscal 2018 included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, filed with the SEC on June 5, 2019.



## Outstanding Equity Awards at Fiscal Year-End Table for Fiscal 2018

The following table contains information regarding unexercised stock options and unvested restricted stock awards held by our named executive officers as of March 31, 2019.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Stock That Have Not Vested (\$ (15))	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested (\$ (15))
Daniel P. McGahn . . .	2,099(1)	—	252.90	5/12/2019	—	—	—	—
	—	—	—	—	—	—	16,875(13)	217,013
	9,999(2)	—	386.90	12/11/2019	—	—	—	—
	—	—	—	—	—	—	37,500(14)	482,250
	8,999(3)	—	102.50	5/23/2021	—	—	—	—
	12,500(4)	—	40.90	5/9/2022	—	—	—	—
	15,999(5)	—	25.10	7/31/2023	—	—	—	—
	—	—	—	—	75,000(9)	964,500	—	—
	—	—	—	—	101,250(10)	1,302,075	—	—
John W. Kosiba . . . . .	—	—	—	—	—	—	7,375(13)	94,843
	—	—	—	—	—	—	12,000(14)	154,320
	999(6)	—	304.90	6/14/2020	—	—	—	—
	449(7)	—	116.30	5/11/2021	—	—	—	—
	1,500(8)	—	46.60	9/26/2021	—	—	—	—
	1,999(4)	—	40.90	5/9/2022	—	—	—	—
	3,200(5)	—	25.10	7/31/2023	—	—	—	—
	—	—	—	—	5,000(11)	64,300	—	—
	—	—	—	—	24,000(9)	308,640	—	—
	—	—	—	—	44,250(10)	569,055	—	—
	—	—	—	—	50,000(12)	643,000	—	—

- (1) These options were granted on May 12, 2009 and were fully vested on May 12, 2012.
- (2) These options were granted on December 11, 2009 and were fully vested on December 11, 2014.
- (3) These options were granted on May 23, 2011 and were fully vested on May 23, 2014.
- (4) These options were granted on May 9, 2012 and were fully vested on May 9, 2015.
- (5) These options were granted on July 31, 2013 and were fully vested on July 31, 2016.
- (6) These options were granted on June 14, 2010 and were fully vested on June 14, 2013.
- (7) These options were granted on May 11, 2011 and were fully vested on May 11, 2014.
- (8) These options were granted on September 26, 2011 and were fully vested on September 5, 2014.
- (9) These awards were granted on July 27, 2017, vest in equal annual installments over a 3-year period, and will be fully vested on July 27, 2020.
- (10) These awards were granted on June 28, 2018, vest in equal annual installments over a 3-year period, and will be fully vested on June 28, 2021.
- (11) These awards were granted on May 12, 2016, vest in equal annual installments over a 3-year period, and will be fully vested on May 12, 2019.
- (12) These awards were granted on November 1, 2018, vest in equal annual installments over a 3-year period, and will be fully vested on November 1, 2021.
- (13) These awards were granted on June 28, 2018, and will vest in 1/4<sup>th</sup> increments upon our company's attainment of a quarter of revenue growth of at least ten percent (10%) as measured against the same quarter of the prior year between April 1, 2018 and September 30, 2019, subject to the executive officer's continued employment. During fiscal 2018, we achieved revenue growth of at least 10% during the quarters ended June 30, 2018 and September 30, 2018, and as a result, 50% of the award was vested as of March 31, 2019. The number of shares shown reflects the remaining unvested portion as of March 31, 2019.

- (14) These awards were granted on July 27, 2017, and will vest 1/3<sup>rd</sup>, 1/3<sup>rd</sup> and 1/3<sup>rd</sup> upon our company’s attainment of three, four and five quarters of positive cash flow from operations, respectively, between July 1, 2017 and March 31, 2020. The number of shares herein reflects 1/3<sup>rd</sup> of the total number of shares subject to these awards assuming “threshold” performance.
- (15) Based on \$12.86 per share, the closing sale price of our common stock on March 29, 2019.

### Option Exercises and Stock Vested Table for Fiscal 2018

The following table contains information concerning the exercise of stock options and vesting of restricted stock awards for each named executive officer during fiscal 2018.

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise</u>	<u>Value Realized on Exercise</u>	<u>Number of Shares Acquired on Vesting</u>	<u>Value Realized on Vesting (1)</u>
Daniel P. McGahn . . . . .	—	\$—	87,709	\$546,384
John W. Kosiba . . . . .	—	\$—	34,375	\$219,736

- (1) Value realized upon vesting is based on the closing sales price of our common stock on the Nasdaq Global Select Market on the vesting date.

### Employment Agreements and Severance Agreements with Executive Officers

We are party to severance agreements with each of our named executive officers. Each severance agreement provides for certain severance benefits from the company to the executive in the event that such executive’s employment is terminated:

- by us without “cause” (other than due to death or “disability”) in the absence of a “change in control” of the company (as such terms are defined in the severance agreement); or
- by us without cause (other than due to death or disability) or by the executive for “good reason” (as defined in the severance agreement) within 12 months following a change in control of the company; or
- by us without cause (other than due to death or disability) more than 12 months following a change in control of the company (each such termination referenced herein as a “qualifying termination”).

These benefits consist primarily of the continuation of the executive’s salary and employee benefits for a specified period of time following employment termination. These periods are as follows: Mr. McGahn — 24 months; and Mr. Kosiba — 18 months. In addition, upon termination by us without cause (other than due to death or disability) or by the executive for good reason within 12 months following a change in control of our company, the terminated executive is also entitled to a lump sum payment equal to a prorated portion of his or her target bonus for the year of termination.

The stock options and restricted stock awards we grant to our executive officers provide for full acceleration of vesting upon a change in control of our company.

The following table describes the potential payments and benefits that would be received by the named executive officers pursuant to these severance agreements, assuming that a qualifying termination of employment occurred on March 31, 2019. Actual amounts payable to each executive listed below upon his employment termination can only be determined definitively at the time of an executive’s actual termination.

<u>Name</u>	<u>Salary Continuation Payments</u>	<u>Employee Benefits (1)</u>	<u>Prorated Bonus (2)</u>
Daniel P. McGahn . . . . .	\$1,000,000	\$46,990	\$500,000
John W. Kosiba . . . . .	\$ 375,000	\$35,243	\$125,000

- (1) Calculated based on the estimated cost to us of providing these benefits at March 31, 2019.

- (2) Calculated based on prorated amount as of March 31, 2019, which represents 100% of the executive’s target bonus for fiscal 2018. Prorated bonus is only paid upon a qualifying termination of employment within 12 months of a change in control of the company.

The following table describes the value to the named executive officers pursuant to the acceleration-of-vesting provisions in his restricted stock and option awards, assuming that a change in control of our company occurred on March 31, 2019. The actual value of such acceleration to each executive listed below can only be determined definitively at the time of an executive’s actual termination.

<u>Name</u>	<u>Value of Option Acceleration (1)</u>	<u>Value of Restricted Stock Acceleration (2)</u>
Daniel P. McGahn .....	\$ —	\$3,930,338
John W. Kosiba .....	\$ —	\$2,142,798

- (1) Represents the number of option shares that would accelerate, multiplied by the excess of \$12.86 per share (the closing sale price of AMSC common stock on March 29, 2019) over the exercise price of the option, if any.
- (2) Represents the number of shares of restricted stock that would accelerate, multiplied by \$12.86 (the closing sale price of AMSC common stock on March 29, 2019).

**Pay Ratio Disclosure**

Pursuant to Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K, we are required to disclose the ratio of our principal executive officer to the annual total compensation of our median employee. During fiscal 2018, the principal executive officer of AMSC was our chairman of the Board, president and chief executive officer, Mr. Daniel P. McGahn. For fiscal 2018, the annual total compensation of Mr. McGahn, for purposes of this pay ratio disclosure, was \$2,895,658, and for our median employee was \$67,516, resulting in a pay ratio of approximately 43:1.

Consistent with the process we adopted for our fiscal 2017 pay ratio disclosure, for fiscal 2018 we identified the median employee as of February 28, 2019 by (i) aggregating for each applicable employee (A) annual base salary for salaried employees (or hourly rate multiplied by actual hours worked, for hourly employees), in each case, annualized with respect to newly hired permanent employees, and (B) target incentive compensation, and (ii) ranking this compensation measure for our employees from lowest to highest. This calculation was performed for all employees of AMSC, excluding Mr. McGahn, as of February 28, 2019. After identifying the median employee, we calculated the annual total compensation for fiscal 2018 for such employee using the same methodology we used for our named executive officers as set forth in the “Fiscal 2018 Summary Compensation Table” earlier in this section. Compensation paid in non-U.S. currency was converted to U.S. dollars based on the average annual exchange rate.

When calculating the total compensation in accordance with Item 402(c)(2)(x) of Regulation S-K for the median employee identified as a result of this process, we determined that the median employee received significant overtime pay during fiscal 2018, which would have a significant impact on our pay ratio. Therefore, we substituted another employee with substantially similar compensation to the original median employee based on the compensation measure used to select the median employee as described above. This employee also has the same title and country of residence as the employee whose compensation was disclosed for fiscal 2017.

We consider the pay ratio reported above to be a reasonable estimate, calculated in a manner intended to be consistent with Item 402(u) of Regulation S-K based on our internal records and the methodology described above. Item 402(u) of Regulation S-K allows companies to adopt a variety of methodologies, apply certain exclusions, and make reasonable estimates and assumptions that reflect their employee populations and compensation practices. Therefore, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

## Director Compensation

Our Compensation Committee is responsible for reviewing and making recommendations to our Board with respect to the compensation paid to our non-employee directors.

For fiscal 2018, non-employee directors received cash compensation as follows:

- each non-employee director received \$35,000 as an annual cash retainer and no per meeting fee;
- the non-employee chairman of the Board received an additional annual cash retainer of \$20,000 (which amount was pro-rated for service up until July 26, 2018);
- the non-employee Lead Director received an additional annual cash retainer of \$12,000 (which amount was pro-rated for service from and after July 27, 2018);
- the chairman of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee received an additional annual cash retainer of \$20,000, \$15,000 and \$10,000, respectively (provided that, if the chairman of the Board was chairman of any committee, then he was paid at the lower committee member rate described below); and
- the members of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee (other than the chairmen of such committees) received an additional annual cash retainer of \$12,000, \$9,000 and \$6,000, respectively.

In addition to cash compensation, each non-employee director is granted an award of shares of common stock under the 2007 Director Plan with an aggregate grant date value equal to \$40,000 three business days following the last day of each fiscal year, subject to proration for any partial fiscal year of service. Further, each non-employee director is granted an option to purchase shares of common stock under the 2007 Director Plan with an aggregate grant date value equal to \$40,000 upon his or her initial election to the Board with an exercise price equal to the fair market value of our common stock on the date of the grant. These options vest in equal annual installments over a two-year period.

Each option granted under the 2007 Director Plan becomes exercisable in full in the event of an acquisition of the company. The term of each option granted under the 2007 Director Plan is 10 years, provided that, in general, an option may be exercised only while the director continues to serve as a director or within 60 days thereafter.

The compensation packages for directors are intended to attract and retain high-quality individuals to provide oversight to our management team. Directors who are employees of the company receive no additional compensation for their service as directors.

The following table summarizes the compensation of our non-employee directors during fiscal 2018:

Name*	Fees Earned or Paid in Cash	Stock Awards (1)(2)	Option Awards (4)	All Other Compensation	Total
Vikram S. Budhreja . . . . .	\$61,576	\$40,893	—	—	\$102,469
Arthur H. House . . . . .	\$54,000	\$40,893	—	—	\$ 94,893
David R. Oliver, Jr. . . . .	\$53,531	\$40,893	—	—	\$ 94,424
John W. Wood, Jr. . . . .	\$67,451	\$40,893	—	—	\$108,344
Pamela F. Lenehan (3) . . . . .	\$17,636	\$53,998	—	—	\$ 71,634

\* Excludes Mr. McGahn, who has served as our chief executive officer and as a director since June 1, 2011. Mr. McGahn received no compensation for his service as a director in fiscal 2018. Mr. McGahn's compensation as an executive is reported in the Summary Compensation Table included in this proxy statement.

(1) The amounts shown reflect the grant date fair value computed in accordance with FASB ASC Topic 718 of each director's one-time award of 6,896 fully-vested shares of common stock granted in April 2018 and

Ms. Lenehan's one-time award of 2,595 fully-vested shares of common stock granted in July 2018 in connection with her departure from our Board, in each case, pursuant to the 2007 Director Stock Plan. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 14 to our audited consolidated financial statements for fiscal 2018 included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, filed with the SEC on June 5, 2019.

- (2) Based on stock price of \$5.93 on the grant date of April 4, 2018 and \$5.05 on the grant date of July 26, 2018.
- (3) Ms. Lenehan departed from our Board in July 2018.
- (4) As of March 31, 2019, each non-employee director held options for the following aggregate number of shares of common stock:

<u>Name</u>	<u>Number of Shares</u>
Vikram S. Budhraj	—
Arthur H. House	9,703
Pamela F. Lenehan	—
David R. Oliver, Jr.	—
John W. Wood, Jr.	—

### Securities Authorized for Issuance Under Our Equity Compensation Plans

The following table provides information about the securities authorized for issuance under our equity compensation plans as of March 31, 2019.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
Equity compensation plans approved by security holders	164,265(1)	\$96.30	685,048(2)

- (1) Excludes shares issuable under our 2000 Employee Stock Purchase Plan in connection with the current offering period which ends on September 30, 2019. Such shares are included in column (c).
- (2) In addition to being available for future issuance upon exercise of options that may be granted after March 31, 2019, 367,507 shares available for issuance under our 2007 Stock Incentive Plan may instead be issued in the form of restricted stock, unrestricted stock, stock appreciation rights, performance shares or other equity-based awards. There were also 77,587 shares available under the 2007 Director Plan to be issued in the form of stock options or other stock awards. There were 239,954 shares available under the 2000 Employee Stock Purchase Plan on March 31, 2019.

### Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Mr. Budhraj (Chairman) and Mr. House. Mr. Wood served on the Compensation Committee during fiscal 2018. No member of the Compensation Committee who served during fiscal 2018 was at any time during fiscal 2018, or formerly, an officer or employee of ours or any subsidiary of ours, nor has any member of the Compensation Committee who served during fiscal 2018 had any relationship with us requiring disclosure under Item 404 of Regulation S-K under the Exchange Act.

No executive officer of our company has served as a director or member of the Compensation Committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director of AMSC or member of our Compensation Committee.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the preceding “Compensation Discussion and Analysis” section with management. Based on that review and discussion, the Compensation Committee has recommended to our Board that the “Compensation Discussion and Analysis” section be included in our proxy statement.

By the Compensation Committee of the Board.

Vikram S. Budhraj, Chairman  
Arthur H. House

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds the lesser of (1) \$120,000, or (2) 1% of the average of the our total assets at fiscal year-end for the last two completed fiscal years, and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a “related person,” has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a “related person transaction,” the related person must report the proposed related person transaction to our general counsel. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the Audit Committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the Audit Committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings. If the chairman of the Audit Committee approves the proposed related person transaction, the transaction will be presented to the full Audit Committee at the next meeting of the Audit Committee, and the Audit Committee may, in its discretion, ratify the transaction. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person’s interest in the transaction. The Audit Committee will review and consider such information regarding the transaction as it deems appropriate under the circumstances.

The Audit Committee may approve or ratify the transaction only if the Audit Committee determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, our best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC’s related person transaction disclosure rule, our Board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

- interests arising solely from the related person’s position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (c) the amount involved in the transaction equals less than the greater of \$200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction; and
- a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

There were no related person transactions during fiscal 2018 or fiscal 2017.

**ELECTION OF DIRECTORS  
(PROPOSAL 1)**

At the Annual Meeting, our stockholders will elect five directors to serve until our next annual meeting of stockholders, and until their respective successors are elected and qualified. The candidates listed below were nominated by the Board based on the recommendation of the Nominating and Corporate Governance Committee. The nominees must be elected by a plurality of the votes cast by the stockholders entitled to vote on the election. This means that the five nominees receiving the most affirmative votes will be elected as directors at the Annual Meeting. Votes withheld and “broker non-votes” will have no effect on the outcome of the election of directors. All of the nominees have indicated their willingness to serve, if elected, but if any of them should be unable to serve or for good cause will not serve, proxies may be voted for a substitute nominee designated by our Board, or the Board may elect to reduce the size of the Board. Information about each nominee is included under “Corporate Governance — Members of the Board” beginning on page 8 of this proxy statement.

**The Board recommends a vote FOR the election of Mr. Budhraj, Mr. House, Ms. Littlefield, Mr. McGahn and Mr. Oliver, as directors.**



## **APPROVAL OF AMENDMENTS TO THE 2007 STOCK INCENTIVE PLAN, AS AMENDED (PROPOSAL 2)**

### **Overview**

In this Proposal 2, we are requesting AMSC stockholders approve amendments to our 2007 Stock Incentive Plan, as amended, or 2007 Plan, (i) to increase by 1,200,000 the number of shares of our common stock available for issuance under the 2007 Plan, and (ii) to remove certain provisions which were otherwise required for awards to qualify as performance-based compensation under an exception to Section 162(m) of the Code prior to its repeal.

Our Board approved the amendments to the 2007 Plan on June 13, 2019, subject to and effective upon stockholder approval. If this Proposal 2 is not approved by our stockholders, the amendments to the 2007 Plan will not become effective, but the 2007 Plan will remain in effect in accordance with its terms prior to such Board approval.

The approval of the amendments to the 2007 Plan requires the affirmative vote of the holders of a majority of the shares of common stock voting on the matter. Abstentions and “broker non-votes” will have no effect on the outcome of this proposal.

### **Board Recommendation**

**The Board believes that the amendments to the 2007 Plan are in the best interests of AMSC and our stockholders and therefore recommends a vote FOR this proposal.**

### **Prior Stockholder Approvals**

On August 3, 2007, AMSC stockholders adopted and approved the 2007 Plan and 300,000 shares of common stock were reserved for issuance thereunder.

On August 6, 2009, AMSC stockholders adopted amendments to our 2007 Plan which (i) increased by 300,000 the number of shares of common stock available for issuance under the 2007 Plan, and (ii) implemented fungible share counting by counting future restricted stock, restricted stock units and other stock-based awards with a per share price or per unit purchase price lower than 100% of fair market value, or Full-Value Awards, against the 2007 Plan’s share reserve as two shares for every one share issued in connection with such awards.

On July 27, 2012, AMSC stockholders adopted amendments to our 2007 Plan which (i) increased by 750,000 the number of shares of common stock available for issuance under the 2007 Plan, and (ii) decreased our existing fungible share reserve ratio so that, for awards granted from and after the date of the 2012 annual meeting, the number of shares of stock available for issuance under the 2007 Plan were reduced (A) by one (1) share for each share granted pursuant to awards that are not Full-Value Awards (including, without limitation, stock options or stock appreciation rights) awarded under the 2007 Plan, and (B) by one and three tenths (1.3) shares for each share granted pursuant to Full-Value Awards awarded under the 2007 Plan.

On August 1, 2014, AMSC stockholders adopted amendments to our 2007 Plan which (i) increased by 700,000 the number of shares of common stock available for issuance under the 2007 Plan, and (ii) decreased our existing fungible share reserve ratio so that, for awards granted from and after the date of the 2014 annual meeting, the number of shares of stock available for issuance under the 2007 Plan were reduced by one (1) share for each share granted pursuant to each award, whether or not a Full-Value Award, awarded under the 2007 Plan, and (iii) extended the term of the 2007 Plan through August 1, 2024, the tenth anniversary of shareholder approval at the 2014 annual meeting.

On July 29, 2016, AMSC stockholders adopted amendments to our 2007 Plan which (i) increased by 1,350,000 the number of shares of our common stock available for issuance under the 2007 Plan, (ii) approved the material terms of performance goals that may apply to awards granted under the 2007 Plan for purposes of Section 162(m) of the Code, and (iii) increased the maximum number of shares issuable to any person in any calendar year from 100,000 shares to 250,000 shares.

### **Determination of Additional Shares Under the 2007 Plan**

In determining to approve the amendments to the 2007 Plan, the compensation committee reviewed an analysis prepared by Radford, the committee's independent compensation consultant. Specifically, the compensation committee considered that:

- Based on historical usage, if we do not increase the shares available for issuance under the 2007 Plan, we would expect to exhaust the available shares under the 2007 Plan by July 31, 2019, at which time we would lose an important compensation tool. If our stockholders approve the amendment and restatement, we estimate that the shares reserved for issuance under the 2007 Plan, as amended and restated, would be sufficient for approximately three additional years of awards, depending on projected new employee growth and assuming we continue to grant awards consistent with our historical usage and current practices. However, the share reserve under the 2007 Plan, as amended and restated, could last for a longer or shorter period of time, depending on our future equity grant practices, which we cannot predict with any degree of certainty at this time.
- If approved, the issuance of the additional 1,200,000 shares to be reserved under the 2007 Plan represents approximately 5.6% of the number of shares of our common stock outstanding as of June 13, 2019.

In consideration of these factors, and our belief that the ability to continue granting equity compensation is vital to our attracting and retaining employees, we believe that the size of the share reserve under the 2007 Plan after giving effect to the amendment is reasonable, appropriate and in the best interests of the Company at this time. The board of directors will not create a subcommittee to evaluate the risks and benefits for issuing the additional authorized shares requested.

### **Other Amendments to the 2007 Plan**

Prior to the TCJ Act, an exception to Section 162(m) of the Code allowed performance-based compensation that met certain requirements to be tax deductible without regard to the deduction limits imposed by Section 162(m) of the Code. This qualified performance-based compensation exception was repealed as part of the TCJ Act. The amendments to the 2007 Plan remove certain provisions which were otherwise required for awards to qualify as performance-based compensation under this exception prior to its repeal. Awards granted under the 2007 Plan prior to November 2, 2017 may be grandfathered under the old law pursuant to certain limited transition relief provided by the TCJ Act.

### **Benefits of the 2007 Plan**

We believe that equity is a key element of AMSC's compensation package and that equity awards encourage employee loyalty and align employee interests directly with those of our stockholders. The 2007 Plan allows us to provide key employees, and consultants and advisors, with equity incentives that are competitive with the marketplace.

As of June 13, 2019, an aggregate of 3,178,819 shares of common stock were issued or issuable pursuant to awards that had been granted under the 2007 Plan, and 221,181 shares of common stock were available for future grant under the 2007 Plan. The market value of a share of common stock as of June 13, 2019 equaled \$8.79.

As a result, unless the proposed amendments are approved, we may not be able to provide individuals eligible for awards with compensation packages that are necessary to attract, retain and motivate such individuals. The Board believes that the additional 1,200,000 shares of common stock will provide us sufficient shares to cover the awards anticipated to be granted to eligible participants for at least three years.

### **Description of the 2007 Plan**

The following is a summary of the material terms and conditions of the 2007 Plan, as proposed to be amended, and is qualified in its entirety by reference to the 2007 Plan, as proposed to be amended, which is attached to this proxy statement as Appendix A.

### *Administration*

The Board has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2007 Plan and to interpret the provisions of the 2007 Plan. The Board may delegate authority under the 2007 Plan to one or more committees or subcommittees of the Board and, subject to limitations contained in the 2007 Plan, to one or more officers of the Company. The Board has currently authorized the Compensation Committee to administer the 2007 Plan, including the granting of options to executive officers, and all references in this description of the 2007 Plan to the Board shall apply to the Compensation Committee for so long as that delegation of authority remains in effect. In addition, our Board has delegated to a committee of the Board, designated as the Awards Committee, which consists solely of our president and chief executive officer, Mr. McGahn, the authority to grant options and award restricted stock, subject to the terms and conditions of our 2007 Plan and any other limitations set by the Board, to employees other than executive officers.

Subject to any applicable limitations contained in the 2007 Plan, the Board, the Compensation Committee, the Awards Committee or any other committee or executive to whom the Board delegates authority, as the case may be, selects the recipients of awards and determines (i) the number of shares of common stock covered by options and the dates upon which such options become exercisable, (ii) the exercise price of options (which may not be less than the fair market value of our common stock on the date of grant), (iii) the duration and other terms and conditions of options, and (iv) the number of shares of common stock subject to any stock appreciation right, restricted stock award, restricted stock unit award or other stock-based awards and the terms and conditions of such awards, including conditions for repurchase, issue price and repurchase price.

### *Eligibility and Limitations Upon Awards*

Employees, officers, consultants and advisors of AMSC and its subsidiaries are eligible to be granted awards under the 2007 Plan. Under present law, however, incentive stock options may only be granted to employees of AMSC and its subsidiaries. As of June 13, 2019, the persons eligible to receive awards under the 2007 Plan consisted of approximately 234 employees (other than officers) and two officers. The granting of awards under the 2007 Plan is discretionary, and we cannot now determine the number or type of awards to be granted in the future to any particular person or group. Other than the continued services of the award recipient, the Company generally has not and does not expect to receive any consideration for the granting of any awards under the 2007 Plan.

*Authorized Number of Shares.* Pursuant to the proposed amendment, the number of shares of common stock that are available to be issued through awards made under the 2007 Plan or through the exercise of options granted thereunder will be increased from 3,400,000 shares to 4,600,000 shares.

*Fungible Share Pool.* Each share subject to a future award under the 2007 Plan, whether or not a Full Value Award, will be counted against the shares reserved for issuance under the 2007 Plan as one share of common stock. For awards prior to August 1, 2014, however, the share reserve for the 2007 Plan was reduced by 1.3 shares for each Full-Value Award and one (1) share for each award that is not a Full-Value Award (including, without limitation, any option or stock appreciation right award). Further, for awards prior to July 27, 2012, the share reserve for the 2007 Plan was reduced by two shares for each Full-Value Award and one (1) share for each award that is not a Full-Value Award (including, without limitation, any option or stock appreciation right award). To the extent a share that was subject to an award that was previously counted as one share, two shares or 1.3 shares is returned to the 2007 Plan, the share reserve and limits will be credited with one share, two shares or 1.3 shares, as the case may be. For purposes of counting the number of shares available for the grant of awards under the 2007 Plan, (i) shares of common stock delivered (either by actual delivery, attestation, or net exercise) to AMSC by a participant to (a) purchase shares of common stock upon the exercise of an award, or (b) satisfy tax withholding obligations (including shares retained from the award creating the tax obligation) and (ii) shares of common stock repurchased by AMSC on the open market using proceeds from the exercise of an award shall not be added back to the number of shares available for future awards.

*Reacquired Shares.* If any award (i) expires or is terminated, surrendered, canceled or forfeited or (ii) results in any common stock not being issued (including as a result of an independent stock appreciation right that was

settleable either in cash or in stock actually being settled in cash), the unused shares of common stock covered by such award will again be available for grant under the 2007 Plan, subject, however, in the case of incentive stock options, to any limitations under the Code. Notwithstanding the foregoing, in the case of an independent stock appreciation right, the full number of shares subject to such stock appreciation right (or portion thereof) settled in stock will be counted against the number of shares available under the 2007 Plan regardless of the number of shares actually used to settle such stock appreciation right (or portion thereof).

*Per-Participant Award Limitation Under the 2007 Plan.* The maximum number of shares with respect to which awards may be granted to any participant under the 2007 Plan may not exceed 250,000 shares per calendar year. For purposes of this limit, the combination of an option in tandem with a stock appreciation right is treated as a single award.

#### *Substitute Awards*

In connection with a merger or consolidation of an entity with AMSC or the acquisition by us of property or stock of an entity, the Board may grant awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on awards contained in the 2007 Plan. Substitute awards will not count against the 2007 Plan's overall share limit, except as may be required by the Code.

#### *Types of Awards*

The 2007 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Code, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards as described below. Such awards that may be granted under the 2007 Plan are referred to in this section entitled "Description of the 2007 Plan" as "awards." As described above under the subheading "Administration," our Board has authorized the Compensation Committee to administer the 2007 Plan. All references in this section entitled "Description of the 2007 Plan" to the Board shall also apply to the Compensation Committee for so long as the delegation of authority to the Compensation Committee remains in effect.

*Incentive Stock Options and Nonstatutory Stock Options.* Optionees receive the right to purchase a specified number of shares of our common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Subject to the limitations described below, options will be granted at an exercise price that is not less than 100% of the fair market value of our common stock on the date the option is granted; however, if the Board approves the grant of an option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the fair market value on such future date. Under present law, incentive stock options may not be granted at an exercise price less than 100% of the fair market value of our common stock on the date of grant (or less than 110% of the fair market value in the case of incentive stock options granted to an optionee holding more than 10% of the voting power of AMSC, or a 10% holder). Options may not be granted for a term in excess of ten years (or five years in the case of incentive stock options granted to 10% holder). The 2007 Plan permits the following forms of payment of the exercise price of options: (i) payment by cash or check, (ii) except as otherwise provided by the Board, "cashless exercise" through a broker, (iii) subject to certain conditions, surrender to us of shares of our common stock, (iv) subject to certain conditions, delivery to us of a promissory note, (v) any other lawful means as determined by the Board, or (vi) any combination of these forms of payment.

*Stock Appreciation Rights.* A stock appreciation right, or SAR, is an award entitling the holder, upon exercise, to receive an amount in cash or common stock or a combination thereof determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of our common stock. Subject to the limitations described below, SARs will be granted at an exercise price that is not less than 100% of the fair market value of our common stock on the date the SAR is granted; however, if the Board approves the grant of an SAR with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the fair market value on such future date. SARs may not be granted for a term in excess of ten years. SARs may be granted independently or in tandem with an option.

*Restricted Stock Awards.* Restricted stock awards entitle recipients to acquire shares of our common stock, subject to our right to repurchase all or part of such shares from (or to require forfeiture of all or part of such shares, if issued at no cost, by) the recipient in the event that the conditions specified in the applicable award are not satisfied prior to the end of the applicable restriction period established for such award. Unless otherwise provided by the Board, any dividends or distributions with respect to restricted stock will be subject to the same restrictions on transferability and forfeitability as the shares of restricted stock with respect to which they were paid.

*Restricted Stock Unit Awards.* Restricted stock unit awards entitle the recipient to receive shares of our common stock or cash to be delivered at the time such restricted stock units vest and are settled pursuant to the terms and conditions established by the Board.

*Other Stock-Based Awards.* Under the 2007 Plan, the Board has the right to grant other awards based upon our common stock having such terms and conditions as the Board may determine, including the grant of awards that are valued in whole or in part by reference to, or otherwise based on, shares of our common stock or other property and the grant of awards in lieu of compensation to which a participant is otherwise entitled. Such other awards may be paid in shares of common stock or cash, as determined by the Board.

*Performance Measures.* As discussed under the subheading “Administration” above, the Board has authorized our Compensation Committee to administer the 2007 Plan. The Compensation Committee may determine, at the time of grant, that a restricted stock award, restricted stock unit award or other stock-based award will vest solely upon the achievement of specified performance criteria. The performance criteria for each such award will be determined by the Compensation Committee and may include, but are not limited to, the following measures: (i) net income, (ii) earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, (iii) operating profit before or after discontinued operations and/or taxes, (iv) sales, (v) sales growth, (vi) earnings growth, (vii) cash flow or cash position, (viii) gross margins, (ix) stock price, (x) market share, (xi) return on sales, assets, equity or investment, (xii) improvement of financial ratings, (xiii) achievement of balance sheet or income statement objectives or (xiv) total shareholder return. These performance measures may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. Such performance goals may be adjusted to exclude any one or more of (a) extraordinary items, (b) gains or losses on the dispositions of discontinued operations, (c) the cumulative effects of changes in accounting principles, (d) the writedown of any asset, and (e) charges for restructuring and rationalization programs. Such performance goals: (x) may vary by participant and may be different for different awards; and (y) may be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works and may cover such period as may be specified by the Compensation Committee.

#### *Limitation on Repricing*

Unless approved by AMSC’s stockholders: (i) no outstanding option or SAR granted under the 2007 Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding option or SAR, as the case may be (other than adjustments in connection with any stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization), and (ii) the Board may not cancel any outstanding option or SAR (whether or not in either case granted under the 2007 Plan) and grant new awards in substitution for such option or SAR, as the case may be, under the 2007 Plan covering the same or a different number of shares of common stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option or SAR, as the case may be.

#### *Transferability of Awards*

Except as otherwise provided in an award or permitted by the Board under the 2007 Plan, awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order, and, during the life of the participant, shall be exercisable only by the participant.

### *Adjustments for Changes in Common Stock and Certain Other Events*

We shall make equitable adjustments in connection with the 2007 Plan and any outstanding awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization. The 2007 Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as (i) any merger or consolidation of AMSC with or into another entity as a result of which all of our common stock is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled or (ii) any exchange of all of our common stock for cash, securities or other property pursuant to a share exchange transaction or (iii) any liquidation or dissolution of AMSC. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any outstanding awards on such terms as the Board determines: (a) provide that awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (b) upon written notice, provide that all unexercised options or other unexercised awards will become exercisable in full and will terminate immediately prior to the consummation of such Reorganization Event unless exercised within a specified period following the date of such notice, (c) provide that outstanding awards will become realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon such Reorganization Event, (d) in the event of a Reorganization Event under the terms of which holders of our common stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event, or Acquisition Price, make or provide for a cash payment to an award holder equal to (x) the Acquisition Price times the number of shares of common stock subject to the holder's awards (to the extent the exercise price does not exceed the Acquisition Price) minus (y) the aggregate exercise price of all the holder's outstanding awards, in exchange for the termination of such awards, (e) provide that, in connection with a liquidation or dissolution of AMSC, awards will convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof) and (f) any combination of the foregoing.

### *Acceleration.*

Our Board may at any time provide that any award will become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

### *Provisions for Foreign Participants*

Our Board may modify awards granted to participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the 2007 Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

### *Amendment or Termination*

No award may be made under the 2007 Plan more than 10 years after August 1, 2014, the date that an extension to the term of the 2007 Plan was last approved by our stockholders, but awards previously granted may extend beyond that date. The Board may at any time amend, suspend or terminate the 2007 Plan; provided that no amendment requiring stockholder approval under any applicable legal, regulatory or listing requirement (or, in the event Nasdaq no longer requires shareholder approval of "material amendments" to equity plans, otherwise materially increasing the number of shares authorized under the 2007 Plan, expanding the types of awards that may be granted under the 2007 Plan or materially expanding the class of participants eligible to participate in the 2007 Plan) will become effective until such stockholder approval is obtained. No award will be made that is conditioned upon stockholder approval of any amendment to the 2007 Plan.

If the stockholders do not approve the adoption of the 2007 Plan (as amended and restated as of June 13, 2019), the 2007 Plan (as amended and restated as of July 29, 2016) will continue in effect on its terms and conditions as in effect immediately prior to Board approval of the 2007 Plan on June 13, 2019.

### *Interest of Certain Persons in the 2007 Plan*

Stockholders should understand that AMSC's executive officers may be considered to have an interest in the approval of the amendments to the 2007 Plan because they may in the future receive awards under it. Nevertheless, the Board believes that it is important to provide incentives and rewards for superior performance and the retention of executive officers by amending the 2007 Plan.

### **Federal Income Tax Consequences of the 2007 Plan**

The following is a summary of the United States federal income tax consequences that generally will arise with respect to awards granted under the 2007 Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement and is intended for general information only. Alternative minimum tax and other federal tax and foreign, state, and local income taxes are not discussed and may vary depending on individual circumstances and from locality to locality. Changes to the federal income tax laws could alter the tax consequences described below.

#### *Incentive Stock Options*

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by us or one of our 50% or more-owned corporate subsidiaries at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under "Nonstatutory Stock Options." The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income (as compensation income) and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

#### *Nonstatutory Stock Options*

A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

#### *Stock Appreciation Rights*

A participant will not have income upon the grant of a stock appreciation right. A participant generally will recognize compensation income upon the exercise of a SAR equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the SAR was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Restricted Stock*

A participant will generally not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code, or an 83(b) election, is made within 30 days of the date of grant. If a timely 83(b) election is made, then a participant will have compensation income upon the date of grant equal to the value of the stock less the purchase price and, when the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then when the stock vests the participant will have compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term. The holding period for purposes of capital gain or loss generally will commence on the date of vesting (or, if an 83(b) election is made, the date of grant).

### *Restricted Stock Units*

A participant will not have income upon the grant of a restricted stock unit. A participant is not permitted to make a Section 83(b) election with respect to a restricted stock unit award. When the restricted stock unit vests, the participant will have compensation income on the vesting date in an amount equal to the fair market value of the stock on the vesting date less the purchase price, if any. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Other Stock-Based Awards*

The tax consequences associated with any other stock-based award granted under the 2007 Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying common stock.

### *Tax Consequences to AMSC*

There will be no tax consequences to us except that we will generally be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code (as described below).

### *Section 162(m) of the Code*

Under Section 162(m) of the Code, income tax deductions of publicly-traded companies may be limited to the extent total compensation (including, without limitation, base salary, annual bonus, stock option exercises, and restricted stock vesting) for certain current or former executive officers exceeds \$1 million in any one taxable year. Prior to the TCJ Act, the deduction limit did not apply to certain "performance-based" compensation established by an independent compensation committee which conformed to certain restrictive conditions stated under the Code and related regulations. As part of the TCJ Act, the ability to rely on this qualified "performance-based" compensation exception was eliminated. Although the 2007 Plan was structured with the intent that awards granted thereunder may meet the requirements for "performance-based" compensation under Section 162(m) of the Code, subject to certain transition relief rules, we may no longer take a deduction for any compensation paid to our covered employees in excess of \$1 million.

Furthermore, although the Compensation Committee may have taken action to limit the impact of Section 162(m) of the Code, it also believes that deductibility of executive compensation is only one of several important considerations in setting compensation and reserves the right to approve executive compensation arrangements that are not fully tax deductible if it believes that doing so is in the best interests of AMSC or our stockholders.



### Section 409A of the Code

This summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. If the terms of any award do not meet the requirements of Section 409A of the Code, then the violation may result in an additional 20% tax obligation, plus penalties and interest for the applicable participant.

### New Plan Benefits

All future awards under the 2007 Plan will be made by the Board, the Compensation Committee or the Awards Committee as described above and are not currently determinable. For additional disclosure regarding benefits under the 2007 Director Plan, see “New Plan Benefits” and “Additional Prior Award Information” in Proposal 3.

### Additional Prior Award Information

The table below shows, as to our named executive officers and the various indicated groups, the number of shares of our common stock subject to awards granted under the 2007 Plan as of June 13, 2019.

<u>Name and Position</u>	<u>Number of options (1)</u>	<u>Number of shares of restricted stock (2)</u>
<i>Named Executive Officers:</i>		
Daniel P. McGahn — Chairman, President and Chief Executive Officer . . . .	149,595	527,600
John W. Kosiba — Senior Vice President, Chief Financial Officer and Treasurer . . . . .	8,147	274,301
All current executive officers, as a group . . . . .	157,742	801,901
All current directors who are not executive officers, as a group . . . . .	0	0
<i>Director nominees:</i>		
Vikram S. Budhraja . . . . .	0	0
Arthur H. House . . . . .	0	0
Barbara G. Littlefield . . . . .	0	0
Daniel P. McGahn. . . . .	See above	See above
David R. Oliver, Jr. . . . .	0	0
Each associate of any of such directors, executive officers or nominees . . . . .	0	0
Persons who receive or are to receive 5% of options, warrants or rights under 2007 Plan . . . . .	n/a	n/a
All employees, including all current officers who are not executive officers, as a group . . . . .	331,110	2,219,043

(1) The weighted average exercise price of these options is \$108.81 and, as of June 13, 2019, the weighted remaining contractual life of these options is 2.83 years.

(2) The weighted remaining contractual life of these restricted stock awards is 1.61 years.

### Securities Authorized for Issuance Under Our Equity Compensation Plans

For information regarding the securities authorized for issuance under our equity compensation plans, see “Information about Executive and Director Compensation — Securities Authorized for Issuance Under Our Equity Compensation Plans” on page 35 of this proxy statement.

**APPROVAL OF AMENDMENTS TO THE AMENDED AND RESTATED  
2007 DIRECTOR STOCK PLAN  
(PROPOSAL 3)**

**Overview**

In this Proposal 3, we are requesting AMSC stockholders approve amendments to our Amended and Restated 2007 Director Stock Plan, or 2007 Director Plan, to (i) increase by 50,000 the number of shares of common stock available for issuance under the 2007 Director Plan, and (ii) modify the timing of option awards granted in connection with a non-employee director's initial election to the Board.

Our Board approved the amendment to the 2007 Director Plan on June 13, 2019, subject to and effective upon stockholder approval. If this Proposal 3 is not approved by our stockholders, the amendments to the 2007 Director Plan will not become effective, but the 2007 Director Plan will remain in effect in accordance with its present terms.

The approval of the amendments to the 2007 Director Plan requires the affirmative vote of the holders of a majority of the shares of common stock voting on the matter. Abstentions and "broker non-votes" will have no effect on the outcome of this proposal.

**Board Recommendation**

**The Board believes that the amendments to the 2007 Director Plan are in the best interests of AMSC and our stockholders and therefore recommends a vote FOR this proposal.**

**Prior Board and Stockholder Approvals**

On August 3, 2007, AMSC stockholders adopted and approved our 2007 Director Plan. Up to 30,000 shares of our common stock (subject to adjustment in the event of stock splits and other similar events) may be issued pursuant to awards granted under the 2007 Director Plan.

On May 12, 2009, our Board adopted amendments to our 2007 Director Plan which reduced the number of equity awards granted to a director upon his or her initial election to the Board and annually following each annual meeting of stockholders. On March 31, 2014, our Board further amended the terms of the equity awards granted to directors by adopting amendments, effective April 1, 2014, to the 2007 Director Plan, which provide that:

- each non-employee director is granted an option to purchase shares of common stock with an aggregate grant date value equal to \$40,000 upon his or her initial election to the Board with an exercise price equal to the fair market value of our common stock on the date of the grant;
- each non-employee director is granted an award of shares of common stock with an aggregate grant date value equal to \$40,000 three business days following the last day of each fiscal year, subject to proration for any partial fiscal year of service;
- without limiting the foregoing, the Board may, in its sole discretion, grant additional options and other awards to non-employee directors; and
- no non-employee director shall be granted options or other awards under the 2007 Director Plan in any fiscal year with a grant date value in excess of \$1,000,000.

On August 1, 2014, AMSC stockholders adopted amendments to our 2007 Director Plan which (i) increased by 50,000 the number of shares of common stock available for issuance under the 2007 Director Plan, and (ii) extended the term of the 2007 Director Plan through August 1, 2024, the tenth anniversary of shareholder approval at the 2014 annual meeting.

On July 29, 2016, AMSC stockholders adopted amendments to our 2007 Director Plan which (i) increased by 150,000 the number of shares of common stock available for issuance under the 2007 Director Plan, and (ii) decreased the maximum value of equity awards granted to any director in any fiscal year from \$1,000,000 to \$500,000.

## **Benefits of the 2007 Director Plan**

We believe that equity is a key element of AMSC's compensation package for non-employee directors. The 2007 Director Plan allows us to provide non-employee directors with equity incentives that are competitive with the marketplace.

As of June 13, 2019, an aggregate of 170,960 shares of common stock were issued or issuable pursuant to awards that had been granted under the 2007 Director Plan and 59,040 shares of common stock were available for future grant under the 2007 Director Plan. The market value of a share of common stock as of June 13, 2019 equaled \$8.79.

As a result, unless the proposed amendments are approved, we may not be able to provide individuals eligible for awards with compensation packages that are necessary to attract, retain and motivate such individuals. The Board believes that the additional 50,000 shares of common stock will provide us sufficient shares to cover the awards anticipated to be granted to eligible participants for at least three years.

## **Description of the 2007 Director Plan**

The following is a summary of the material terms and conditions of the 2007 Director Plan, as proposed to be amended, and is qualified in its entirety by reference to the 2007 Director Plan, as proposed to be amended, which is attached to this proxy statement as Appendix B.

### *Eligibility; Types of Awards; Terms of Awards; Award Limit*

The 2007 Director Plan provides for the grant of nonstatutory stock options and stock awards to directors who are not our full-time employees or the full-time employee of any of our subsidiaries (referred to as Outside Directors). In particular, the 2007 Director Plan provides for automatic grants of options and stock awards to Outside Directors as follows:

- in connection with his or her initial election to the Board, each Outside Director is granted an option to purchase shares of common stock with an aggregate grant date value equal to \$40,000, with an exercise price equal to the fair market value of our common stock on the date of the grant. Pursuant to the proposed amendments, the timing of such initial grant is being modified from (x) three business days following his or her initial election to the Board, to (y) the date he or she commences service on the Board; and
- each Outside Director is granted an award of shares of common stock with an aggregate grant date value equal to \$40,000 three business days following the last day of each fiscal year, subject to proration for any partial fiscal year of service.

Each option granted under the 2007 Director Plan will have an exercise price equal to the fair market value of our common stock on the date of grant. Options automatically granted under the 2007 Director Plan will vest in equal annual installments over a two-year period, subject to acceleration of vesting in the event of a change in control of AMSC (as defined in the 2007 Director Plan). The shares of common stock automatically issued to Outside Directors following each Annual Meeting of Stockholders will be fully vested and not subject to any repurchase rights or other contractual restrictions. In addition to the automatic grants, the Board may, in its sole discretion, grant additional options and stock awards to Outside Directors. No Outside Director may be granted options or awards under the 2007 Director Plan in any one fiscal year with a grant date fair value, as determined in accordance with FASB ASC Topic 718, or any successor thereto, in excess of \$500,000.

As of June 13, 2019, the persons eligible to receive awards under the 2007 Director Plan consisted of four Outside Directors. Other than the continued services of the award recipient, the Company generally has not and does not expect to receive any consideration for the granting of any awards under the 2007 Director Plan.

### *Authorized Number of Shares.*

Pursuant to the proposed amendments, the number of shares of common stock that are available to be issued through awards made under the 2007 Director Plan or through the exercise of options granted thereunder will be increased from 230,000 shares to 280,000 shares.

### *Limitation on Repricing*

Unless approved by AMSC's stockholders: (i) no outstanding option granted under the 2007 Director Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding option (other than adjustments in connection with any stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization), and (ii) the Board may not cancel any outstanding option (whether or not in either case granted under the 2007 Director Plan) and grant new awards in substitution for such option under the 2007 Director Plan covering the same or a different number of shares of common stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option.

### *Transferability of Awards*

Except as otherwise permitted by the Board or under the 2007 Director Plan, option awards issued under the 2007 Director Plan may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution and, during the lifetime of the optionee, shall be exercisable only by the optionee.

### *Administration*

The Board has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2007 Director Plan and to interpret the provisions of the 2007 Director Plan. The Board also has the authority to delegate any or all of its powers under the 2007 Director Plan to one or more committees or subcommittees of the Board, to the extent permitted by applicable law. Such authority has been delegated to the Compensation Committee pursuant to its charter. All references in this description of the 2007 Director Plan to the Board shall also apply to the Compensation Committee.

### *Adjustments for Changes in Common Stock and Certain Other Events*

We shall make equitable adjustments in connection with the 2007 Director Plan and any outstanding options to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization. The 2007 Director Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as (a) any merger or consolidation of AMSC with or into another entity as a result of which all of our common stock is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled, (b) any exchange of all of our common stock for cash, securities or other property pursuant to a share exchange transaction or (c) any liquidation or dissolution of AMSC. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any outstanding options on such terms as the Board determines: (i) provide that options will be assumed, or substantially equivalent options will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice, provide that all unexercised options will terminate immediately prior to the consummation of such Reorganization Event unless exercised within a specified period following the date of such notice, (iii) provide that outstanding options will become realizable or deliverable in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of our common stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event, or Acquisition Price, make or provide for a cash payment to an option holder equal to (A) the Acquisition Price times the number of shares of common stock subject to the holder's options (to the extent the exercise price does not exceed the Acquisition Price) minus (B) the aggregate exercise price of all the holder's outstanding options, in exchange for the termination of such options, (v) provide that, in connection with a liquidation or dissolution of AMSC, options will convert into the right to receive liquidation proceeds (net of the exercise price thereof) and (vi) any combination of the foregoing.

### *Amendment or Termination*

No awards may be made under the 2007 Director Plan more than 10 years after August 1, 2014, the date that an extension to the term of the 2007 Director Plan was last approved by our stockholders, but awards previously

granted may extend beyond that date. The Board may at any time amend, suspend or terminate the 2007 Director Plan; provided that no amendment requiring stockholder approval under any applicable legal, regulatory or listing requirement (or, in the event Nasdaq no longer requires shareholder approval of “material amendments” to equity plans, otherwise materially increasing the number of shares authorized under the 2007 Director Plan, expanding the types of awards that may be granted under the 2007 Director Plan or materially expanding the class of participants eligible to participate in the 2007 Director Plan) will become effective until such stockholder approval is obtained.

If the stockholders do not approve the adoption of the 2007 Director Plan (as amended and restated as of June 14, 2019), the 2007 Director Plan (as amended and restated as of July 29, 2016) will continue in effect on its terms and conditions as in effect immediately prior to Board approval of the 2007 Director Plan on June 14, 2019.

#### *Interest of Certain Persons in the 2007 Plan*

Stockholders should understand that AMSC’s non-employee directors may be considered to have an interest in the approval of the amendments to the 2007 Director Plan because they may in the future receive awards under it. Nevertheless, the Board believes that it is important to provide incentives and rewards for superior performance and the retention of experienced directors by amending the 2007 Director Plan.

#### **Federal Income Tax Consequences of the 2007 Director Plan**

The following is a summary of the United States federal income tax consequences that generally will arise with respect to nonstatutory stock options and stock awards granted under the 2007 Director Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. In addition, this summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. Changes to these laws could alter the tax consequences described below.

#### *Nonstatutory Stock Options*

A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

#### *Stock Awards*

A participant will have compensation income equal to the value of the stock on the date of grant (or, if later, the date of vesting) less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant (or, if later, the date of vesting). Any capital gain or loss will be long-term if the participant held the stock for more than one year from the date of grant (or, if later, the date of vesting) and otherwise will be short-term.

#### *Tax Consequences to AMSC*

There will be no tax consequences to us except that we will generally be entitled to a deduction when a participant has compensation income.

#### *Section 409A of the Code*

This summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. If the terms of any award do not meet the requirements of Section 409A of the Code, then the violation may result in an additional 20% tax obligation, plus penalties and interest for the applicable participant.

## New Plan Benefits

The table below shows, as to our non-employee directors and the various indicated groups, the number of shares of our common stock subject to awards that will be allocated to them under the 2007 Director Plan in respect of each fiscal year on and after April 1, 2019. For additional disclosure regarding benefits under the 2007 Plan, see “New Plan Benefits” and “Additional Prior Award Information” in Proposal 2.

<u>Name and Position</u>	<u>Number of options (1)</u>	<u>Dollar value of options</u>	<u>Number of stock awards</u>	<u>Dollar value of stock awards</u>
<i>Named Executive Officers:</i>				
Daniel P. McGahn — President and Chief Executive Officer . . .	0	0	0	0
John W. Kosiba — Senior Vice President, Chief Financial Officer and Treasurer . . . . .	0	0	0	0
All current executive officers, as a group . . . . .	0	0	0	0
All current directors who are not executive officers, as a group . . . . .	0	0	18,200(2)	\$160,000(2)
All employees, including all current officers who are not executive officers, as a group . . . . .	0	0	0	0

- (1) No current non-employee director is entitled to any future option grant in connection with his or her commencing service on the Board.
- (2) Represents the aggregate annual stock grants to four non-employee directors, each with a grant date fair value of \$40,000, expected to occur with respect to each fiscal year on and after April 1, 2019 in which such non-employee directors provide services. The number of shares is calculated based on the market value of a share of common stock as of June 13, 2019 equaled \$8.79, but is subject to change based on the share price utilized in connection with the actual grants.

## Additional Prior Award Information

The table below shows, as to our non-employee directors and the various indicated groups, the number of shares of our common stock subject to awards granted under the 2007 Director Plan as of June 13, 2019. All future awards under the 2007 Director Plan will be made by the Board or the Compensation Committee as described above.

<u>Name and Position</u>	<u>Number of options (1)</u>	<u>Number of stock awards</u>
<i>Named Executive Officers:</i>		
Daniel P. McGahn — President and Chief Executive Officer . . . . .	0	0
John W. Kosiba — Senior Vice President, Chief Financial Officer and Treasurer . . .	0	0
All current executive officers, as a group . . . . .	0	0
All current directors who are not executive officers, as a group . . . . .	15,642	71,683
<i>Director nominees:</i>		
Vikram S. Budhreja . . . . .	0	29,429
Arthur H. House . . . . .	9,703	13,325
Barbara G. Littlefield . . . . .	5,939	0
Daniel P. McGahn . . . . .	See above	See above
David R. Oliver, Jr. . . . .	0	28,929
Each associate of any of such directors, executive officers or nominees . . . . .	0	0
Persons who receive or are to receive 5% of options, warrants or rights under 2007 Director Plan . . . . .	n/a	n/a
All employees, including all current officers who are not executive officers, as a group . . . . .	0	0

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- (1) The weighted average exercise price of these options is \$8.27 and, as of June 13, 2019, the weighted remaining contractual life of these options is 8.29 years.

**Securities Authorized for Issuance Under Our Equity Compensation Plans**

For information regarding the securities authorized for issuance under our equity compensation plans, see “Information about Executive and Director Compensation — Securities Authorized for Issuance Under Our Equity Compensation Plans” on page 35 of this proxy statement.

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
(PROPOSAL 4)**

The Audit Committee has selected the firm of RSM US LLP as our independent registered public accounting firm for fiscal 2019, and has directed that we submit this selection for ratification by the stockholders at the Annual Meeting. Although stockholder ratification is not required, the designation of RSM US LLP is being submitted for ratification at the Annual Meeting because AMSC believes it is a good corporate governance practice. If this proposal is not approved at the Annual Meeting, the Audit Committee may reconsider its selection of RSM US LLP. Even if the selection is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accountant at any time during the fiscal year if it determines that such a change would be in the best interest of AMSC and its stockholders.

Representatives of RSM US LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

Ratification of the selection by the Audit Committee of RSM US LLP as our independent registered public accounting firm for the current fiscal year requires the affirmative vote of the holders of a majority of the shares of common stock voting on the matter. Abstentions will have no effect on the outcome of this proposal. Because brokers have discretionary authority to vote on the ratification of the selection of our independent registered public accounting firm, we do not expect any “broker non-votes” in connection with this proposal.

**The Board recommends a vote FOR ratification of the Audit Committee’s selection of RSM US LLP as our independent registered public accounting firm for the current fiscal year.**

**Independent Registered Public Accounting Firm’s Fees**

The following table summarizes the fees charged by RSM US LLP and its affiliates for the services rendered to us with respect to each of the last two fiscal years:

<u>Fee Category</u>	<u>Fiscal Year Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Audit Fees (1) .....	\$675,240	\$748,716
Audit-Related Fees .....	—	—
Tax Fees .....	—	—
All Other Fees .....	—	—
Total Fees .....	<u>\$675,240</u>	<u>\$748,716</u>

(1) Audit fees consist of fees for the audit of our annual financial statements, the audit of our internal control over financial reporting, the review of the interim financial statements included in our quarterly reports on Form 10-Q, and other professional services provided in connection with statutory and regulatory filings or engagements.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below. All services provided to us by RSM US LLP and its affiliates in each of fiscal 2018 and fiscal 2017 were approved in accordance with this policy.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.



The Audit Committee has also delegated to the chairman of the Audit Committee the authority to approve any audit or non-audit services to be provided to us by our registered public accounting firm. Any approval of services by a member of the Audit Committee pursuant to this delegated authority is reported on at the next meeting of the Audit Committee.

## OTHER MATTERS

### **Solicitation of Proxies**

We will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and employees may, without additional pay, solicit proxies by telephone, facsimile, e-mail and personal interviews. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy materials to the persons for whom they hold shares and request instructions for voting the proxies. We will reimburse the brokerage houses and other persons for their reasonable expenses in connection with this distribution.

### **Stockholder Proposals for 2020 Annual Meeting**

#### *Stockholder Proposals Included in Proxy Statement*

To be considered for inclusion in the proxy statement relating to our 2020 Annual Meeting pursuant to Rule 14a-8, stockholder proposals must be received by our Corporate Secretary at our principal executive offices no later than February 21, 2020, which is 120 calendar days before the anniversary of the date our proxy statement was released to stockholders in connection with this year's Annual Meeting. If the date of next year's annual meeting is changed by more than 30 days from the anniversary date of this year's Annual Meeting on August 1, then the deadline is a reasonable time before we begin to print and mail proxy materials. Upon receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement and proxy in accordance with SEC regulations governing the solicitation of proxies.

#### *Stockholder Proposals Not Included in Proxy Statement*

We must receive other proposals of stockholders (including director nominations) intended to be presented at the 2020 Annual Meeting but not included in our proxy statement by May 3, 2020, but not before April 3, 2020, which is not less than 90 days nor more than 120 days prior to the anniversary date of this year's Annual Meeting. However, in the event the 2020 Annual Meeting is scheduled to be held on a date before July 12, 2020 or after September 30, 2020, which is 20 days before or 60 days after the anniversary date of this year's Annual Meeting, then your notice may be received by us at our principal executive office not earlier than the 120th day prior to the 2020 Annual Meeting and not later than the close of business on the later of (1) the 90th day before the scheduled date of such annual meeting or (2) the 10th day after the day on which we first make a public announcement of the date of such annual meeting. Any proposals we do not receive in accordance with the above standards will not be voted on at the 2020 Annual Meeting.

Each stockholder's notice for a proposal must be timely given to our Corporate Secretary at our corporate headquarters located at 114 East Main Street, Ayer, MA 01432. Each notice is required to set forth as to each matter proposed to be brought before an annual meeting certain information and must meet other requirements specified in our bylaws, as determined by us, including (1) a brief description of the business the stockholder desires to bring before the meeting and the reasons for conducting such business at the meeting, (2) the name and address, as they appear on our stock transfer books, of the stockholder proposing such business, (3) the number of shares of our common stock beneficially owned by the stockholder making the proposal, (4) a description of all arrangements or understandings between such stockholder and any other persons in connection with the proposal and any material interest of the stockholder in such business, (5) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting and (6) a representation whether the stockholder intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to approve or adopt the proposal or otherwise to solicit proxies from stockholders in support of such proposal.

For director nominations, a stockholder's notice to our Corporate Secretary must set forth information specified in our bylaws, as to each person proposed to be nominated, including (1) the name, age, business address and, if known, residence address of such person, (2) the principal occupation or employment of such person, (3) the number of shares of our common stock which are beneficially owned by such person on the date of such stockholder notice, (4) the consent of each nominee to serve as a director if elected and (5) any other

information concerning such person that must be disclosed as to nominees in proxy solicitations pursuant to the rules of the SEC. The notice must also set forth as to the stockholder giving the notice (1) the name and address, as they appear on our transfer books, of such stockholder and of any beneficial owners of our capital stock registered in such stockholder's name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s), (2) the number of shares of our common stock held of record, beneficially owned or represented by proxy by such stockholder, (3) a description of all arrangements or understandings between such stockholder and any other persons in connection with the nomination, (4) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate the person(s) named in its notice and (5) a representation whether the stockholder intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to elect the nominee or otherwise to solicit proxies from stockholders in support of such nomination.

### **Important Notice Regarding Delivery of Security Holder Documents**

We have adopted the cost saving practice of "householding" proxy statements and annual reports. Some banks, brokers and other nominee record holders are also "householding" proxy statements and annual reports for their customers. This means that only one copy of our proxy statement or annual report may have been sent to multiple shareholders in your household unless we have received instructions otherwise. We will promptly deliver a separate copy of any of these documents to you if you write our Investor Relations department at 114 East Main Street, Ayer, Massachusetts 01432 or call (978) 399-8344. If you want to receive separate copies of the annual report or proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address or phone number.

### **Electronic Delivery of Stockholder Communications**

If you received your Annual Meeting materials by mail, we encourage you to conserve natural resources, as well as significantly reduce our printing and mailing costs, by signing up to receive your stockholder communications via e-mail. To sign up for electronic delivery, visit [www.proxyvote.com](http://www.proxyvote.com). Your electronic delivery enrollment will be effective until you cancel it, which you may do at any time by following the procedures described at the website listed above. If you have questions about electronic delivery, please write our Investor Relations department at 114 East Main Street, Ayer, Massachusetts 01432 or call (978) 399-8344.

AMERICAN SUPERCONDUCTOR CORPORATION  
2007 STOCK INCENTIVE PLAN, AS AMENDED

1. Purpose

The purpose of this 2007 Stock Incentive Plan, as amended (the “Plan”) of American Superconductor Corporation, a Delaware corporation (the “Company”), is to advance the interests of the Company’s stockholders by enhancing the Company’s ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to align their interests with those of the Company’s stockholders. Except where the context otherwise requires, the term “Company” shall include any of the Company’s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the “Code”) and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the “Board”). This Plan constitutes an amendment and restatement of the 2007 Stock Incentive Plan, as approved by the Board on May 8, 2014, and approved by the Company’s stockholders on August 1, 2014, as adjusted to take into account the Company’s reverse stock split, effective as of March 24, 2015 (the “Existing Plan”). In the event that the Company’s stockholders do not approve the Plan, the Existing Plan will continue in full force and effect on its terms and conditions as in effect immediately prior to the date the Plan is approved by the Board.

2. Eligibility

All of the Company’s employees, officers, consultants and advisors are eligible to receive options, stock appreciation rights (“SARs”), restricted stock, restricted stock units (“RSUs”) and other stock-based awards (each, an “Award”) under the Plan. Each person who receives an Award under the Plan is deemed a “Participant”.

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board’s sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a “Committee”). All references in the Plan to the “Board” shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board’s powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Awards (subject to any limitations under the Plan) to employees or officers of the Company or any of its present or future subsidiary corporations and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of the Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Awards that the officers may grant; provided further, however, that no officer shall be authorized to grant Awards to any “executive officer” of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) or to any “officer” of the Company (as defined by Rule 16a-1 under the Exchange Act).

4. Stock Available for Awards.

(a) Number of Shares.

(1) Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan for up to 4,600,000 shares of common stock, \$0.01 par value per share, of the Company (the “Common Stock”). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Fungible Share Pool. For purposes of this Section 4(a), any Award (i) that is not a Full-Value Award shall be counted against the number of shares available for the future grant of Awards as one share for each share of Common Stock subject to such Award, and (ii) that is a Full-Value Award and is granted on or after August 1, 2014 shall be counted against the number of shares available for the future grant of Awards as one share for each share of Common Stock subject to such Full-Value Award. “Full-Value Award” means any Restricted Stock Award (as defined below) or Other Stock-Based Award (as defined below) with a per share price or per unit purchase price lower than 100% of Fair Market Value (as defined below) on the date of grant. To the extent a share that was subject to an Award that counted as one share is returned to the Plan pursuant to Section 4(a)(3), the number of shares available for the future grant of Awards shall be credited with one share. To the extent that a share that was subject to an Award that, prior to August 1, 2014, counted as one and three-tenths shares (or, prior to May 9, 2012, two shares) is returned to the Plan pursuant to Section 4(a)(3), the number of shares available for the future grant of Awards shall be credited with one and three-tenths shares or two shares, as applicable.

(3) Share Counting and Reacquired Shares. For purposes of counting the number of shares available for the grant of Awards under the Plan, all shares of Common Stock covered by independent SARs shall be counted against the number of shares available for the grant of Awards; provided, however, that independent SARs that may be settled in cash only shall not be so counted. If any Award (i) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right), or (ii) results in any Common Stock not being issued (including as a result of an independent SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; provided, however, in the case of Incentive Stock Options (as hereinafter defined), the foregoing shall be subject to any limitations under the Code; and provided, further, in the case of independent SARs, that the full number of shares subject to any such SAR (or portion thereof) settled in stock shall be counted against the number of shares available under the Plan regardless of the number of shares actually used to settle such SAR (or portion thereof) upon exercise. The following shares shall not be added back to the number of shares available for the future grant of Awards: (A) shares of Common Stock tendered to the Company by a Participant to (x) purchase shares of Common Stock upon the exercise of an Award, or (y) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation); and (B) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award.

(b) Per-Participant Award Limitation Under the Plan. Subject to adjustment under Section 9, the maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 250,000 per calendar year. For purposes of the foregoing limit, the combination of an Option (as defined below) in tandem with an SAR shall be treated as a single Award.

(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sub-limits contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an “Option”) and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option which is not intended to be an Incentive Stock Option (as hereinafter defined) shall be designated a “Nonstatutory Stock Option”.

(b) Incentive Stock Options. An Option that the Board intends to be an “incentive stock option” as defined in Section 422 of the Code (an “Incentive Stock Option”) shall only be granted to employees of the Company, any of the Company’s present or future parent or subsidiary corporations as defined in Section 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or for any action taken by the Board, including without limitation the conversion of an Incentive Stock Option to a Nonstatutory Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify such exercise price in the applicable option agreement. The exercise price shall be not less than 100% of the Fair Market Value (as defined below) on the date the Option is granted; provided that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; provided, however, that no Option will be granted for a term in excess of 10 years.

(e) Exercise of Option. Options may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as the Board may otherwise provide in an option agreement, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) when the Common Stock is registered under the Securities Exchange Act of 1934 (the “Exchange Act”), by delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by (or in a manner approved by) the Board (“Fair Market Value”), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant at least six months prior to such delivery and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent permitted by applicable law and by the Board and provided for in the option agreement, by (i) delivery of a promissory note of the Participant to the Company on terms determined by the Board, or (ii) payment of such other lawful consideration as the Board may determine; or

(5) by any combination of the above permitted forms of payment.

(g) Limitation on Repricing. Unless such action is approved by the Company’s stockholders: (1) no outstanding Option granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option (other than adjustments pursuant to

Section 9) and (2) the Board may not cancel any outstanding Option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled Option.

6. Stock Appreciation Rights.

(a) General. An SAR is an Award entitling the holder, upon exercise, to receive an amount in cash or Common Stock or a combination thereof (such form to be determined by the Board) determined in whole or in part by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock. SARs may be based solely on appreciation in the fair market value of Common Stock or on a comparison of such appreciation with some other measure of market growth such as (but not limited to) appreciation in a recognized market index. The date as of which such appreciation or other measure is determined shall be the exercise date unless another date is specified by the Board in the SAR Award.

(b) Grants. SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) Tandem Awards. When SARs are expressly granted in tandem with Options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable (except to the extent designated by the Board in connection with a Reorganization Event) and will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SAR will terminate and no longer be exercisable upon the termination or exercise of the related Option, except to the extent designated by the Board in connection with a Reorganization Event and except that a SAR granted with respect to less than the full number of shares covered by an Option will not be reduced until the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) Independent SARs. A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Board may specify in the SAR Award.

(c) Exercise Price. The Board shall establish the exercise price of each SAR and specify it in the applicable SAR agreement. The exercise price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; provided that if the Board approves the grant of a SAR with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; provided, however, that no SAR will be granted with a term in excess of 10 years.

(e) Exercise of SARs. SARs may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board, together with any other documents required by the Board.

(f) Limitation on Repricing. Unless such action is approved by the Company's stockholders: (1) no outstanding SAR granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding SAR (other than adjustments pursuant to Section 9) and (2) the Board may not cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled SAR.

7. Restricted Stock; Restricted Stock Units.

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ("Restricted Stock"), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient

in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. Instead of granting Awards for Restricted Stock, the Board may grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests or is otherwise settled pursuant to Section 7(c)(3)(i) (“Restricted Stock Units”) (Restricted Stock and Restricted Stock Units are each referred to herein as a “Restricted Stock Award”).

(b) Terms and Conditions. The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price, if any.

(c) Additional Provisions Relating to Restricted Stock.

(1) Dividends. Unless otherwise provided by the Board, if any dividends or distributions are paid in shares, or consist of a dividend or distribution to holders of Common Stock, the shares, cash or other property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid. Each dividend payment will be made no later than the end of the calendar year in which the dividends are paid to shareholders of that class of stock or, if later, the 15th day of the third month following the date the dividends are paid to shareholders of that class of stock.

(2) Stock Certificates. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant’s death (the “Designated Beneficiary”). In the absence of an effective designation by a Participant, “Designated Beneficiary” shall mean the Participant’s estate.

(3) Additional Provisions Relating to Restricted Stock Units.

(i) Settlement. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or an amount of cash equal to the Fair Market Value of one share of Common Stock, as provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant.

(ii) Voting Rights. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(iii) Dividend Equivalents. To the extent provided by the Board, in its sole discretion, a grant of Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock (“Dividend Equivalents”). Dividend Equivalents may be paid currently or credited to an account for the Participants, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, as determined by the Board in its sole discretion, subject in each case to such terms and conditions as the Board shall establish, in each case to be set forth in the applicable Award agreement.

## 8. Other Stock-Based Awards.

Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants (“Other Stock-Based Awards”). Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine. Subject to the provisions of the Plan, the Board shall determine the conditions of each Other Stock-Based Awards, including any purchase price applicable thereto.



9. Adjustments for Changes in Common Stock and Certain Other Events.

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the sub-limits and share counting rules set forth in Section 4(a) and Section 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share- and per-share provisions and the exercise price of each SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable). Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A “Reorganization Event” shall mean: (i) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (ii) any exchange of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange transaction or (iii) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock Awards. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock Awards on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that the Participant’s unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the “Acquisition Price”), make or provide for a cash payment to a Participant equal to the excess, if any, of (A) the Acquisition Price times the number of shares of Common Stock subject to the Participant’s Awards (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of all such outstanding Awards and any applicable tax withholdings, in exchange for the termination of such Awards, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 9(b), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the

Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) Consequences of a Reorganization Event on Restricted Stock Awards. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company under each outstanding Restricted Stock Award shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Restricted Stock Award. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Award or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock Awards then outstanding shall automatically be deemed terminated or satisfied.

#### 10. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; provided, however, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if, with respect to such proposed transferee, the Company would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such Award under the Securities Act of 1933, as amended; provided, further, that the Company shall not be required to recognize any such transfer until such time as the Participant and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise or release from forfeiture of an Award or, if the Company so requires, at the same time as is payment of the exercise price unless the Company

determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares surrendered to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) Amendment of Award. The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 9 hereof.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

(i) Performance Awards.

(1) Grants. Restricted Stock Awards and Other Stock-Based Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 10(i) ("Performance Awards").

(2) Performance Measures. For any Performance Award, the Committee shall specify that the degree of granting, vesting and/or payout shall be subject to the achievement of one or more performance measures established by the Committee, which shall be based on the relative or absolute attainment of specified levels, and which may include, but are not limited to, the following: net income, earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, operating profit before or after discontinued operations and/or taxes, sales, sales growth, earnings growth, cash flow or cash position, gross margins, stock price, market share, return on sales, assets, equity or investment, improvement of financial ratings, achievement of balance sheet or income statement objectives or total shareholder return, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Committee may specify that such performance measures shall be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the writedown of any asset, and (v) charges for restructuring and rationalization programs. Such performance measures: (A) may vary by Participant and may be different for different Awards; and (B) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Committee.

(3) Provisions Applicable to Section 162(m) Awards. Notwithstanding any other provision of the Plan or any Award, each Award made under the Plan prior to November 2, 2017 that is intended to qualify as "performance-based compensation" as described in Section 162(m)(4)(C) of the Code prior to its repeal or is otherwise not subject to the deduction limitation of Section 162(m) of the Code because it was granted to an individual who was not considered a "covered employee" under Section 162(m) of the Code (each such Award, a

“Section 162(m) Award”) shall be subject to any additional limitations as the Committee determines necessary for such Section 162(m) Award to qualify as “performance-based compensation” as described in Section 162(m)(4)(C) of the Code prior to its repeal or to otherwise be exempt from Section 162(m) of the Code pursuant to the transition relief rules in the Tax Cuts and Jobs Act of 2017, and to the extent any of the provisions of the Plan or any Award would cause any Section 162(m) Award to fail to so qualify or to otherwise be so exempt, any such provisions shall not apply to such Award to the extent necessary to ensure the continued qualification or exemption of such Award. To the extent permitted by applicable law, the Plan and any such Award shall be deemed amended to the extent necessary to conform to such requirements. To the extent necessary with respect to Section 162(m) Awards, the Committee shall be comprised solely of two or more directors intended to qualify as “outside directors” for purposes of Section 162(m) of the Code.

## 11. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan (as approved by the Board on June 13, 2019) shall become effective on the date the Plan (as approved by the Board on June 13, 2019) is approved by the Company’s stockholders. No Awards shall be granted under the Plan after the expiration of 10 years from August 1, 2024, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) no amendment that would require stockholder approval under applicable law or the rules of the NASDAQ Stock Market (“NASDAQ”) may be made effective unless and until such amendment shall have been approved by the Company’s stockholders; and (ii) if the NASDAQ amends its corporate governance rules so that such rules no longer require stockholder approval of “material amendments” to equity compensation plans, then, from and after the effective date of such amendment to the NASDAQ rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 4(c) or 9), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless stockholder approval is obtained. In addition, if at any time the approval of the Company’s stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

(e) Provisions for Foreign Participants. The Board may modify Awards granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

(f) Compliance with Code Section 409A. No Award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A is not so exempt or compliant or for any action taken by the Board.

(g) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law principles.

*First adopted by the Board of Directors on May 15, 2007 and approved by the stockholders on August 3, 2007*

*Plan, as amended, approved by the Board of Directors on October 30, 2008*

*Plan, as amended, adopted by the Board of Directors on May 12, 2009, and approved by the stockholders on August 6, 2009.*

*Plan, as amended, approved by the Board of Directors on May 12, 2010*

*Plan, as amended, adopted by the Board of Directors on May 9, 2012, and approved by the stockholders on July 27, 2012.*

*Plan, as amended, adopted by the Board of Directors on May 8, 2014, and approved by the stockholders on August 1, 2014.*

*Plan, as amended, adopted by the Board of Directors on June 14, 2016, and approved by the stockholders on July 29, 2016.*

*Plan, as amended, adopted by the Board of Directors on June 13, 2019, and approved by the stockholders on [            ], 2019.*

**AMERICAN SUPERCONDUCTOR CORPORATION  
AMENDED AND RESTATED  
2007 DIRECTOR STOCK PLAN**

**1. Purpose.**

The purpose of this Amended and Restated 2007 Director Stock Option Plan (the “Plan”) of American Superconductor Corporation (the “Company”) is to encourage stock ownership in the Company by outside directors of the Company whose continued services are considered essential to the Company’s future success and to provide them with a further incentive to remain as directors of the Company. This Plan constitutes an amendment and restatement of the 2007 Director Stock Plan, as approved by the Company’s Board of Directors (the “Board”) on May 8, 2014, and approved by the Company’s stockholders on August 1, 2014, as adjusted to take into account the Company’s reverse stock split, effective as of March 24, 2015 (the “Existing Plan”). In the event that the Company’s stockholders do not approve the Plan, the Existing Plan will continue in full force and effect on its terms and conditions as in effect immediately prior to the date the Plan is approved by the Board.

**2. Administration.**

(a) Administration by Board. The Board shall supervise and administer the Plan. Except for grants permitted under Section 5(b), grants of stock options and stock awards under the Plan and the amount and nature of the options and awards to be granted shall be automatic in accordance with Section 5(a). The Board shall have authority to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any options and awards granted under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any option or award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board’s sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any option or award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Delegation. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board. All references in the Plan to the “Board” shall mean the Board or a committee of the Board to the extent that the Board’s powers or authority under the Plan have been delegated to such committee.

**3. Participation in the Plan.**

Directors of the Company who are not full-time employees of the Company or any subsidiary of the Company (“Outside Directors”) shall be eligible to receive options and stock awards under the Plan, except that Directors of the Company who are representatives of an equity holder of the Company shall not be eligible to receive options or awards under the Plan.

**4. Stock Subject to the Plan.**

(a) Shares Issuable. The maximum number of shares of the Company’s common stock, par value \$.01 per share (“Common Stock”), which may be issued under the Plan shall be 280,000 shares, subject to adjustment as provided in Section 7.

(b) Reissuance of Shares. If any outstanding option under the Plan for any reason expires or is terminated, surrendered, or cancelled without having been exercised in full, the shares covered by the unexercised portion of such option shall again become available for issuance pursuant to the Plan.

(c) Non-Statutory Options. All options granted under the Plan shall be non-statutory options and not entitled to special tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended.

(d) Unissued and Treasury Shares. Shares of Common Stock issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

## 5. Director Option and Award Grants; Terms of Director Options.

(a) Automatic Director Equity Grants. The Company shall grant options or awards to Outside Directors under the Plan as follows:

(i) Initial Option Grants to Outside Directors. An option to purchase shares of Common Stock shall be granted automatically to an Outside Director on the date such Outside Director commences service on the Board. The number of shares of Common Stock subject to such option shall be determined by dividing (A) \$40,000, by (B) the Black-Scholes value of an option to purchase one share of Common Stock, which Black-Scholes value shall be based on the last reported sale price per share of Common Stock on the business day immediately prior to the date an Outside Director commences service on the Board and the valuation assumptions for the most recent period set forth in the most recent Form 10-Q or 10-K (or any successor forms) of the Company (rounding the resulting number to the nearest whole share of Common Stock).

(ii) Stock Awards to Outside Directors. With respect to each fiscal year of the Company:

(A) With respect to each Outside Director providing services on the third business day following the last day of such fiscal year of the Company, an award of Common Stock shall be granted automatically, on the third business day following the last day of such fiscal year of the Company, to such Outside Director. The number of shares of Common Stock subject to such award shall equal the product of (x) \$40,000 divided by the last reported sale price per share of Common Stock on the second business day following the last day of such fiscal year of the Company, and (y) a fraction, the numerator of which is the number of days in such fiscal year in which such Outside Director provided services to the Company and the denominator of which is the number of days in such fiscal year (rounding the resulting product to the nearest whole share of Common Stock).

(B) With respect to each Outside Director who provided services as of the commencement of such fiscal year, but ceased providing services prior to any grant pursuant to Section 5(a)(ii)(A) with respect to such fiscal year, an award of Common Stock shall be granted automatically, on the last business day of service of such Outside Director, to such Outside Director. The number of shares of Common Stock subject to such award shall equal the product of (x) \$40,000 divided by the last reported sale price per share of Common Stock on the business day prior to the last business day of service of such Outside Director, and (y) a fraction, the numerator of which is the number of days in such fiscal year in which such Outside Director provided services to the Company and the denominator of which is the number of days in such fiscal year (rounding the resulting product to the nearest whole share of Common Stock).

The shares of Common Stock covered by awards described in this Section 5(a)(ii) shall be fully vested and not subject to any repurchase rights or other contractual restrictions.

(b) Discretionary Equity Awards to Outside Directors. Without limiting Section 5(a), but subject to Section 5(d), the Board is authorized to grant options and awards to Outside Directors, from time to time, in its sole discretion, on such terms and conditions as it may determine, which shall not be inconsistent with the Plan.

(c) Terms of Director Options. Each option granted pursuant to Section 5(a)(i) or 5(b) shall be evidenced by a written agreement in such form as the President or the Executive Vice President, Corporate Development shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

(i) Option Exercise Price. The option exercise price per share for each option granted under the Plan shall be equal to the fair market value per share of Common Stock on the date of grant, which shall be determined as follows: (i) if the Common Stock is listed on the Nasdaq Global Market or another nationally recognized exchange or trading system as of the date on which a determination of fair market value is to be made, the fair market value per share shall be deemed to be the last reported sale price per share of Common Stock thereon on such date (or, if no such price is reported on such date, such price on the nearest preceding date on which such a price is reported); and (ii) if the Common Stock is not listed on the Nasdaq Global Market or another nationally recognized exchange or trading system as of the date on which a determination of fair market value is to be made, the fair market value per share shall be as determined by the Board.

(ii) Transferability of Options. Subject to clause (vi) below, except as the Board may otherwise determine, options shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the optionee, shall be exercisable only by the optionee; provided, however, that the Board may permit or provide in an option for the gratuitous transfer of such option by the applicable Outside Director to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Outside Director and/or an immediate family member thereof if, with respect to such proposed transferee, the Company would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such option under the Securities Act of 1933, as amended; provided, further, that the Company shall not be required to recognize any such transfer until such time as the applicable Outside Director and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the option.

(iii) Vesting Period.

(A) General. Each option granted pursuant to Section 5(a)(i) shall become exercisable in equal annual installments over a two year period following the date of grant.

(B) Acceleration Upon a Change in Control of the Company. Notwithstanding the foregoing, each outstanding option granted pursuant to Section 5(a)(i) shall immediately become exercisable in full in the event a Change in Control of the Company (as defined in this subsection) occurs. For purposes of the Plan, a "Change in Control of the Company" shall occur or be deemed to have occurred only if (i) any "person", as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) during any period of two consecutive years ending during the term of any option agreement issued under the Plan, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect any transaction described in clause (i), (iii) or (iv) of this subsection (B)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were either directors at the beginning of the period or whose election or whose nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; (iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or there occurs the sale or disposition by the Company of all or substantially all of the Company assets.

(iv) Termination. Each option shall terminate, and may no longer be exercised, on the earlier of the (i) the date ten years after the date of grant or (ii) the date 60 days after the optionee ceases to serve as a director of the Company for any reason, whether by death, resignation, removal or otherwise.

(v) Exercise Procedure. Options may be exercised only by written notice to the Company at its principal office accompanied by (i) payment in cash or by certified or bank check of the full consideration for the shares as to which they are exercised or (ii) an irrevocable undertaking, in form and substance satisfactory to the Company, by a broker to deliver promptly to the Company sufficient funds to pay the exercise price or (iii) delivery of irrevocable instructions, in form and substance satisfactory to the Company, to a broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price.



(vi) Exercise by Representative Following Death of Director. An optionee, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his or her legal representative, who, by reason of the optionee's death, shall acquire the right to exercise all or a portion of the option. If the person or persons so designated wish to exercise any portion of the option, they must do so within the term of the option as provided herein. Any exercise by a representative shall be subject to the provisions of the Plan.

(d) Award Limit. Notwithstanding any provision in the Plan to the contrary, no Outside Director shall be granted options or awards under the Plan in any one fiscal year with a grant date fair value, as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto, in excess of \$500,000.

## **6. Limitation of Rights.**

(a) No Right to Continue as a Director. Neither the Plan, nor the granting of an option nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the optionee shall be entitled to continue as a director for any period of time.

(b) No Stockholder Rights for Options. An optionee shall have no rights as a stockholder with respect to the shares covered by his or her option until the date of the issuance to him or her of a stock certificate therefor, and no adjustment will be made for dividends or other rights (except as provided in Section 7) for which the record date is prior to the date such certificate is issued. Notwithstanding the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend, and the distribution date (i.e., the date on which the closing market price of the Common Stock on a stock exchange or trading system is adjusted to reflect the split) is subsequent to the record date for such stock dividend, an optionee who exercises an option between the close of business on such record date and the close of business on such distribution date shall be entitled to receive the stock dividend with respect to the shares of Common Stock acquired upon such option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on such record date.

(c) Compliance with Securities Laws. Each option and stock award shall be subject to the requirement that if, at any time, counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such option or stock award upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, or the disclosure of non-public information or the satisfaction of any other condition is necessary as a condition to, or in connection with, the issuance or purchase of shares thereunder, such option may not be exercised, in whole or in part, and such stock award shall not be granted, unless such listing, registration, qualification, consent or approval, or satisfaction of such condition shall have been effected or obtained on conditions acceptable to the Board.

## **7. Adjustments for Changes in Capitalization and Reorganization Events.**

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, and (ii) the number and class of securities and exercise price per share of each outstanding option and each option issuable under Section 5(a) shall be equitably adjusted by the Company. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(i) Definition. A “Reorganization Event” shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any exchange of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange transaction or (c) any liquidation or dissolution of the Company.

(ii) Consequences of a Reorganization Event on Options. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding options on such terms as the Board determines: (i) provide that the options shall be assumed, or substantially equivalent options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to an optionee, provide that the optionees’ unexercised options will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the optionee within a specified period following the date of such notice, (iii) provide that outstanding options shall become exercisable, in whole or in part, prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the “Acquisition Price”), make or provide for a cash payment to a participant equal to the excess, if any, of (A) the Acquisition Price times the number of shares of Common Stock subject to the optionees’ options (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of such outstanding options and any applicable tax withholdings, in exchange for the termination of such options, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing.

**8. Amendment, Modification or Termination of Options.**

(a) Amendment, Modification or Termination. Subject to Section 8(b), the Board may amend, modify or terminate any outstanding option, including but not limited to, substituting therefor another option of the same or a different type and changing the date of exercise or realization. A Outside Director’s consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, would not materially and adversely affect the Outside Director’s rights under the Plan or (ii) the change is permitted under Section 7 hereof.

(b) Required Stockholder Approval. Unless such action is approved by the Company’s stockholders: (1) no outstanding option granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding option (other than adjustments pursuant to Section 7) and (2) the Board may not cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefor new options under the Plan covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option.

**9. Termination and Amendment of the Plan.**

The Board may suspend, terminate or discontinue the Plan or amend it in any respect whatsoever; provided, however, that without approval of the stockholders of the Company, no amendment may (i) increase the number of shares subject to the Plan (except as provided in Section 7), or (ii) effect any action which requires approval of the stockholders pursuant to the rules or requirements of the Nasdaq Stock Market (“Nasdaq”) or any other exchange on which the Common Stock of the Company is listed. No amendment that would require stockholder approval under Nasdaq rules may be made effective unless and until such amendment shall have been approved by the Company’s stockholders. If Nasdaq amends its corporate governance rules so that such rules no longer require stockholder approval of “material amendments” to equity compensation plans, then, from and after the effective date of such amendment to the Nasdaq rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan, (B) expanding the types of options or stock awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan

shall be effective unless stockholder approval is obtained. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 9 shall apply to, and be binding on the holders of, all options and awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment does not materially and adversely affect the rights of participants under the Plan.

**10. Notice.**

Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the Treasurer of the Company and shall become effective when it is received.

**11. Governing Law.**

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware (without regard to conflicts of law principles of any jurisdiction).

**12. Stockholder Approval; Effective Date.**

The Plan (as amended and restated hereby) shall become effective on the date the Plan (as amended and restated hereby) is approved by the Company's stockholders. No options or stock awards shall be granted under the Plan after the expiration of ten years from August 1, 2024, but options previously granted may extend beyond that date.

*First adopted by the Board of Directors on May 15, 2007 and approved by the stockholders on August 3, 2007*

*Plan, as amended, approved by the Board of Directors on October 30, 2008*

*Plan, as amended, approved by the Board of Directors on May 12, 2009*

*Plan, as amended, approved by the Board of Directors on March 31, 2014*

*Plan, as amended, approved by the Board of Directors on May 8, 2014 and approved by the stockholders on August 1, 2014*

*Plan, as amended, approved by the Board of Directors on June 14, 2016 and approved by the stockholders on July 29, 2016*

*Plan, as amended, approved by the Board of Directors on June 13, 2019 and approved by the stockholders on [            ], 2019*