ILLINOIS SUPERCONDUCTOR CORPORATION
Form DEF 14A
May 22, 2001

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant To Section 14(a) of the Securities

Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Under Rule 14a-12

ILLINOIS SUPERCONDUCTOR CORPORATION

(Name Of Registrant As Specified In Its Charter)

(Name Of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.
Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

451 Kingston Court

Mt. Prospect, Illinois 60056

May 24, 2001

Dear Stockholder:

On behalf of the board of directors, I cordially invite you to attend the 2001 Annual Meeting of Stockholders of Illinois Superconductor Corporation, to be held on June 22, 2001, beginning at 1:00 p.m., local time, at the Doubletree Guest Suites, 1400 Milwaukee Avenue, Glenview, IL 60025.

The matters that we expect will be acted upon at the meeting are described in the attached Proxy Statement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR ALL OF THE PROPOSALS IN THE PROXY STATEMENT.

It is important that your shares be represented whether or not you are able to be present at the Annual Meeting. Please sign and date the enclosed proxy card and promptly return it to us in the enclosed postage paid envelope.

Your vote is very important, regardless of the amount of stock that you own.

We have made great strides over the last year to get our financial house in order and to refocus our efforts on the potential opportunities that lie ahead. We believe your support for the proposals described in the Proxy Statement is essential for us to continue with this program. Please return your proxy card as soon as possible.

Sincerely,

George Calhoun
Chairman of the Board and
Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 22, 2001

To the Stockholders of
Illinois Superconductor Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Illinois Superconductor Corporation (the Company), a Delaware corporation, will be held at the Doubletree Guest Suites, 1400 Milwaukee Avenue, Glenview, IL 60025 beginning at 1:00 p.m., local time, for the following purposes:

(1) To elect two Class II directors to the Company s board of directors for a term of three (3) years and until their successors are duly elected and qualified;

(2) To approve an amendment to the Company s Certificate of Incorporation to change the corporate name of the Company from Illinois Superconductor Corporation to ISCO International, Inc. ;

(3) To approve amendments to the Illinois Superconductor Corporation 1993 Stock Option Plan, as amended, as described in the Proxy Statement;

(4) To ratify the appointment by the board of directors of Grant Thornton LLP as the independent auditors of the Company s financial statements for the fiscal year ending December 31, 2001; and

(5) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The board of directors has fixed the close of business on April 27, 2001 as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting. Only stockholders of record of the Company as of the close of business on April 27, 2001 will be entitled to vote at the Annual Meeting. The Company will maintain a complete list of its stockholders entitled to vote at the Annual Meeting at its headquarters located at 451 Kingston Court, Mt. Prospect, IL for ten days prior to the date of the Annual Meeting. If the Company has to adjourn the Annual Meeting, then it will take action on the items described above on the date to which the Annual Meeting is adjourned.

By Order of the Board of Directors,

Charles F. Willes, Secretary

Mt. Prospect, IL
May 24, 2001

ILLINOIS SUPERCONDUCTOR CORPORATION

451 KINGSTON COURT
MT. PROSPECT, ILLINOIS 60056

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the board of directors of Illinois Superconductor Corporation, a Delaware corporation (the Company), for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held at 1:00 p.m., local time, on June 22, 2001 at the Doubletree Guest Suites, 1400 Milwaukee Avenue, Glenview, IL 60025, and any adjournment or postponement thereof. This Proxy Statement and accompanying proxy are first being mailed to stockholders on or about May 24, 2001.

Record Date and Outstanding Shares. The board of directors has fixed the close of business on April 27, 2001 as the record date (the Record Date) for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. As of the Record Date, the Company had outstanding 107,751,614 shares of common stock, par value $.001 per share, including attached preferred stock purchase rights (the Common Stock).

Each of the outstanding shares of Common Stock is entitled to one vote on all matters to come before the Annual Meeting. As of the Record Date, none of the Company s Preferred Stock, par value $.001 per share, was outstanding.

Voting of Proxies. Dr. George Calhoun and Mr. Charles F. Willes, the persons named as proxies on the proxy card accompanying this Proxy Statement, were selected by the board of directors of the Company to serve in such capacity. Dr. Calhoun and Mr. Willes are officers of the Company and Dr. Calhoun is also Chairman of the board of directors. **Each executed and returned proxy will be voted in accordance with the directions indicated thereon, or if no direction is indicated, such proxy will be voted in accordance with the recommendations of the board of directors contained in this Proxy Statement.**

Each stockholder giving a proxy has the power to revoke it at any time before the shares it represents are voted. Revocation of a proxy is effective upon receipt by the Secretary of the Company of either (i) an instrument revoking the proxy or (ii) a duly executed proxy bearing a later date. Additionally, a stockholder may change or revoke a previously executed proxy by voting in person at the Annual Meeting.

Required Vote. The affirmative vote of a plurality of the shares of Common Stock voted in person or by proxy is required to elect the nominees for director. The affirmative vote of a majority of the outstanding shares of Common Stock entitled to vote thereon (53,875,808 shares as of the Record Date) is required to approve the amendment to the Company s certificate of incorporation, as amended (the Certificate of Incorporation). The affirmative vote of a majority of the shares of Common Stock present, in person or represented by proxy at the Annual Meeting and entitled to vote on the matters is required to approve the

amendments to the Illinois Superconductor Corporation 1993 Stock Option Plan, as amended and the ratification of the appointment of Grant Thornton LLP as the Company s independent auditors.

Quorum; Abstentions and Broker Non-Votes. A majority of the shares of Common Stock issued and outstanding as of the Record Date is required to transact business at the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspector of election appointed for the Annual Meeting.

Abstentions and broker non-votes will be included in determining the presence of a quorum. Abstentions and broker non-votes will have no effect on the election of directors, but will have the same effect as votes against the proposal to approve the amendment to the Certificate of Incorporation. In the case of the amendments to the Illinois Superconductor Corporation 1993 Stock Option Plan and the ratification of the appointment of the independent auditors, abstentions will have the effect of votes against the proposals, but broker non-votes will have no effect on the outcome.

Stockholder List. A list of stockholders entitled to vote at the Annual Meeting, arranged in alphabetical order, showing the address and number of shares registered in the name of each stockholder, will be open to the examination of any stockholder for any purpose germane to the Annual Meeting during ordinary business hours commencing June 12, 2001 and continuing through the date of the Annual Meeting at the principal offices of the Company, 451 Kingston Court, Mt. Prospect, Illinois 60056.

Who Can Help Answer Your Questions?

If you have questions about the Annual Meeting or would like additional copies of this Proxy Statement, you should contact our Secretary and Chief Financial Officer, Charles F. Willes, 451 Kingston Court, Mt. Prospect, Illinois 60056, telephone (847)391-9400.

Annual Report

The Company s Annual Report to Stockholders for the year ended December 31, 2000, accompanies this Proxy Statement. **On written request, the Company will provide, without charge, a copy of its Annual Report on Form 10-K/A for the year ended December 31, 2000, filed with the Securities and Exchange Commission (including a list briefly describing the exhibits thereto), to any record holder or beneficial owner of Common Stock on April 27, 2001, the Record Date, or to any person who subsequently becomes such a record holder or beneficial owner. Requests should be directed to the attention of the Secretary of the Company at the address of the Company set forth above.**

A Warning About Forward-Looking Statements

The Company makes forward-looking statements in this document. These forward-looking statements are subject to risks and uncertainties, including those that are enumerated under the heading Risk Factors in the Company s Annual Report to Stockholders on Form 10-K/A for the year ended December 31, 2000 and in the Company s other filings with the Securities and Exchange Commission and the uncertainty as to whether certain discussions by the Company will lead to, or result in consummation of any strategic business opportunities. Such risks and uncertainties could cause actual results to differ materially from those projected. Therefore, there can be no assurance that such statements will prove to be correct. In some cases, you can identify forward-looking statements by terminology such as may, will, should, plans, believes, anticipates, expects and intends, or the negative of such terms and terminology. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated events.

PROPOSAL 1

ELECTION OF DIRECTORS

The board of directors currently consists of six directors. Article Seven of the Certificate of Incorporation provides that the board of directors shall be classified with respect to the terms for which its members shall hold office by dividing the members into three classes. At the Annual Meeting, two Class II directors are to be elected for a term of three years expiring at the 2004 Annual Meeting of Stockholders. **The board of directors recommends that the**

stockholders vote FOR the election of the nominees named in this Proxy Statement to continue to serve as a director of the Company. See Nominees for Election below.

The Class III and Class I directors whose terms of office expire in 2002 and 2003, respectively, will continue to serve after the Annual Meeting until such time as their respective terms of office expire or their successors are duly elected and qualified. See Other Directors below.

If at the time of the Annual Meeting a nominee should be unable or decline to serve, a proxy named on the proxy card accompanying this Proxy Statement will vote for such substitute nominee as the board of directors recommends, or vote to allow the vacancy created thereby to remain open until filled by the board, as the board recommends. The board of directors has no reason to believe that either of the nominees will be unable or will decline to serve as directors if elected.

Nominees for Election

The name of each nominee for the office of the Class II director, together with certain information concerning such nominees, is set forth below:

Name	Age	Position with the Company	Served as Director Since
Howard S. Hoffmann	47	Director	1998
Tom L. Powers	64	Director	1996

Mr. Hoffmann has served as a director of the Company since July 1998. Mr. Hoffmann is currently a principal of Nightingale & Associates, LLC, a management consulting firm. Mr. Hoffmann has been a member of the board of directors of Vision Twenty-One, Inc. (OTCBB: EYES) since September 2000 and was appointed Chairman of the Board in February 2001. Mr. Hoffmann has over 20 years of financial, operational and general management experience in a wide range of industries including computer hardware and software, consumer products, financial services, distribution and transportation. He joined Nightingale & Associates in 1990 after serving as interim Chief Financial Officer of two privately held businesses. Mr. Hoffmann began his career with Irving Trust Company as a commercial lending officer and later served as Vice President, Corporate Lending at Bank of America in the high technology group. More recently, he served as Chief Financial Officer of Applications Systems, Inc., an information technology firm operating in seven European countries, and as interim Chief Financial Officer and Chief Operating Officer of a $100 million consumer products company with international operations. Mr. Hoffmann holds a B.A. degree in Mathematics and Economics from the University of California Santa Barbara and an M.B.A. in Finance from the University of Pennsylvania, Wharton Graduate School of Business. Mr. Hoffmann is the Chairman of the Audit Committee and a member of the Compensation Committee.

Mr. Powers has served as a director of the Company since October 1996. From 1993 to 1999, he was an Associate Director of the Advanced Manufacturing Center at New Mexico State University in Las Cruces, New Mexico. He is on the board of directors of Material Recovery of North America, a start up company in New Mexico, and is a consultant to a number of companies in the telecommunications industry. From 1989 to 1991, Mr. Powers was President of the cellular systems business unit of AT&T Network Systems Group, now known as Lucent Technologies, Inc. Under his leadership, the business unit became the market leader in wireless infrastructure equipment in the United States, opened markets internationally and introduced the industry s first digital cellular system. In 1983, he became Vice President of a joint venture between AT&T and Philips Telecommunications B.V. located in the Netherlands. He joined AT&T in 1958 as a member of the technical staff of Bell Laboratories and went on to management positions in consumer products, customer switching systems engineering and network planning. Mr. Powers holds a M.E.E. degree in Electrical Engineering from New York University and a B.S. degree in Electrical Engineering from the University of Arkansas. Mr. Powers is a member of the Compensation Committee and serves as its Chairman.

Other Directors

The following persons will continue to serve as directors of the Company after the Annual Meeting until their respective terms expire (as indicated below) or until their successors are duly elected and qualified.

Name	Age	Position with the Company	Served as Director Since	Term Expires
Mark D. Brodsky	47	Director	1999	2002
Daniel Spoor	45	Director	2000	2002
George M. Calhoun	48	Director, Chairman of the Board and Chief Executive Officer	1999	2003
Norbert Lou	27	Director	2001	2003

Mr. Brodsky has served as a director of the Company since November 1999 and was previously a director between June 1998 and March 1999. Since 1996 he has been a Portfolio Manager at Elliott Management Corporation (Elliott Management). In that capacity, Mr. Brodsky provides services for the benefit of Elliott Associates, L.P. (Elliott Associates) and Elliott International, L.P. (f/k/a Westgate International, L.P.) (Elliott International). Elliott Associates and Elliott International are institutional investment firms having combined capital of $1.3 billion, and are two of the three principal investors in the Company. Prior to joining Elliott Management, Mr. Brodsky served for two years as a vice president and partner at Dickstein Partners, L.P., another investment institution. Prior to Dickstein, he practiced law for 16 years, primarily at Kramer, Levin, Naftalis & Frankel in New York City, where he was a partner for several years. Mr. Brodsky holds a J.D. degree, cum laude, from Harvard Law School and an M.A. and B.A. in Political Science, summa cum laude, from the University of Pennsylvania.

Mr. Spoor has served as a director of the Company since December 2000. Mr. Spoor was appointed President and Chief Executive Officer of Lockheed Martin Canada, Inc. in December 1999. Lockheed Martin Canada is a highly diversified global enterprise principally engaged in the research, design, manufacture, and integration of advanced-technology products. Prior to becoming Lockheed Martin Canada s President and CEO in 1999, Mr. Spoor was Vice President-Operations for the Lockheed Martin Electronics Sector and held executive positions at the Lockheed Martin Ocean, Radar & Sensor Systems business, Vice President-Traffic Management and Vice President-Manufacturing Operations. From 1989 to 1995, Mr. Spoor was Vice President with General Signal. Earlier, during his 12 years with General Electric, he held a variety of management positions. Mr. Spoor earned a B.S. degree in Mechanical Engineering from Clarkson University, and an M.B.A. from the University of South Carolina. Mr. Spoor is a member of the Audit Committee.

Dr. Calhoun has served as a director and as the Chief Executive Officer of the Company since November 1999 and as Chairman since November 2000. He has more than 20 years of experience in high-tech wireless systems development, beginning in 1980 as the co-founder of InterDigital Communications Corporation (Nasdaq: IDCC), where he participated in the development of the first commercial application of digital TDMA radio technology, and introduced the first wireless local loop system to the North American telecommunications industry. While at InterDigital, Dr. Calhoun held a number of executive positions, including Senior Vice-President of the North

American business unit, Senior VP of technology & strategy, and President of IMM Technology, an intellectual property and licensing subsidiary. In 1992, Dr. Calhoun joined Geotek Communications to help lead its technology development program for a spread spectrum frequency hopping radio system for fleet applications. Dr. Calhoun was a Director and Vice-Chairman of Geotek (which filed for reorganization under Chapter 11 of the Federal Bankruptcy Code in 1998), and served as the Chairman of the company s engineering joint venture in Israel, PowerSpectrum Technologies, Ltd. until

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1998. In 1998, Dr. Calhoun founded Davinci Solutions, LLC, a consulting firm focused on wireless and Internet technology companies. Dr. Calhoun is also Chairman of ExpertCall LLC, an Internet start-up focused on B2B customer care applications. He is the author of two technical books on digital wireless technology, and of the forthcoming Third Generation Wireless Systems: Volume I, Post-Shannon Architectures. Dr. Calhoun holds a Ph.D. in Systems Science from the Wharton School at the University of Pennsylvania, as well as a B.A. from the same university.

Mr. Lou has served as a director of the Company since January 2001. Since 1998 he has been a Portfolio Analyst at Elliott Management. In that capacity, Mr. Lou provides services for the benefit of Elliott Associates and Elliott International. Prior to joining Elliott Management, Mr. Lou was an Analyst in the Mergers and Acquisitions Group at Brown Brothers Harriman & Company. Mr. Lou holds a B.S. in Biological Engineering from Cornell University.

Securityholders Right to Designate Directors. A Securities Purchase Letter Agreement dated as of November 5, 1999 by and between the Company, Elliott Associates, Elliott International and Alexander Finance, LP (Alexander and with Elliott Associates and Elliott International, the Investors), as amended (the Letter Agreement), granted the Investors the right to designate for selection as members of the Company s board of directors up to two-thirds of the Company s board of directors. Upon the conversion of the senior convertible notes held by Elliott Associates and Elliott International on December 29, 2000, the Letter Agreement was automatically terminated. The board of directors accepted the resignation of Samuel Perlman in January 2001 and appointed Norbert Lou of Elliott Associates, pursuant to Elliott Associates request, to the Company s board of directors. Mr. Brodsky will continue as a Class III member of the board of directors until 2002 as another designee pursuant to the Letter Agreement. Mr. Howard Hoffmann, who was designated by the Investors (and other investors in the Company) in July 1998 to be a director of the Company pursuant to designation rights under the terms of the Securities Purchase Agreement dated as of May 15, 1998, between the Company, the Investors and other investor named therein, has served on the board since that time and continues as a director.

Director Compensation. During 2000, the Company did not provide any cash compensation to its directors for their service on the board of directors. Each director of the Company who is not an employee of the Company (a Non-Employee Director) participates in the Illinois Superconductor Corporation 1993 Stock Option Plan (the Plan). The Plan provides for the automatic grant of non-qualified stock options (NQSOs) to each Non-Employee Director who is re-elected or continues to serve as a director because his or her term has not expired in consideration of his or her service on the board of directors to purchase 40,000 shares of Common Stock at the reported closing price of the Common Stock on the date of each annual meeting of the stockholders of the Company, provided that no such automatic grant shall be made to a Non-Employee Director who is first elected to the board of directors at the first such meeting or was first elected to the board of directors within three months prior to such annual meeting. This amount was increased from 10,000 shares to 40,000 shares in February 2001 with such options to vest monthly over a two year period from the date of grant.

In addition, the Plan was also amended in May 2001 to provide for the automatic grant of NQSOs to each Non-Employee Director who is appointed or continues to serve on a committee of the board of directors in consideration of his or her service on a committee to purchase 5,000 shares of Common Stock at the reported closing price of the Common Stock on the date of each annual meeting of the stockholders of the Company, provided that no such automatic grant shall be made to a Non-Employee Director who was first appointed to the committee within three months prior to such annual meeting. These stock options vest monthly over a two year period from the date of grant and expire ten years from the date of grant.

Pursuant to the Plan as in effect in 2000, Messrs. Perlman, Powers, Brodsky and Hoffmann were each granted an option to purchase 10,000 shares of Common Stock on July 18, 2000 and Mr. Spoor was granted an option to purchase 10,000 shares of Common Stock in December 2000. In addition, each Non-Employee Director may also be granted additional stock options at the discretion of the board; provided, however, that during any calendar year, stock options for no more than 500,000 shares of Common Stock may be granted to any individual Non-Employee Director. The terms of such discretionary stock option grants shall be

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determined by the board of directors. On February 5, 2001, each Non-Employee director received a grant of stock options to purchase 30,000 shares of Common Stock at an exercise price of $1.9375 which vest on a monthly basis over a two year period. In addition, Mr. Hoffmann was granted two options to purchase 5,000 shares of Common Stock on May 2, 2001 at an exercise price of $1.35 for his service on the Audit and Compensation Committee during 2000 and Mr. Powers was granted an option to purchase 5,000 shares of Common Stock on May 2, 2001 at an exercise price of $1.35 for his service on the Compensation Committee.

All Non-Employee Directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending board and committee meetings.

Meetings. During the year ended December 31, 2000, the board of directors held 18 meetings. Each director attended at least 75% of the aggregate of the number of board meetings (during the period of his service as a director) and the total number of meetings of committees on which he served that were held (during the period of his service as a member of such committee) during 2000.

Committees of the Board of Directors. The board of directors has established an Audit Committee and a Compensation Committee, each of which is comprised entirely of Non-Employee Directors. The Audit Committee consists of Mr. Hoffmann (Chairman) and as of May 2001, Mr. Spoor. The Compensation Committee consists of Messrs. Powers (Chairman) and Hoffmann. The Company does not have a standing Nominating Committee.

The Audit Committee generally has responsibility for recommending independent auditors to the board of directors for selection, reviewing the plan and scope of the audit, reviewing the Company s audit and control functions, oversight of the Company s insider trading policy and reporting to the full board of directors regarding all of the foregoing. The Audit Committee held one meeting in 2000. See Report of the Audit Committee.

The Compensation Committee generally has responsibility for recommending to the board of directors guidelines and standards relating to the determination of executive compensation, reviewing the Company s executive compensation policies and reporting to the full board of directors regarding the foregoing. The Compensation Committee also has responsibility for administering the Plan, determining the number of options to be granted to the Company s executive officers and employees pursuant to the Plan and reporting to the full board of directors regarding the foregoing functions. The Compensation Committee held 10 meetings in 2000. See Report of the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

Tom L. Powers and Howard S. Hoffmann served as members of the Compensation Committee of the board of directors. Neither Mr. Powers nor Mr. Hoffmann currently serves as an officer of the Company. There are no compensation committee interlocks between the Company and any other entity involving the Company s or such entity s executive officers or board members.

Executive Officers

Set forth below is a table identifying executive officers of the Company who are not identified in the tables entitled Election of Directors Nominees for Election or Other Directors. Biographical information for Dr. Calhoun is set forth above under Other Directors.

Name	Age	Position with Company
Amr Abdelmonem	35	EVP and Chief Technology Officer
Charles F. Willes	46	Chief Financial Officer
Shawn P. Doyle	46	EVP, Commercial Development
Dennis M. Craig	41	Vice President/General Manager Manufacturing
Michael Cromar	54	Vice President Louisville, CO Operations

Dr. Abdelmonem joined the Company in January 1995 as a Filter Engineer and was promoted to Director of Engineering in August 1998, to Vice President of Development Engineering in March 1999 and to Chief Technology Officer in December 1999. Before joining the Company, Dr. Abdelmonem was an engineer with Exxon Corporation in Egypt. Subsequently, he was affiliated with the University of Maryland in a number of research and teaching positions where much of his research focused on semi-conductor laser and advanced filter design. Dr. Abdelmonem earned his B.S. and M.S. degrees in Electrical Engineering from Ain-Shams University in Cairo, Egypt, and his Ph.D. from the University of Maryland. Much of his research focused on semi-conductor laser design, superconducting technology and advanced filter design. Dr. Abdelmonem is a Senior Member of the IEEE and has published numerous documents for industry conferences and trade journals. He holds three patents and has four patent applications pending.

Mr. Willes joined the Company in July 2000 and brings more than 20 years executive and corporate finance experience, including 10 years experience in the fields of high technology and wireless communication. Mr. Willes has extensive experience with start-up firms, focusing on their efforts to achieve initial profitability, and negotiating strategic partnerships, joint venture arrangements, and M&A transactions, with more than 60 such transactions completed. Before joining the Company, Mr. Willes served as President and CEO of Hallcrest, Inc., a leading manufacturer of thermochromic liquid crystals and microencapsulated products. He has held corporate development positions at Motorola, Inc. and AirTouch Communications, Inc. While in those positions, he led the efforts in completing nine major domestic and international telecommunication joint ventures. Throughout his corporate finance career, he has raised more than $1 billion in capital funding. Mr. Willes started his career as a CPA at KPMG Peat Marwick. Mr. Willes holds an M.B.A. in Finance/Accounting from the University of Illinois and a B.S. in Business from Eastern Illinois University. In addition, he has completed additional post-graduate work at both the University of Michigan and DePaul University.

Mr. Doyle, formerly Executive Vice President Commercial Development for Spectral Solutions, Inc. (SSI) continues in that role with the Company. Mr. Doyle has served as Vice President of Sales for Triton Network Systems, a broadband wireless company. As Vice President, Sales for Wireless Networks at Northern Telecom, Inc., he led a sales team that secured over $1 billion in wireless customer contracts over three years. In his 19-year career with Nortel, Mr. Doyle served as Director of Sales for various departments, including MSL-100 Distributor Sales, Cellular Systems, the Motorola-Nortel Wireless Systems joint venture, and Wireless Networks. Mr. Doyle holds an M.B.A. from Vanderbilt University and a B.S. degree in Chemistry from St. John s University.

Mr. Craig joined the Company in December 1996 as Vice President, Engineering and Manufacturing. Before joining the Company, Mr. Craig was at Motorola, Inc., where he served as Manufacturing and Technical Operations Manager in the Component Products Division, where his responsibilities included the management of engineering, process engineering, manufacturing operations and development of new product platforms. Prior to joining Motorola, Mr. Craig spent four years at Northrop/Grumman Defense Systems Division, leading teams to develop numerous cost reduction and production process improvement programs. He holds a B.S. degree in Mechanical Engineering from the University of Illinois at Chicago and an M.B.A. degree from Lake Forest Graduate School of Management. He currently holds two patents.

Dr. Cromar joined the Company as Vice President, Engineering and Development, a post he held at SSI. Dr. Cromar is principally responsible for the development and prototyping of the SupeRx, a tower-top HTS front-end receiver. Formerly head of Research and Development at SCT, Dr. Cromar managed numerous development projects for commercial customers and government sponsors. During his 16-year tenure with the National Institute of Standards and Technology (NIST), Boulder Laboratories, Dr. Cromar supervised and performed research and development in superconducting devices, materials, and fabrication. As the first Project Leader of the High Tc Superconducting Electronics Project at NIST, Dr. Cromar developed and led a team that achieved worldwide recognition for its research on high Tc Josephson junctions and microwave devices. He is the recipient of the Department of Commerce Gold and Silver medals for his work on superconducting devices. He received his Ph.D. in Physics from the University of Oregon and a B.S. degree in Physics and a B.A. degree in Psychology from Stanford University.

The board of directors elects officers annually and such officers, subject to the terms of certain employment agreements, serve at the discretion of the board. See Executive Compensation and Certain Transactions Employment Agreements. The Company entered into employment agreements with Messrs. Cromar and Doyle in August 2000, Mr. Abdelmonem effective as of January 2001 and is contemplating entering into employment agreements with Dr. Calhoun, Mr. Willes and Mr. Craig. There are no family relationships among any of the directors or executive officers of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s officers (as defined under Section 16(a) of the Securities Exchange Act), directors and persons who own greater than 10% of a registered class of the Company s equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely on a review of the forms it has received and on written representations from certain reporting persons that no such forms were required for them, the Company believes that during 2000, all of the Section 16(a) filing requirements applicable to its officers, directors and 10% beneficial owners were complied with by such persons.

Executive Compensation and Certain Transactions

The following table provides information concerning the annual and long-term compensation for services in all capacities to the Company for the years ended December 31, 2000, 1999 and 1998 of (i) the Company s chief executive officer and (ii) all other executive officers whose salary and bonus for services rendered in all capacities to the Company for the fiscal year ended December 31, 2000 exceeded $100,000 (collectively, the Named Executive Officers).

Summary Compensation Table

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	Year	Salary	Bonus	Restricted Stock Awards	Securities Underlying Options
George M. Calhoun	2000	$163,288			500,000
Chief Executive Officer	1999	4,730	$10,000		100,000
	1998				

Dennis M. Craig
2000 150,000 $502,440(1) 205,000
Vice President/General Manager
1999 150,575 95,000 1998 141,760 70,000
Amr Abdelmonem
2000 138,661 $502,440(1) 280,000
Chief Technical Officer
1999 116,345 69,575 1998 95,675 5,000
Charles F. Willes (2)
2000 66,346 300,000
Chief Financial Officer
1999 1998
Cynthia Quigley (3)
2000 101,635 35,000
Former Chief Financial Officer
1999 69,325 12,000 30,000 1998

(1) Based on 120,000 shares granted to each of Mr. Craig and Dr. Abdelmonem and the closing price of the Common Stock ($4.187) on the date of grant, February 15, 2000. The value of these shares at December 29, 2000, based on a closing price of $1.406 on that date, was $168,720, respectively. Dr. Abdelmonem s shares vest at the rate of 25% on the first anniversary of the date of the grant and

monthly thereafter, over a three year period and Mr. Craig s shares vest at the rate of 10%, 20%, 30% and 40% on the first, second, third and fourth anniversary, respectively, of the date of the grant. If any dividends are paid on the Common Stock, such dividends also will be paid on the restricted shares granted to each Named Executive Officer.

(2) Mr. Willes commenced employment with the Company in July 2000.

(3) Ms. Quigley discontinued her employment with the Company in July 2000.

Option Grants In 2000

The following table contains information concerning the grant of stock options by the Company to the Named Executive Officers during 2000. There were no stock appreciation rights granted in 2000.

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Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	S Ap Op 5%
n	500,000	13.6	$6.6094	3/24/10	$2,078

1875 2/15/10 539,957 1,368,350

1875 2/15/10 474,109 1,201,478 100,000 $1.3438 12/19/10 84,525 214,202

75 7/14/10 597,550 1,514,300 100,000 $1.3438 12/19/10 84,525 214,202

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(1) Potential realizable value is presented net of the option exercise price but before any federal or state income taxes associated with exercise. The assumed stock price appreciation rates used to determine the potential realize value are prescribed by the Securities and Exchange Commission rules for illustrative purposes only and are not intended to forecast or predict future stock prices. Actual gains are dependent on the future performance of the Common Stock and the option holder s continued employment throughout the vesting period.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides information concerning the Named Executive Officers unexercised options at December 31, 2000. None of the Named Executive Officers held or exercised any stock appreciation rights, during 2000.

Name	Shares Acquired On Exercise (#)	Value Realized ($)(1)	Number of Securities Underlying Unexercised Options at December 31, 2000		Value of Unexercised In-The-Money Options at December 31, 2000	
			Exercisable	Unexercisable	Exercisable	Unexercisable
George M. Calhoun			100,000	500,000	$95,310	

Dennis M. Craig
171,042 343,958 80,151 $168,744
Amr Abdelmonem
15,250 $64,654 65,025 401,875 45,733 175,173
Charles F. Willes
300,000
Cynthia Quigley
30,000 25,311

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(1) The value per option is calculated by subtracting the exercise price from the closing price of the Common Stock on the OTC Bulletin Board on December 29, 2000 (the last trading day in 2000) of $1.406.

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Employment Agreements. Effective August 11, 1999, the Company entered into an employment agreement with Ms. Quigley and Tatum CFO Partners LLP. The agreement, which was terminated in July 2000, provided for a base salary of $175,000, plus a quarterly bonus of up to 33% of Ms. Quigley s base salary.

The Company entered into an employment agreement with Amr Abdelmonem dated as of January 1, 2001 to be Chief Technology Officer of the Company for a term of three years, with one year renewal options. Dr. Abdelmonem is paid an annual salary of $200,000 and is paid a severance of one year s salary if (i) the Company terminates his employment without Cause (as defined in the agreement) or (ii) Dr. Abdelmonem terminates his employment for Good Reason (as defined in the agreement), which such severance is offset by any income received by Dr. Abdelmonem during the severance period. His severance is increased to two years salary in the case of a change in control (as defined in the agreement) of the Company and a termination as described previously. Dr. Abdelmonem also receives a severance of six months salary if his employment contract expires without renewal. Dr. Abdelmonem s agreement includes a provision for a bonus to be paid at the discretion of the board of directors and certain non-competition, non-solicitation, assignment of invention and confidentiality provisions.

Legal Proceedings with Affiliates. In February 1999, Mark Levy, derivatively on behalf of the Company, filed a complaint against Southbrook International Investments, Ltd. (Southbrook), Elliott Associates, Elliott International, Alexander and against the Company as a nominal defendant. The complaint filed in the United States District Court for the Southern District of New York, alleges that Southbrook, Elliott Associates, Elliott International and Alexander, while having beneficial ownership of more than 10% of our Common Stock, traded the Common Stock such that the Company is entitled to recover short swing profits under Section 16(b) of the Securities Exchange Act of 1934 in connection with purchases and sales of Company securities within six month periods. The complaint sought to recover from Southbrook, Elliott Associates, Elliott International and Alexander their respective profits (in unspecified amounts) from those transactions. No relief was sought against the Company as a nominal defendant.

Elliott Associates, Elliott International and Alexander are each currently holders of more than 10% of our Common Stock. Two of the current six directors of the Company, Messrs. Brodsky and Lou, are employed by a company that provides management services to, and is under common control with, Elliott Associates and Elliott International. Mr. Brodsky was appointed in accordance with the Letter Agreement.

On February 22, 2001, the Company announced that a settlement of this litigation had been reached with Elliott Associates and Elliott International. On March 30, 2001, the settlement was approved by the court which resulted in the Company receiving $15 million, less $4.5 million in legal fees and certain other expenses.

On March 16, 2001, the Company announced that a settlement of this litigation had been reached with Alexander. On April 27, 2001, the settlement was approved by the court which resulted in the Company receiving $5 million, less $1.5 million in legal fees and certain other expenses.

Certain Business Relationships. On October 20, 2000, Elliott Associates and Elliot International purchased, for an aggregate price of $5 million, an aggregate of 1,818,182 shares of Common Stock. The price paid was 10% above the closing price of Common Stock on that date. In addition, the Company agreed to register these shares with the Securities and Exchange Commission for resale. On such date, Messrs. Brodsky and Perlman were directors of the Company and affiliated with Elliott Associates and Elliot International.

On December 29, 2000, Alexander, Elliot Associates and Elliott International, holders of our senior convertible notes, converted $14,354,778 in principal amount of their notes plus accrued interest into 63,283,309 shares of Common Stock.

On February 23, 2001, the Company secured a short-term bridge loan from Elliott Associates for up to $3.5 million to fund the Company s working capital needs. The Company accessed the first $2 million of the loan at closing and accessed the balance of $1.5 million on April 2, 2001. Both loans, plus accrued interest thereon, were repaid in full on April 6, 2001.

THE FOLLOWING REPORT OF THE COMPENSATION COMMITTEE AND THE PERFORMANCE GRAPH ON PAGE 14 WILL NOT BE DEEMED INCORPORATED BY REFERENCE BY ANY GENERAL STATEMENT INCORPORATING BY REFERENCE THIS PROXY STATEMENT INTO ANY FILING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THIS INFORMATION BY REFERENCE. THE FOLLOWING REPORT SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

Report of the Compensation Committee

The objectives of the Compensation Committee in determining the levels and components of executive compensation are (i) providing executives with both cash and equity incentives to further the interests of the Company and its stockholders, (ii) compensating them at appropriate levels with a recognition of compensation levels of executive officers at other high technology companies at a comparable stage of development, and (iii) attracting, rewarding and retaining outstanding executive officers to the Company. Generally, the compensation of all executive officers is composed of a base salary plus a discretionary bonus based upon achievement of specified goals. In addition, the Company grants stock options, from time to time in its discretion, to base potential compensation on stockholder return and to provide for compensation based upon the Common Stock performance over time.

The Compensation Committee determined the terms of the employment agreement for Dr. Abdelmonem and is in the process of negotiating employment agreements with each of Dr. Calhoun and Messrs. Willes and Craig. In determining the base salaries of the executive officers, the Compensation Committee considered the performance of each executive, the nature of the executive s responsibilities, the salary levels of executives at high technology companies at a comparable stage of development, including other publicly held companies that are developing competitive products, and the Company s general compensation practices.

Discretionary bonuses for each of the Company s executive officers are based on achievement of specified goals of the Company and are a function of the criteria which the Compensation Committee believes appropriately take into account the specific areas of responsibility of the particular officer.

The Compensation Committee typically grants stock options to executive officers and other employees with the purpose of aligning the executive officers and other employees with the interests of stockholders and encouraging a long-term focus in managing the Company. From time to time, the Compensation Committee evaluates this policy in light of the market and competitive factors. The exercise price of these stock options is generally the fair market value of the Common Stock on the dates of grant. Vesting periods are used to retain key employees and to emphasize the long-term aspect of contribution and performance. In making stock option grants to executives under the Plan, the Compensation Committee considers a number of factors, including the performance of the executive, achievement of goals, the responsibilities of the executive, review of compensation of executives in high technology companies at a comparable stage of development, and review of the number of stock options each executive currently possesses. Stock options were granted to Dr. Calhoun in March 2000, to Dr. Abdelmonem in February and December 2000, to Mr. Willes in July and December 2000, to Mr. Doyle in August 2000, to Mr. Craig in February 2000 and to Mr. Cromar in August 2000.

Compensation of Chief Executive Officer. Dr. George Calhoun was appointed as Chief Executive Officer in November 1999 and served as Chief Executive Officer during 2000. He also was appointed Chairman of the Board in November 2000. His compensation package of salary, stock options and bonus potential was determined by establishing a base competitive with those paid by other high-tech wireless systems technology companies. A base salary of $250,000 was determined for Dr. Calhoun for 2001. A bonus potential up to 50% of his base salary is contingent upon achieving corporate and individual performance goals to be set by the board of directors. In addition, a grant of options to purchase Common Stock for 500,000 shares was approved by the board of directors in 2000 and an additional grant for an additional 1,200,000 shares was approved effective Jan. 1, 2001, the latter subject to approval by the stockholders of an increase in the total number of shares and in the yearly maximum award available for employee stock options and subject

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to Dr. Calhoun s execution of an employment agreement which is currently being negotiated. These grants were designed to provide Dr. Calhoun with a continuing incentive to remain with the Company and contribute to corporate success.

After considering the status of company finances, the board of directors did not award bonuses to Dr. Calhoun nor to any other officer in 2000.

Compliance with Section 162(m). The Compensation Committee generally intends for compensation paid to the executive officers to be tax deductible to the Company pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)). Section 162(m) provides that compensation paid to the executive officers in excess of $1,000,000 cannot be deducted by the Company for Federal income tax purposes. However, this limitation does not apply to performance-based compensation, provided that certain conditions are satisfied. Although the Company s policy is generally to preserve the federal income tax deductibility of compensation paid, the Compensation Committee retains the authority to approve payments that may not be deductible if it believes that such payments are in the best overall interests of the Company and its stockholders.

Members of the Compensation Committee:

Tom L. Powers (Chairman)
Howard S. Hoffmann

April 30, 2001

THE FOLLOWING REPORT OF THE AUDIT COMMITTEE WILL NOT BE DEEMED INCORPORATED BY REFERENCE BY ANY GENERAL STATEMENT INCORPORATING BY REFERENCE THIS PROXY STATEMENT INTO ANY FILING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THIS INFORMATION BY REFERENCE. THE FOLLOWING REPORT SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

Report of the Audit Committee

The Audit Committee of the board of directors is currently composed of two non-employee directors. The role of the Audit Committee is to assist the board of directors in its oversight of the Company s financial reporting process.

The board of directors, in its business judgment, has determined that each director is independent as defined in Rule 420D(a)(15) of the National Association of Securities Dealers listing standards. The Committee operates pursuant to a charter that was last amended and restated by the Board on March 15, 1999, a copy of which is attached to this Proxy Statement as Appendix A. As set forth in the charter, management of the Company is responsible for the preparation, presentation and integrity of the Company s financial statements, the Company s accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for auditing the Company s financial statements and expressing an opinion as to their conformity with generally accepted accounting principles.

In the performance of its oversight function, the Committee has reviewed and discussed the audited financial statements with management and its independent auditors. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect. Finally, the Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as currently in effect, and has considered whether the provision of non-audit services by the independent auditors to the Company is compatible with maintaining the auditor s independence and has discussed with the auditors the auditors independence.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including in respect of auditor independence. Members of the Committee rely without independent verification on the information provided to them and on the representations made by management and the independent accountants. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal control and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions referred to above do not assure that the audit of the Company s financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the company s auditors are in fact independent .

Based upon the review, reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the charter, the Committee recommended to the board of directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2000 as filed with the Securities and Exchange Commission.

Members of the Audit Committee

Howard S. Hoffmann (Chairman)

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April 30, 2001

Performance Graph

Set forth in this section is a line graph comparing the cumulative total stockholder return on the Company s Common Stock against the cumulative total return of the Nasdaq Market Index and the Hambrecht & Quist Technology Index for the fiscal period of five years commencing December 30, 1995 and ending December 30, 2000. The graph and table assume that $100 was invested on December 30, 1995 in each of the Company s Common Stock, the Nasdaq Market Index and the Hambrecht & Quist Technology Index, and that all dividends were reinvested. This data was furnished by publicly available sources.

In the past, the Company has compared itself to the Hambrecht & Quist Communications Technology Index. However, such Index is no longer available. The Company has decided to change indices and compare itself to the Hambrecht & Quist Technology Index. This Index was chosen because it includes a number of the Company s competitors and includes a number of the companies previously followed in the H&Q Communications Technology Index. The Indices have been selected because the Company has been unable to identify a peer group of companies for comparison. No single public or private company has a comparable mix of technologies under development or products which serve the same markets as the Company.

COMPARISON OF 5-YEAR CUMULATIVE RETURN AMONG ILLINOIS SUPERCONDUCTOR CORPORATION, NASDAQ MARKET INDEX AND H&Q TECHNOLOGY INDEX

	1995	1996	1997	1998	1999	2000
Illinois Super						