

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

**ANNUAL REPORT  
PURSUANT TO SECTIONS 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-21074

**SUPERCONDUCTOR TECHNOLOGIES INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

77-0158076  
(IRS Employer  
Identification No.)

15511 W State Hwy 71, Suite 110-105, Austin TX 78738  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (512) 650-7775

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value	SCON	OTCQB

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  or No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  or No

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

Indicate by check mark whether the registrant has submitted every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  or No

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

The aggregate market value of the common stock held by non-affiliates was \$11.0 million as of June 27, 2020 (the last business day of our most recently completed second fiscal quarter). The closing price of the common stock on that date was \$4.00 as reported by the Nasdaq Capital Market (“Nasdaq”). For purposes of this determination, we excluded the shares of common stock held by each officer and director and by each person who was known to us to own 10% or more of the outstanding common stock as of June 27, 2020. The exclusion of shares owned by the aforementioned individuals and entities from this calculation does not constitute an admission by any of such individuals or entities that he or it was or is an affiliate of ours.

We had 3,151,780 shares of common stock outstanding as of the close of business on March 25, 2021.

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SUPERCONDUCTOR TECHNOLOGIES INC.

FORM 10-K ANNUAL REPORT  
Year Ended December 31, 2020

*Unless otherwise noted, the terms “we,” “us,” and “our” refer to the combined and ongoing business operations of Superconductor Technologies Inc. and its subsidiaries*

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995 for these forward looking statements. Our forward-looking statements relate to future events or our future performance and include, but are not limited to, statements concerning our business strategy, future commercial revenues, market growth, capital requirements, new product introductions, expansion plans and the adequacy of our funding. Other statements contained in this Report that are not historical facts are also forward-looking statements. We have tried, wherever possible, to identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and other comparable terminology.

We caution investors that any forward-looking statements presented in this Report, or that we may make orally or in writing from time to time, are based on the beliefs of, assumptions made by, and information currently available to, us. Such statements are based on assumptions and the actual outcome will be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control or ability to predict. Although we believe that our assumptions are reasonable, they are not guarantees of future performance and some will inevitably prove to be incorrect. As a result, our actual future results can be expected to differ from our expectations, and those differences may be material. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends.

We have included disclosures throughout this Report that relate to our business as it was conducted prior to the planned merger and asset dispositions described below. Readers are cautioned that both historical and forward looking disclosures regarding our business must be read in conjunction with the information regarding the planned merger and asset dispositions, because some disclosures regarding historical operations may not be indicative of future or current operations and plans. In particular, but without limitation, the reference to our historical business operations regarding our HTS wire should not be viewed as a statement that such operations continue to this day. Please see “Our Future Business” for additional important information.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include the following:

- our planned merger with Allied Integral United, Inc. is subject to various uncertainties and risks and to conditions that have not yet been satisfied and there is no assurance the merger will be consummated;
- if we fail to complete our merger with Allied Integral United, Inc. we will have limited business options available as we have sold significant portions of our operating assets;
- our limited cash and a history of losses;
- our need to raise additional capital or complete a strategic alternative for the company. If we are unable to raise capital our ability to implement our current strategic plan and ultimately our viability as a company could be adversely affected;
- the impact of any financing activity on the level of our stock price;
- the dilutive impact of any issuances of securities to raise capital;
- cost and uncertainty from compliance with environmental regulations;
- the impact on the level of our stock price due to our September 10, 2020 1-for-10 reverse stock split and the NASDAQ decision to suspend trading in our stock effective September 30, 2020; and
- local, regional, national and international economic conditions and events, and the impact they may have on us and our customer.

For further discussion of these and other factors see, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” in this Report.

This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Report.

## PART I

### **ITEM 1. BUSINESS**

#### **General**

Please see “Our Future Business” below regarding material information and updates that in many material respects superseded and modify the following general business description.

Superconductor Technologies Inc (“STI”) is a leading company in developing and commercializing high temperature superconductor (“HTS”) materials and related technologies. Superconductivity is the unique ability to conduct electricity with little or no resistance when cooled to “critical” temperatures. HTS materials are a family of elements that demonstrate superconducting properties at temperatures significantly warmer than previous superconducting materials. Electric currents that flow through conventional conductors encounter resistance. This resistance requires power to overcome and generates heat. HTS materials can substantially improve the performance characteristics of electrical systems, reduce power loss, and lower heat generation providing extremely high current carrying density and zero resistance to direct current.

We were established in 1987 shortly after the discovery of HTS materials. Our stated objective was to develop products based on these materials for the commercial marketplace.

After analyzing the market opportunities available, we decided to develop products for the utility and telecommunications industries.

Our initial product was completed in 1998 and we began delivery to a number of wireless network providers. In the following 13 years, we continued to refine and improve the platform, with the primary focus on improving reliability, increasing performance and runtime, and most importantly, removing cost from the manufacturing process of the required subsystems. Our cost reducing efforts led to the invention of our proprietary, high-yield and high throughput HTS material deposition manufacturing process.

In early 2018, we announced the concentration of our future Conductus wire product development efforts on NGEM to capitalize on several accelerating energy megatrends. This refined focus is very synergistic with our program with the Department of Energy (DOE) award for the development of superconducting wire to enable NGEM.

On January 28, 2020, we announced a cost reduction plan for the purpose of aligning our personnel needs and capital requirements as we explored strategic alternatives previously announced. We have maintained operations of our Sapphire Cryocooler cryogenics initiatives while ceasing additional manufacturing of our HTS Conductus® wire. The plan also included a 70% employee workforce reduction.

Subsequent to the announcement on January 28, 2020 about our cost reduction plan, we started the process of selling, in separate transactions, assets that we deemed non-essential going forward. The latest such transaction entered into on March 5th, when considered in combination with the prior transactions since January 28, 2020, may be deemed a material definitive purchase agreement for sales of various production, R&D, and testing equipment and selected intellectual property related primarily to our superconducting wire initiative. The aggregate sales prices of the post January 28th transactions was approximately \$1,075,000, all sold to purchasers having no affiliation with us.

As a result of these sales, we no longer have the ability to resume HTS wire operations without significant new investments and restructured operations and a new HTS wire business plan, neither of which we currently intend to pursue, as we instead focus our efforts on completing the Merger (as defined below).

#### **Our Future Business**

On February 26, 2020, we entered into a definitive merger agreement with Allied Integral United, Inc. (which will change its name to, and is therefore referred herein as, “Clearday”), a privately-held company dedicated to delivering next generation longevity care and wellness services, whereby our wholly-owned subsidiary will merge with and into Clearday in a stock-for-stock transaction with Clearday (the “Merger”), with Clearday surviving and becoming our wholly-owned subsidiary, which will then change its name to Clearday, Inc (the “Merger Agreement”).

As previously disclosed, on May 12, 2020, the Merger Agreement was amended by the parties to (i) add a covenant that the parties shall use their commercially reasonable efforts to cause STI to at all times remain listed on the Nasdaq Capital Market (or higher tier) and that if STI ceases to be listed on the Nasdaq Capital Market then the parties shall (including after the closing of the Merger) use their commercially reasonable efforts to cause STI to become listed on either the Nasdaq Capital Market or the NYSE MKT as promptly as reasonably possible, (ii) remove the conditions to closing the Merger that Nasdaq must determine that all listing deficiencies have been cured and determine to approve the listing of STI’s common stock on the Nasdaq and remove any other provisions in the Merger Agreement of like effect, (iii) extend the “outside date” for the Merger to close until the close of business on September 21, 2020 and (iv) require a customary tax representation letter from STI as a closing condition

As previously disclosed, due to our failure to comply with its listing conditions, the Nasdaq Stock Market notified us that it intended to complete the delisting of our common stock by filing a Form 25 Notification of Delisting with the U.S. Securities and Exchange Commission, which it did on February 2, 2021. Our common stock is no longer listed on a National Securities Exchange. Our stock trades on the OTC QB Market.

As also previously disclosed, we announced that, although the “outside date” of our Merger Agreement with Clearday has expired, both the Company and Clearday intended to finalize an amendment to the Merger Agreement or enter into a new merger agreement and proceed with the merger. Clearday has informed us that the listing of our common stock on the Nasdaq would not be a condition to the closing of the merger. The parties are negotiating a new merger agreement (instead of an extension to the Merger Agreement) that would result in a similar all stock reverse acquisition of us, however there is no assurance that the parties will complete such negotiation successfully or conclude the merger or any transaction at all.

On February 3, 2021, Clearday paid us \$120,000 as a good faith, non-refundable, payment to provide us cash flow support as we negotiate a new merger agreement.

As discussed below, on February 26, 2021, we also obtained a Paycheck Protection Program loan of approximately \$468,000. We believe these funds will be sufficient to conclude a merger with Clearday, if one can be negotiated and our shareholders approve the transaction by the third quarter of 2021. There is no assurance that this will occur and indeed there are significant risks that it will not occur.

If a merger is consummated with Clearday, of which there is no assurance, the merged company will focus on the development of Clearday’s non-residential daily care service model as well as the continued operation of Clearday’s existing Memory Care America residential memory care facilities. As part of plans to develop and expand its assortment of innovative, non-residential daily care services, Clearday intends to leverage our existing Cryogenic Cooler as an enabling technology for one of its service offerings in the healthcare market.

If a merger is not consummated with Clearday in the near future, we will likely be required to liquidate or declare bankruptcy, in which case there would likely be no payments to common stock holders.

### **Our Proprietary Technology**

Our development efforts over the last 30 years have yielded an extensive patent portfolio as well as critical trade secrets, unpatented technology and proprietary knowledge. We have an extensive patent portfolio in addition to critical trade secrets, unpatented technology and proprietary knowledge. In June 2016, we were awarded U.S. Patent No. 9,362,025 from the U.S. Patent and Trademark Office (USPTO) further protecting our unique capabilities for improving the performance of our Conductus superconducting wire in applications that utilize the advantages for operating in the presence of high magnetic field. In February 2017 we were awarded two patents from the USPTO: U.S. Patent No. 9,564,258, associated with U.S. Patent No. 9,362,025, providing additional protection for the foundation from which we will build high performance wire for our customers, and U.S. Patent No. 9,567,661 protecting the system design developed by STI to improve monitoring efficiency when evaporating materials in vacuum. In July 2017, EU patent 2188495 (08797906.8) was granted, this patent follows the U.S. Patent granted by U.S. 8,607,560. This patent is focused on METHOD FOR CENTERING RECIPROCATING BODIES AND STRUCTURES MANUFACTURED THEREWITH, related to our Sapphire Cryocooler. Our current patents expire at various dates from 2020 to 2034. We enter into confidentiality and non-disclosure agreements with our employees, suppliers and consultants to protect our proprietary information.

We have sold most of patents related to our HTS wires business subsequent to January 28, 2020, but retain patents related to our Sapphire Cryocooler technology.

### **Other Assets and Investments**

As mentioned in above, On January 28, 2020, we announced a cost reduction plan for the purpose of aligning our personnel needs and capital requirements as we explored strategic alternatives previously announced, while ceasing additional manufacturing of our HTS Conductus® wire and ceasing work on our DOE contract.

In 2007, we formed a joint venture with Hunchun BaoLi Communication Co. Ltd. (“BAOLI”) for the purpose of manufacturing and selling our SuperLink interference elimination solution in China. The joint venture was subsequently terminated prior to our joint venture partner and us providing our capital and technology contributions and our obligations were terminated.

## **Licenses**

We grant licenses for our technology to other companies. We have granted licenses to, among others, (1) Bruker for Nuclear Magnetic Resonance application, (2) General Dynamics for government applications, (3) Star Cryoelectronics for Superconducting Quantum Interference Device applications and (4) Theva for network infrastructure wireless electronic devices.

## **Government Contracts**

For 2020, 2019 and 2018, government related contracts accounted for 95%, 99% and 100%, respectively, of our revenues.

## **Manufacturing**

Our manufacturing process involved the operation of sophisticated production equipment and material handling by production technicians. We purchased inventory components and manufacture inventory based on existing customer purchase requests, and to a lesser extent, on sales forecasts. Our Austin, Texas facility addressed our growth expectations for our superconducting wire initiative. The opening of that facility coincided with the delivery of our first superconducting wire production equipment in early 2012.

On January 28, 2020, we announced we were ceasing manufacturing of our Conductus wire.

Historically, a number of components used in our products were available from only a limited number of outside suppliers due to unique designs, as well as certain quality and performance requirements. We did not have guaranteed supply arrangements with any of these suppliers, did not maintain an extensive inventory of parts or components and customarily purchase sole or limited source parts and components pursuant to purchase orders. Our reliance on sole or limited source suppliers involved certain risks and uncertainties, many of which were beyond our control, and some of which were set out in our public filings, including in particular the "Risk Factors" included in Item 1A of this Report.

## **Marketing and Sales**

We utilized a direct selling model due to the concentrated customer base for superconducting wire.

## **Competition**

We faced competition in various aspects of our technology and product development. Our products competed on the basis of performance, functionality, reliability, pricing, quality and compliance with industry standards. Our primary competitors include American Superconductor (AMSC), SuperPower (Furukawa), SuNam, Bruker, Shanghai Superconductor, BASF, SuperOx, Fujikura, Sumitomo, Shanghai Creative Superconductor Technologies Co., Ltd (SCSC), Oxolutia, MetOx, THEVA, Showa Cable Systems (SWCC), and Suzhou Advanced Materials Research Institute (SAMRI).

## **Research and Development**

Our 2018 through 2020 research and development activities were focused entirely on developing our Conductus wire product. We spent a total of \$178,000, \$2.4 million and \$2.4 million for 2020, 2019 and 2018, respectively, on research and development.

## **Environmental Issues**

We used certain hazardous materials in our research, development and manufacturing operations. As a result, we were subject to stringent federal, state and local regulations governing the storage, use and disposal of such materials. Current or future laws and regulations could require substantial expenditures for preventative or remedial action, reduction of chemical exposure, waste treatment or disposal. Although we believe that our safety procedures for the handling and disposing of hazardous materials complied with the standards prescribed by state and federal regulations, there is always the risk of accidental contamination or injury from these materials. To date, we have not incurred substantial expenditures for preventive action with respect to hazardous materials or for remedial action with respect to any hazardous materials accident.

## **Corporate Information**

Our facilities and principal executive offices are located at 15511 W State HWY 71, Suite 110-105, Austin, TX 78738 and our telephone number will be (512) 650-7775. We were incorporated in Delaware on May 11, 1987. Additional information about us is available on our website at [www.suptech.com](http://www.suptech.com). The information on our web site is not incorporated herein by reference.

## **Employees and Human Capital**

Between January 28, 2020 and March 5, 2020, we sold substantially all of our assets, and reduced the number of our employees to three. Our three executive officers are our only current employees, and we do not plan to either expand or reduce our headcount. None of our employees are represented by a labor union, and we believe that our employee relations are good.

## **Backlog**

Our commercial backlog consisted of accepted product purchase orders with scheduled delivery dates during the next twelve months. We had no commercial backlog at December 31, 2020 or December 31, 2019.

## ITEM 1A. RISK FACTORS

The following section includes some of the material factors that may adversely affect our business and operations. This is not an exhaustive list, and additional factors could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This discussion of risk factors includes many forward-looking statements. For cautions about relying on such forward looking statements, please refer to the section entitled “Forward Looking Statements” at the beginning of this Report immediately prior to Item 1.

*We have included disclosures throughout this Report, including Risk Factors, that relate to our business as it was conducted prior to the planned Merger and asset disposition described above. Readers are cautioned that both historical and forward looking disclosures, as well as Risk Factors, regarding our business must be read in conjunction with the information regarding the planned Merger and asset dispositions, because some disclosures regarding historical operations may not be indicative of future or current operations and plans. In particular, but without limitation, the reference to our historical business operations regarding our HTS wire should not be viewed as a statement that such operations continue to this day. Please see “Our Future Business” for additional important information.*

### **Overall Risk Related to Our Common Stock**

***The Clearday Merger is very uncertain. If it fails to occur in the near future, we likely will need to file for bankruptcy protection.***

Although we continue to negotiate the merger agreement with Clearday, there remain issues to be resolved, and given the limited time we have to conclude the negotiation, and the lack of any binding obligation on Clearday’s part to consummate a transaction, there is a real possibility we will not be successful. In that event, our only likely option is a bankruptcy filing, in which case the payment to common stock holders would likely be nil. We estimate the outside date for completing our negotiation to be within approximately 30 to 45 days of the filing of this annual report on 10-K, after which time the risk of a failed negotiation materially increases. There is accordingly extremely great risk in investing in our common stock at this time. Indeed, even if we are successful negotiating the merger with Clearday, there will be significant risks associated with our new business.

Even if the Merger is completed, there is no certainty regarding the performance of the combined company. Clearday is a private company with limited financial data. Any financial data of Clearday will only be available to stockholders upon the filing of the registration statement on Form S-4. Completion of the Merger would highly dilute the shares of existing STI stockholders, who, together with STI warrant holders, are collectively expected to own less than 4% of the combined company.

Additionally, the price of our securities may fluctuate significantly due to the market’s reaction to the Merger and general market and economic conditions. An active trading market for our securities may never develop following the Merger or, if developed, it may not be sustained. In addition, the price of our securities following the Merger may vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports.

### **Risks Related to Our Business**

***We have a history of losses and may never become profitable.***

In each of our last five years, we have experienced significant net losses and negative cash flows from operations. In 2020, we incurred a net loss of \$3 million and had negative cash flows from operations of \$3.1 million. In 2019, we incurred a net loss of \$9.2 million and had negative cash flows from operations of \$8.8 million. Our independent registered public accounting firm has included in its audit reports an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Unless we can successfully implement our strategic alternatives plan including, among others, a strategic investment financing which would allow us to pursue our current business plan, a business combination such as our merger with Clearday, or a sale of STI, we will need to raise additional capital during this fiscal year ending December 31, 2021 to maintain our viability.

***We may need to raise additional capital or complete a strategic alternative for the company. If we are unable to raise capital, our ability to implement our strategic plan and ultimately our viability as a company could be adversely affected.***

At December 31, 2020, we had \$1.3 million in cash and cash equivalents. Our current forecast is that our existing cash resources will be sufficient to fund our planned operations into the third quarter of 2021. Our cash resources will not be sufficient to fund our business through the end of the current fiscal year. Therefore we will need to raise additional capital during this fiscal year ending December 31, 2021 to maintain the viability of the Company.

***We consummated various asset sales that fundamentally change our risk profile and business opportunities.***

In order to enter into a possible Merger with Clearday, we effected certain transactions, including a cost reduction plan that was announced January 28, 2020 and sold, in separate transactions, assets that are not related to the Sapphire Cryocooler product and its related technologies. Accordingly, the risks of and opportunities for us have changed significantly since December 2019. If the proposed Merger is not consummated, we will likely need to seek liquidate or bankruptcy protection. If we were to liquidate or file for bankruptcy protection, the cash distribution to shareholders would be very limited in amount, if any.

We have a \$1,600,000 preferred interest in Clearday's San Antonio headquarters building and such amount does not increase based on interest or other factors. Clearday has advised us that Clearday does not have any plans to sell or market such building, nor are we attempting to sell or market our interest in the building. Accordingly, we cannot rely on funds from our interest in the Clearday San Antonio headquarters to generate cash in the near term, nor can we be certain of the value of such interest if we were to seek to market it.

***Our stockholders may not realize a benefit from the merger commensurate with the ownership dilution they will experience in connection with the Merger.***

If the combined company is unable to realize the strategic and financial benefits currently anticipated from the Merger, our stockholders will have experienced substantial dilution of their ownership interest without receiving any commensurate benefit. The significant businesses of the combined company will be the Clearday businesses. Significant financial resources, management attention and other resources will be required for Clearday to continue to develop and expand its longevity care and wellness businesses. There can be no assurance that such development and expansion will be successful.

***Because the lack of a public market for Clearday's capital stock makes it difficult to evaluate the fairness of the Merger, Clearday stockholders may receive consideration in the Merger that is greater than or less than the fair market value of Clearday's capital stock and/or we may issue more securities than the relative fair market value of Clearday's capital stock thereby diluting the existing stockholders of Superconductor more than the relative fair market values of Superconductor and Clearday prior to the merger.***

The outstanding capital stock of Clearday is privately held and is not traded in any public market. The lack of a public market makes it extremely difficult to determine the fair market value of Clearday's capital stock. Because the percentage of our equity to be issued to Clearday's shareholders was determined based on negotiations between the parties, it is possible that the value of our securities to be received by Clearday holders will be less than the fair market value of their Clearday capital stock or that we may pay more than fair market value for Clearday's capital stock.

***Our stockholders will have a reduced ownership and voting interest after the Merger, if an agreement is signed, and will exercise significantly less influence over the policies of the combined company following the merger than they now have on our policies.***

Our stockholders presently have the right to vote in the election of the Board of Directors and on other matters affecting us. Upon the completion of the Merger, if a new merger agreement is signed, our stockholders will own a significantly smaller percentage of the Superconductor common stock, on a fully diluted basis. As a result, current Superconductor stockholders will have significantly less influence on the management and policies of combined company after the Merger, if a new merger agreement is signed, is consummated than they have now.

If a new merger agreement is signed, our current stockholders will not have the right, even if voting as a single group, to elect any of the directors of Superconductor after the merger and our current Board of Directors before the Merger will not be on the Superconductor Board of Directors after the Merger with the exception of Jeffrey Quiram, and there is no obligation of any stockholder to reelect such director or for the governance and nominating committee of the combined company to nominate such individual for re-election after the merger.

As of December 31, 2020, we had outstanding options exercisable for an aggregate of 7,863 shares of common stock at a weighted average exercise price of \$255.90 per share and warrants to purchase up to 623,921 shares of our common stock at a weighted average exercise price of \$44.80 per share. While these options and/or warrants are, as of the date of this filing, "out of the money," if the price of our common stock (adjusted for any stock splits) were to exceed the exercise price of these options or warrants, then it becomes more likely that the holders of such securities will exercise them. In that case, current stockholders of our common stock would, as a group, receive substantially less than the equity stake described above to the extent that the currently "out of the money" options or warrants were to be exercised. We cannot predict if our stock price will rise or if the options or warrants will ever become "in the money".

***We and Clearday could seek to raise capital before the merger, which could be dilutive.***

If a new merger agreement is signed, prior to the merger, Superconductor and Clearday will consider whether to issue new shares of common stock to raise equity capital for the combined company. No commitments to raise capital have been entered into or are currently contemplated.

***Our executive officers and directors have interests in the merger that may differ from stockholders' interests.***

If a new merger agreement is signed, our stockholders should be aware that directors and executive officers of Superconductor have certain interests in such Merger that may differ from the interests of our stockholders. If a new merger agreement is signed, interests of the directors and executive officers of Superconductor are expected to include, but are not limited to, the treatment in such a Merger of Superconductor equity incentive awards and the benefits of certain specified executives under the officer agreements that provide for settlement of certain change in control or severance payments that Superconductor's executive officers are, by reason of their respective employment or severance agreements with Superconductor, entitled to receive in cash upon a qualifying termination of employment following the completion of the merger or, in the case of Mr. Quiram, with respect to the closing of a Merger, regardless of any termination. As a result of these interests, the directors and executive officers of Superconductor might be more likely to support and to vote in favor of a Merger than if they did not have these interests.

***We and Clearday may become involved in securities litigation or stockholder derivative litigation in connection with the Merger, and this could divert the attention of Superconductor and Clearday management and harm the combined company's business, and insurance coverage may not be sufficient to cover all related costs and damages.***

Securities litigation or stockholder derivative litigation may follow the announcement of certain significant business transactions, such as the sale of a business division or announcement of a business combination transaction. Superconductor and Clearday may become involved in this type of litigation in connection with a Merger, and the combined company may become involved in this type of litigation in the future. Litigation often is expensive and diverts management's attention and resources, which could adversely affect the business of Superconductor, Clearday and the combined company. Our financial position is such that we may not be able to fully defend and exercise our rights to defend ourselves in any such litigation which may cause us to accept a settlement that would not be acceptable.

***Our ability to protect our patents and other proprietary rights is uncertain, exposing us to possible losses of competitive advantage.***

Our efforts to protect our proprietary rights may not succeed in preventing infringement by others or ensure that these rights will provide us with a competitive advantage. Pending patent applications may not result in issued patents and the validity of issued patents may be subject to challenge. Third parties may also be able to design around the patented aspects of the products. Additionally, certain of the issued patents and patent applications are owned jointly with third parties. Because any owner or co-owner of a patent can license its rights under jointly-owned patents or applications, inventions made by us jointly with others are not subject to our exclusive control. Any of these possible events could result in losses of competitive advantage.

***We depend on specific patents and licenses to technologies, and we will likely need additional technologies in the future that we may not be able to obtain.***

We utilize technologies under licenses of patents from others for our products. These patents may be subject to challenge, which may result in significant litigation expense (which may or may not be recoverable against future royalty obligations). Additionally, we may be required to utilize intellectual property rights owned by others and may seek licenses to do so. Such licenses may not be obtainable on commercially reasonable terms, or at all. It is also possible that we may inadvertently utilize intellectual property rights held by others, which could result in substantial claims.

***Intellectual property infringement claims against us could materially harm results of operations.***

Our products incorporate a number of technologies, including high-temperature superconductor technology, technology related to other materials, and electronics technologies. Our patent positions, and that of other companies using high-temperature superconductor technology, is uncertain and there is significant risk that others, including our competitors or potential competitors, have obtained or will obtain patents relating to our products or technologies or products or technologies planned to be introduced by us.

We believe that patents may be or have been issued, or applications may be pending, claiming various compositions of matter used in our products. We may need to secure one or more licenses of these patents. There can be no assurances that such licenses could be obtained on commercially reasonable terms, or at all. We may be required to expend significant resources to develop alternatives that would not infringe such patents or to obtain licenses to the related technology. We may not be able to successfully design around these patents or obtain licenses to them and may have to defend ourselves at substantial cost against allegations of infringement of third party patents or other rights to intellectual property. In those circumstances, we could face significant liabilities and also be forced to cease the use of key technology.

***Other parties may have the right to utilize technology important to our business.***

We utilize certain intellectual property rights under non-exclusive licenses or have granted to others the right to utilize certain intellectual property rights licensed from a third party. Because we may not have the exclusive rights to utilize such intellectual property, other parties may be able to compete with us, which may harm our business.

***The recent unprecedented events related to the COVID-19 pandemic have caused significant market disruptions and may have longer-term effects that we and, should the Merger be completed, the combined company cannot predict.***

The recent unprecedented events related to the COVID-19 pandemic have caused significant market disruptions and may have longer-term effects that the combined company cannot predict. The equity and other market professionals continue to assess the consequences of the global pandemic and the extent and effectiveness of government responses, the responses of the Federal Reserve Bank and other governmental and non-governmental organizations cannot be predicted. Should the Merger be completed, the COVID-19 pandemic could continue to impact the business of the combined company, particularly with regard to the senior-care business of Clearday.

## **Risks Related to Our Common Stock**

***Our stock price is volatile.***

The market price of our common stock has been, and is expected to be, subject to significant volatility. The value of our common stock may decline regardless of our operating performance or prospects. Factors affecting our market price include:

- market perception as to a possible Merger and the information provided about Clearday when and if it becomes available, including the risks related to the Clearday business, and the impact on us should the Merger not occur, including bankruptcy;
- our perceived prospects and liquidity with and without the consummation of a Merger;
- the impact of Superconductor's decision to sell certain assets that are not related to its Sapphire Cryocooler assets as part of its cost reduction plan and plan to sell assets including relating to its Conductus wire initiative;
- variations in our operating results and whether we have achieved key business targets;
- changes in, or our failure to meet, earnings estimates;
- changes in securities analysts' buy/sell recommendations;
- differences between our reported results and those expected by investors and securities analysts;
- announcements of new contracts by us or our competitors;
- market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors; and
- general economic, political or stock market conditions.

Recent events have caused stock prices for many companies, including ours, to fluctuate in ways unrelated or disproportionate to their operating performance. The general economic, political and stock market conditions that may affect the market price of our common stock are beyond our control. The market price of our common stock at any particular time may not remain the market price in the future.

***We have a significant number of outstanding warrants and options, and future sales of the shares obtained upon exercise of these options or warrants could adversely affect the market price of our common stock.***

As of December 31, 2020, we had outstanding options exercisable for an aggregate of 7,863 shares of common stock at a weighted average exercise price of \$255.90 per share and warrants to purchase up to 623,921 shares of our common stock at a weighted average exercise price of \$44.80 per share. The holders may sell these shares in the public markets from time to time under a registration statement or under Rule 144, without limitations on the timing, amount or method of sale. As our stock price rises, the holders may exercise their warrants and options and sell a large number of shares. This could cause the market price of our common stock to decline.

***Our corporate governance structure may prevent our acquisition by another company at a premium over the public trading price of our shares.***

It is possible that the acquisition of a majority of our outstanding voting stock by another company could result in our stockholders receiving a premium over the public trading price for our shares. Provisions of our restated certificate of incorporation and our amended and restated bylaws, each as amended, and of Delaware corporate law could delay or make more difficult an acquisition of our company by merger, tender offer or proxy contest, even if it would create an immediate benefit to our stockholders. For example, our restated certificate of incorporation does not permit stockholders to act by written consent, and our bylaws generally require ninety days advance notice of any matters to be brought before the stockholders at an annual or special meeting.

In addition, our board of directors has the authority to issue up to 2,000,000 shares of preferred stock and to determine the terms, rights and preferences of this preferred stock, including voting rights of those shares, without any further vote or action by the stockholders. At December 31, 2020, 1,370,710 shares of preferred stock remained unissued. The rights of the holders of common stock may be subordinate to, and adversely affected by, the rights of holders of preferred stock that may be issued in the future. The issuance of preferred stock could also make it more difficult for a third party to acquire a majority of our outstanding voting stock, even at a premium over our public trading price.

Furthermore, our certificate of incorporation also provides for a classified board of directors with directors divided into three classes serving staggered terms. These provisions may have the effect of delaying or preventing a change in control of us without action by our stockholders and, therefore, could adversely affect the price of our stock or the possibility of sale of shares to an acquiring person.

***We do not anticipate declaring any cash dividends on our common stock.***

We have never declared or paid cash dividends on our common stock and do not plan to pay any cash dividends in the near future. Our current policy is to retain all funds and earnings for use in the operation and expansion of our business. Should the Merger be completed, the combined company does not intend to pay cash dividends in the foreseeable future.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

We leased all of our properties. All of our operations, including our manufacturing facilities, comprising approximately 94,000 square feet, were located in an industrial complex in Austin, Texas that expired in March 31, 2020. We did not renew this lease as we ceased our Conductus wire manufacturing efforts to pursue our merger with Clearday.

**ITEM 3. LEGAL PROCEEDINGS**

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. Excluding ordinary, routine litigation incidental to our business, we are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial condition or results of operation or cash flow.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### **Market for Common Stock**

Our common stock trades on the OTC Markets OTCQB under the symbol "SCON". The following table details the high and low closing prices for the Superconductor Common Stock as reported by OTC Markets OTCQB for the periods indicated.

<b>2020</b>	<b>High</b>	<b>Low</b>
Quarter ended December 31, 2020	\$ 1.79	\$ 0.79
Quarter ended September 26, 2020*	\$ 5.70	\$ 1.40
Quarter ended June 27, 2020	\$ 5.80	\$ 1.80
Quarter ended March 28, 2020	\$ 3.10	\$ 1.40

  

<b>2019</b>	<b>High</b>	<b>Low</b>
Quarter ended December 31, 2019	\$ 7.90	\$ 1.20
Quarter ended September 28, 2019	\$ 10.70	\$ 4.80
Quarter ended June 29, 2019	\$ 18.60	\$ 7.00
Quarter ended March 30, 2019	\$ 25.80	\$ 12.50

\* The common stock of Superconductor was delisted from the Nasdaq Capital Market, effective September 30, 2020. All high and low closing prices prior to September 30, 2020 were as reported by Nasdaq.

#### **Holders of Record**

We had 8 holders of record of our common stock on March 19, 2021. This number does not include stockholders for whom shares were held in a "nominee" or "street" name. We estimate that there are more than 4,000 beneficial owners of our common stock.

#### **Dividends**

We have never paid cash dividends and intend to employ all available funds in the development of our business. We have no plans to pay cash dividends in the near future, and, should a Merger be completed, the combined company also does not foresee paying cash dividends.

Our ability to declare or pay dividends on shares of our common stock is subject to the requirement that we pay an equivalent dividend on each outstanding share of our Preferred Stock (on an as-converted basis).

#### **Sales of Unregistered Securities**

We did not conduct any offerings of equity securities during the fourth quarter of 2020 that were not registered under the Securities Act of 1933.

#### **Repurchases of Equity Securities**

None.

## Securities Authorized for Issuance under Equity Compensation Plans

### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	7,863	\$ 255.90	7,845
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>7,863</b>	<b>\$ 255.90</b>	<b>7,845</b>

#### ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This Management's Discussion and Analysis of Financial Condition and Results of Operations includes many forward-looking statements. For cautions about relying on such forward looking statements, please refer to the section entitled "Forward Looking Statements" at the beginning of this Report immediately prior to Item 1.*

##### General

We were a leading company in developing and commercializing high temperature superconductor ("HTS") materials and related technologies. HTS materials can substantially improve the performance characteristics of electrical systems, reducing power loss, lowering heat generation, and decreasing electrical noise. We currently are seeking to negotiate and consummate a merger with Allied Integral United, Inc. (d/b/a Clearday). If we fail to promptly negotiate and consummate such a merger, there is a high chance we will file for bankruptcy protection.

##### Results of Operations

###### 2020 Compared to 2019

Total revenues decreased by \$361,000 or 66%, to \$184,000 in 2020 from \$545,000 in 2019. Government contract revenues were \$174,000 or 95% of total revenue, of our total revenue in 2020 and \$540,000 or 99% of total revenues in 2019.

Cost of commercial product revenues includes all direct costs, manufacturing overhead, preproduction process development and provision for excess and obsolete inventories. The cost of commercial product revenues totaled \$190,000 for 2020 compared to \$3.3 million in 2019. Cost of government product revenues totaled \$71,000 for 2020 compared to \$303,000 in 2019.

Our cost of commercial product revenues includes both variable and fixed cost components. The variable component consists primarily of materials, assembly and test labor, overhead, which includes equipment and facility depreciation, transportation costs and warranty costs. The fixed component includes test equipment and facility depreciation, purchasing and procurement expenses and quality assurance costs. Given the fixed nature of such costs, the absorption of our production overhead costs into inventory decreases and the amount of production overhead variances charged to cost of sales increases as production volumes decline since we have fewer units to absorb our overhead costs against. Conversely, the absorption of our production overhead costs into inventory increases and the amount of production overhead variances expensed to cost of sales decreases as production volumes increase since we have more units to absorb our overhead costs against. As a result, our gross profit margins generally decrease as revenue and production volumes decline due to lower sales volume and higher amounts of production overhead variances expensed to cost of sales; and our gross profit margins generally increase as our revenue and production volumes increase due to higher sales volume and lower amounts of production overhead variances expensed to cost of sales.

The following is an analysis of our product gross profit margins for 2020 and 2019:

<i>Dollars in Thousands</i>	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Commercial product revenues	\$ 10	\$ 5
Cost of commercial product revenues	190	3,259
Gross loss	\$ (180)	\$ (3,254)

We had a gross loss of \$180,000 in 2020 from the sale of our commercial products compared to a gross loss of \$3.3 million in 2019. We experienced a gross loss in 2020 and 2019 due to: our manufacturing efforts to bring our Conductus wire production to market; our processes not yet being finalized for high yield manufacturing and; our sales being insufficient to cover our overhead. We were not able to improve our manufacturing processes and increase our yields and have ceased our Conductus wire manufacturing in the first quarter of 2020.

Our 2020 government contract revenues were \$174,000 and cost of government contract revenues, which include all direct contract costs and overhead, were \$71,000. Since we ceased manufacturing of our Conductus wire, we also concluded our efforts on this contract.

Research and development expenses related to development of new wire products and new wire product manufacturing processes. As such, our research and development efforts concluded in the first quarter of 2020. Research and development expenses totaled \$178,000 in 2020 compared to \$2.4 million in 2019.

Selling, general and administrative expenses totaled \$2.7 million in 2020 compared to \$3.9 million in 2019, a decrease of \$1.2 million, or 31%. The lower expenses in 2020 were primarily the result of reduced operations as we pursue a merger with Clearday.

Other income of \$2,000 and \$59,000 in 2020 and 2019, respectively, was interest income.

Net loss totaled \$3.0 million in 2020, compared to \$9.2 million in 2019, a decrease of \$6.2 million, or 68%. The decrease in net loss principally resulted from ceased Conductus wire operations.

The net loss available to common stockholders totaled \$1.10 per common share in 2020, compared to a net loss of \$12.33 per common share in 2019, a decrease of \$11.23, or 91%. The decreased loss per common share in 2020 resulted from a greater number of common shares outstanding at December 31, 2020 compared to December 31, 2019 and ceased Conductus wire operations.

### **2019 Compared to 2018**

Total revenues decreased by \$1,011,000 or 65%, to \$545,000 in 2019 from \$1,556,000 in 2018. Government contract revenues were \$540,000 or 99% of total revenue, of our total revenue in 2019 and \$1,556,000 or 100% of total revenues in 2018.

Cost of commercial product revenues includes all direct costs, manufacturing overhead, preproduction process development and provision for excess and obsolete inventories. The cost of commercial product revenues totaled \$3.3 million for 2019 compared to \$2.2 million in 2018. Cost of government product revenues totaled \$0.3 million for 2019 compared to \$1.2 million in 2018.

Our cost of commercial product revenues includes both variable and fixed cost components. The variable component consists primarily of materials, assembly and test labor, overhead, which includes equipment and facility depreciation, transportation costs and warranty costs. The fixed component includes test equipment and facility depreciation, purchasing and procurement expenses and quality assurance costs. Given the fixed nature of such costs, the absorption of our production overhead costs into inventory decreases and the amount of production overhead variances charged to cost of sales increases as production volumes decline since we have fewer units to absorb our overhead costs against. Conversely, the absorption of our production overhead costs into inventory increases and the amount of production overhead variances expensed to cost of sales decreases as production volumes increase since we have more units to absorb our overhead costs against. As a result, our gross profit margins generally decrease as revenue and production volumes decline due to lower sales volume and higher amounts of production overhead variances expensed to cost of sales; and our gross profit margins generally increase as our revenue and production volumes increase due to higher sales volume and lower amounts of production overhead variances expensed to cost of sales.

The following is an analysis of our product gross profit margins for 2019 and 2018:

<i>Dollars in Thousands</i>	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Commercial product revenues	\$ 5	\$ -
Cost of commercial product revenues	3,259	2,245
Gross loss	<u>\$ (3,254)</u>	<u>\$ (2,245)</u>

We had a gross loss of \$3.3 million in 2019 from the sale of our commercial products compared to a gross loss of \$2.2 million in 2018. We experienced a gross loss in 2019 and 2018 due to: our increased manufacturing efforts to bring our Conductus wire production to market; our processes not yet being finalized for high yield manufacturing and; our sales being insufficient to cover our overhead. We have not been able to improve our manufacturing processes and increasing our yields at lower than optimal capacity and have now ceased our Conductus wire manufacturing.

In June 2017, we finalized negotiations on a \$4.5 million DOE contract and have begun work on this government contract. Our first year goals under this contract are to increase current carrying capacity and reduce costs of our Conductus wire. Our 2019 government contract revenues were \$545,000 and cost of government contract revenues, which include all direct contract costs and overhead, were \$303,000. Since we have ceased manufacturing of our Conductus wire, we have now concluded our efforts on this contract.

Research and development expenses relate to development of new wire products and new wire product manufacturing processes. In 2017, we ceased research and development efforts for our wireless commercial products. Research and development expenses totaled \$2.4 million in 2019 compared to \$2.4 million in 2018.

Selling, general and administrative expenses totaled \$3.9 million in 2019 compared to \$4.0 million in 2018, a decrease of \$0.1 million, or 3%. The lower expenses in 2019 were primarily the result cost reductions.

Other income of \$59,000 and \$64,000 in 2019 and 2018, respectively, was interest income.

Net loss totaled \$9.2 million in 2019, compared to \$8.1 million in 2018, an increase of \$1.1 million, or 14%. The increase in net loss principally resulted from \$1.0 million lower 2019 government revenues.

The net loss available to common stockholders totaled \$12.33 per common share in 2019, compared to a net loss of \$40.32 per common share in 2018, a decrease of \$27.99, or 69%. The decreased loss per common share in 2019 principally resulted from a greater number of common shares outstanding at December 31, 2019 compared to December 31, 2018.

## **Liquidity and Capital Resources**

### ***Cash Flow Analysis***

As of December 31, 2020, we had net working capital of \$1.1 million, including \$1.3 million in cash and cash equivalents, compared to net working capital of \$429,000 at December 31, 2019, which included \$713,000 in cash and cash equivalents. We currently invest our excess cash in short-term, investment-grade, money-market instruments with maturities of three months or less. Our investments have no exposure to the auction rate securities market.

Cash and cash equivalents increased by \$563,000 from \$713,000 at December 31, 2019 to \$1,276,000 at December 31, 2020. In 2020, \$3.1 million cash was used in operations, while \$3.7 million was provided by financing and investing activities.

In 2020, net cash provided by investing activities was \$1.2 million from the sale of patents, property and equipment related to our ceased Conductus wire operations. There were no investing activities in 2019.

In 2020, \$2.5 million was provided by the sale of warrants issued as part of our October 2019 offering.

In 2019, net cash provided by two financing activities: (1) the May 2019 offering of our common stock, provided gross proceeds of \$1.7 million and, after deducting the placement agent fees and our offering expenses, net proceeds of \$1.4 million; (2) the October 2019 offering of our common stock and warrants provided gross proceeds of \$3.0 million and, after deducting the placement agent fees and our offering expenses, net proceeds of \$2.4 million.

### ***Financing Activities***

We have historically financed our operations through a combination of cash on hand, equipment lease financings, available borrowings under bank lines of credit and both private and public equity offerings. We made no offerings in 2020, however, \$2.5 million was provided by the sale of warrants issued as part of our October 2019 offering mentioned below.

On October 10, 2019 we completed a public offering of an aggregate of 1,183,400 shares of our common stock (or common stock equivalents) and warrants to purchase an aggregate of 1,183,400 shares of common stock with gross proceeds to us of approximately \$3.0 million. The warrants are exercisable for five years at an exercise price equal to the public offering price. The offering was priced at \$2.50 per share of common stock. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was approximately \$2.4 million. The placement agent received warrants to purchase 82,838 shares of common stock, at an exercise price of \$3.125. In 2020, 978,594 of these warrants were exercised, providing us with proceeds of \$2.5 million. Our current forecast is that our existing cash and cash equivalents resources will be sufficient to fund our planned operations into the third quarter of 2021(See “*Future Liquidity*” below).

On May 23, 2019 we completed a public offering of an aggregate of 170,000 shares of our common stock with gross proceeds to us of \$1.7 million. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was \$1.4 million.

On July 30, 2018 we completed a public offering of an aggregate of 257,142 shares of our common stock (or common stock equivalents) and warrants to purchase an aggregate of 257,142 shares of common stock with gross proceeds to us of \$9.0 million. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was \$7.98 million.

On March 9, 2018, we completed a registered offering of common stock (and common stock equivalents) with total gross proceeds of approximately \$2 million. The net proceeds to us from the registered offering, after deducting the placement agent fees and our estimated offering expenses, was approximately \$1.7 million.

We currently intend to use the net proceeds of these offerings for working capital and general corporate purposes. In addition, we may use a portion of any net proceeds to acquire complementary products, technologies, or businesses.

### ***Contractual Obligations and Commercial Commitments***

We have historically incurred various contractual obligations and commercial commitments in our normal course of business. They consisted of the following:

*Operating Lease Obligations.* Our operating lease obligations consisted of a facility lease in Austin, Texas, as well as several smaller equipment leases.

*Patents and Licenses.* We entered into a licensing agreement requiring royalty payments ranging from 0.5% to 1.0% of specified product sales. The agreement contains a provision for the payment of guaranteed or minimum royalty amounts. Typically, the licensor can terminate our license if we fail to pay minimum annual royalties.

*Purchase Commitments.* In the normal course of business, we incur purchase obligations with vendors and suppliers for the purchase of inventory, as well as other goods and services. These obligations are generally evidenced by purchase orders that contain the terms and conditions associated with the purchase arrangements. We are committed to accept delivery of such material pursuant to the purchase orders subject to various contract provisions that allow us to delay receipt of such orders or cancel orders beyond certain agreed upon lead times. Cancellations may result in cancellation costs payable by us.

We have no minimum lease payments under operating leases and license obligations going forward.

### ***Capital Expenditures***

We do not plan to invest in fixed assets during 2021.

### ***Future Liquidity***

In 2020, we incurred a net loss of \$3 million and had negative cash flows from operations of \$3.1 million. In 2019, we incurred a net loss of \$9.2 million and had negative cash flows from operations of \$8.8 million. At December 31, 2020 we had \$1.3 million in cash.

Clearday made a good faith payment to us of \$120,000 in early February, 2021, which is non-refundable, to assist with our operating expenses as we negotiate a new merger agreement.

On February 26, 2021, we entered into an unsecured note evidencing our loan under the Paycheck Protection Program (the “PPP Loan”) in the principal amount of approximately \$0.5 million. Proceeds of our PPP Loan may be used for payroll costs, costs related to certain group health care benefits, rent payments, utility payments, mortgage interest payments, interest payments on other debt obligations. Our current plans are to seek partial loan forgiveness in the amount of approximately \$150,000, as permitted under the PPP Loan, and to repay the remainder.

Our cash resources are not sufficient to fund our business through the end of the current fiscal year, however, we believe they are sufficient to fund our operations through approximately August 2021, during which time we intend to pursue merger negotiations and, if they are successful, shareholder approval for a merger with Clearday. There is no assurance that these negotiations will be successful or that shareholder approval will be obtained, in which case we likely will need to seek bankruptcy protection.

Our independent registered public accounting firm has included in their audit reports for 2019 through 2020 an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern.

### **Net Operating Loss Carryforward**

As of December 31, 2020, we had net operating loss carryforwards for federal and state income tax purposes of approximately \$297.9 million which expire in the years 2021 through 2038. Of these amounts, \$50.8 million resulted from the acquisition of Conductus. We also had \$15.6 million of Federal net operating losses from the 2018 and 2019 tax year which do not expire, but are subject to an annual limitation under section 382 as discussed below. Under the Internal Revenue Code change of control limitations, a maximum of \$14.2 million will be available for reduction of future taxable income.

Due to the uncertainty surrounding their realization, we have recorded a full valuation allowance against our net deferred tax assets. Accordingly, no deferred tax asset has been recorded in the accompanying consolidated balance sheets.

Section 382 of the Internal Revenue Code imposes an annual limitation on the utilization of net operating loss carryforwards based on a statutory rate of return (usually the “applicable federal funds rate”, as defined in the Internal Revenue Code) and the value of the corporation at the time of a “change of ownership” as defined by Section 382. We had changes in ownership in August 1999, December 2002, June 2009, August 2013, December 2016 and May 2019. In addition, we acquired the right to Conductus’ net operating losses, which are also subject to the limitations imposed by Section 382. Conductus underwent seven ownership changes, for purpose of this rule, which occurred in February 1999, February 2001, December 2002, June 2009, August 2013, December 2016 and May 2019. Therefore, our net operating loss carryforwards of \$285.9 million which were incurred prior to the 2019 ownership changes, will be subject in future periods to annual limitations of \$115,000. Net operating losses released from this limitation and/or incurred by us subsequent to the ownership changes and therefore not subject to this limitation totaled \$12.2 million. An additional \$115,000 in losses were released from limitation during the year under Section 382.

### **Market Risk**

We are exposed to various market risks, including changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices. We do not enter into derivatives or other financial instruments for trading or speculation purposes. Our money market investments have no exposure to the auction rate securities market.

At December 31, 2020, we had approximately \$1 million invested in a money market account yielding approximately 0.1%. Assuming no yield on this money market account and no liquidation of principal for the year, our total interest income would decrease by less than \$1,000 per annum.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to bad debts, inventories, recovery of long-lived assets, income taxes, warranty obligations, contract revenue and contingencies. We base our estimates on historical experience and on various other assumptions that we believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

On July 24, 2018, we effected a 1-for-10 reverse stock split of our common stock, or the 2018 Reverse Stock Split. As a result of the 2018 Reverse Stock Split, every ten shares of our pre-2018 Reverse Stock Split common stock were combined and reclassified into one share of our common stock. The 2018 Reverse Stock Split did not change the authorized number of shares or the par value of our common stock.

On September 9, 2020, we effected a 1-for-10 reverse stock split of our common stock, or the 2020 Reverse Stock Split. As a result of the 2020 Reverse Stock Split, every ten shares of our pre-2020 Reverse Stock Split common stock were combined and reclassified into one share of our common stock. The 2020 Reverse Stock Split changed the authorized number of shares from 250,000,000 to 25,000,000. The par value of our common stock remained \$0.001. Share and per share data included in this Item 7 have been retroactively adjusted, as applicable, for the effect of the reverse stock splits. Certain of the information contained in the documents incorporated by reference herein and therein present information on our common stock on a pre-reverse stock split basis.

We identified certain critical accounting policies which affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements in this Annual Report on Form 10-K for 2019. We have not made any material changes to these policies.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the consolidated financial statements. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Our inventory is valued at the lower of its actual cost or net realizable value of the inventory. We review inventory quantities on hand and on order and record, on a quarterly basis, a provision for excess and obsolete inventory and/or vendor cancellation charges related to purchase commitments. If the results of the review determine that a write-down is necessary, we recognize a loss in the period in which the loss is identified, whether or not the inventory is retained. Our inventory reserves establish a new cost basis for inventory and are not reversed until we sell or dispose of the related inventory. Such provisions are established based on historical usage, adjusted for known changes in demands for such products, or the estimated forecast of product demand and production requirements. We recognize all manufacturing preproduction process development expenses as cost of revenues in the period they are incurred. Our business is characterized by rapid technological change, frequent new product development and rapid product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand. Demand for our products can fluctuate significantly. Our estimates of future product demand may prove to be inaccurate, and we may understate or overstate the provision required for excess and obsolete inventory.

Commercial product revenues consist of revenue from sales of products, net of trade discounts and allowances. We recognize revenue when evidence of an arrangement exists, contractual obligations have been satisfied, title and risk of loss have been transferred to the customer and collection of the resulting receivable is reasonably assured. At the time revenue is recognized, we provide for the estimated cost of product warranties if allowed for under contractual arrangements and return products. Our warranty obligation is affected by product failure rates and service delivery costs incurred in correcting a product failure. Should such failure rates or costs differ from these estimates, accrued warranty costs would be adjusted.

We indemnify, without limit or term, our customers against all claims, suits, demands, damages, liabilities, expenses, judgments, settlements and penalties arising from actual or alleged infringement or misappropriation of any intellectual property relating to our products or other claims arising from our products. We have no known losses and we cannot reasonably develop an estimate of the maximum potential amount of payments that might be made under our indemnities because of the uncertainty as to whether a claim might arise and how much it might total.

Government contract revenues are principally generated under research and development contracts. Contract revenues are derived primarily from research contracts with agencies of the United States Government. Credit risk related to accounts receivable arising from such contracts is considered minimal. These contracts may include cost-plus, fixed price and cost sharing arrangements and are generally short-term in nature.

All payments to us for work performed on contracts with agencies of the U.S. Government are subject to adjustment upon audit by the Defense Contract Audit Agency. Based on historical experience and review of current projects in process, we believe that the audits will not have a significant effect on our financial position, results of operations or cash flows. The Defense Contract Audit Agency has audited us through 2018.

We periodically evaluate the realizability of long-lived assets as events or circumstances indicate a possible inability to recover the carrying amount. Long-lived assets that will no longer be used in our business are written off in the period identified since they will no longer generate any positive cash flows for us. Such evaluation is based on various analyses, including cash flow and profitability projections, as well as alternative uses, such as government contracts or awards. The analyses necessarily involve significant management judgment. In the event the projected undiscounted cash flows are less than net book value of the assets, the carrying value of the assets will be written down to their estimated fair value. Our future cash flows may vary from estimates.

The fair value of our warrant liabilities was determined using the binomial lattice valuation model, including an equal probabilities tree and an early exercise factor. These derivative liabilities were adjusted to reflect fair value at each period end, with any increase or decrease in the fair value recognized in our consolidated statement of operations. These warrants expired on August 9, 2018 and had no value after such date.

Stock-based employee compensation cost is recognized using the fair-value based method for all awards granted. We issue stock option awards and restricted share awards to employees and to non-employee directors under our stock-based incentive plans. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. Compensation cost related to restricted share awards is recorded based on the market price of our common stock on the grant date. We recognize compensation expense over the expected service period, generally the vesting period on a straight-line basis from the grant date.

Our valuation allowance against the deferred tax assets is based on our assessments of historical losses and projected operating results in future periods. If and when we generate future taxable income in the U.S. against which these tax assets may be applied, some portion or all of the valuation allowance would be reversed and an increase in net income would consequently be reported in future years.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk.*”

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

All information required by this item is listed in the Index to Financial Statements in Part IV, Item 15(a)1 of this Report.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures; Changes in Internal Control Over Financial Reporting**

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). As of the end of the period covered by this report we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities and Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures are effective.

There were no changes in our internal controls over financial reporting during the fourth quarter of the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We do not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

### Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal controls over financial reporting as of December 31, 2020. In making its assessment of the effectiveness of our internal controls over financial reporting, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on these criteria, our management has concluded that, as of December 31, 2020, our internal control over financial reporting is effective.

This Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. This Report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission.

### ITEM 9B. OTHER INFORMATION

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### Directors and Executive Officers

The following table sets forth certain information regarding those individuals currently serving as our directors (or nominated to serve as a director) and executive officers as of March 15, 2020:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Lynn J. Davis (1)(2)(3)(4)	74	Director
David W. Vellequette (1)(2)(3)	64	Director
Julia S. Johnson (1)(2)(3)	54	Director
Jeffrey A. Quiram (4)	60	President, Chief Executive Officer and Director
William J. Buchanan	72	Chief Financial Officer (Principal Financial and Accounting Officer)
Adam L. Shelton	54	Vice President, Product Management and Marketing

- (1) Member of our Audit Committee.
- (2) Member of our Compensation Committee.
- (3) Member of our Governance and Nominating Committee.
- (4) Member of our Stock Option Committee.

Each of our directors, including our current nominee, was nominated based on the assessment of our Nominating Committee and our Board that he has demonstrated: an ability to make meaningful contributions to our Board; independence; strong communication and analytical skills; and a reputation for honesty and ethical conduct. Our Board consists of, and seeks to continue to include, persons whose diversity of skills, experience and background are complementary to those of our other directors.

**Lynn J. Davis** has served on our Board since 2005. He served as President, Chief Operating Officer and director of August Technology, a manufacturer of inspection equipment for the semiconductor fabrication industry from 2005 to 2006. From 2002 to 2004, he was a partner at Tate Capital Partners Fund, LLC, a private investment firm he co-founded. Prior to Tate, Mr. Davis was an employee of ADC Telecommunications for 28 years, serving in 14 management positions, including Corporate President, Group President and Chief Operating Officer. In December 2016, he retired as Chairman of the Board of Directors of Flexsteel Industries Inc., a furniture manufacturer. Mr. Davis holds a B.S. in electrical engineering from Iowa State University and an M.B.A. from the University of Minnesota. Our Board has determined that Mr. Davis is qualified to serve as a director because he has extensive knowledge in various management roles in the telecommunications industry, including manufacturing, sales and marketing. In addition, as a venture capitalist, Mr. Davis has worked with smaller companies and brings a valuable entrepreneurial approach to management and compensation issues.

**David W. Vellequette** rejoined our Board in December 2017. Mr. Vellequette previously served on our Board from January 2007 until March 2014. Mr. Vellequette most recently served as senior vice president of finance of Avaya, a global provider of business collaboration and communications solutions, which emerged in December 2017 from a nearly year-long financial restructuring under Chapter 11. Previously, Mr. Vellequette served as Avaya's senior vice president and chief financial officer from October 1, 2012 through October 23, 2017. From 2005 to 2012, he was chief financial officer of JDS Uniphase, Inc., a telecommunications equipment company. He joined JDS Uniphase as vice president and operations controller in 2004. From 2002 to 2004, Mr. Vellequette served as vice president of Worldwide Sales and Service Operations at Openwave Systems, Inc., an independent provider of software solutions for the mobile communications and media industries. Mr. Vellequette began his finance career as an auditor with Ernst & Young. He holds a B.S. in Accounting from the University of California, Berkeley, and is a CPA. Our Board has determined that Mr. Vellequette is qualified to serve as a director because he has extensive knowledge about public and financial accounting matters.

**Julia S. Johnson** has served on our Board since October 2018. She is also a board member of Lumentum Inc. (NASDAQ: LITE). Ms. Johnson has been a global technology business leader for 29 years, creating growth and value in product lines and new market segments for the consumer electronics, enterprise, and Fintech/payment markets. Ms. Johnson was the Senior Vice President Product Management and Marketing at Verifone, a global provider of technology that enables electronic payment transactions. Prior to Verifone, Ms. Johnson was Corporate Vice President Product Management at Lenovo, Corporate Vice President Product Management at Google, and Vice President of Product Management at Motorola. She holds a M.S. in Business Administration and a M.S. in Materials Science & Engineering from the Massachusetts Institute of Technology. She also has a B.S. in Math and Physics from Albion College. Our Board has determined that Ms. Johnson is qualified to serve as a director because she has extensive knowledge in business planning and in various management roles.

**Jeffrey A. Quiram** has served on our Board, and has been our President and Chief Executive Officer, since 2005. From 1991 to 2004, Mr. Quiram served ADC Telecommunications in a variety of management roles, including Vice President of its wireless business unit. Mr. Quiram has a B.S. in Quantitative Methods and Computer Science from College of St. Thomas, and an M.B.A. from University of Minnesota. Our Board has determined that Mr. Quiram is qualified to serve as a director because he has extensive knowledge about product development, business planning, and complex manufacturing. In addition, he has extensive knowledge about our corporate operations and market activities from serving as our Chief Executive Officer.

**William J. Buchanan** has been our Chief Financial Officer since May 2010. Mr. Buchanan joined us in 1998 and served as our Controller from 2000 to May 2010. For 16 years prior to joining us, he was a self-employed private investor and investment advisor. For the nine years prior to that, he served in various executive and accounting positions with Applied Magnetics Corp and Raytheon Co. Mr. Buchanan holds a B.A. in Economics from California State University, Fresno.

**Adam L. Shelton** has been our Vice President, Product Management and Marketing since 2006. From 2005 to 2006, Mr. Shelton was the Senior Director of Marketing for Motorola. From 2003 to 2005, he was the Senior Director of Marketing for Advanced Fibre Communications (AFC), now Tellabs. Mr. Shelton also held various management and executive management positions with Mahi Networks, ATU Communications and Bell Canada. Mr. Shelton graduated with dean's honors as a Civil Engineering Technologist from Seneca College in Toronto, Canada.

#### **Corporate Governance Policies and Practices**

The following is a summary of our corporate governance policies and practices:

- Our Board has determined that all of our directors, other than Mr. Quiram, are independent as defined by the rules of the SEC and The Nasdaq Stock Market. Our Audit Committee, Compensation Committee and Governance and Nominating Committee each consists entirely of independent directors under the rules of the SEC and Nasdaq.
- We have a Code of Business Conduct and Ethics for all of our employees, including our Chief Executive Officer and Chief Financial Officer. If we amend any provision of our Code of Business Conduct and Ethics that applies to our Chief Executive Officer or Chief Financial Officer (or any persons performing similar functions), or if we grant any waiver (including an implicit waiver) from any provision of our Code of Business Conduct and Ethics to our Chief Executive Officer or Chief Financial Officer (or any persons performing similar functions), we will disclose those amendments or waivers on our website at [www.suptech.com/Investors/Corporate Governance/Amendments and Waivers to the Code of Conduct](http://www.suptech.com/Investors/Corporate%20Governance/Amendments%20and%20Waivers%20to%20the%20Code%20of%20Conduct) within four business days following the date of the amendment or waiver.

- Our Audit Committee reviews and approves all related-party transactions.
- As part of our Code of Business Conduct and Ethics, we have made a “whistleblower” hotline available to all employees for anonymous reporting of financial or other concerns. Our Audit Committee receives directly, without management participation, all hotline activity reports concerning accounting, internal controls or auditing matters.

### **Board Leadership Structure and Role in Risk Oversight**

Our Board’s current policy is to separate the role of Chairman of our Board and Chief Executive Officer. Our Board believes that this structure combines accountability with effective oversight. This structure also allows us to benefit from the experience and knowledge of our Chairman, who has been on our Board since 2002, while reflecting the responsibilities and contributions of our Chief Executive Officer. In addition, we believe that the independence of our Chairman provides additional oversight over the decisions of our management and places additional control in the hands of our independent directors.

Our Board is actively involved in overseeing our risk management through our Audit Committee. Under its charter, our Audit Committee is responsible for inquiring of management and our independent auditors about significant areas of risk or exposure and assessing the steps management has taken to minimize such risks. Our Board’s role in risk oversight has not affected our Board’s determination that the separation of roles of Chairman and Chief Executive Officer is most appropriate for our company.

### **Stockholder Communications with Directors**

Stockholders who want to communicate with our Board or with a particular director or committee may send a letter to our Secretary at Superconductor Technologies Inc, 15511 W State Hwy 71, suite 110-105, Austin, TX 78738. The mailing envelope should contain a clear notation indicating that the enclosed letter is a “Board Communication” or “Director Communication.” All such letters should state whether the intended recipients are all members of our Board or just certain specified individual directors or a specified committee. The Secretary will circulate the communications (with the exception of commercial solicitations) to the appropriate director or directors. Communications marked “Confidential” will be forwarded unopened.

### **Attendance at Annual Meetings of Stockholders**

We expect that all of our Board members attend our annual meetings of stockholders in the absence of a showing of good cause for failure to do so. All of the members of our Board attended our 2020 annual meeting of stockholders in person or by telephone.

### **Board Meetings and Committees**

During 2020, each of our directors attended at least 75% of the aggregate of (i) the total number of Board meetings and (ii) the total number of meetings of the committees on which the director served.

#### ***Board of Directors***

Our Board held a total of twenty meetings during 2020. Our Board has three standing committees — an Audit Committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934 (our “**Audit Committee**”), a Compensation Committee (our “**Compensation Committee**”) and a Governance and Nominating Committee (our “**Nominating Committee**”). Our Audit Committee, Compensation Committee and Nominating Committee each have a charter, which is available at the “Corporate Governance” section under the “Investors” tab on our website at [www.supotech.com](http://www.supotech.com).

#### ***Audit Committee***

The principal functions of our Audit Committee are to hire our independent public auditors, to review the scope and results of the year-end audit with management and the independent auditors, to review our accounting principles and our system of internal accounting controls and to review our annual and quarterly reports before filing them with the SEC. Our Audit Committee met five times during 2020. The current members of our Audit Committee are Messrs. Vellequette (Chairman), Davis and Ms. Johnson.

Our Board has determined that all members of our Audit Committee are “independent” as defined under the rules of the SEC. Our Board has determined that Mr. Vellequette is an “audit committee financial expert.”

## ***Compensation Committee***

Our Compensation Committee reviews and approves salaries, bonuses and other benefits payable to our executive officers and administers our management incentive plan. Our Compensation Committee makes all compensation decisions with respect to our Chief Executive Officer and makes recommendations to our Board regarding non-equity compensation and equity awards to our other named executive officers (set forth below under “Executive Compensation—Summary Compensation Table”) and all other elected officers. In doing so, with respect to named executive officers other than the Chief Executive Officer, our Compensation Committee generally receives a recommendation from our Chief Executive Officer and other officers as appropriate. Our Chief Executive Officer also generally recommends the number of options or other equity awards to be granted to executive officers, within a range associated with the individual executive’s salary level, and presents this to our Compensation Committee for its review and approval.

Our Compensation Committee uses available data to review and compare our compensation levels to market compensation levels, taking into consideration the other companies’ size, the industry, and the individual executive’s level of responsibility, as well as anecdotal data regarding the compensation practices of other employers. We do not annually benchmark our executive compensation against a defined peer group, since we believe that defining such a group is difficult and would not materially affect our decisions. Our Compensation Committee does not generally hire an outside consulting firm to assist with compensation, as we believe that the value of doing so is exceeded by the costs. No compensation consultant was engaged to provide advice or recommendations on our executive or director compensation for 2020.

Our Compensation Committee also reviews the compensation of directors and recommends to our Board the amounts and types of cash to be paid and equity awards to be granted to our directors.

Our Compensation Committee met one time during 2020. The current members of our Compensation Committee are Messrs. Davis (Chairman), Vellequette and Ms. Johnson. Our Board has determined that all members of our Compensation Committee are “independent” as defined under the rules of the SEC. Our Compensation Committee will only delegate its authority to the extent consistent with our certificate of incorporation and bylaws and applicable laws, regulations and listing standards.

Our Compensation Committee created the Stock Option Committee (our “**Stock Option Committee**”) consisting of two members—our Compensation Committee Chairman and the Chief Executive Officer. The purpose of our Stock Option Committee is to facilitate the timely granting of stock options in connection with hiring, promotions and other special situations, and therefore our Stock Option Committee meets only periodically as certain events occur. Our Stock Option Committee is empowered to grant options to non-executive employees up to a preset annual aggregate limit. The Stock Option Committee did not meet during 2020. Our Compensation Committee supervises these grants and retains exclusive authority for all executive officer grants and the annual employee grants. The current members of our Stock Option Committee are Messrs. Davis (Chairman) and Quiram.

## ***Governance and Nominating Committee***

Our Nominating Committee is responsible for overseeing and, as appropriate, making recommendations to our Board regarding, membership and constitution of our Board and its role in overseeing our affairs. Our Nominating Committee is responsible for proposing a slate of directors for election by the stockholders at each annual meeting and for proposing candidates to fill any vacancies. Our Nominating Committee is also responsible for the corporate governance practices and policies of our Board and its committees. The current members of our Nominating Committee are Messrs. Davis, Vellequette and Ms. Johnson. Our Nominating Committee met one time in 2020. Our Board has determined that all members of our Nominating Committee are “independent” as defined under the rules of the SEC.

Our Nominating Committee manages the process for evaluating current Board members at the time they are considered for re-nomination. After considering the appropriate skills and characteristics required on our Board, the current makeup of our Board, the results of the evaluations, and the wishes of our Board members to be re-nominated, our Nominating Committee recommends to our Board whether those individuals should be re-nominated.

Our Nominating Committee periodically reviews with our Board whether it believes our Board would benefit from adding a new member(s), and if so, the appropriate skills and characteristics required for the new member(s). If our Board determines that a new member would be beneficial, our Nominating Committee solicits and receives recommendations for candidates and manages the process for evaluating candidates. All potential candidates, regardless of their source (including candidates recommended by security holders), are reviewed under the same process. Our Nominating Committee (or its chair) screens the available information about the potential candidates. Based on the results of the initial screening, interviews with viable candidates are scheduled with Nominating Committee members, other members of our Board and senior members of management. Upon completion of these interviews and other due diligence, our Nominating Committee may recommend to our Board the election or nomination of a candidate.

Candidates for independent Board members have typically been found through recommendations from directors or others associated with us. Our stockholders may also recommend candidates by sending the candidate’s name and resume to our Nominating Committee under the provisions set forth above for communication with our Board. No such suggestions from our stockholders were received in time for our Annual Meeting.

Our Nominating Committee has no predefined minimum criteria for selecting Board nominees, although it believes that (i) all directors should share qualities such as: an ability to make meaningful contributions to our board; independence; strong communication and analytical skills; and a reputation for honesty and ethical conduct; and (ii) independent directors should share qualities such as: experience at the corporate, rather than divisional level, in multi-national organizations as large as or larger than us; and relevant, non-competitive experience. Our Nominating Committee does not have a formal policy with respect to diversity. However, our Nominating Committee and our Board believe that it is important that we have Board members whose diversity of skills, experience and background are complementary to those of our other Board members. In considering candidates for our Board, our Nominating Committee considers the entirety of each candidate's credentials. In any given search, our Nominating Committee may also define particular characteristics for candidates to balance the overall skills and characteristics of our Board and our perceived needs. However, during any search, our Nominating Committee reserves the right to modify its stated search criteria for exceptional candidates.

#### **AUDIT COMMITTEE REPORT**

*The information contained in this Audit Committee Report shall not be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing (except to the extent that we specifically incorporate this information by reference) and shall not otherwise be deemed "soliciting material" or "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934 (except to the extent that we specifically request that this information be treated as soliciting material or specifically incorporate this information by reference).*

Our Audit Committee reviews our financial reporting process on behalf of our Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. Our Audit Committee has reviewed and discussed the audited financial statements with management. In addition, our Audit Committee has discussed with our independent registered public accounting firm the matters required to be discussed by Statements on Public Company Accounting Oversight Board Auditing Standard No. 16 "*Communications with Audit Committees*".

Our Audit Committee has also received the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding their communications with the audit committee concerning independence, and has discussed with them their independence, including whether their provision of other non-audit services to us is compatible with maintaining their independence.

Our Audit Committee discussed with our independent registered public accounting firm the overall scope and plans for the audit. Our Audit Committee meets with them, with and without management present to discuss the results of their examinations, the evaluation of our internal controls and the overall quality of our reporting.

Based upon the review and discussions referred to in the foregoing paragraphs, our Audit Committee recommended to our Board that the audited financial statements be included in our Annual Report on Form 10-K for 2020 for filing with the Securities and Exchange Commission.

#### **AUDIT COMMITTEE**

David W. Vellequette (*Chairman*)

Lynn J. Davis

Julia S. Johnson

March 31, 2021

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth for 2020, 2019 and 2018 the base salary and other compensation of our (i) President and Chief Executive Officer and (ii) our other two most highly compensated officers for 2020 (our “named executive officers”):

Name and Principal Position	Year	Salary (\$)	Stock Awards \$(1)	Option Awards \$(1)	Non-equity	All Other Compensation \$(2)	Total (\$)
					Incentive Plan Compensation (\$)		
<b>Jeffrey A. Quiram</b> President, Chief Executive Officer, Director	2020	324,450	—	—	—	13,828	338,278
	2019	324,450	—	—	—	35,153	359,603
	2018	324,450	—	43,431	—	45,461	413,342
<b>William J Buchanan</b> Chief Financial Officer	2020	209,674	—	—	—	7,490	217,164
	2019	209,674	—	—	—	10,581	220,255
	2018	209,674	—	24,611	—	7,490	241,775
<b>Adam L. Shelton</b> Vice President Product Management and Marketing	2020	247,200	—	—	—	6,375	253,575
	2019	247,200	—	—	—	6,975	254,175
	2018	247,200	—	24,611	—	6,375	278,186

- (1) The Option Awards and Stock Awards amounts represent the aggregate grant date fair value of the options to purchase common stock or shares of restricted common stock (as applicable) calculated in accordance with ASC 718, under the assumptions included in Note 5 to our audited financial statements for the year ended December 31, 2020 included in our Annual Report on Form 10-K.
- (2) The All Other Compensation amounts shown reflect the value attributable to term life insurance premiums, certain tax payments and company 401(k) matching for each named executive officer, if applicable, as well as other perquisites described below. Each named executive officer is responsible for paying income tax on such amounts. Pursuant to the terms of his employment agreement, Mr. Quiram received \$8,138, \$29,413 and \$39,721 in 2020, 2019 and 2018, respectively, for travel expenses from his home in Minnesota, temporary housing near our Santa Barbara and Austin facilities, the use of an automobile, and special indemnity payments to cover the taxes resulting from the payment or reimbursement of such travel and housing expenses.

### Narrative Disclosure to Summary Compensation Table

#### Employment Agreement

We entered into an employment agreement with Mr. Quiram in 2005, which was amended in 2007. The employment agreement provides for the following:

- Appointment as our President, Chief Executive Officer and a member of our Board;
- A base salary, which was \$315,000 per year for 2008-2009 and increased to \$324,450 during 2010;
- A bonus of up to 100% of his base salary based upon achievement of annual performance goals to be developed by our Compensation Committee and Mr. Quiram;
- Accelerated vesting of all his equity grants in the event of an “Involuntary Termination” or “Change of Control” (both as defined in his employment agreement);
- A severance payment equal to one year’s salary and continued benefits for one year in the event of “Involuntary Termination”;
- In the event of a “Change of Control,” whether or not he is terminated, Mr. Quiram is entitled to (i) payment of two times his annual base salary, (ii) 24 months of benefits coverage, and (iii) accelerated vesting of all of his outstanding equity grants;
- Payment or reimbursement of travel expenses from his present home in Minnesota and the lease of an apartment for Mr. Quiram near our Santa Barbara headquarters; and a special indemnity payment for any taxes resulting from the payment or reimbursement of such expenses; and
- Lease of an automobile.

## Change of Control Agreements

We also have “change of control” agreements with Mr. Buchanan and Mr. Shelton. The change of control agreement generally provides that, if the employee’s employment is terminated within twenty-four months of a “Change of Control” (as defined in the change of control agreements) either (i) by us for any reason other than death, “Cause” or “Disability” (as both terms are defined in the change of control agreements) or (ii) by the employee for “Good Reason” (as defined in the change of control agreements), then the terminated employee will be entitled to severance benefits salary continuation payments and continuation of health/life insurance benefits for 18 months and accelerated vesting for all outstanding unvested stock options and other equity securities held by the employee. Any payments or distributions made to or for the benefit of the named employees under these change of control agreements will be reduced, if necessary, to an amount that would result in no excise taxes being imposed under Internal Revenue Code Section 4999.

## Merger Agreement.

As previously disclosed, the “outside date” of the Merger Agreement has passed, which means it can be terminated by either party, although it has not been terminated. The parties are negotiating a new merger agreement. However, the following discussion relates to the Merger Agreement that is currently in effect (although as noted its outside date has passed) because STI believes a similar arrangement would apply to any new merger agreement.

The Merger Agreement contemplates that material changes will be made to the change of control benefits to Mr. Quiram and all other beneficiaries of Change of Control Agreements, subject to their agreeing to such modifications. The following terms are subject to change until all parties have agreed, but the following represents the Company’s current expectations. Generally, in exchange for waivers of their existing entitlements, valued at approximately \$1.5 million in cash if there were a change of control and (except for Mr. Quiram) certain terminations of employment, Mr. Quiram and such other beneficiaries are expected to agree that they will instead receive “Stock Consideration” and contingent “Warrant Consideration,” as described below.

“Executive Percentage” means the amount a given officer would receive under his employment or change of control agreement at the Effective Time of the Merger (“Individual CiC Amount”), divided by the Gross CiC Payments.

“Executive Pool” means a number of shares of the Company’s common stock, rounded down to the nearest whole share, determined by dividing \$1 million by the official simple average of the closing price of the Company’s common stock on the Nasdaq Capital Market for the three (3) Nasdaq trading days ending immediately prior to the Effective Date (as defined in the Merger Agreement).

“Gross CiC Payments” means the sum of a given Individual CiC Amount plus the amount of Other CiC Amounts.

“Other CiC Amounts” means that amount that the Listed Executives (as defined in the Merger Agreement) other than any given Individual CiC Amount, would be entitled to receive under their individual employment or change in control agreements with the Company as in effect on the date hereof, assuming (if applicable) that they are each terminated without cause at the Effective Time.

“Stock Consideration” means a number of new shares of the Company’s common stock, that are fully vested and not subject to any repurchase or forfeiture rights, determined by multiplying the Executive Percentage (as defined below) by Executive Pool (as defined below), rounded down to the nearest whole share.

“Warrant Consideration” means an amount of cash equal to the Executive Percentage multiplied by 50% multiplied by the Warrant Proceeds.

“Warrant Proceeds” means (a) the gross amount of cash the Company actually receives or received from the proper exercise of any Company warrant to purchase common stock of the Company exercised between February 26, 2020 and the Effective Date, inclusive minus (b) the amount the Board of Directors of the Company, as in effect prior to the Effective Date, sets aside as necessary to pay expenses in order to both satisfy any conditions to closing to the Merger Agreement and pay such other expenses that the Board deems to be prudent or appropriate, in its sole discretion (“Company Expenses”).

It is unlikely that any Warrant Proceeds would be available, given the Company’s cash expenditures.

## Non-Equity Incentive Compensation

We maintain a bonus plan for executive officers and selected other members of senior management. Under the plan, our Compensation Committee establishes financial and other pertinent objectives for the period and assigns each executive officer an annual target bonus amount based on a percentage of his or her base salary, which ranges from 20% to 100%. Our Compensation Committee also retains the authority to award discretionary bonuses for performance in other aspects of the business not covered by the established goals. In December 2017, our Compensation Committee decided, based on then-current economic conditions, to not establish financial performance targets under this plan and to not award cash bonuses based on financial objectives going forward. Our Compensation Committee did reserve its right to award discretionary bonuses if appropriate; however no bonuses were awarded for 2020.

## Equity Grants

For 2020, we made the no grants of restricted stock awards or options to our named executive officers. See “Merger Agreement” above.

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to outstanding options and unvested shares of restricted stock on December 31, 2020:

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options(1) Exercisable	Number of Securities Underlying Unexercised Options(1) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Jeffrey A Quiram	6	-	28,440.00	1/25/2021	-	-
	3	-	26,280.00	2/9/2022	-	-
	6	-	3,780.00	3/7/2023	-	-
	180	-	3,180.00	12/5/2023	-	-
	133	-	330.00	11/9/2025	-	-
	3,000	-	19.20	10/16/2028	-	-
William J Buchanan	3	-	28,440.00	1/25/2021	-	-
	1	-	26,280.00	2/9/2022	-	-
	3	-	3,780.00	3/7/2023	-	-
	87	-	3,180.00	12/5/2023	-	-
	67	-	330.00	11/9/2025	-	-
	1,700	-	19.20	10/16/2028	-	-
Adam L Shelton	3	-	28,440.00	1/25/2021	-	-
	1	-	26,280.00	2/9/2022	-	-
	4	-	3,780.00	3/7/2023	-	-
	100	-	3,180.00	12/5/2023	-	-
	73	-	330.00	11/9/2025	-	-
	1,700	-	19.20	10/16/2028	-	-

(1) These options are fully vested.

## Non-employee Director Compensation Table

The following table summarizes the compensation paid to our non-employee directors for 2020:

<b>Name</b>	<b>Fees earned or paid in cash (\$)</b>	<b>Stock Awards (\$ (1))</b>	<b>Option Awards (\$ (1))</b>	<b>Total (\$)</b>
Lynn J. Davis	40,000	-	-	40,000
David W. Vellequette	45,000	-	-	45,000
Julia S. Johnson	37,500	-	-	37,500

(1) The amounts in this column represent the aggregate grant date fair value of the options to purchase common stock calculated in accordance with Accounting Standards Codification (“ASC”) 718, under the assumptions included in Note 5 to our audited financial statements for the year ended December 31, 2020 included in this Annual Report on Form 10-K. As of December 31, 2020: (i) Mr. Davis had 293 options to purchase common stock and no unvested shares of restricted common stock; (ii) Mr. Vellequette and Ms. Johnson each had 250 options to purchase common stock and no unvested shares of restricted common stock.

## ITEM 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the beneficial ownership of our common stock as of March 15, 2021 by (i) each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, (ii) each of our directors, (iii) each of our executive officers named in the table under “Executive Compensation — Summary Compensation Table,” and (iv) all of our directors and executive officers as a group. Except as otherwise indicated in the footnotes to the table, (i) the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws where applicable, and (ii) the address of each person is c/o Superconductor Technologies Inc., 15511 W Hwy 71, Suite 110-105, Austin TX 78738.

<b>Name</b>	<b>Number of Shares (1)</b>	<b>Percentage Ownership</b>
Jeffrey A. Quiram	3,494	*
William J. Buchanan	1,937	*
Adam L. Shelton	1,976	*
Lynn J. Davis	468	*
David W. Vellequette	250	*
Julia S. Johnson	250	*
All executive officers and directors as a group (6 persons)	8,375	*

\* Less than 1%.

(1) Includes shares issuable upon the exercise of stock options that are exercisable within 60 days of March 15, 2021 as follows: Mr. Quiram, 3,322 shares; Mr. Buchanan 1,858 shares; Mr. Shelton, 1,878 shares; Mr. Davis, 293 shares; Mr. Vellequette, 250 shares and Ms. Johnson, 250 shares; and all executive officers and directors as a group, 7,851 shares.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

None.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Our Audit Committee regularly reviews and determines whether specific non-audit projects or expenditures with our independent registered public accounting firm, Marcum LLP, potentially affects its independence. Our Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by Marcum LLP. Pre-approval is generally provided by our Audit Committee for up to one year, as detailed as to the particular service or category of services to be rendered, and is generally subject to a specific budget. Our Audit Committee may also pre-approve additional services of specific engagements on a case-by-case basis.

The following table sets forth the aggregate fees billed to us by Marcum LLP for 2020 and 2019, all of which were pre-approved by our Audit Committee:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Audit fees (1)	\$ 110,000	\$ 175,000
All other fees (2)	-	55,000
Total	<u>\$ 110,000</u>	<u>\$ 230,000</u>

- (1) Includes fees for professional services rendered for the audit of our annual consolidated financial statements and review of our annual report on Form 10-K and for reviews of the condensed consolidated financial statements included in our quarterly reports on Form 10-Q for the first three quarters of 2020 and 2019.
- (2) These fees related to services rendered for our registration statements.

## PART IV

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this Report:

1. Index to Financial Statements. Our consolidated financial statements and the Report of Marcum LLP, Independent Registered Public Accounting Firm are included in Part IV of this Report on the pages indicated:

	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-1
<a href="#">Consolidated Balance Sheets as of December 31, 2020 and 2019</a>	F-2
<a href="#">Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018</a>	F-3
<a href="#">Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018</a>	F-4
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018</a>	F-5
<a href="#">Notes to Consolidated Financial Statements</a>	F-6

2. Financial Statement Schedule Covered by the Foregoing Report of Independent Registered Public Accounting Firm.

<a href="#">Schedule II—Valuation and Qualifying Accounts</a>	F-22
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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

3. Exhibits

<b>Number</b>	<b>Description of Document</b>
3.1	<a href="#">Restated Certificate of Incorporation of Registrant as amended through March 1, 2006. (14)</a>
3.2	<a href="#">Certificate of Amendment of Restated Certificate of Incorporation of Registrant, filed March 11, 2013. (18)</a>
3.3	<a href="#">Certificate of Amendment of Restated Certificate of Incorporation of Registrant, filed July 18, 2016. (25)</a>
3.4	<a href="#">Certificate of Amendment of Restated Certificate of Incorporation of Registrant, filed July 19, 2018, effective July 24, 2018. (29)</a>
3.4	<a href="#">Amended and Restated Bylaws of Registrant. (14)</a>
3.5	<a href="#">Amendment adopted March 29, 2010 to Amended and Restated Bylaws of Registrant. (15)</a>
3.6	<a href="#">Amendment adopted October 28, 2013 to Amended and Restated Bylaws of Registrant. (19)</a>
4.1	<a href="#">Form of Common Stock Certificate. (13)</a>
4.2	<a href="#">Form of Series B Preferred Stock Certificate. (24)</a>
4.3	<a href="#">Form of Series C Preferred Stock Certificate. (26)</a>
4.4	<a href="#">Form of Series D Preferred Stock Certificate. (27)</a>
4.5	<a href="#">Form of Series E Preferred Stock Certificate. (38)</a>
4.6	<a href="#">Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of Registrant filed November 13, 2007. (12)</a>
4.7	<a href="#">Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock of Registrant and form of Series B Convertible Preferred Stock Certificate. (24)</a>
4.8	<a href="#">Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock of Registrant and form of Series C Convertible Preferred Stock Certificate. (26)</a>

Number	Description of Document
4.9	<a href="#">Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock of Registrant and form of Series D Convertible Preferred Stock Certificate. (27)</a>
4.10	<a href="#">Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock of Registrant. (29)</a>
4.11	<a href="#">Form of Warrant to Purchase Common Stock issued by Registrant on March 25, 2015, pursuant to the Purchase Agreement. (21)</a>
4.12	<a href="#">Form of Placement Agent Warrant to Purchase Common Stock issued by Registrant on March 25, 2015. (21)</a>
4.13	<a href="#">Form of Series [A][B] Common Stock Purchase Warrant issued by Registrant on October 14, 2015. (22)</a>
4.14	<a href="#">Form of Placement Agent Warrant to Purchase Common Stock issued by Registrant on October 14, 2015. (22)</a>
4.15	<a href="#">Form of Warrant to Purchase Common Stock issued by Registrant on August 2, 2016. (26)</a>
4.16	<a href="#">Form of Placement Agent Warrant to Purchase Common Stock issued by Registrant on August 2, 2016. (26)</a>
4.17	<a href="#">Form of Warrant to Purchase Common Stock issued by Registrant on December 14, 2016. (27)</a>
4.18	<a href="#">Form of Pre-Funded Common Stock Purchase Warrant issued by Registrant on March 9, 2018. (28)</a>
4.19	<a href="#">Form of Placement Agent Common Stock Purchase Warrant issued by Registrant on March 9, 2018. (28)</a>
4.20	<a href="#">Form of Series A Common Stock Purchase Warrant issued by Registrant on March 9, 2018. (28)</a>
4.21	<a href="#">Registration Rights Agreement dated March 6, 2018. (28)</a>
4.22	<a href="#">Form of Common Stock Purchase Warrant issued by Registrant on July 30, 2018. (29)</a>
4.23	<a href="#">Form of Placement Agent Common Stock Purchase Warrant issued by Registrant on July 30, 2018. (29)</a>
4.24	<a href="#">Description of Securities (31)</a>
10.1	<a href="#">Form of Change in Control Agreement dated March 28, 2003. (1)***</a>
10.2	<a href="#">Form of Amendment No. 1 to Change in Control Agreement dated as of May 24, 2005. (7)***</a>
10.3	<a href="#">Form of Amendment No. 2 to Change in Control Agreement dated as of December 31, 2006. (9)***</a>
10.4	<a href="#">Patent License Agreement by and between Registrant and Lucent Technologies GRL LLC. (2)**</a>
10.5	<a href="#">License Agreement between Registrant and Sunpower dated May 2, 2005. (3)**</a>
10.6	<a href="#">Employment Agreement between Registrant and Jeffrey Quiram dated as of February 14, 2005. (4)***</a>
10.7	<a href="#">Amendment to Employment Agreement between Registrant and Jeffrey Quiram dated as of December 31, 2006. (9)***</a>
10.8	<a href="#">2003 Equity Incentive Plan As Amended May 25, 2005. (6)***</a>
10.9	<a href="#">Form of Notice of Grant of Stock Options and Option Agreement for 2003 Equity Incentive Plan. (4)***</a>
10.10	<a href="#">Management Incentive Plan (July 24, 2006). (8)***</a>
10.11	<a href="#">Compensation Policy for Non-Employee Directors dated March 18, 2005. (5)***</a>
10.12	<a href="#">Form of Director and Officer Indemnification Agreement. (20)***</a>

Number	Description of Document
10.13	<a href="#">Lease Agreement between the Registrant and Prologis Texas III LLC dated December 5, 2011. (16)</a>
10.14	<a href="#">First Amendment to Lease Agreement between the Registrant and Prologis Texas III LLC dated August 23, 2012. (17)</a>
10.15	<a href="#">Second Amendment to Lease Agreement between Registrant and Prologis Texas III LLC dated July 18, 2014. (20)</a>
10.16	<a href="#">Agreement between Registrant and Hunchun BaoLi Communication Co., Ltd. (“BAOLI”) dated August 17, 2007. (10)</a>
10.17	<a href="#">First Amendment to Agreement between Registrant and BAOLI dated November 1, 2007. (11)</a>
10.18	<a href="#">Second Amendment to Agreement between Registrant and BAOLI dated January 7, 2008. (11)</a>
10.19	<a href="#">2013 Equity Incentive Plan adopted October 25, 2013, and forms of Award Agreements. (23) ***</a>
10.20	<a href="#">Agreement and Plan of Merger, dated February 26, 2020, by and among Superconductor Technologies Inc., AIU Special Merger Company, Inc. and Allied Integral United, Inc. (30)</a>
10.21	<a href="#">Asset Sales Agreements. (31)</a>
14	<a href="#">Code of Business Conduct and Ethics. (7)</a>
21	<a href="#">List of Subsidiaries. (32)</a>
23.1	<a href="#">Consent of Marcum, LLP, Independent Registered Public Accounting Firm. (32)</a>
31.1	<a href="#">Statement of CEO Pursuant to 302 of the Sarbanes-Oxley Act of 2002. (32)</a>
31.2	<a href="#">Statement of CFO Pursuant to 302 of the Sarbanes-Oxley Act of 2002. (32)</a>
32.1	<a href="#">Statement of CEO Pursuant to 906 of the Sarbanes-Oxley Act of 2002. (32) *</a>
32.2	<a href="#">Statement of CFO Pursuant to 906 of the Sarbanes-Oxley Act of 2002. (32) *</a>
101	Financials provided in XBRL format. (38)

- (1) Incorporated by reference from Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 29, 2003, filed May 13, 2003.
- (2) Incorporated by reference from Registrant’s Annual Report on Form 10-K for the year ended December 31, 2003, filed March 11, 2004.
- (3) Incorporated by reference from Registrant’s Quarterly Report on Form 10-Q for the quarter ended October 2, 2004, filed November 10, 2004.
- (4) Incorporated by reference from Registrant’s Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005.
- (5) Incorporated by reference from Registrant’s Quarterly Report on Form 10-Q for the quarter ended April 2, 2005, filed May 6, 2005.
- (6) Incorporated by reference from Registrant’s Current Report on Form 8-K filed May 27, 2005.
- (7) Incorporated by reference from Registrant’s Annual Report on Form 10-K for the year ended December 31, 2005, filed March 8, 2006.
- (8) Incorporated by reference from Registrant’s Current Report on Form 8-K filed July 28, 2006.
- (9) Incorporated by reference from Registrant’s Annual Report on Form 10-K for the year ended December 31, 2006, filed April 2, 2007.
- (10) Incorporated by reference from Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 29, 2007, filed November 13, 2007.

- (11) Incorporated by reference from Registrant's Annual Report on Form 10-K for the year ended December 31, 2007, filed March 27, 2008.
- (12) Incorporated by reference from Registrant's Current Report on Form 8-K/A filed February 25, 2008.
- (13) Incorporated by reference from Registrant's Form 10-K filed March 28, 2014.
- (14) Incorporated by reference from Registrant's Annual Report on Form 10-K for the year ended December 31, 2009, filed March 17, 2010.
- (15) Incorporated by reference from Registrant's Current Report on Form 8-K filed April 2, 2010.
- (16) Incorporated by reference from Registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed March 30, 2012.
- (17) Incorporated by reference from Registrant's Quarterly Report on Form 10-Q for the quarter ended September 29, 2012, filed November 13, 2012.
- (18) Incorporated by reference from Registrant's Current Report on Form 8-K filed March 14, 2013.
- (19) Incorporated by reference from Registrant's Current Report on Form 8-K filed October 31, 2013.
- (20) Incorporated by reference from Registrant's Annual Report on Form 10-K for the year ended December 31, 2014, filed March 12, 2015.
- (21) Incorporated by reference from Registrant's Current Report on Form 8-K filed March 24, 2015.
- (22) Incorporated by reference from Registrant's Form S-1/A filed October 6, 2015.
- (23) Incorporated by reference as Exhibit A to Registrant's Schedule 14A filed October 31, 2013.
- (24) Incorporated by reference from Registrant's Current Report on Form 8-K filed October 13, 2015.
- (25) Incorporated by reference from Registrant's Current Report on Form 8-K filed July 18, 2016.
- (26) Incorporated by reference from Registrant's Current Report on Form 8-K filed August 2, 2016.
- (27) Incorporated by reference from Registrant's Form S-1/A filed December 6, 2016.
- (28) Incorporated by reference from Registrant's Current Report on Form 8-K filed March 9, 2018.
- (29) Incorporated by reference from Registrant's Amendment No. 1 to Registration Statement on Form S-1, filed July 24, 2018.
- (30) Incorporated by reference from Registrant's Current Report on Form 8-K filed March 3, 2020.
- (31) Incorporated by reference from Registrant's Current Report on Form 8-K filed July 6, 2020.
- (32) Filed herewith

\*       Furnished, not filed.

\*\*       Confidential treatment has been previously granted for certain portions of these exhibits.

\*\*\*     This exhibit is a management contract or compensatory plan or arrangement.

(b)     Exhibits. See Item 15(a) above.

**ITEM 16.   FORM 10-K SUMMARY**

None.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
**Superconductor Technologies Inc.**

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Superconductor Technologies Inc. (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and Schedule II — valuation and qualifying accounts (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### Explanatory Paragraph — Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

*/s/ Marcum LLP*

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Marcum LLP

We have served as the Company’s auditor since 2009.

Los Angeles, CA

March 31, 2021

**SUPERCONDUCTOR TECHNOLOGIES INC.  
CONSOLIDATED BALANCE SHEETS**

<b>ASSETS</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,276,000	\$ 713,000
Accounts receivable, net	-	344,000
Inventory, net	68,000	263,000
Prepaid expenses and other current assets	76,000	76,000
<b>Total Current Assets</b>	<b>1,420,000</b>	<b>1,396,000</b>
Preferred interest in real estate	1,600,000	-
Property and equipment, net	-	233,000
Patents, licenses, net	-	641,000
Operating lease assets	-	152,000
Other assets	-	60,000
<b>Total Assets</b>	<b>\$ 3,020,000</b>	<b>\$ 2,482,000</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 180,000	\$ 527,000
Accrued expenses	135,000	292,000
Current lease liabilities	-	148,000
<b>Total Current Liabilities</b>	<b>315,000</b>	<b>967,000</b>
Long term lease liabilities	-	4,000
Other long term liabilities	-	8,000
<b>Total Liabilities</b>	<b>315,000</b>	<b>979,000</b>
Commitments and contingencies (Notes 7 and 8)		
<b>Stockholders' Equity:</b>		
Preferred stock, \$.001 par value, 2,000,000 shares authorized, 328,925 and 328,925 issued and outstanding, respectively	-	-
Common stock, \$.001 par value, 25,000,000 shares authorized, 3,151,780 and 1,773,189 shares issued and outstanding, respectively	3,000	2,000
Capital in excess of par value	334,632,000	330,474,000
Accumulated deficit	(331,930,000)	(328,973,000)
<b>Total Stockholders' Equity</b>	<b>2,705,000</b>	<b>1,503,000</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 3,020,000</b>	<b>\$ 2,482,000</b>

See accompanying notes to the consolidated financial statements.

**SUPERCONDUCTOR TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Commercial product revenues	\$ 10,000	\$ 5,000	\$ -
Government contract revenues	174,000	540,000	1,556,000
<b>Total revenues</b>	<b>184,000</b>	<b>545,000</b>	<b>1,556,000</b>
Costs and expenses:			
Cost of commercial product revenues	190,000	3,259,000	2,245,000
Cost of government contract revenues	71,000	303,000	1,210,000
Research and development	178,000	2,353,000	2,352,000
Selling, general and administrative	2,704,000	3,918,000	3,972,000
<b>Total costs and expenses</b>	<b>3,143,000</b>	<b>9,833,000</b>	<b>9,779,000</b>
Loss from operations	(2,959,000)	(9,288,000)	(8,223,000)
Other Income and Expense			
Adjustments to fair value of warrant derivatives	-	-	52,000
Adjustment to warrant exercise price	-	-	(24,000)
Other income	2,000	59,000	64,000
Net loss	\$ (2,957,000)	\$ (9,229,000)	\$ (8,131,000)
Basic and diluted net loss per common share	\$ (1.10)	\$ (12.33)	\$ (40.32)
Basic and diluted weighted average number of common shares outstanding	2,686,086	748,658	201,686

See accompanying notes to the consolidated financial statements.

**SUPERCONDUCTOR TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Convertible Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance at December 31, 2017	328,925	\$ -	107,465	\$ -	\$ 316,726,000	\$ (311,613,000)	\$ 5,112,000
Issuance of Series E preferred	4,135						
Conversion of Series E preferred stock to common stock	(2,273)		64,942				
Issuance of common stock (net of costs)			150,900	1,000	9,678,000		9,680,000
Stock-based compensation					84,000		84,000
Warrant Exercises			3,872				
Cancellation of shares from reverse stock split			(119)				
Net Loss						(8,131,000)	(8,131,000)
Balance at December 31, 2018	330,787	—	327,060	1,000	326,488,000	(319,744,000)	6,745,000
Conversion of Series E preferred stock to common stock	(1,862)		53,200				
Conversion of prefunded warrants to common stock			390,000				
Issuance of common stock (net of costs)			963,400	1,000	3,800,000		3,801,000
Stock-based compensation					87,000		87,000
Warrant Exercises			39,529		99,000		99,000
Net Loss						(9,229,000)	(9,229,000)
Balance at December 31, 2019	328,925	—	1,773,189	2,000	330,474,000	(328,973,000)	1,503,000
Issuance of common stock for preferred interest in real estate			400,000		1,600,000		1,600,000
Stock-based compensation					80,000		80,000
Warrant Exercises			978,594	1,000	2,478,000		2,479,000
Cancellation of shares from reverse stock split			(3)				
Net Loss						(2,957,000)	(2,957,000)
Balance at December 31, 2020	328,925	\$ —	3,151,780	\$ 3,000	\$ 334,632,000	\$ 331,930,000	\$ 2,705,000

See accompanying notes to the consolidated financial statements.

**SUPERCONDUCTOR TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (2,957,000)	\$ (9,229,000)	\$ (8,131,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	38,000	820,000	1,015,000
Stock-based compensation expense	80,000	87,000	84,000
Gain from the sale of patents, property and equipment	(510,000)	—	—
Write-down of intangibles	134,000	—	—
Obsolete inventory	190,000	—	—
Adjustments to fair value of warrant derivatives	—	—	(52,000)
Adjustments to warrant exercise price	—	—	24,000
Changes in assets and liabilities:			
Accounts receivable	344,000	(343,000)	151,000
Inventory	5,000	(90,000)	(70,000)
Prepaid expenses and other current assets	—	(16,000)	22,000
Patents and licenses	—	—	14,000
Other assets	—	9,000	—
Accounts payable, accrued expenses and other liabilities	(462,000)	(41,000)	12,000
Net cash used in operating activities	<u>(3,138,000)</u>	<u>(8,803,000)</u>	<u>(6,931,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Sale of patents, property and equipment	1,222,000	—	—
Purchase of property and equipment	—	—	(189,000)
Net cash provided by (used in) investing activities	<u>1,222,000</u>	<u>—</u>	<u>(189,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from sale of common, prefunded warrants and preferred stock	—	3,801,000	9,680,000
Net proceeds from exercise of warrants	2,479,000	99,000	—
Net cash provided by financing activities	<u>2,479,000</u>	<u>3,900,000</u>	<u>9,680,000</u>
Net increase (decrease) in cash and cash equivalents	563,000	(4,903,000)	2,560,000
Cash and cash equivalents at beginning of year	713,000	5,616,000	3,056,000
Cash and cash equivalents at end of year	<u>\$ 1,276,000</u>	<u>\$ 713,000</u>	<u>\$ 5,616,000</u>
<b>NONCASH INVESTING:</b>			
Acquisition of preferred interest in real estate in exchange for common stock	<u>\$ 1,600,000</u>	\$ —	\$ —

See accompanying notes to the consolidated financial statements.

**SUPERCONDUCTOR TECHNOLOGIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 — The Company**

Superconductor Technologies Inc. (together with our subsidiaries, “we” or “us”) was incorporated in Delaware on May 11, 1987. We developed and produced high temperature superconducting (HTS) materials and associated technologies. We have generated more than 100 patents as well as proprietary trade secrets and manufacturing expertise. We are now leveraging our key enabling technologies in HTS materials and cryogenics, to pursue emerging opportunities in the electrical grid and in equipment platforms that utilize electrical circuits. In January 2012, we took possession of a facility in Austin, Texas and have moved our HTS wire processes and our research and development to Austin.

Our initial superconducting products were completed in 1998, and we began delivery to a number of wireless network providers. In the following 13 years, our cost reducing efforts led to the invention of our proprietary, high-yield and high throughput HTS material deposition manufacturing process.

On October 29, 2019, we announced that our Board of Directors, supported by its management team, had commenced a process to explore strategic alternatives focused on maximizing shareholder value.

Strategic alternatives considered included, among others, a strategic investment financing which would allow the company to pursue its current business plan to commercialize the Conductus wire platform, a business combination such as a merger with another party, or a sale of STI.

On January 28, 2020, we announced a cost reduction plan for the purpose of aligning our personnel needs and capital requirements as we explored strategic alternatives previously announced. We will maintain operations of our Sapphire Cryocooler cryogenics initiatives while ceasing additional manufacturing of our HTS Conductus® wire. The plan also included a 70% employee workforce reduction.

On February 26, 2020, we entered into a definitive merger agreement with Allied Integral United, Inc. (which will change its name to, and is therefore referred herein as, “Clearday”), a privately-held company dedicated to delivering next generation longevity care and wellness services, whereby our wholly-owned subsidiary will merge with and into Clearday in a stock-for-stock transaction with Clearday (the “Merger”), with Clearday surviving and becoming our wholly-owned subsidiary, which will then change its name to Clearday, Inc (the “Merger Agreement”).

If a merger is not consummated with Clearday in the near future, we will likely be required to liquidate or declare bankruptcy, in which case there would likely be no payments to common stock holders.

**Note 2 — Summary of Significant Accounting Policies**

***Basis of Presentation***

We have incurred significant net losses since our inception and have an accumulated deficit of \$331.9 million. In 2020, we incurred a net loss of \$3.0 million and had negative cash flows from operations of \$3.1 million. In 2019, we had an accumulated deficit of \$329 million, a net loss of \$9.2 million and negative cash flows from operations of \$8.8 million. At December 31, 2020, we had \$1.3 million in cash. Our cash resources may therefore not be sufficient to fund our business through the end of the current fiscal year. Therefore, unless we can successfully implement our strategic alternatives plan including, among others, a strategic investment financing which would allow us to pursue our current business plan, a business combination such as our merger with Clearday, or a sale of STI, we will need to raise additional capital during this fiscal year ending December 31, 2021 to maintain our viability. Additional financing may not be available on acceptable terms or at all. If we issue additional equity securities to raise funds, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. These factors raise substantial doubt about our ability to continue as a going concern.

Our plans regarding improving our future liquidity will require us to successfully implement our strategic plan to explore strategic alternatives focused on maximizing shareholder value. Strategic alternatives considered included, among others, a strategic investment financing which would allow the company to pursue its current business plan, a business combination such as a merger with another party, or a sale of STI. On January 28, 2020, we announced a cost reduction plan for the purpose of aligning our personnel needs and capital requirements as we explored strategic alternatives previously announced. We will maintain operations of our Sapphire Cryocooler cryogenics initiatives while ceasing additional manufacturing of our HTS Conductus® wire. The plan also included a 70% employee workforce reduction.

As noted above, on February 26, 2020, we entered into a definitive merger agreement with Allied Integral United, Inc. (which will change its name to, and is therefore referred herein as, “Clearday”), a privately-held company dedicated to delivering next generation longevity care and wellness services, whereby our wholly-owned subsidiary will merge with and into Clearday in a stock-for-stock transaction with Clearday (the “Merger”), with Clearday surviving and becoming our wholly-owned subsidiary, which will then change its name to Clearday, Inc (the “Merger Agreement”).

As previously disclosed, on May 12, 2020, the Merger Agreement was amended by the parties to (i) add a covenant that the parties shall use their commercially reasonable efforts to cause STI to at all times remain listed on the Nasdaq Capital Market (or higher tier) and that if STI ceases to be listed on the Nasdaq Capital Market then the parties shall (including after the closing of the Merger) use their commercially reasonable efforts to cause STI to become listed on either the Nasdaq Capital Market or the NYSE MKT as promptly as reasonably possible, (ii) remove the conditions to closing the Merger that Nasdaq must determine that all listing deficiencies have been cured and determine to approve the listing of STI’s common stock on the Nasdaq and remove any other provisions in the Merger Agreement of like effect, (iii) extend the “outside date” for the Merger to close until the close of business on September 21, 2020 and (iv) require a customary tax representation letter from STI as a closing condition

As previously disclosed, due to our failure to comply with its listing conditions, the Nasdaq Stock Market notified us that it intended to complete the delisting of our common stock by filing a Form 25 Notification of Delisting with the U.S. Securities and Exchange Commission, which it did on February 2, 2021. Our common stock is no longer listed on a National Securities Exchange. Our stock trades on the OTC QB Market.

As also previously disclosed, we announced that, although the “outside date” of our Merger Agreement with Clearday has expired, both the Company and Clearday intended to finalize an amendment to the Merger Agreement or enter into a new merger agreement and proceed with the merger. Clearday has informed us that the listing of our common stock on the Nasdaq would not be a condition to the closing of the merger. The parties are negotiating a new merger agreement (instead of an extension to the Merger Agreement) that would result in a similar all stock reverse acquisition of us, however there is no assurance that the parties will complete such negotiation successfully or conclude the merger or any transaction at all.

Clearday has paid us \$120,000 as a good faith, non-refundable, payment to provide us cash flow support as we negotiate a new merger agreement.

As discussed below, we also obtained a Paycheck Protection Program loan of approximately \$468,000. We believe these funds will be sufficient to conclude a merger with Clearday, if one can be negotiated and our shareholders approve the transaction by the third quarter of 2021. There is no assurance that this will occur and indeed there are significant risks that it will not occur.

If a merger is consummated with Clearday, of which there is no assurance, the merged company will focus on the development of Clearday’s non-residential daily care service model as well as the continued operation of Clearday’s existing Memory Care America residential memory care facilities. As part of plans to develop and expand its assortment of innovative, non-residential daily care services, Clearday intends to leverage our existing Cryogenic Cooler as an enabling technology for one of its service offerings in the healthcare market.

If a merger is not consummated with Clearday in the near future, we will likely be required to liquidate or declare bankruptcy, in which case there would likely be no payments to common stock holders.

The accompanying consolidated financial statements do not include any adjustments that may result from the outcome of the uncertainties set forth above.

On July 24, 2018, we effected a 1-for-10 reverse stock split of our common stock, or the 2018 Reverse Stock Split. As a result of the 2018 Reverse Stock Split, every ten shares of our pre-2018 Reverse Stock Split common stock were combined and reclassified into one share of our common stock. The 2018 Reverse Stock Split did not change the authorized number of shares or the par value of our common stock.

In 2019, we undertook steps to reduce our ongoing operating costs and we raised net cash proceeds of \$3.9 million from the sale of our common and preferred shares and warrants.

On September 9, 2020, we effected a 1-for-10 reverse stock split of our common stock, or the 2020 Reverse Stock Split. As a result of the 2020 Reverse Stock Split, every ten shares of our pre-2020 Reverse Stock Split common stock were combined and reclassified into one share of our common stock. The 2020 Reverse Stock Split changed the authorized number of shares from 250,000,000 to 25,000,000. The par value of our common stock remained \$0.001.

Share and per share data included in the consolidated financial statements, as well as the notes to consolidated financial statements have been retroactively adjusted, as applicable, for the effect of the reverse stock splits. Certain of the information contained in the documents incorporated by reference herein and therein present information on our common stock on a pre-reverse stock split basis.

## **Recent Accounting Pronouncements**

Effective January 1, 2018, we adopted the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amended guidance establishes a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and superseded most of the existing revenue recognition guidance, including industry-specific guidance. There was no impact from adopting the standard on our financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes all existing guidance on accounting for leases in ASC Topic 840. ASU 2016-02 is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. ASU 2016-02 will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We applied this guidance at January 1, 2019 and recorded our leases on our consolidated balance sheets as right-of-use assets and lease liabilities. We also elected this new standard’s available transition practical expedients. Consequently, financial information will not be updated and disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. We have reviewed our leases and other agreements in order to determine the effects of the new guidance on our consolidated financial statements. We have determined that we have leases that meet the criteria for recognition of right-of-use assets and lease liabilities on the balance sheet under the new guidance. We are not party to any leases for which we are the lessor.

Effective January 1, 2018, the Company adopted the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight specific cash flow classification issues. Prior to this ASU, GAAP did not include specific guidance on these eight cash flow classification issues. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Shares (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): Part I, Accounting for Certain Financial Instruments with Down Round Features*. ASU 2017-11 changes the classification analysis of certain equity-linked financial instruments, such as warrants and embedded conversion features, such that a down round feature is disregarded when assessing whether the instrument is indexed to an entity’s own stock under Subtopic 815-40. As a result, a down round feature — by itself — no longer requires an instrument to be remeasured at fair value through earnings each period, although all other aspects of the indexation guidance under Subtopic 815-40 continue to apply. ASU 2017-11 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements* which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB’s disclosure framework project. Adoption of this guidance is required for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. We are evaluating the impact of adopting this new standard on our consolidated financial statements.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Superconductor Technologies Inc. and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated from the consolidated financial statements.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. Cash and cash equivalents are maintained with what management believes to be quality financial institutions and exceed FDIC limits. Historically, we have not experienced any losses due to such concentration of credit risk.

### ***Accounts Receivable***

We grant uncollateralized credit to our customers. We perform usual and customary credit evaluations of our customers before granting credit. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience. Past due balances are reviewed for collectability. Account balances are charged off against the allowance when we deem it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

### ***Revenue Recognition***

On January 1, 2018, we adopted ASC Topic 606, *Revenue from Contracts with Customers*, and all of the related amendments and applied it to all contracts. The adoption ASC topic 606 has had no effect to our consolidated financial statements.

Commercial revenues are recognized once all of the following conditions have been met: a) an authorized purchase order has been received in writing, b) the customer's credit worthiness has been established, c) shipment of the product has occurred, d) title has transferred, and e) if stipulated by the contract, customer acceptance has occurred and all significant vendor obligations, if any, have been satisfied.

Government contract revenues are principally generated under research and development contracts. Revenues from research-related activities are derived from contracts with agencies of the U.S. Government. Credit risk related to accounts receivable arising from such contracts is considered minimal. All payments to us for work performed on contracts with agencies of the U.S. Government are subject to adjustment upon audit by the Defense Contract Audit Agency. Based on historical experience and review of our current project in process, we believe that adjustments from open audits will not have a significant effect on our financial position, results of operations or cash flows.

### ***Shipping and Handling Fees and Costs***

Shipping and handling fees billed to customers are included in net commercial product revenues. Shipping and handling fees associated with freight are generally included in cost of commercial product revenues.

### ***Warranties***

We offer warranties generally ranging from one to five years, depending on the product and negotiated terms of purchase agreements with our customers. Such warranties require us to repair or replace defective product returned to us during such warranty period at no cost to the customer. Our estimate for warranty related costs is recorded at the time of sale based on our actual historical product return rates and expected repair costs. Such costs have been within our expectations.

### ***Indemnities***

In connection with the sales and manufacturing of our commercial products, we indemnify, without limit or term, our customers and contract manufacturers against all claims, suits, demands, damages, liabilities, expenses, judgments, settlements and penalties arising from actual or alleged infringement or misappropriation of any intellectual property relating to our products or other claims arising from our products. We cannot reasonably develop an estimate of the maximum potential amount of payments that might be made under our indemnities because of the uncertainty as to whether a claim might arise and how much it might total. Historically, we have not incurred any expenses related to these indemnities.

### ***Research and Development Costs***

Research and development costs are charged to expense as incurred and include salary, facility, depreciation and material expenses. Research and development costs are charged to research and development expense.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value, with costs primarily determined using standard costs, which approximate actual costs utilizing the first-in, first-out method. We review inventory quantities on hand and on order and record, on a quarterly basis, a provision for excess and obsolete inventory and/or vendor cancellation charges related to purchase commitments. If the results of the review determine that a write-down is necessary, we recognize a loss in the period in which the loss is identified, whether or not the inventory is retained. Our inventory reserves establish a new cost basis for inventory and are not reversed until we sell or dispose of the related inventory. Such provisions are established based on historical usage, adjusted for known changes in demands for such products, or the estimated forecast of product demand and production requirements. Costs associated with idle capacity are charged to operations immediately. During 2020 we ceased production of our Conductus wire and expensed the remaining \$190,000 of our wire inventory.

### ***Preferred interest in real estate***

On July 6, 2020, we entered into a Securities Purchase Agreement with Clearday, pursuant to which we acquired a preferred interest in real estate with a fair value of \$1.6 million. The fair value of the real estate was based on the fact the building was acquired by Clearday in an arm's-length, all-cash purchase, from an independent third party in November 2019. We obtained a broker's price report indicating no material volatility in the building's fair value since November 2019. In exchange for the preferred interest in the real estate, we issued 400,000 shares of our common stock a fair value \$4.00 per share, based on the intraday stock trading price on July 6, 2020. Our preferential interest in the real estate is based solely upon an event of liquidation or dissolution of the real estate, which the Company cannot force; the Company will be entitled to proceeds from liquidation or dissolution up to \$1.6 million.

### ***Property and Equipment***

Property and equipment are recorded at cost. Equipment is depreciated using the straight-line method over their estimated useful lives ranging from three to five years. Leasehold improvements and assets financed under capital leases are amortized over the shorter of their useful lives or the lease term. Furniture and fixtures are depreciated over seven years. Expenditures for additions and major improvements are capitalized. Expenditures for minor tooling, repairs and maintenance and minor improvements are charged to operations as incurred. When property or equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. During 2020 we ceased production of our Conductus wire and sold most of our production wire equipment for a gain of \$510,000. There were no disposals in 2019.

### ***Patents, Licenses and Purchased Technology***

Patents and licenses are recorded at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or approximately seventeen years. During 2020 we ceased production of our Conductus wire and sold many of our wire patents for no gain or loss and recognized a \$134,000 impairment of other patents.

### ***Long-Lived Assets***

The realizability of long-lived assets is evaluated periodically as events or circumstances indicate a possible inability to recover the carrying amount. Long-lived assets that will no longer be used in the business are written off in the period identified since they will no longer be used in operations and generate any positive cash flows for us. Periodically, long-lived assets that will continue to be used by us will need to be evaluated for recoverability. Such evaluation is based on various analyses, including cash flow and profitability projections, as well as alternative uses, such as government contracts or awards. The analyses necessarily involve significant management judgment. In the event the projected undiscounted cash flows are less than net book value of the assets, the carrying value of the assets will be written down to their estimated fair value. We tested our long lived assets for recoverability in each of the last three years and did not believe there was any impairment.

The accompanying consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

### ***Income Taxes***

We recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

The guidance further clarifies the accounting for uncertainty in income taxes and sets a consistent framework to determine the appropriate level of tax reserve to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50% likely to be realized and sets out disclosure requirements to enhance transparency of our tax reserves.

Unrecognized tax positions, if ever recognized in the consolidated financial statements, are recorded in the statement of operations as part of the income tax provision. Our policy is to recognize interest and penalties accrued on uncertain tax positions, if any, as part of the income tax provision.

No liabilities for uncertain tax positions were recorded in the current year. No interest or penalties on uncertain tax positions have been expensed to date. We are not under examination by any taxing authorities. The federal statute of limitations for examination of us is open for 2017 and subsequent filings. Additionally, the statute of limitations for examination of our net operating loss carryforwards is open for a 20 year period subsequent to each loss year.

We implemented ASU 2016-09 during the first quarter of 2017 as stipulated in the FASB guidance for publicly traded entities. To account for the implementation of ASU 2016-09, we accounted for previously unrecognized excess tax benefits by recognizing those benefits. Due to our full valuation allowance, this recognition has no effect on the net accrual after the valuation allowance.

### ***Marketing Costs***

All costs related to marketing and advertising our products are charged to operations as incurred or at the time the advertising takes place. Advertising costs were not material in each of the three years in the period ended December 31, 2020.

### ***Net Loss Per Share***

Basic and diluted net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding in each year. Net loss available to common stockholders is computed after deducting accumulated dividends on cumulative preferred stock, deemed dividends and accretion of redemption value on redeemable preferred stock for the period and beneficial conversion features on issuance of convertible preferred stock. Potential common shares are not included in the calculation of diluted loss per share because their effect is anti-dilutive.

### ***Stock-based Compensation Expense***

We have in effect several equity incentive plans under which stock options and awards have been granted to employees and non-employee members of the Board of Directors. We are required to estimate the fair value of share-based awards on the date of grant. The value of the award is principally recognized as expense ratably over the requisite service periods. We have estimated the fair value of stock options as of the date of grant using the Black-Scholes option pricing model. The Black-Scholes model considers, among other factors, the expected life of the award and the expected volatility of our stock price. We evaluate the assumptions used to value stock options on a quarterly basis. The fair values generated by the Black-Scholes model may not be indicative of the actual fair values of our equity awards, as they do not consider other factors important to those awards to employees, such as continued employment and periodic vesting.

The following table presents details of total stock-based compensation expense that is included in each functional line item on our consolidated statements of operations:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cost of Commercial product revenues	\$ 3,000	\$ 3,000	\$ 3,000
Research and development	9,000	10,000	12,000
Selling, general and administrative	68,000	74,000	69,000
	<u>\$ 80,000</u>	<u>\$ 87,000</u>	<u>\$ 84,000</u>

The impact to the consolidated statements of operations for 2020, 2019 and 2018 on basic and diluted earnings per share was \$0.03, \$0.12 and \$0.42, respectively. No stock compensation cost was capitalized during the three year period ended December 31, 2020.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The significant estimates in the preparation of the consolidated financial statements relate to the assessment of the carrying amount of accounts receivable, inventory, fixed assets, preferred interest in real estate, intangibles, fair value of options and warrants, estimated provisions for warranty costs, accruals for restructuring and lease abandonment costs, contract revenues, income taxes and disclosures related to the litigation. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements.

### ***Fair Value of Financial Instruments***

We have estimated the fair value amounts of our financial instruments using the available market information and valuation methodologies considered appropriate. We determined the book value of our cash and cash equivalents, accounts receivable, and other current assets and other current liabilities as of December 31, 2020 and December 31, 2019 approximate fair value.

The fair value of our warrant derivative liability was estimated using the Binomial Lattice option valuation model.

Fair value for financial reporting purposes is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date, ASC 820, “*Fair Value Measurement and Disclosures*”, also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The fair value of our warrant liabilities was determined based on level 3 inputs. These derivative liabilities, which expired in August 2018 and had no value at December 31, 2019 or December 31, 2020, were adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as Adjustment to Fair Value of Derivatives.

### ***Comprehensive Income***

We have no items of other comprehensive income in any period and consequently have not included a Statement of Comprehensive Income.

### ***Segment Information***

We have historically operated in a single business segment: the research, development, manufacture and marketing of high performance products used in cellular base stations. We derived net commercial product revenues primarily from the sales of our AmpLink and SuperPlex products which we sold directly to wireless network operators in the United States. Net revenues derived principally from government contracts are presented separately on the consolidated statements of operations for all periods presented.

### ***Certain Risks and Uncertainties***

With respect to our historical Conductus wire business, we expected to also have some customer concentration in that business as we commercialized our wire product. The loss of or reduction in sales, or the inability to collect outstanding accounts receivable, from any significant customer could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We relied on a limited number of suppliers for key components of our products. The loss of any of these suppliers could have material adverse effect on our business, financial condition, results of operations and cash flows. Since early 2020, when we ceased additional manufacturing of our Conductus wire, much of this risk was limited.

In connection with the sales of our commercial products, we indemnify, without limit or term, our customers against all claims, suits, demands, damages, liabilities, expenses, judgments, settlements and penalties arising from actual or alleged infringement or misappropriation of any intellectual property relating to our products or other claims arising from our products. We cannot reasonably develop an estimate of the maximum potential amount of payments that might be made under our indemnities because of the uncertainty as to whether a claim might arise and how much it might total.

If a merger is consummated with Clearday, of which there is no assurance, the merged company will focus on the development of Clearday’s non-residential daily care service model as well as the continued operation of Clearday’s existing Memory Care America residential memory care facilities. As part of plans to develop and expand its assortment of innovative, non-residential daily care services, Clearday intends to leverage our existing Cryogenic Cooler as an enabling technology for one of its service offerings in the healthcare market.

If a merger is not consummated with Clearday in the near future, we will likely be required to liquidate or declare bankruptcy, in which case there would likely be no payments to common stock holders.

For more risks of our business, see Item 1A, “Risk Factors” in this Report and other filings with the Securities and Exchange Commission.

**Note 3 — Short Term Borrowings**

None

**Note 4 — Income Taxes**

We incurred a net loss in each year of operation since inception resulting in no current or deferred tax expense for 2020, 2019 or 2018.

As of December 31, 2020, the Company’s foreign subsidiaries had negative earnings and profits. As a result, no income tax provision was required for the deemed repatriation tax or the global intangible low tax income (GILTI) tax.

The benefit for income taxes differs from the amount obtained by applying the federal statutory income tax rate to loss before benefit for income taxes for 2020, 2019 and 2018 as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax benefit computed at federal statutory rate	21.0%	21.0%	21.0%
Increase (decrease) in taxes due to:			
Change in tax rate under tax reform	—	—	—
Change in valuation allowance	(21.0)	(21.0)	(21.0)
	<u>—%</u>	<u>—%</u>	<u>—%</u>

The significant components of deferred tax assets (liabilities) at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Loss carryforwards	\$ 2,990,000	\$ 3,662,000
Depreciation & Amortization	76,000	684,000
Stock Option Compensation	17,000	394,000
Other	84,000	132,000
Less: valuation allowance	(3,167,000)	(4,872,000)
	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2020, we had net operating loss carryforwards for federal and state income tax purposes of approximately \$297.9 million which of which expire in the years 2021 through 2038. Of these amounts, \$50.8 million resulted from the acquisition of Conductus. We also had \$15.6 million of Federal net operating losses from post 2017 years which do not expire. Under the Internal Revenue Code change of control limitations, a maximum of \$14.2 million will be available for reduction of future taxable income.

Due to the uncertainty surrounding their realization, we have recorded a full valuation allowance against our net deferred tax assets. Accordingly, no deferred tax asset has been recorded in the accompanying balance sheet. The valuation allowance decreased by \$814,000 in 2019 and decreased by \$1,705,000 in 2020.

Section 382 of the Internal Revenue Code imposes an annual limitation on the utilization of net operating loss carryforwards based on a statutory rate of return (usually the “applicable federal funds rate,” as defined in the Internal Revenue Code) and the value of the corporation at the time of a “change of ownership” as defined by Section 382. We had changes in ownership in August 1999, December 2002, June 2009, August 2013, December 2016 and May 2019. In addition, we acquired the right to Conductus’ net operating losses, which are also subject to the limitations imposed by Section 382. Conductus underwent seven ownership changes, which occurred in February 1999, February 2001, December 2002, June 2009, August 2013, December 2016 and May 2019. Therefore, the ability to utilize Conductus’ and our net operating loss carryforwards of \$285.9 million which were incurred prior to the 2019 ownership changes, will be subject in future periods to annual limitations of \$115,000. Net operating losses released from this limitation and/or incurred by us subsequent to the ownership changes and therefore not subject to this limitation totaled \$12.2 million. An additional \$115,000 in losses were released from limitation during the year under Section 382.

## **Note 5 — Stockholders’ Equity**

### ***Public Offerings***

We have historically financed our operations through a combination of cash on hand, cash provided from operations, equipment lease financings, available borrowings under bank lines of credit and both private and public equity offerings.

We had no private or public equity offerings in 2020.

On October 10, 2019 we completed a public offering of an aggregate of 1,183,400 shares of our common stock (or common stock equivalents) and warrants to purchase an aggregate of 1,183,400 shares of common stock with gross proceeds to us of approximately \$3.0 million. The warrants are exercisable for five years at an exercise price equal to the public offering price. The offering was priced at \$2.50 per share of common stock. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was approximately \$2.4 million.

On May 23, 2019 we completed a public offering of an aggregate of 170,000 shares of our common stock with gross proceeds to us of \$1.7 million. The offering was priced at \$10.00 per share of common stock. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was approximately \$1.4 million.

On July 30, 2018 we completed a public offering of an aggregate of 257,142 shares of our common stock (or common stock equivalents) and warrants to purchase an aggregate of 257,142 shares of common stock with gross proceeds to us of \$9.0 million. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was \$7.98 million. The offering was priced at \$35 per share of common stock (or common stock equivalent), with each share of common stock (or common stock equivalent) sold with one five-year warrant to purchase one share of common stock, at an exercise price of \$35 per share.

In connection with the offering, we issued 139,000 shares of our common stock at a price of \$35 per share, with each share of common stock coupled with a five year warrant to purchase one share of common stock, at an exercise price of \$35 (the “Warrants”). These securities were offered in the form of a Class A Unit but were immediately separable and were issued separately at the closing.

For certain investors who would otherwise hold more than 4.99% (or at the election of a purchaser, 9.99%) of our common stock following the registered offering, we issued to such investors an aggregate of 4,135.0015 Class B Units (equivalent to 118,142 shares of our common stock), consisting of shares of a new class of preferred stock designated Series E Convertible Preferred Stock with a stated value of \$1,000 and which are convertible into our common stock at a conversion price equal to \$35 per share of common stock, together with an equivalent number of Warrants in the same form and economic terms based on the related purchase price as the purchasers of the Class A Units (the “Class B Units” and together with the “Class A Units”, the “Units”). These securities offered in the form of a Class B Unit were immediately separable and were issued separately at the closing. At December 31, 2018, 2,273 Series E Convertible Preferred Stock had been converted into 64,942 shares of common stock and 1,862 Series E Convertible Preferred Stock, convertible into 53,200 shares of common stock, remained unconverted. On March 21, 2019, the remaining 1,862 Series E Convertible Preferred Stock, were converted into 53,200 shares of common stock.

On March 9, 2018, we issued a total of 15,810 shares of common stock (or common stock equivalents) in the form of 11,900 shares of our common stock at a price of \$126.50 per share and, for investors who would otherwise hold more than 9.99% of the Company’s common stock following the registered offering, we agreed to issue to such investors pre-funded warrants to purchase 3,910 shares of the Company’s common stock at a price of \$125.50 per warrant subject to payment of an additional \$1.00 upon exercise, which are common stock equivalents. This registered offering of common stock (and common stock equivalents) provided gross proceeds to us of \$2.0 million, and net proceeds to us, after deducting the placement agent fees and our estimated offering expenses, of \$1.7 million. In a concurrent private placement, we issued to the investor unregistered warrants to purchase 15,810 shares of common stock. The warrants have an exercise price of \$114 per share, and are exercisable immediately and will expire five years and nine months from the date of issuance.

On April 4, 2018, the 3,910 pre-funded warrants issued in connection with our March 2018 financing noted above were exercised, on a cashless basis, and we issued 3,872 shares of our common stock.

### ***Preferred Stock***

Pursuant to our Certificate of Incorporation, the Board of Directors is authorized to issue up to 2,000,000 shares of preferred stock (par value \$.001 per share) in one or more series and to fix the rights, preferences, privileges, and restrictions, including the dividend rights, conversion rights, voting rights, redemption price or prices, liquidation preferences, and the number of shares constituting any series or the designation of such series. There is no beneficial conversion feature related to the conversion or liquidation of any of our preferred shares.

In February 2008, we issued to Hunchun BaoLi Communication Co. Ltd. (“BAOLI”) and two related purchasers a total of (a) 3,101,361 shares of our common stock and (b) 611,523 shares of our Series A Preferred Stock. Subject to the terms and conditions of our Series A Preferred Stock and to customary adjustments to the conversion rate, each share of our Series A Preferred Stock was initially convertible into ten shares of our common stock with any conversion subject to the number of shares of our common stock beneficially owned by BAOLI and affiliates following such conversion not exceeding 9.9% of our outstanding common stock. At December 31, 2018, 328,925 shares of our Series A Preferred Stock were outstanding which, subject to the foregoing restrictions, are convertible into 182 shares of common stock. Except for a preference on liquidation of \$.001 per share, each share of Series A Preferred Stock is the economic equivalent of the number of shares of common stock into which it is convertible. Except as required by law, the Series A Preferred Stock does not have any voting rights.

As of December 31, 2018, all of our issued Series B, C and D Preferred Stock had been converted into our common stock.

In late July 2018, we issued 4,135.0015 Series E Convertible Preferred Stock with a stated value of \$1,000 and which are convertible into our common stock at a conversion price equal to \$35 per share of common stock (see *Public Offerings* above). At December 31, 2018, 2,273.0015 Series E Convertible Preferred Stock had been converted into 64,942 shares of common stock and 1,862 Series E Convertible Preferred Stock, convertible into 53,200 shares of common stock, remained unconverted. On March 21, 2019, the remaining 1,862 Series E Convertible Preferred Stock, were converted into 53,200 shares of common stock.

### ***Common Stock***

We entered into a Securities Purchase Agreement, which was consummated on July 6, 2020, pursuant to which we issued 400,000 shares of our common stock in exchange for a preferred equity interest in real estate we value at \$1.6 million, implying a purchase price of \$4.00 per share.

On October 10, 2019 we issued 1,183,400 shares of our common stock (or common stock equivalents) and coupled with a five year warrant to purchase one share of common stock at an exercise price of \$2.50.

On May 23, 2019 we issued 170,000 shares of our common stock at a price of \$10 per share. The offering was priced at \$10 per share of common stock.

On July 30, 2018 we issued 139,000 shares of common stock at a price of \$35 per share, with each share of common stock coupled with a five year warrant to purchase one share of common stock, at an exercise price of \$35. For certain investors who would otherwise hold more than 4.99% of our common stock following the registered offering, we agreed to issue to such investors in the form of Class A Units, 4,435.0015 shares of a new class of preferred stock designated Series E Convertible Preferred Stock with a stated value of \$1,000 and which are convertible into 118,142 shares of our common stock at a conversion price equal to \$35 per share.

On April 4, 2018, 3,910 pre-funded warrants issued in connection with our March 9, 2018 financing noted below were exercised, on a cashless basis, and we issued 3,872 shares of our common stock.

On March 9, 2018, we issued a total of 15,810 shares of common stock (or common stock equivalents) in the form of 11,900 shares of our common stock at a price of \$126.50 per share and, for investors who would otherwise hold more than 9.99% of the Company’s common stock following the registered offering, we agreed to issue to such investors pre-funded warrants to purchase 3,910 shares of the Company’s common stock at a price of \$125.50 per warrant subject to payment of an additional \$0.10 upon exercise, which are common stock equivalents.

## Equity Awards

At December 31, 2020, we had two equity award option plans, the 2003 Equity Incentive Plan and the 2013 Equity Incentive Plan (collectively, the “Stock Option Plans”) although we can only grant new options under the 2013 Equity Incentive Plan. Under the Stock Option Plans, stock awards may be made to our directors, key employees, consultants, and non-employee directors and may consist of stock options, stock appreciation rights, restricted stock awards, performance awards, and performance share awards. Stock options must be granted at prices no less than the market value on the date of grant.

There were no stock option exercises in the last three years.

No stock options were granted in 2020 or 2019, but stock options were granted in 2018. The weighted average fair value of options has been estimated at the date of the grant using the Black-Scholes option-pricing model. The following are the significant weighted average assumptions used for estimating the fair value under our stock option plans:

	2020	2019	2018
Per share fair value at grant date	—	—	\$ 14.50
Risk free interest rate	—	—	3.0%
Expected volatility	—	—	224%
Dividend yield	—	—	0%
Expected life in years	—	—	4.0

The expected life was based on the contractual term of the options and the expected employee exercise behavior. Typically, options to our employees and Board Members have a 2 year vesting term and a 10 year contractual term and vest at 50% after one year and 50% after two years. The risk-free interest rate is based on the U. S. Treasury zero-coupon issues with a remaining term equal to the expected option life assumed at the grant date. The future volatility is based on our 4 year historical volatility. We used an expected dividend yield of 0% because we have never paid a dividend and do not anticipate paying dividends. We assumed aggregate forfeiture rates of 10% to 20% based on historical stock option cancellation rates over the last 4 years.

At December 31, 2020, common stock totaling 7,845 shares were available for future grants and options covering 7,863 shares were outstanding but not yet exercised. Option activity during the three years ended December 31, 2019 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2017	1,261	\$ 3,700.30
Granted	12,800	19.20
Canceled	(29)	47,239.00
Exercised	—	—
Outstanding at December 31, 2018	14,032	252.90
Granted	—	—
Canceled	(307)	4,723.90
Exercised	—	—
Outstanding at December 31, 2019	13,725	252.00
Granted	—	—
Canceled	(5,862)	246.80
Exercised	—	—
Outstanding at December 31, 2020	7,863	\$ 255.90

The following table summarizes information concerning currently outstanding and exercisable stock options at December 31, 2020:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable	
				Number Exercisable	Weighted Average Exercise Price
\$19.20 - \$19.20	7,150	7.8	\$ 19.20	7,150	\$ 19.20
330.00 – 330.00	300	4.9	330.00	300	330.00
3,180.00 – 4,275.00	395	2.9	3,245.34	395	3,245.34
\$26,280.00 - \$28,440.00	18	0.4	27,802.76	18	27,802.76
	<u>7,863</u>	<u>7.4</u>	<u>\$ 255.90</u>	<u>7,863</u>	<u>\$ 255.90</u>

Our outstanding options expire on various dates through October 2028. The weighted-average contractual term of outstanding options and the weighted-average contractual term of currently exercisable options was 7.4 years. There were no exercisable options at December 31, 2020, December 31, 2019 or December 31, 2018 with a price less than the then market value.

The grant date fair value of each share of our restricted stock awards is equal to the fair value of our common stock at the grant date. Shares of restricted stock under awards all have service conditions and vest over one to four years. The following is a summary of our restricted stock award transactions for the year ended December 31, 2020:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance nonvested at December 31, 2019	33	\$ 105.00
Granted	-	-
Vested	(33)	105.00
Forfeited	-	-
Balance nonvested at December 31, 2020	<u>-</u>	<u>\$ -</u>

There were no restricted stock awards during each of the past three years.

No stock compensation cost was capitalized during the periods. At December 31, 2020, there was \$0 compensation cost related to non-vested option awards not yet recognized and \$0 compensation cost related to non-vested stock awards not yet recognized.

#### Warrants

The following is a summary of outstanding warrants at December 31, 2020:

	Total	Currently Exercisable	Price per Share	Expiration Date
Warrants related to August 2016 financing	5,350	5,350	\$ 300.00	February 2, 2022
Warrants related to August 2016 financing	500	500	\$ 385.50	August 2, 2021
Warrants related to December 2016 financing	68,567	68,567	\$ 200.00	December 14, 2021
Warrants related to March 2018 financing	15,810	15,810	\$ 114.00	September 9, 2023
Warrants related to March 2018 financing	1,107	1,107	\$ 158.00	March 6, 2023
Warrants related to July 2018 financing	257,143	257,143	\$ 35.00	July 25, 2023
Warrants related to July 2018 financing	15,428	15,428	\$ 43.75	July 25, 2023
Warrants related to May 2019 financing	11,900	11,900	\$ 12.50	May 23, 2024
Warrants related to October 2019 financing	217,200	217,200	\$ 2.50	October 10, 2024
Warrants related to October 2019 financing	30,916	30,916	\$ 3.13	October 8, 2024

On October 10, 2019 we completed a public offering of an aggregate of 1,183,400 shares of our common stock (or common stock equivalents) and warrants to purchase an aggregate of 1,183,400 shares of common stock with gross proceeds to us of approximately \$3.0 million. The warrants are exercisable for five years at an exercise price equal to the public offering price. The offering was priced at \$2.50 per share of common stock. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was approximately \$2.4 million. The placement agent received warrants to purchase 82,838 shares of common stock, at an exercise price of \$3.125, that will expire October 8, 2024 and are subject to a six month lock-up. In the quarter ended December 31, 2019, 39,528 of these warrants were exercised, providing us with proceeds of \$99,000. During 2020, an additional 978,594 of these warrants were exercised, providing us with proceeds of \$2.5 million.

On May 23, 2019 we completed a public offering of an aggregate of 170,000 shares of our common stock with gross proceeds to us of \$1.7 million. The offering was priced at \$10 per share of common stock. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was approximately \$1.4 million. The placement agent received warrants to purchase 11,900 shares of common stock, at an exercise price of \$12.50, that are subject to a nine month lock-up and will expire May 23, 2024.

On July 30, 2018 we completed a public offering of an aggregate of 257,142 shares of our common stock (or common stock equivalents initially in the form of Series E Preferred Stock) and warrants to purchase an aggregate of 257,142 shares of common stock with gross proceeds to us of \$9.0 million. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was \$7.98 million. The offering was priced at \$35 per share of common stock (or common stock equivalent), with each share of common stock (or common stock equivalent) sold with one five-year warrant to purchase one share of common stock, at an exercise price of \$35 per share. The placement agent also received warrants to purchase 15,428 shares of common stock, at an exercise price of \$43.75, that are subject to a six month lock-up and will expire July 25, 2023.

On March 7, 2018, we announced the pricing of a registered offering of common stock (and common stock equivalents) with total gross proceeds of approximately \$2 million. The closing of the registered public offering was completed on March 9, 2018. The net proceeds to us from the registered offering, after deducting the placement agent fees and our estimated offering expenses, was \$1.7 million. In a concurrent private placement, we issued to the investor in the registered offering, an unregistered warrant (the "Warrants") to purchase one share of common stock for each share of common stock or Pre-funded Warrants purchased in the registered offering. The Warrants have an exercise price of \$114 per share, shall be exercisable immediately and will expire five years and six months from the date of issuance. The Warrants are exercisable for cash or, solely in the absence of an effective registration statement or prospectus, by cashless exercise. The exercise price of the Warrants is not subject to a "price-based" anti-dilution adjustment.

Our warrants are exercisable by paying cash or, solely in the absence of an effective registration statement or prospectus, by cashless exercise for unregistered shares of common stock. The exercise price of the warrants is subject to standard antidilutive provision adjustment in the case of stock dividends or other distributions on shares of common stock or any other equity or equity equivalent securities payable in shares of common stock, stock splits, stock combinations, reclassifications or similar events affecting our common stock, and also, subject to limitations, upon any distribution of assets, including cash, stock or other property to our stockholders. The exercise price of the warrants is not subject to "price-based" anti-dilution adjustment. We have determined that these warrants related to issuance of common stock are subject to equity treatment because the warrant holder has no right to demand cash settlement and there are no unusual anti-dilution rights.

#### **Note 6 — Employee Savings Plan**

In December 1989, the Board of Directors approved a 401(k) savings plan (the "401(k) Plan") for our employees that became effective in 1990. Eligible employees may elect to make contributions under the terms of the 401(k) Plan; however, contributions by us are made at the discretion of management. We made a contribution of \$29,000 to the 401(k) plan in 2020, and \$79,000 and \$72,000 in 2019 and 2018, respectively.

#### **Note 7 — Commitments and Contingencies**

##### ***Operating Leases***

We leased all of our properties. All of our operations, including our manufacturing facilities, comprising approximately 94,000 square feet, were located in an industrial complex in Austin, Texas that expired in March 31, 2020. We did not renew this lease as we ceased our Conductus wire manufacturing efforts to pursue our merger with Clearday. Our Austin lease contained a renewal option and also required us to pay utilities, insurance, taxes and other operating expenses.

For 2020, 2019 and 2018, rent expense was \$203,000, \$579,000, and \$387,000, respectively.

## ***Patents and Licenses***

We had entered into various licensing agreements requiring royalty payments ranging from 0.13% to 2.5% of specified product sales. Certain of these agreements contain provisions for the payment of guaranteed or minimum royalty amounts. In the event that we fail to pay any minimum annual royalties, these licenses may automatically be terminated. These royalty obligations terminate in 2026. Royalty expenses totaled \$0 in 2020, \$45,000 in 2019 and \$45,000 in 2018. Under the terms of certain royalty agreements, royalty payments made may be subject to audit. There have been no audits to date and we do not expect any possible future audit adjustments to be significant.

We have no minimum lease payments under operating leases and license obligations going forward.

## **Note 8 — Contractual Guarantees and Indemnities**

During our normal course of business, we make certain contractual guarantees and indemnities pursuant to which we may be required to make future payments under specific circumstances.

### ***Warranties***

We establish reserves for future product warranty costs that are expected to be incurred pursuant to specific warranty provisions with our customers. Our warranty reserves are established at the time of sale and updated throughout the warranty period based upon numerous factors including historical warranty return rates and expenses over various warranty periods.

### ***Intellectual Property Indemnities***

We indemnify certain customers and our contract manufacturers against liability arising from third-party claims of intellectual property rights infringement related to our products. These indemnities appear in development and supply agreements with our customers as well as manufacturing service agreements with our contract manufacturers, are not limited in amount or duration and generally survive the expiration of the contract. Given that the amount of any potential liabilities related to such indemnities cannot be determined until an infringement claim has been made, we are unable to determine the maximum amount of losses that we could incur related to such indemnifications.

### ***Director and Officer Indemnities and Contractual Guarantees***

We have entered into indemnification agreements with our directors and executive officers, which require us to indemnify such individuals to the fullest extent permitted by Delaware law. Our indemnification obligations under such agreements are not limited in amount or duration. Certain costs incurred in connection with such indemnifications may be recovered under certain circumstances under various insurance policies. Given that the amount of any potential liabilities related to such indemnities cannot be determined until a lawsuit has been filed against a director or executive officer, we are unable to determine the maximum amount of losses that we could incur relating to such indemnities. Historically, any amounts payable pursuant to such director and officer indemnities have not had a material negative effect on our business, financial condition or results of operations.

We have also entered into severance and change in control agreements with certain of our executives. These agreements provide for the payment of specific compensation benefits to such executives upon the termination of their employment with us.

### ***General Contractual Indemnities/Products Liability***

During the normal course of business, we enter into contracts with customers where we agree to indemnify the other party for personal injury or property damage caused by our products. Our indemnification obligations under such agreements are not generally limited in amount or duration. Given that the amount of any potential liabilities related to such indemnities cannot be determined until a lawsuit has been filed, we are unable to determine the maximum amount of losses that we could incur relating to such indemnities. Historically, any amounts payable pursuant to such indemnities have not had a material negative effect our business, financial condition or results of operations. We maintain general and product liability insurance as well as errors and omissions insurance, which may provide a source of recovery to us in the event of an indemnification claim.

## **Note 9 — Legal Proceedings**

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial position or results of operations or cash flows.

**Note 10 — Loss per Share**

Loss per share is based on the weighted-average number of common shares outstanding and diluted earnings (loss) per share was based on the weighted-average number of common shares outstanding plus all potentially dilutive common shares outstanding.

Since their impact would be anti-dilutive, our loss per common share does not include the effect of the assumed exercise or vesting of any of the following shares:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Outstanding stock options	7,863	13,725	14,032
Unvested restricted stock awards	-	33	200
Outstanding warrants	623,921	1,618,123	379,684
Total	<u>631,784</u>	<u>1,631,881</u>	<u>393,916</u>

Also, the convertible preferred stock, which is convertible into 182 and 182 and 53,382 shares of common stock at December 31, 2020 and 2019 and 2018, respectively, was not included since their impact would be anti-dilutive.

**Note 11 — Details of Certain Financial Statement Components and Supplemental Disclosures of Cash Flow Information and Non-Cash Activities***Balance Sheet Data:*

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Accounts receivable-trade	\$ -	\$ 347,000
Less: allowance for doubtful accounts	-	(3,000)
	<u>\$ -</u>	<u>\$ 344,000</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Inventories:		
Raw materials	\$ -	\$ 152,000
Reserve for raw materials	-	-
Work-in-process	68,000	111,000
Reserve for work-in-process	-	-
Finished goods	-	-
Reserve for finished goods	-	-
	<u>\$ 68,000</u>	<u>\$ 263,000</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property and Equipment:		
Equipment	\$ 316,000	\$ 11,911,000
Leasehold improvements	-	1,065,000
Furniture and fixtures	-	205,000
	<u>316,000</u>	<u>13,181,000</u>
Less: accumulated depreciation and amortization	(316,000)	(12,948,000)
	<u>\$ -</u>	<u>\$ 233,000</u>

Depreciation and amortization expense amounted to \$38,000, \$820,000, and \$1,015,000 in 2020, 2019, 2018, respectively.

	December 31, 2020	December 31, 2019
<b>Patents, Licenses and Purchased Technology:</b>		
Patents pending	\$ -	\$ -
Patents issued	278,000	1,712,000
Less accumulated amortization	(278,000)	(1,071,000)
Net patents issued	<u>-</u>	<u>641,000</u>
	<u>\$ -</u>	<u>\$ 641,000</u>

Amortization expense related to these items totaled \$11,000, \$45,000 and, \$43,000 in 2020, 2019, and 2018, respectively. Amortization expenses related to these items are expected to total \$0 in 2021 and 2022.

	December 31, 2020	December 31, 2019
<b>Accrued Expenses and Other Long Term Liabilities:</b>		
Salaries payable	\$ 10,000	\$ 23,000
Compensated absences	125,000	211,000
Compensation related	-	4,000
Warranty reserve	-	8,000
Operating lease	-	152,000
Other	-	54,000
	<u>135,000</u>	<u>452,000</u>
Total	135,000	452,000
Less current portion	(135,000)	(440,000)
Long-term portion	<u>\$ -</u>	<u>\$ 12,000</u>

	2020	2019	2018
<b>Warranty Reserve Activity:</b>			
Beginning balance	\$ 8,000	\$ 8,000	\$ 8,000
Additions	-	-	-
Deductions	8,000	-	-
Ending balance	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>

#### Note 12 — Subsequent Events

On February 26, 2021, we received a \$468,040 Paycheck Protection Plan Loan from the U.S. Small Business Administration. The funds will help insure our viability as we complete our merger with Clearday. We will evaluate the potential forgiveness of some of this loan going forward.

SUPERCONDUCTOR TECHNOLOGIES INC

**Schedule II — Valuation and Qualifying Accounts**

	Beginning Balance	Additions		Deductions	Ending Balance
		Charged to Costs & Expenses	Charged to Other Accounts		
<b>2020</b>					
Allowance for Uncollectible Accounts	\$ 3,000	\$ —	\$ —	\$ 3,000	\$ -
Reserve for Inventory Obsolescence	—	—	—	—	—
Reserve for Warranty	8,000	—	—	8,000	-
Deferred Tax Asset Valuation Allowance	4,872,000	—	—	(1,705,000)	3,167,000
<b>2019</b>					
Allowance for Uncollectible Accounts	3,000	—	—	—	3,000
Reserve for Inventory Obsolescence	—	—	—	—	—
Reserve for Warranty	8,000	—	—	—	8,000
Deferred Tax Asset Valuation Allowance	5,686,000	—	—	(814,000)	4,872,000
<b>2018</b>					
Allowance for Uncollectible Accounts	3,000	—	—	—	3,000
Reserve for Inventory Obsolescence	—	—	—	—	—
Reserve for Warranty	8,000	—	—	—	8,000
Deferred Tax Asset Valuation Allowance	\$ 3,906,000	—	\$ 1,780,000	—	\$ 5,686,000

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 31st day of March 2021.

SUPERCONDUCTOR TECHNOLOGIES INC.

By: /s/ Jeffrey A. Quiram

Jeffrey A. Quiram

President and Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William J. Buchanan, his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jeffrey A. Quiram</u> Jeffrey A. Quiram	President, Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2021
<u>/s/ William J. Buchanan</u> William J. Buchanan	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2021
<u>/s/ Julia S. Johnson</u> Julia S. Johnson	Director	March 31, 2021
<u>/s/ David W. Vellequette</u> David W. Vellequette	Director	March 31, 2021
<u>/s/ Lynn J. Davis</u> Lynn J. Davis	Director	March 31, 2021

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SUBSIDIARIES OF SUPERCONDUCTOR TECHNOLOGIES INC.

Conductus, Inc., a Delaware corporation

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements of Superconductor Technologies Inc. on Form S-8 (File Nos. 333-106594, 333-126121, 333-193008), on Form S-3 (File No. 333-228676), and on Form S-1 (File Nos. 333-226025, 333-224148, 333-233693) of our report (which includes an explanatory paragraph as to the Company's ability to continue as a going concern), dated March 31, 2021, with respect to our audits of the consolidated financial statements of Superconductor Technologies Inc. as of as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, appearing in the Annual Report on Form 10-K of Superconductor Technologies Inc. for the year ended December 31, 2020.

*/s/ Marcum LLP*

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Marcum LLP  
Los Angeles, California  
March 31, 2021

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**Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by  
Principal Executive Officer and Principal Financial Officer  
Regarding Facts and Circumstances Relating to Exchange Act Filings**

I, Jeffrey A. Quiram, certify that:

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

Date: March 31, 2021

*/s/ Jeffrey A. Quiram*

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Jeffrey A. Quiram  
President and Chief Executive Officer

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**Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by  
Principal Executive Officer and Principal Financial Officer  
Regarding Facts and Circumstances Relating to Exchange Act Filings**

I, William J. Buchanan, certify that:

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

Date: March 31, 2021

*/s/ William J. Buchanan*

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William J. Buchanan

Chief Financial Officer (Principal Accounting and Financial Officer)

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**Statement Pursuant to Section 906 the Sarbanes-Oxley Act of 2002**  
**By**  
**Principal Executive Officer and Principal Financial Officer**  
**Regarding Facts and Circumstances Relating to Exchange Act Filings**

Dated: March 31, 2021

I, Jeffrey A. Quiram, Chief Executive Officer of Superconductor Technologies Inc., hereby certify, to my knowledge, that:

1. the accompanying Annual Report on Form 10-K of Superconductor Technologies for the annual period ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Superconductor Technologies Inc.

IN WITNESS WHEREOF, the undersigned has executed this Statement as of the date first written above.

*/s/ Jeffrey A. Quiram*  
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Jeffrey A. Quiram  
President and Chief Executive Officer

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**Statement Pursuant to Section 906 the Sarbanes-Oxley Act of 2002**  
**By**  
**Principal Executive Officer and Principal Financial Officer**  
**Regarding Facts and Circumstances Relating to Exchange Act Filings**

Dated: March 31, 2021

I, William J. Buchanan, Chief Financial Officer of Superconductor Technologies Inc., hereby certify, to my knowledge, that:

1. the accompanying Annual Report on Form 10-K of Superconductor Technologies for the annual period ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Superconductor Technologies Inc.

*/s/ William J. Buchanan*

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William J. Buchanan  
Chief Financial Officer (Principal Financial and Accounting and Officer)

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