

FUELCELL ENERGY INC
Form DEF 14A
February 20, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant T
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- T Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14a-12

FUELCELL ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- T No fee required.
 - o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies: _____
 - (2) Aggregate number of securities to which transaction applies: _____
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
(Set forth the amount on which the filing fee is calculated and state how it was determined):

 - (4) Proposed maximum aggregate value of transaction: _____
 - (5) Total Fee paid: _____
 - o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid: _____
 - (2) Form, Schedule or Registration Statement No. _____
 - (3) Filing Party: _____
 - (4) Date Filed: _____
-

FUELCELL ENERGY, INC.
3 Great Pasture Road, Danbury, CT 06813
203-825-6000

February 20, 2004

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of FuelCell Energy, Inc. ("FuelCell"), which will be held on Tuesday, March 30, 2004 at 10:00 A.M., at the Sheraton Danbury Hotel located at 18 Old Ridgebury Road, Danbury, Connecticut. The formal Notice of Annual Meeting and Proxy Statement, fully describing the matters to be acted upon at the meeting, appear on the following pages.

The only matter scheduled to be considered at the meeting is the election of FuelCell's directors.

The Board of Directors recommends the approval of the proposal being presented at the Annual Meeting of Shareholders as being in the best interest of FuelCell. We urge you to read the Proxy Statement and give this proposal your careful attention.

Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the meeting, please take the time to vote in one of these ways:

- By mail - fill in, sign and date the enclosed proxy card and return it promptly in the postage-paid envelope.
- By telephone - call the toll-free telephone number on your proxy card to vote by phone.
- Via Internet - visit the web site noted on your proxy card to vote via the Internet.

If you hold Exchangeable Shares and you wish to direct the Trustee to cast the votes represented by your Exchangeable Shares attached to the FCE Special Voting Share, you should follow carefully the instructions provided by the Trustee, which accompany this proxy statement. The procedure for instructing the Trustee differs in certain respects from the procedure for delivering a proxy, including the place for depositing the instructions and the manner of revoking the proxy.

You may attend the meeting and vote in person even if you have previously voted by proxy in one of the three ways listed above.

Sincerely yours,

Jerry Leitman
*Chairman of the Board of Directors,
President and Chief Executive Officer*

FUELCELL ENERGY, INC.
3 Great Pasture Road, Danbury, CT 06813
203-825-6000

**NOTICE OF ANNUAL SHAREHOLDERS' MEETING
TO BE HELD MARCH 30, 2004**

TO THE SHAREHOLDERS OF FUELCELL ENERGY, INC.:

NOTICE IS HEREBY GIVEN that the Annual Shareholders' Meeting of FuelCell Energy, Inc. (the "Company"), will be held at the Sheraton Danbury Hotel located at 18 Old Ridgebury Road, Danbury, Connecticut on Tuesday, March 30, 2004 at 10:00 a.m. Eastern Standard Time for the following purposes:

1. To elect ten (10) directors to serve for the ensuing year and until their successors are duly elected and qualified; and
2. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders of record at the close of business on February 10, 2004 are entitled to notice of and to vote at the meeting.

If you plan on attending the meeting, please call FuelCell at (203) 825-6102. Directions to the Sheraton Danbury Hotel are available on the Company's web site at www.fce.com.

Your attention is directed to the attached Proxy Statement. If you do not expect to be present at the meeting, please fill in, sign, date and mail the enclosed Proxy or vote your shares by touchtone telephone or via the Internet as promptly as possible in order to save the Company further solicitation expense. There is enclosed with the Proxy an addressed envelope for which no postage is required if mailed in the United States.

BY ORDER OF THE BOARD OF DIRECTORS

JOSEPH G. MAHLER
CORPORATE SECRETARY

Danbury, Connecticut
February 20, 2004

FUELCELL ENERGY, INC.
3 Great Pasture Road, Danbury, CT 06813
203-825-6000

**PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MARCH 30, 2004**

This Proxy Statement is furnished to the shareholders of FuelCell Energy, Inc. (the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the 2004 Annual Meeting of Shareholders (the "Annual Meeting") and at any adjournment thereof. The Annual Meeting will be held at the Sheraton Danbury Hotel located at 18 Old Ridgebury Road, Danbury, Connecticut on March 30, 2004 at 10:00 a.m. Eastern Standard Time. The Company is a Delaware corporation.

The approximate date on which this Proxy Statement and the accompanying proxy card are first being sent or given to shareholders is February 27, 2004.

VOTING

General

The record date for the Annual Meeting is February 10, 2004. Holders of shares of the Company's common stock, par value \$.0001 per share ("Common Stock"), and holders of exchangeable shares ("Exchangeable Shares") of FCE Canada Inc., a subsidiary of the Company, as of the close of business on the record date, are entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. Each holder of Common Stock is entitled to one vote for each share held on the record date, and Computershare Trust Company of Canada (the "Trustee"), the holder of the Company's FCE Special Voting Share, is entitled to one vote for each Exchangeable Share outstanding as of the record date (other than Exchangeable Shares owned by the Company and its subsidiaries). Votes cast with respect to the Exchangeable Shares will be voted through the FCE Special Voting Share by the Trustee as directed by the holders of Exchangeable Shares, except votes cast with respect to Exchangeable Shares whose holders request to vote directly in person as proxy for the Trustee at the Annual Meeting.

Quorum and Vote Required

As of the record date, there were issued and outstanding 45,371,156 shares of Common Stock, one share of the Company's FCE Special Voting Share and 2,325,448 Exchangeable Shares (excluding Exchangeable Shares owned by the Company and its subsidiaries). Each Exchangeable Share is exchangeable at any time, at the option of the holder, for one share of the Company's Common Stock. The holders of a majority of the shares of Common Stock and Exchangeable Shares entitled to vote as of the record date present in person or by proxy will constitute a quorum at the meeting. Under the Delaware General Corporation Law, any stockholder who submits a proxy and abstains from voting on a particular matter described herein will still be counted for purposes of determining a quorum. Broker non-votes will be treated as not represented at the meeting.

Voting by Proxy

In voting by proxy with regard to the election of directors, shareholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes as to specific nominees. Shareholders should specify their

choices on the accompanying proxy card, by telephone or Internet.

1

All properly executed proxies delivered by shareholders to the Company and not revoked will be voted at the Annual Meeting in accordance with the directions given. **If no specific instructions are given with regard to the election of directors, the shares represented by a proxy will be voted "FOR" the election of all directors.** If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters according to their best judgment.

Any shareholder delivering a proxy has the power to revoke it at any time before it is voted by giving written notice to the Secretary of the Company, by executing and delivering to the Secretary a proxy card bearing a later date or by voting in person at the Annual Meeting.

In addition to soliciting proxies through the mail, the Company may solicit proxies through its directors and employees in person or by telephone. Brokerage firms, nominees, custodians and fiduciaries also may be requested to forward proxy materials to the beneficial owners of shares held of record by them. All expenses incurred in connection with the solicitation of proxies will be borne by the Company.

If you hold Exchangeable Shares and you wish to direct the Trustee to cast the votes represented by your Exchangeable Shares attached to the FCE Special Voting Share, you should follow carefully the instructions provided by the Trustee, which accompany this proxy statement. The procedure for instructing the Trustee differs in certain respects from the procedure for delivering a proxy, including the place for depositing the instructions and the manner of revoking the proxy.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Ten directors are to be elected at the Annual Meeting, each to hold office until the next annual meeting of shareholders and until a successor is elected and qualified. It is the intention of the persons named in the enclosed form of proxy to vote, if authorized, the proxies for the election as directors of the ten persons named below as nominees. All of the nominees are at present directors of the Company. If any nominee declines or is unable to serve as a director (which is not anticipated), the persons named as proxies reserve full discretion to vote for any other person who may be nominated.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE PROPOSAL TO ELECT THE TEN NOMINEES LISTED BELOW AS DIRECTORS OF THE COMPANY.

The following table sets forth certain information for each nominee for election as a director.

NAME	AGE	PRINCIPAL OCCUPATION	DIRECTOR SINCE
Jerry D. Leitman	61	Mr. Leitman has been President and Chief Executive Officer since August 1997 and became Chairman of the Board in June 2002. Mr. Leitman was previously President of Jaydell Inc., a personal investment-Sub S Corporation from 1995 to 1997. From 1992 to 1995, Mr. Leitman was President of Asea Brown Boveri's (ABB) global air pollution control businesses. Prior to joining ABB, Mr. Leitman was Group Executive Vice President of FLAKT AB, a Swedish multinational company, responsible for FLAKT's worldwide industrial businesses from 1989 to 1992. Mr. Leitman is also a Director and a member of the Compensation Committee of Esterline Technologies Inc.	1997
Warren D. Bagatelle	65	Mr. Bagatelle has been a Managing Director of Loeb Partners Corporation since 1988 and a general partner of Loeb Investors Co. LXXV, an investment partnership and an affiliate of Loeb Partners Corporation. Mr. Bagatelle is a Director of VirtualScopics, LLC.	1988
Michael Bode	59	Mr. Bode became Chief Executive Officer of MTU CFC Solutions GmbH, a company of Daimler Chrysler, AG, in January 2003. Mr. Bode was Executive Vice President and Director of the New Technology Group of MTU Friedrichshafen GmbH from July 1993 to February 2003. From 1990 to 1993 Mr. Bode was Vice President and Director of the New Technology group of the Space Transportation and Propulsion Systems division of Deutsche Aerospace AG a subsidiary of Daimler-Benz Corp. Mr. Bode joined Messerschmitt-Bolkow-Blohm GmbH in 1974, where he held a variety of positions. Mr. Bode serves as a Director of BI New Energy Solutions.	1993

NAME	AGE	PRINCIPAL OCCUPATION	DIRECTOR SINCE
Thomas R. Casten	61	Mr. Casten currently serves as Chairman and Chief Executive Officer of Primary Energy Holdings, LLC, which has, via its predecessor Private Power LLC, been in operation since 2001. From 1989 to 2000, Mr. Casten was President and Chief Executive Officer of Trigen Energy Corporation, a company involved in alternative energy generation. Mr. Casten is the Chairman of the World Alliance for Decentralized Energy working to advance distributed power worldwide.	2000
James D. Gerson	60	Mr. Gerson is a private investor. He was Vice President of Oppenheimer & Co., Inc. (formerly Fahnstock & Co., Inc.) from March 1993 until April 2003, where he held a variety of positions in the corporate finance, research, and portfolio management areas. Mr. Gerson also serves as a Director of American Power Conversion Corp. and is Chairman of the Board of Evercel, Inc.	1992
Thomas L. Kempner	76	Mr. Kempner was Chairman of the Board from March 1992 to August 1997. He has been Chairman and Chief Executive Officer of Loeb Partners Corporation since 1979 and a general partner of Loeb Investors Co. LXXV, an investment partnership and an affiliate of Loeb Partners Corporation. Mr. Kempner is also a Director of Alcide Corporation, IGENE Biotechnology, Inc., Intermagnetics General Corporation, CCC Information Services Group, Inc., Insight Communications Company, Inc., and Dyax Corporation and Director Emeritus of Northwest Airlines, Inc.	1988
William A. Lawson	70	Mr. Lawson has been President of W.A. Lawson Associates, an industrial and financial consulting firm, since 1987. Mr. Lawson is past Chairman of the Board of Directors of Newcor, Inc. Mr. Lawson is a Director of Evercel, Inc.	1988

NAME	AGE	PRINCIPAL OCCUPATION	DIRECTOR SINCE
Charles J. Murphy	56	Mr. Murphy is currently a Senior Advisor at Credit Suisse First Boston as well as an Adjunct Professor at NYU's Stern School of Business. Over the last several years he has worked as a senior investment banker/advisor at Allegheny Energy, Merrill Lynch, Pierce, Fenner & Smith and J.P. Morgan, specifically in the Energy, Power and Energy Technology areas. From 1976 to 1996, Mr. Murphy was an investment banker at Credit Suisse First Boston where he was a member of the Executive Board, the head of the Global Equity Department and co-head of the Investment Banking Department.	2002
George K. Petty	62	Mr. Petty is a business consultant specializing in the telecommunications field. Mr. Petty was President and Chief Executive Officer of Telus Corporation, a Canadian telecommunications company, from 1994 to 1999. Previously, he was Vice President of Global Business Service for AT&T and Chairman of the Board of World Partners, the Global Telecom Alliance. Mr. Petty is a Director of Enbridge Energy Management, LLC and Enbridge Inc.	2003
John A. Rolls	62	Mr. Rolls has been President, Chief Executive Officer and a principal investor in Thermion Systems International since 1996. He is a Director and principal investor in VivaScan Corporation and is a Director and Chairman of the Finance Committee of both Bowater Inc. and MBIA Inc. Mr. Rolls was President and Chief Executive Officer of Deutsche Bank North America from 1992 through 1996. From 1986 through 1992, Mr. Rolls was Executive Vice President and Chief Financial Officer for United Technologies Corp. Previously, he was Senior Vice President and Chief Financial Officer of RCA Corporation.	2000

Jerry D. Leitman has been nominated as a director pursuant to his employment agreement. See "Employment Agreements."

Mr. Petty serves as the designee of Enbridge Inc. ("Enbridge"). The Company has agreed to allow Enbridge to nominate one member of the Company's board of directors satisfactory to the Company until February 2008.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of February 10, 2004 with respect to: (a) the only shareholders known to management to own beneficially more than 5% of the outstanding common stock of FuelCell; (b) each of FuelCell's directors; (c) each of the executive officers of FuelCell named below in the Summary Compensation Table under the heading "Executive Compensation"; and (d) in summary, all of FuelCell's directors and executive officers as a group. Information in this table with respect to Common Stock includes shares of Common Stock issuable upon the exchange of Exchangeable Shares.

Unless indicated otherwise the address of each holder is in care of FuelCell Energy, Inc., 3 Great Pasture Road, Danbury, Connecticut 06813-1305.

Name	Shares of Common Stock owned Beneficially	Percentage of Outstanding Common Stock (1)
Jerry D. Leitman	1,528,539(2)	3.11
Warren D. Bagatelle c/o Loeb Partners Corp. 61 Broadway New York, NY 10006	1,116,692(3) (4)	2.34
Christopher R. Bentley	430,860(5)	*
Michael Bode c/o MTU CFC Solutions GmbH Postfach D-81663 München Germany	2,746,548(6)	5.76
Thomas R. Casten	40,000(7)	*
James D. Gerson	1,342,796(8)	2.81
Thomas L. Kempner c/o Loeb Partners Corp. 61 Broadway New York, NY 10006	507,192(3), (9)	1.06
William A. Lawson	91,000(10)	*
Joseph G. Mahler	315,539(11)	*
Hansraj C. Maru	272,759(12)	*
Charles J. Murphy	10,000(13)	*

Edgar Filing: FUELCELL ENERGY INC - Form DEF 14A

Herbert T. Nock	293,500(14)	*
George K. Petty	225,286(15)	*
John A. Rolls	48,000(16)	*

Name	Shares of Common Stock owned Beneficially	Percentage of Outstanding Common Stock (1)
Daimler Benz affiliate MTU Friedrichshafen GmbH ("MTU") Maybachplatz 1 88045 Friedrichshafen Germany	2,746,548	5.76
Wellington Management Company, LLP 75 State Street Boston, MA 02109	5,292,460(17)	11.10
All Directors and Executive Officers as a Group (14 persons) * Less than one percent.	5,807,620(18)	11.53

(1) Unless otherwise noted, each person identified possesses sole voting and investment power with respect to the shares listed.

(2) Mr. Leitman's shareholdings include currently exercisable options to purchase 1,508,000 shares of Common Stock.

(3) Warren Bagatelle and Thomas L. Kempner, by virtue of being general partners of Loeb Investors Co. LXXV, may each be deemed to beneficially own 491,192 shares of stock owned by Loeb Investors Co. LXXV.

(4) Mr. Bagatelle's shareholdings include options to purchase 16,000 shares of Common Stock, which are currently exercisable or are exercisable within 60 days and 491,192 shares of stock owned by Loeb Investors Co. LXXV.

(5) Mr. Bentley's shareholdings include options to purchase 197,900 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(6) Mr. Bode is an executive officer of MTU CFC Solutions GmbH, a company of Daimler Chrysler, AG. MTU holds 2,746,548 shares of Common Stock.

(7) Mr. Casten's shareholdings include options to purchase 40,000 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(8) Mr. Gerson's shareholdings include 113,200 shares held by his wife, Barbara Gerson, as Custodian for one child, 94,800 shares held by a private foundation, of which Mr. Gerson is President and a Director and 147,000 shares owned by an estate of which Mr. Gerson is sole executor. Mr. Gerson disclaims beneficial ownership of the securities held by his wife, by the private foundation and by the estate. Mr. Gerson's shareholdings include options to purchase 16,000 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(9) Mr. Kempner's shareholdings include options to purchase 16,000 shares of Common Stock, which are currently exercisable or are exercisable within 60 days and 491,192 shares of stock owned by Loeb Investors Co. LXXV.

(10) Mr. Lawson's shareholdings include options to purchase 16,000 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(11) Mr. Mahler's shareholdings include options to purchase 275,950 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(12) Dr. Maru's shareholdings include options to purchase 181,500 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(13) Mr. Murphy's shareholdings include options to purchase 10,000 shares of Common Stock, which are currently exercisable.

(14) Mr. Nock's shareholdings include options to purchase 293,500 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(15) Mr. Petty, by virtue of being a director of Enbridge, may be deemed to beneficially own 225,286 shares of Common Stock, which are issuable upon conversion of the Global Thermoelectric, Inc. Preferred Stock held by Enbridge. Mr. Petty is a director of Enbridge. Mr. Petty disclaims beneficial interest of these shares.

(16) Mr. Roll's shareholdings include options to purchase 40,000 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.

(17) Based upon information contained in Schedule 13G filed on February 10, 2004.

(18) Includes options to purchase 2,685,350 shares of Common Stock, which are currently exercisable or are exercisable within 60 days and 225,286 shares of Common Stock issuable upon conversion of the Global Preferred Stock.

COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS AND RELATED MATTERS

The Board of Directors held twelve meetings during the fiscal year ended October 31, 2003. Each director attended at least 75% of the meetings of the Board of Directors and Board committees of which he was a member during the period he served as director, except for Michael Bode who attended 58.33%.

Independent Directors

The Board of Directors has determined that the following members of the Board are independent directors, as such term is defined in Nasdaq Rule 4200(a)(15): Warren D. Bagatelle, Thomas R. Casten, James D. Gerson, Thomas L. Kempner, William A. Lawson, Charles J. Murphy, George K. Petty and John A. Rolls. The independent directors meet from time to time in executive session without the other members of the Board.

Executive Committee

The Board of Directors has an Executive Committee comprised of Messrs. Kempner (Chairman), Bagatelle, Gerson, Lawson, Leitman, and Rolls. The Executive Committee, which held no meetings during fiscal 2003, is authorized to exercise the general powers of the Board managing the business and affairs of the Company between meetings of the Board of Directors.

Nominating Committee

The Board of Directors has a Nominating Committee. During fiscal 2003, the Committee was comprised of Messrs. Lawson (Chairman), Rolls, Kempner and Leitman. The Committee held one meeting during fiscal 2003.

In January 2004, the Nominating Committee adopted a new charter, a copy of which is attached hereto as Annex A. At the same time, in order to comply with the independence criteria as outlined in the Charter, Mr. Leitman resigned from the Committee. The remaining members of the Committee (Messrs. Lawson, Rolls and Kempner) are all independent directors under applicable Nasdaq rules. Members of the Nominating Committee are appointed by the Board of Directors.

The principal purpose of the Nominating Committee is to identify individuals qualified to become members of the Board of Directors and recommend the persons to be nominated by the Board of Directors for election as directors at the annual meeting of stockholders.

The Committee is responsible for identifying individuals qualified to become members of the Board of Directors, and recommending to the Board of Directors the persons to be nominated by the Board for election as directors at the annual meeting of stockholders and the persons to be elected by the Board of Directors to fill any vacancies on the Board.

Directors are not required to meet any specific or minimum qualifications. The Committee does, however, use certain selection criteria as a guide in its selection process. A copy of the selection criteria is attached as Exhibit A to the Committee's charter. The Committee is also responsible for reviewing with the Board of Directors, on an annual basis, the requisite skills and criteria for new Board members as well as the composition of the Board as a whole.

The Committee will consider nominees for the Board of Directors recommended by stockholders. Nominations by stockholders must be in writing, must include the full name of the proposed nominee, a brief description of the proposed nominee's business experience for at least the previous five years, and a representation that the nominating stockholder is a beneficial or record owner of the Company's common stock. Any such submission must also be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as director if elected. Nominations must be delivered to the Committee at the following address:

Nominating Committee
FuelCell Energy, Inc.
c/o Corporate Secretary
3 Great Pasture Road
Danbury, CT 06813

The Committee is required to review the qualifications and backgrounds of all directors and nominees (without regard to whether a nominee has been recommended by stockholders), as well as the overall composition of the Board of Directors, and recommend a slate of directors to be nominated for election at the annual meeting of stockholders, or, in the case of a vacancy on the Board of Directors, recommend a director to be elected by the Board to fill such vacancy.

Audit Committee

The Board of Directors has an Audit Committee. During fiscal 2003, the Committee was comprised of Messrs. Gerson (Chairman), Bagatelle and Murphy. The Committee held eight meetings during fiscal 2003.

In January 2004, the Audit Committee adopted a new charter, a copy of which is attached hereto as Annex B. The members of the Committee (Messrs. Gerson, Bagatelle and Murphy) are all independent directors under applicable SEC and Nasdaq rules. In addition, the Board of Directors has determined that at least one of the independent directors serving on the Audit Committee, Warren D. Bagatelle, is an audit committee financial expert, as that term has been defined by SEC rules.

Audit Committee Report

The Audit Committee of the Board of Directors of the Company is composed of three independent directors. The Board has made a determination that the members of the Audit Committee satisfy the independence and other requirements of applicable Nasdaq and SEC rules. The Board has also made the determination that at least one member of the Audit Committee is a "financial expert" as that term is defined in applicable SEC rules.

The responsibilities of the Audit Committee are set forth in the Charter of the Audit Committee, which was adopted by the Board of Directors of the Company on June 8, 2000, as amended on January 28, 2004. The Audit Committee is responsible for, among other things, appointing, establishing the compensation for, supervising and, where appropriate, replacing the Company's independent public accountants; considering the qualifications and independence of the Company's independent accountants; approving all audit and non-audit services provided by the Company's independent public accountants; and reviewing and discussing with Company management and the Company's independent public accountants the Company's financial statements. The Company's independent public accountants are required to report directly to the Audit Committee. The Audit Committee also reviews the Company's accounting policies, internal control procedures and systems and compliance activities and also reviews the Charter of the Audit Committee.

The following is a report on the Audit Committee's activities relating to fiscal year 2003.

Review of Audited Financial Statements with Management

The Audit Committee reviewed and discussed the audited financial statements with the management of the Company.

Review of Financial Statements and Other Matters with Independent Accountants

The Audit Committee has discussed with KPMG, the Company's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has received from KPMG the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with KPMG matters relating to the firm's independence from the Company.

Recommendation that Financial Statements be Included in Annual Report

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2003 for filing with the Securities and Exchange Commission.

January 28, 2004

Audit Committee

James D. Gerson (Chairman)
Warren D. Bagatelle
Charles Murphy

Compensation Committee

The Board of Directors has a Compensation Committee. During fiscal 2003, the Committee was comprised of Messrs. Lawson (Chairman), Casten and Rolls. The Committee held six meetings during fiscal 2003.

In January 2004, the Compensation Committee adopted a new charter, a copy of which is attached hereto as Annex C. The members of the Committee (Messrs. Lawson, Casten and Rolls) are all independent directors under applicable Nasdaq rules. Members of the Compensation Committee are appointed by the Board of Directors.

The Compensation Committee is responsible for implementing and reviewing executive compensation plans, policies and programs in an effort to ensure the attraction and retention of executive officers in a reasonable and cost-effective manner, to motivate their performance in the achievement of the Company's business objectives and to align the interests of executive officers with the long-term interests of the Company's shareholders. To that end, it is the responsibility of the Committee to develop and approve periodically a general compensation policy and salary structure for executive officers of the Company which considers business and financial objectives, industry and market pay practices and/or such other information as may be deemed appropriate. It is also the responsibility of the Committee to review and recommend for approval by the independent directors of the Board the compensation (salary, bonus and incentive compensation) of the Chief Executive Officer of the Company and review and approve the compensation (salary, bonus, incentive and other compensation) of the other executive officers of the Company;

review and approve perquisites offered to executive officers of the Company; review and approve corporate goals and objectives relevant to the compensation of executive officers of the Company and evaluate performance in light of the goals and objectives; and review and approve all employment, retention and severance agreements for executive officers of the Company. The Committee also acts on behalf of the Board in administering compensation plans approved by the Board and/or the shareholders of the Company (including the Company's Section 423 Stock Purchase Plan and the Company's 1998 Equity Incentive Plan), in a manner consistent with the terms of such plans (including, as applicable, the granting of stock options, restricted stock, stock units and other awards, and the review of performance target goals established before start of the relevant plan year and determination of when performance goals have been achieved at the end of the plan year); reviews and makes recommendations to the Board with respect to new compensation incentive plans and equity-based plans; and reviews and make recommendations to the Board on changes in major benefit programs of executive officers of the Company. The Committee also reviews the management succession program for the Chief Executive Officer and selected executive officers of the Company.

Stockholder Communications with Directors

The Company has established a process by which stockholders can communicate with the Company's Board of Directors. Stockholders may communicate with the Board of Directors, or any of the Company's individual directors, by sending their communications to the Board of Directors, or to any individual director, at the following address:

Board of Directors of
FuelCell Energy, Inc.
c/o Corporate Secretary
3 Great Pasture Road
Danbury, CT 06813

All stockholder communications received by the Company's Corporate Secretary will be delivered to one or more members of the Board of Directors, or, in the case of communications sent to an individual director, to such director.

Director Attendance at the Annual Meeting

Although the Company does not have a formal policy with respect to director attendance at annual meetings, the Company strongly encourages directors to attend the annual meeting. All but two of our directors attended last year's annual meeting, and we expect that all of our directors will attend this year's annual meeting.

Director Compensation

Each Board member not employed by the Company, except for Michael Bode, receives \$10,000 per annum. New Board members also receive 40,000 non-qualified stock options upon acceptance to the Board. The stock options are granted pursuant to the Company's 1998 Equity Incentive Plan. The options are exercisable commencing one year after grant, vest at the rate of 25% per year from date of grant and have restrictions as to transferability. An additional \$3,000 per annum is paid to the Chairman and \$2,000 per annum is paid to each non-employee member of the Executive, Nomination, Compensation and Audit Committees. The Company reimburses directors for reasonable expenses incurred in connection with the performance of their duties as directors.

Upon joining the Board on December 18, 2003, Mr. Petty was granted 40,000 non-qualified stock options. The stock options were granted pursuant to the Company's 1998 Equity Incentive Plan. The options are exercisable at \$12.17 per share, commencing one year after grant, vest at the rate of 25% per year and have restrictions as to transferability.

EXECUTIVE COMPENSATION**SUMMARY COMPENSATION TABLE**

The following table sets forth the annual and long-term compensation for services in all capacities to the Company for the fiscal years ended October 31, 2003, 2002 and 2001, of those persons who were at October 31, 2003 (i) the chief executive officer and (ii) the four other most highly compensated executive officers of the Company (collectively, the "Named Officers").

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG TERM COMPENSATION AWARDS SECURITIES UNDERLYING OPTIONS #	ALL OTHER COMPENSATION (1) (\$)
	FISCAL YEAR	SALARY (\$)	BONUS (\$)		
Jerry D. Leitman President, Chief Executive Officer	2003	383,711	180,500	-0-	19,571
	2002	373,888	180,000	200,000	18,000
	2001	358,150	130,000	-0-	16,848
Christopher R. Bentley Executive Vice President and Chief Operating Officer	2003	271,269	63,750	10,000	15,752
	2002	261,908	76,000	45,000	18,000
	2001	243,102	64,000	32,000	16,848
Joseph G. Mahler Senior Vice President Chief Financial Officer Corporate Secretary and Treasurer	2003	234,731	55,000	10,000	15,242
	2002	226,161	67,000	45,000	18,000
	2001	209,444	56,000	32,000	15,818
Hansraj C. Maru Executive Vice President and Chief Technology Officer	2003	215,983	47,000	10,000	14,838
	2002	209,405	53,000	30,000	18,000
	2001	196,077	50,000	32,000	16,848
Herbert T. Nock Senior Vice President, Marketing and Sales	2003	204,923	50,000	50,000	14,905
	2002	193,914	53,000	50,000	21,090
	2001	177,841	40,000	-0-	72,059

(1) Represents employer contributions to the Defined Contribution Pension Plan and employer contributions to the Section 401(k) Plan. Mr. Nock's compensation for fiscal 2001 includes \$67,990 for relocation expenses.

The following two tables set forth certain information with respect to (i) option grants to the named executive officers of the Company during the fiscal year ended October 31, 2003, and (ii) the aggregated number and value of options exercisable and unexercisable by the named executive officers as of October 31, 2003.

OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARs GRANTED (1)	PERCENT OF TOTAL OPTIONS/SARs GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)	
					5% (\$)	10% (\$)
Jerry D. Leitman	-0-	-0-	-0-	N/A	N/A	N/A
Christopher Bentley	10,000	1.53	\$5.45	2/11/13	34,275	86,859
Joseph G. Mahler	10,000	1.53	\$5.45	2/11/13		