

AMERICAN TECHNOLOGY CORP /DE/
Form DEF 14A
April 24, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x

Filed by a Party other than the Registrant ..

Check the appropriate box:

- | | |
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| <input type="checkbox"/> .. Preliminary Proxy Statement | <input type="checkbox"/> .. Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> x Definitive Proxy Statement | |
| <input type="checkbox"/> .. Definitive Additional Materials | |
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American Technology Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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(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:

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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.

(6) Amount Previously Paid:

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

(8) Filing Party:

(9) Date Filed:

AMERICAN TECHNOLOGY CORPORATION

13114 Evening Creek Drive South

San Diego, California 92128

(858) 679-2114

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 29, 2003

TO THE STOCKHOLDERS OF AMERICAN TECHNOLOGY CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of **AMERICAN TECHNOLOGY CORPORATION**, a Delaware corporation (the Company), will be held on Thursday, May 29, 2003 at 2:00 p.m. local time at the offices of the Company, 13114 Evening Creek Drive South, San Diego, CA 92128.

1. To elect directors to serve for the ensuing year and until their successors are elected.
2. To ratify the selection of BDO Seidman, LLP as independent auditors of the Company for its fiscal year ending September 30, 2003.
3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on April 4, 2003, as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors

/s/ Renee Warden

Renee Warden

Secretary

San Diego, California

April 28, 2003

All Stockholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy as promptly as possible in order to ensure your representation at the meeting. Even if you have given your proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name.

AMERICAN TECHNOLOGY CORPORATION

13114 Evening Creek Drive South

San Diego, California 92128

(858) 679-2114

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

To be held May 29, 2003

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

The enclosed proxy is solicited to the holders of Common Stock, Series D Preferred Stock and Series E Preferred Stock on behalf of the Board of Directors of American Technology Corporation, a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on May 29, 2003, at 2:00 p.m. local time (the "Annual Meeting"), or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at the offices of the Company, 13114 Evening Creek Drive South, San Diego, California 92128. The Company intends to mail this proxy statement, the accompanying proxy card and Notice of Annual Meeting on or about April 28, 2003 to all stockholders entitled to vote at the Annual Meeting.

SOLICITATION

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of Common Stock beneficially owned by others to forward to such beneficial owners. The Company may reimburse persons representing beneficial owners of Common Stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services.

VOTING RIGHTS AND OUTSTANDING SHARES

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Only stockholders of record at the close of business on April 4, 2003 (the Record Date) will be entitled to notice of and to vote at the Annual Meeting. At the close of business on April 4, 2003 the Company had outstanding and entitled to vote 15,156,670 shares of Common Stock, 65,000 shares of Series D Preferred Stock and 343,250 shares of Series E Preferred Stock.

Except as provided below, on all matters to be voted upon at the Annual Meeting, each holder of record of Common Stock and Series E of Preferred Stock on the Record Date will be entitled to one vote for each share held, and each holder of Series D Preferred Stock on the Record Date will be entitled to 2.4814 votes for each share held, or an aggregate of approximately 161,291 votes for the Series D Preferred Stock. With respect to the election of directors, stockholders may exercise cumulative voting rights, i.e., each stockholder entitled to vote for the election of directors may cast a total number of votes equal to the number of directors to be elected multiplied by the number of such stockholders shares (on an as-converted basis) and may cast such total of votes for one or more candidates in such proportions as such stockholder chooses. However, no stockholder will be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and at least one stockholder has given notice at the meeting, prior to the voting, of his or her intention to cumulate votes. Unless the proxyholders are otherwise instructed, stockholders, by means of the accompanying proxy, will grant the proxyholders discretionary authority to cumulate votes.

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions will be counted towards the tabulation of votes cast on proposals presented to the stockholders for the purposes of determining the presence of a quorum and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether a matter has been approved. If you sign your proxy card or broker voting instruction card with no instructions, your shares will be voted in accordance with the recommendations of the Board.

REVOCABILITY OF PROXIES

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Secretary of the Company at the Company's principal executive office, 13114 Evening Creek Drive South, San Diego, California 92128, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

STOCKHOLDER PROPOSALS

The deadline for submitting a stockholder proposal for inclusion in the Company's proxy statement and form of proxy for the Company's 2004 annual meeting of stockholders pursuant to Rule 14a-8 of the Securities and Exchange Commission is December 30, 2003. Unless a stockholder who wishes to bring a matter before the stockholders at the Company's 2004 annual meeting of stockholders notifies the Company of such matter prior to March 14, 2004, management will have discretionary authority to vote all shares for which it has proxies in opposition to such matter.

PROPOSAL 1

ELECTION OF DIRECTORS

There are six nominees for the seven Board positions presently authorized in accordance with the Company's Bylaws. Each director to be elected will hold office until the next annual meeting of stockholders and until his successor is elected and has qualified, or until such director's earlier death, resignation or removal. Each nominee listed below other than Mr. James Irish is currently a director of the Company. All current directors were elected by the stockholders at the Company's 2002 annual meeting.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the five nominees named below, subject to the discretionary power to cumulate votes. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as management may propose. Each person nominated for election has agreed to serve if elected and management has no reason to believe that any nominee will be unable to serve.

The six candidates receiving the highest number of affirmative votes cast at the meeting will be elected directors of the Company.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF EACH NAMED NOMINEE

NOMINEES

The names of the nominees and certain information about them are set forth below:

<u>Name</u>	<u>Age</u>	<u>Position and Offices</u>	<u>Director Since</u>
Elwood G. Norris	64	Chairman of the Board	1980
James Irish	44	Chief Executive Officer	N/A
Terry Conrad	45	Sr. Vice President of Military Operations and Sr. Vice President of Engineering	2001
Richard M. Wagner	57	Director	1986
David J. Carter	55	Director	1998
Daniel Hunter	52	Director	2001

Elwood G. Norris has been a director of the Company since August 1980. Mr. Norris served as Chief Executive Officer from October 2000 until February 2003. He served as President from August 1980 to February 1994. Mr. Norris managed the Company's research and development activities as Chief Technology Officer through December 2000. From 1988 to November 1999 he was a director and Chairman of e.Digital Corporation, a public company engaged in electronic product development, distribution and sales. During that period he also held various other executive officer positions at e.Digital. From August 1989 to October 1999 he served as director and held various executive officer positions with Patriot Scientific Corporation, a public company engaged in the development of microprocessor technology. He is an inventor with over 44 U.S. patents, primarily in the fields of electrical and acoustical engineering. He is the inventor of the Company's HyperSonic Sound and other technologies. Mr. Norris devotes approximately 30-35 hours per week to the Company.

James Irish was appointed Chief Executive Officer of the company in February 2003. From November 1999 to January 2002, Mr. Irish was Chief Executive Officer and Co-Founder of Valumedia, LLC, a privately-held provider of in-store media and promotional products. In such position, Mr. Irish oversaw the development and launch of five marketing products, and placed such products in over 4,000 retail grocery stores in less than one year after the initial launch. Valumedia raised \$6.3 million in venture capital from private equity, investment banking and institutional sources. As a result of its inability to attract a next round of venture capital financing after the terrorist attacks of September 11, 2001, Valumedia filed for bankruptcy protection in January 2002. From February 1988 to October 1998, he held various positions at ACTMEDIA, including Group Sales Manager, New Products. In October 1998, he was appointed Vice President of Business Development at New America Marketing, a division of News Corporation, which acquired ACTMEDIA in October 1997. From 1996 to 1998, Mr. Irish was also President and Co-Founder of Merge Interactive, where he invented an online couponing solution for mass market appeal. Mr. Irish's prior experience includes: Vice President, Sales, at Shelfvision, Inc. from October 1986 to February 1988; Merchandising Manager and Coordinator, Special Markets, at The Clorox Company from October 1984 to October 1986; and Area Sales Manager, Special Assignment and Sales Representative for Unilever formerly Lever Brothers Company from December 1981 to October 1984. He obtained his B.S. in Marketing in 1981 from Southwest Missouri State University.

Terry Conrad was appointed Senior Vice President of Engineering and Senior Vice President of Military Operations of the Company as part of the Company's March 2003 reorganization. From October 2000 until March 2003, Mr. Conrad served as President. From July 1998 to October 2000, he served as Director of Technology Transfer. Mr. Conrad is the co-inventor of the Company's SFT Technology. Mr. Conrad has served in both technical and management capacities in small and mid-sized technology development and manufacturing firms since 1977, with specific audio industry activity for more than 20 years. From 1989 to July 1998, Mr. Conrad held various positions at Carver Corporation, including Director of Operations from January 1997 to July 1998.

Richard M. Wagner has served as a director since 1986 and served as Secretary from February 1994 to March 1999. Since 1986, Mr. Wagner has been President and CEO of Eidon Inc., a San Diego based company involved in the manufacturing and distribution of liquid mineral

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supplements. Eidon Inc. is the parent company of The Mortgage Company, a residential and commercial mortgage brokerage firm. Mr. Wagner obtained a B.S. in Business in 1968 and an M.S. in Finance in 1976 from the San Diego State University.

David J. Carter was appointed as a director in September 1998. From January 1999 to January 2000, he was Vice President of Copyright Clearance Center, a copyright licensing service. From 1983 until April 1998, he was employed by AT&T, with his last position as General Manager and Product Development Vice President. He previously served in other positions at AT&T including Business Development Vice President and Consumer Products Marketing Vice President. Prior to his employment with AT&T, he served as a Marketing Research Consultant and Managing Consultant Marketing and Business Strategy for General Electric Company. His career has included technical positions at Temple Barker & Sloane, Inc., Decision Research Corp. and Johnson & Johnson. He obtained a B.A. in Mathematics in 1970 and a M.S. in Mathematical Statistics in 1973 from the University of Massachusetts.

Daniel Hunter was appointed as a director in May 2001. Mr. Hunter has been a licensed certified public accountant for over 25 years. He obtained his accounting degree from the University of Utah in 1975. Mr. Hunter has operated his own law offices specializing in business and tax law for over 20 years. He obtained his Juris Doctor degree from the University of Seattle in 1978.

BOARD COMMITTEES AND MEETINGS

During the fiscal year ended September 30, 2002, the Board of Directors held four meetings. The Board has two standing committees: the Audit Committee and the Compensation Committee. The Board does not have a nominating committee. During the fiscal year ended September 30, 2002, each Board member attended at least 75% of the aggregate of the meetings of the Board and of the committees on which he served and held during the period for which he was a Board or Committee member, respectively.

Audit Committee. The Audit Committee meets at least quarterly with the Company's management and independent accountants to, among other things, review the results of the annual audit and quarterly reviews and discuss the financial statements, recommend to the Board the independent accountants to be retained and receive and consider the accountants' comments as to controls, adequacy of staff and management performance and procedures in connection with audit and financial controls. The Audit Committee is also authorized to review related party transactions for potential conflicts of interest. The Audit Committee is composed of Messrs. Wagner, Carter and Hunter, each of whom served on the Audit Committee for all of fiscal 2002. The Audit Committee met four times during fiscal 2002. The members of the Audit Committee are independent directors within the meaning of Rule 4200(a)(14) of the Rules of the National Association of Securities Dealers, Inc. See Report of the Audit Committee. The Charter of the Audit Committee is attached as Annex 1 to this proxy statement.

Compensation Committee. The Compensation Committee is authorized to review and approve the compensation and benefits for the Company's officers and other employees, including, but not limited to, salary matters, incentive/bonus plans, stock based compensation plans, investment programs and insurance plans. The Compensation Committee is composed of Messrs. Wagner, Carter and Hunter, each of whom served on the Compensation Committee during fiscal 2002. The Compensation Committee held one meeting during fiscal 2002 and acted by unanimous written consent three times. See Report of the Compensation Committee on Executive Compensation.

PROPOSAL TWO

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Board of Directors has selected BDO Seidman, LLP as the Company's independent auditors for the fiscal year ending September 30, 2003 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. BDO Seidman, LLP has audited the Company's financial statements since 1995. A representative of BDO Seidman, LLP will be present at the Annual Meeting.

Stockholder ratification of the selection of BDO Seidman, LLP is not required by the Company's Bylaws or otherwise. However, the Board is submitting the selection of BDO Seidman, LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Board will consider whether or not to retain that firm. Even if the selection is ratified, the Board in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interest of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of BDO Seidman, LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders for the purpose of determining a quorum and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

Audit Fees

During the fiscal year ended September 30, 2002, the aggregate fees billed by BDO Seidman, LLP for the audit of the Company's financial statements for such fiscal year and for the reviews of the Company's interim financial statements was \$55,962.

Approximately 59% of the total hours to complete the audit of our financial statements for the year ended September 30, 2002, were incurred by Anton Collins Mitchell LLP, members of the BDO alliance network of firms. Such members are not full time, permanent employees of BDO Seidman, LLP.

Financial Information Systems Design and Implementation Fees

During the fiscal year ended September 30, 2002, there were no fees billed by BDO Seidman, LLP for information systems design and implementation.

All Other Fees

During the fiscal year ended September 30, 2002, the aggregate fees billed by BDO Seidman, LLP for all other professional services rendered on behalf of the Company were \$32,911.

Other professional services include tax preparation, potential acquisition matters and securities offerings.

The Audit Committee has determined the rendering of all non-audit services by BDO Seidman, LLP is compatible with maintaining the auditors independence.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 2

ADDITIONAL INFORMATION

Management

Set forth below is information regarding executive officers of the Company. All executive officers serve at the pleasure of the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Elwood G. Norris*	64	Chairman of the Board of Directors
James Irish*	44	Chief Executive Officer
Renee Warden	38	Chief Accounting Officer, Treasurer, Corporate Secretary, Director of Human Resource and Information Systems
Terry Conrad*	45	Sr. Vice President of Military Operations and Sr. Vice President of Engineering
James Croft, III	49	Sr. Vice President of Research and Development
Thomas Tulowitzki	58	Sr. Vice President of Manufacturing

* Biographical information about Elwood G. Norris, James Irish and Terry Conrad is set forth under Proposal 1 above.

Renee Warden was appointed Chief Accounting Officer, Treasurer and Secretary of the Company in March 1999. In March 2003, Ms. Warden also assumed the duties of Director of Human Resource and Director of Information Systems as part of the Company's March 2003 reorganization. From May 1993 until March 1999 she served as the Company's Accounting Manager. From November 1991 to June 1997 she has also served as Accounting Manager for e.Digital and from June 1997 to May 2002 she served as that company's controller. Ms. Warden obtained a B.S. degree in business accounting from the University of Phoenix in 1999.

James Croft, III joined the Company in October 1997 as Vice President of Engineering. In December 2000 he was appointed Chief Technology Officer. As part of the Company's March 2003 reorganization Mr. Croft was appointed Senior Vice President of Research and Development. From October 1992 to October 1997 he was an executive with Carver Corporation, then a publicly traded high-end audio supplier. He was appointed Vice President of Marketing and Product Development for Carver Corporation in March 1993 and Vice President Research and Development in February 1995. From 1990 through October 1992 Mr. Croft held various positions at Dahlquist, Inc., a loudspeaker manufacturer, including Vice President of Research and Development. Mr. Croft is also Chairman of the Board of Definitive Audio, Inc., a Seattle audio specialty retailer that he co-founded in 1975 and managed until 1985.

Thomas Tulowitzki was appointed Senior Vice President of Manufacturing in March 2003, and his responsibilities include product manufacturing, purchasing and product service. From February 2000 to March 2003 he served as the Company's Vice President of Engineering and Operations. Prior to joining the Company, he served as Senior Vice-President of Engineering at Troy Systems in Santa Ana, CA from February 1996 until February 2000. Mr. Tulowitzki has also held management positions at Danka Business Systems and Xerox Corp. His educational background includes BSEE and MBA degrees from Rochester Institute Of Technology, Rochester, NY.

SECURITY OWNERSHIP OF

CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's stock as of, April 1, 2003 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of any class of the Company's voting stock.

Title of Class	Name and Address of Beneficial Owner	Amount & Nature of Beneficial Ownership(1)	Percent of Class(1)
Common Stock	Elwood G. Norris 13114 Evening Creek Drive South San Diego, California 92128	3,839,055(2)	24.7%
Common Stock	James Irish 13114 Evening Creek Drive South San Diego, California 92128	25,000(3)	*%
Common Stock	Terry Conrad 13114 Evening Creek Drive South San Diego, California 92128	148,050(4)	1.0%

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Common Stock	Richard M. Wagner 13114 Evening Creek Drive South San Diego, California 92128	120,000(5)	*0%
Common Stock	David J. Carter 13114 Evening Creek Drive South San Diego, California 92128	98,750(6)	*0%

Title of Class	Name and Address of Beneficial Owner	Amount & Nature of Beneficial Ownership(1)	Percent of Class(1)
Common Stock	James Croft, III 13114 Evening Creek Drive South San Diego, California 92128	116,100(7)	*%
Common Stock	O Connell J. Benjamin 13114 Evening Creek Drive South San Diego, California 92128	70,000(8)	*%
Common Stock	Daniel Hunter 13114 Evening Creek Drive South San Diego, California 92128	92,500(9)	*%
All directors & executive officers		4,579,455(10)	28.4%

As a group (10 persons)

- * Less than 1%.
- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. This table is based on information supplied by officers, directors and principal stockholders. The inclusion in this table of such shares does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of, or receives the economic benefit of, such shares. Percentage of class is based on 15,156,670 shares of Common Stock outstanding on April 1, 2003. Except as otherwise stated below, each of the named persons has sole voting and investment power with respect to the shares shown (subject to community property laws).
 - (2) Includes 3,467,134 shares held by a family trust for which Mr. Norris serves as trustee, 147,521 shares issuable upon the conversion of a convertible promissory note held by such trust, assuming conversion occurs on the date 60 days after April 1, 2003, 125,000 shares issuable upon exercise of a warrant held by such trust, and 99,400 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003.
 - (3) Includes 25,000 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003. Excludes unvested options to purchase 75,000 shares.
 - (4) Includes 147,000 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003. Excludes unvested options to purchase 30,000 shares.
 - (5) Includes 75,000 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003.
 - (6) Includes 75,000 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003.
 - (7) Includes 116,000 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003. Excludes unvested options to purchase 10,000 shares.
 - (8) Includes 70,000 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003.
 - (9) Includes 25,000 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003. Excludes unvested options to purchase 25,000 shares.
 - (10) Includes 700,400 shares issuable upon the exercise of outstanding stock options within 60 days of April 1, 2003, 147,521 shares issuable upon the conversion of a convertible promissory note, and 125,000 shares issuable upon exercise of a warrant.

Other Voting Stock*Preferred Stock*

The following security ownership information is set forth as of April 1, 2003, with respect to certain persons or groups known by the Company to be beneficial owners of more than 5% of any outstanding series of the Company's Preferred Stock.

Series D Preferred Stock

Title of Class	Name and address of Beneficial Owner	Amount and	Percent of
		Nature of	Class
		Beneficial	
		Ownership	
		Series D(1)	Series D(1)
Series D Preferred Stock	Michael E. Spencer 306 West El Norte Parkway #N40 Escondido, CA 92026	5,000	7.7%
Series D Preferred Stock	Ehrens Family Trust Gerald L & Wilma S 8912 Canyon Springs Dr. Las Vegas, CA 89117	5,000(2)	7.7%
Series D Preferred Stock	Stifel, Nicolaus Custodian for Jonathan Berg, IRA 501 N. Broadway St. Louis, MO 63102	10,000	15.4%
Series D Preferred Stock	Granite Capital LP 126 East 56th Street Flr 25 New York, NY 10022	40,000(3)	61.5%
Series D Preferred Stock	Granite Capital II LP 126 East 56th Street Flr 25	40,000(3)	61.5%

Series E Preferred Stock

<u>Title of Class</u>	<u>Name and address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership Series E(4)</u>	<u>Percent of Class Series E(4)</u>
Series E Preferred Stock	Granite Capital LP 126 East 56th Street Flr 25 New York, NY 10022	25,000(5)	7.3%
Series E Preferred Stock	Granite Capital II LP 126 East 56th Street Flr 25 New York, NY 10022	25,000(5)	7.3%
Series E Preferred Stock	NGHK Holdings, LLC Room 301, 3rd Flr. Blk. B Sheung Shui Plaza, 3 Ka Fu Close Sheung Shui, N.T. Hong Kong	75,000(6)	21.8%
Series E Preferred Stock	Canusa Trading Ltd. PO Box HM 279 Hamilton HMAX, Bermuda	50,000(7)	14.6%
Series E Preferred Stock	K. Tucker Anderson 61 Above All Rd. Warren, CT 06754-1710	25,000	7.3%
Series E Preferred Stock	Leonard M. Teninbaum Keogh Account 1900 St. James Place Ste. 150 Houston, TX 77056	42,500(8)	12.4%
Series E Preferred Stock	Vandoon Partners 7 Hanover Sq. 8th Floor New York, NY 10004	20,000(9)	5.8%

(1) Represents number of shares of Series D Preferred Stock, held as of April 1, 2003. At such date an aggregate of 65,000 shares of Preferred Stock were issued and outstanding convertible into an aggregate of 243,941 shares of Common Stock.

(2) Gerald L. Ehrens and Wilma S. Ehrens are believed by the Company to have shared voting and investment power with respect to the Series D Preferred Stock held.

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- (3) Includes 35,263 shares of Series D Preferred Stock held by Granite Capital LP, and 4,737 shares of Series D Preferred Stock held by Granite Capital II LP. Granite Capital LLC is the general partner of each of Granite Capital LP and Granite Capital II LP. Mr. Walter F. Harrison, III and Lewis M. Eisenberg are co-managing members of Granite Capital LLC, and are believed by the Company to have shared voting and investment power with respect to the Series D Preferred Stock held. Granite Capital LP and Granite Capital II LP disclaim beneficial ownership in these securities except to the extent of such person's pecuniary interest in these securities and disclaim membership in a group with any other entity or person within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934.
- (4) Represents number of shares of Series E Preferred Stock, held as of April 1, 2003. At such date an aggregate of 343,250 shares of Preferred Stock were issued and outstanding convertible into an aggregate of 1,115,211 shares of Common Stock.
- (5) Includes 22,500 shares of Series E Stock held by Granite Capital LP, and 2,500 shares of Series E Stock held by Granite Capital II LP. Granite Capital LLC is the general partner of each of Granite Capital LP and Granite Capital II LP. Mr. Walter F. Harrison, III and Lewis M. Eisenberg are co-managing members of Granite Capital LLC, and are believed by the Company to have shared voting and investment power with respect to the Series E Preferred Stock held. Granite Capital LP and Granite Capital II LP disclaim beneficial ownership in these securities except to the extent of such person's pecuniary interest in these securities and disclaim membership in a group with any other entity or person within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934.

- (6) Kwok Hung Ng is believed by the Company to have sole voting and investment power with respect to the Series E Preferred Stock held.
- (7) Mr. W.A. Manuel is President of Canusa Trading Ltd., and is believed by the Company to have sole voting and investment power with respect to the Series E Preferred Stock held.
- (8) Mr. Leonard M. Teninbaum is trustee of Leonard M. Teninbaum Keogh Account, and is believed by the Company to have sole voting and investment power with respect to the Series E Preferred Stock held.
- (9) Vandoon Partner is believed by the Company to have sole voting and investment power with respect to the Series E Preferred Stock held.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Act") requires the Company's officers, directors and persons who own more than 10% of a class of the Company's securities registered under Section 12(g) of the Act to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended September 30, 2002, the Company believes that all persons subject to the reporting requirements pursuant to Section 16(a) filed the required reports on a timely basis with the SEC, except Mr. Croft filed late a Form 5 report disclosing one transaction.

EXECUTIVE COMPENSATION