ASTROTECH Corp \WA\
Form 10-K
September 28, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2009

o **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 001-34426

Astrotech Corporation

(Exact name of registrant as specified in its charter)

Washington	**91-1273737**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 Congress Ave. Suite 1650
Austin, Texas 78701
(Address of principal executive offices) (Zip code)

(512) 485-9530
(Registrant s telephone number, including area code)

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

Title of each class	*Name of each exchange on which registered*
Common Stock (no par value)	**NASDAQ Capital Market**

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 o NO þ

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 o NO þ

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 þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on it corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company

in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO þ

The aggregate market value of the registrants voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of such stock on the NASDAQ Capital Market on such date of $0.26 was approximately $4,262,107 as of December 31, 2008.

As of September 22, 2009, 16,510,218 shares of the registrant s Common Stock, no par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Information called for in Part III of this Form 10-K is incorporated by reference to the registrant s definitive Proxy Statement to be filed within 120 days after the end of the registrant s fiscal year in connection with the registrant s annual meeting of shareholders.

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FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws. Forward-looking statements may include the words may, will, plans, believes, estimates, expects, intends and other similar expressions. Such st subject to risks and uncertainties that could cause our actual results to differ materially from those projected in the statements. Such risks and uncertainties include, but are not limited to:

- The effect of economic conditions in the U.S. or other space faring nations that could impact our ability to access space and support or gain customers;
- Uncertainty about, and our ability to raise sufficient capital to meet our long and short-term liquidity requirements;
- Our ability to successfully pursue our business plan;
- Whether we will fully realize the economic benefits under our NASA and other customer contracts;
- Continued availability and use of the U.S. Space Shuttle and the International Space Station;
- Technological difficulties and potential legal claims arising from any technological difficulties;
- Product demand and market acceptance risks, including our ability to develop and sell products and services to be used by the manned and unmanned space programs that replace the Space Shuttle Program;
- Uncertainty in government funding and support for key space programs;
- The impact of competition on our ability to win new contracts;
- Uncertainty in securing reliable and consistent access to space;
- Delays in the timing of performance of other contracts; and
- Risks described in the Risk Factors section of this Form 10-K.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this Form 10-K will prove to be accurate. In light of the significant uncertainties inherent in our forward-looking statements, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in Item 1A Risk Factors of this Form 10-K and elsewhere in this Form 10-K, or in the documents incorporated by reference herein. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events or otherwise. In making these statements, we disclaim any obligation to address or update each factor in future filings with the Securities and Exchange Commission (SEC) or communications regarding our business or results, and we do not undertake to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, any of the matters discussed above may have affected our past results and may affect future results, so that our actual results may differ materially from those expressed in this Form 10-K and in prior or subsequent communications.

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PART I

DEFINITIONS

As used in this Form 10-K, the abbreviations and acronyms contained herein have the meanings set forth below. Additionally, the terms Astrotech , the Company , we , us and our refer to Astrotech Corporation and its subsid unless the context clearly indicates otherwise.

ARES	ARES Corporation
ASO	Astrotech Space Operations
Astrium	Astrium GmbH (formerly EADS Space Transportation)
ATV	Automated Transfer Vehicle
Boeing	The Boeing Company
CCAFS	Cape Canaveral Air Force Station
COTS	Commercial Orbital Transportation Services
CRADA	Cooperative Research and Development Agreement
DOT	Department of Transportation
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
HTV	H-II Transfer Vehicle
ICC	Integrated Cargo Carrier
IDIQ	Indefinite Delivery, Indefinite Quantity
ISS	International Space Station
KSC	Kennedy Space Center
Lockheed Martin	Lockheed Martin Corporation
NASA	National Aeronautics and Space Administration
PI&C	Program Integration and Control
ReALMS	Research and Logistics Mission Support
SAA	Space Act Agreement
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SMI Plan	Space Media, Inc. Stock Option Plan
SOX	Sarbanes-Oxley Act of 2002
SPACEHAB	SPACEHAB, Inc., the legacy name of the Astrotech Corporation
SSI	Spaceport Systems International
USAF	United States Air Force
VAFB	Vandenberg Air Force Base
VCC	Vertical Cargo Carrier

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Item 1. Business.

Our Company

Astrotech (Astrotech , the Company , we , us or our) is one of the first independent commercial space businesses U.S. and remains a strong entrepreneurial leader in the aerospace industry. Since its incorporation in Washington in 1984, the Company has been a leader in the commercial space industry in preparing and sending satellites, cargo and science into space.

The Astrotech Space Operations (ASO) business unit has unsurpassed experience supporting both manned and unmanned missions to space with product and service support which includes space hardware design and manufacturing, research and logistics expertise, engineering and support services, and payload processing and integration. Through new business initiatives such as 1st Detect, Astrogenetix and AirWard, Astrotech continues to pave the way in the commercialization of space by translating space-based technology into terrestrial applications.

Our Business Units

Our Company is currently comprised of two primary business units, which provide the following products and services to the government and commercial markets:

Astrotech Space Operations (*ASO*): ASO is the leading commercial supplier of satellite launch processing services in the United States. ASO provides processing support to government and commercial customers for their complex communication, earth observation and deep space satellites. ASO s elite spacecraft processing facilities, with more than 300,000 square feet of space, can support the largest five-meter class satellites. ASO has provided launch processing support for government and commercial customers for nearly a quarter century, successfully processing more than 270 spacecraft. Additionally, ASO has developed a proprietary, turn-key approach to the total satellite life cycle, leveraging the Company s legacy in ground processing operations, engineering and support services. By offering the satellite customer mission design and planning, ground and launch operations, and mission operations and end-user enhancement, ASO ensures End-to-End Mission Assurance for its customers.

Other: Our Other business unit is an incubator envisioned to commercialize space-industry technologies into real-world applications to be sold to consumers and industry. The Other business unit has developed three business initiatives to date: 1st Detect, Astrogenetix and AirWard. 1st Detect Corporation began under a Space Act Agreement with NASA for a chemical detection unit to be used on the ISS. 1st Detect engineers have developed a Miniature Chemical Detector, which we believe is a breakthrough device in the mass spectrometer market that fills a niche by being highly accurate, lightweight, battery-powered, durable and inexpensive. Astrogenetix is among one of the first commercial biotechnology companies to use the unique environment of space to develop medicines. A natural extension of the many years of experience preparing, launching, and operating over 1,500 science payloads in space, Astrogenetix is in the process of developing medicines from microgravity experiments. AirWard Corporation has designed, manufactured and sold shipping containers to transport oxygen bottles and oxygen generators for commercial aircraft as a solution to the U.S. Department of Transportation s mandate stipulating that U.S. airlines must adhere to stringent containment requirements to protect these potentially volatile payloads from flame, heat and impact during flight.

Governance

We were founded in 1984 as a Washington State Corporation. In 2009, we changed our name to Astrotech Corporation from SPACEHAB, Inc. We maintain an Internet Web site at www.astrotechcorp.com. Our reports on Form 10-K, Form 10-Q, as well as amendments to those reports and press releases are available, free of charge, on our web site as soon as reasonably practical after filing with the SEC. Information contained on our website is not a part of this Form 10-K. Our Committee Charters and Code of Conduct are also available on our web site. Our Chief Executive Officer and Chief Financial Officer executed the required SOX Sections 302 and 906 certifications relating to this Annual Report on Form 10-K, which are filed with the SEC as Exhibits to the Annual Report on Form 10-K.

Competitive Strengths

The majority of the Company s revenue is derived from ASO, which processes satellites for U.S. launch locations. The only significant competition to ASO s facilities is from similar U.S. government facilities. However, we believe that the majority of domestic satellites, including most government satellites, are processed at Astrotech due to the state-of-the-art, professionally operated, full-service environment.

In anticipation of the planned Space Shuttle retirement and due to the loss of the research and logistics module contract, the Company has been refocusing its efforts towards building on our industry-leading ground support operations of ASO and offering a more comprehensive set of services to government and commercial satellite customers.

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ASTROTECH SPACE OPERATIONS

Our core business is ASO, with spacecraft and payload processing facilities strategically located to support launches from both Florida and California. We are proud of our history, where we have supported over 270 missions in 25 years without negatively impacting a customer s launch schedule. As a commercial gateway to space, ASO provides world-class ground processing services for both foreign and domestic customers seeking the pre-launch preparation of satellites and payloads. In an industry where execution is paramount despite constantly changing customer launch manifests and processing schedules, ASO has consistently delivered unparalleled customer support. ASO has developed and has begun to offer an *End-to-End Mission Assurance* capability to serve satellite customers before, during, and after the launch. This initiative is intended to meet an increasing demand from commercial and government customers for new cost-effective and reliable alternatives in the satellite services market.

Products/Services With more than 300,000 square feet of space owned or managed by ASO, we have provided facilities for pre-launch ground based operations for 25 years for both commercial and government satellites and we are the leader in this service sector.

Market/Customers ASO services a variety of domestic and international government and commercial customers sending satellites to low-earth-orbit (LEO) or geosynchronous orbit (GEO). ASO has long-term contracts in place with NASA, other U.S. governmental agencies, United Launch Alliance, and Sea Launch, LLC. During fiscal year 2009, ASO accounted for 97% of our consolidated revenues.

As of June 30, 2009, our contract backlog and projected revenue concentration rests primarily with ASO. The ASO contract backlog consists of contracts for future services, contractually guaranteed minimum activity contracts, committed missions under IDIQ contracts and other contractual arrangements. As of June 30, 2009, our contractual backlog and scheduled but uncommitted missions represented the following revenues:

Contract	FY2010	FY2011	Total
ASO Missions	20,339,115	3,809,942	24,149,057
Facility Programs	1,036,338	196,797	1,233,135
Total Backlog	21,375,453	4,006,739	25,382,192

For fiscal year 2010, ASO s backlog consists of fixed-price satellite missions from various government and commercial entities requiring pre-launch processing services at its Titusville, Florida and VAFB locations.

Growth Strategy As a leading satellite processing provider, Astrotech is expanding its service offerings beyond ground operations services to offer a comprehensive relationship with each satellite before, during and after launch. This new expanded service offering, End-to-End-Mission-Assurance, includes mission design and planning, ground and launch operations, mission operations and data management.

Competition Due to the logistical complications of transporting spacecraft internationally, our ASO business unit generally does not compete with launch services based in other countries. ASO has two primary competitors in the payload processing services marketplace in the U.S.:

Commercial

SSI SSI operates and manages a commercial spaceport at VAFB and is a provider of payload processing and launch services for both commercial and government users. The SSI facility throughput capability is significantly less than that of ASO in VAFB and it is heavily influenced by government customers. The ASO VAFB contract award for the five-meter high bay construction significantly improves ASO s competitive advantage at VAFB. SSI does not provide payload processing services in support of the CCAFS / KSC launch site, and therefore, does not compete with ASO in Florida.

Governmental

NASA and the USAF own and operate payload processing facilities at both the CCAFS / KSC and VAFB launch sites. These facilities are used to process select government spacecraft only. They are not used to process commercial spacecraft.

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OTHER

Astrotech has established a business incubator that selects various qualified technologies that use space-related engineering and technology. The three business initiatives to date are as follows:

1st Detect:

1st Detect began development of a miniature mass spectrometer for use on the ISS under a SAA with NASA in 2005. Based on the Company s belief that such a device has numerous commercial applications, we began parallel development of a light weight, low power chemical analyzer named 1st Detect. We believe that this device represents a breakthrough in the mass spectrometer market, filling a niche in the marketplace by being accurate, light weight, battery powered, durable, inexpensive and providing a rapid reading of the identified substance.

Products/Services A mass spectrometer is a universal chemical analyzer that measures the constituent chemicals in a sample by measuring the mass to charge ratio (m/z) of the atoms and/or molecules for which the sample is comprised. The resulting spectrum is then compared to other known sample spectra to determine the identification of each chemical present. 1st Detect uses a proprietary ion trap technology, allowing for the device s portability, versatility, sensitivity, durability, efficiency and low cost.

Market/Customers Given its light weight, ability to run on batteries and relatively low price point, we expect that 1st Detect will open markets that were previously not available to competing units. Potential markets that 1st Detect may serve include Security and Defense, Industrial, Medical and Healthcare, Critical Infrastructure, and First Responders.

Growth Strategy As we continue development of the 1st Detect product, we are seeking to partner with existing chemical detection/equipment companies where our product could benefit from established distribution channels.

Competition There are many portable mini mass spectrometer competitors. We believe the 1st Detect product offers a combination of attributes that are currently unavailable in the marketplace in a single product.

Astrogenetix:

Astrogenetix was created to commercialize biotechnology products developed in microgravity (micro-g), a unique environment only found in space. We are currently utilizing our 25 year heritage of having sent over 1,500 science experiments to space for NASA, to develop both hardware and procedures needed for drug development utilizing microgravity. Significant Milestones include:

Our comprehensive evaluation of the most promising micro-g experiments has led us to believe that commercializing a salmonella vaccine developed in space holds the lowest risk and highest return compared to other potential products reviewed.

In 2008, Astrogenetix entered into a formal Space Act Agreement with NASA allowing us to develop products in the Space Shuttle and on the ISS.

A contract between Astrogenetix and the Durham Veterans Affairs Medical Center was signed on February 2008 under a Cooperative Research and Development Agreement (CRADA). The CRADA secured both the exclusive rights to the intellectual property of the salmonella vaccines discovered in micro-g (not including active duty military personnel), and the exclusive rights to utilize VA laboratories and scientists for pre-flight preparation and post-flight analysis.

Astrogenetix secured the rights from NASA to occupy a mid-deck locker on STS-123, STS-124, STS-126, STS-119, STS-125 and STS-128 as part of NASA s National Lab Pathfinder Missions.

Astrogenetix has identified a vaccine candidate for Salmonella.

Product/Service Astrogenetix s capabilities include preparing microgravity payloads that can be flown on a variety of launch systems, including the Space Shuttle, the Russian Soyuz, Progress and Photon, the European ATV, the Japanese HTV and the SpaceX Dragon (still under development). Our Vaccine Processing Platform (VPP) has been developed to grow microbes in space that, under ideal conditions, can result in significant advantages over traditional earthbound vaccine discovery processes, thus reducing the development time significantly.

Market/Customers While there have been no sales to date, likely customers will be large international pharmaceutical companies and smaller biotechnology companies. Astrogenetix is currently focused on starting the Food and Drug Administration (FDA) process with the salmonella vaccine and is continuing drug development work for other vaccine targets, including Methicillin Resistant Staphylococcus Aureus (MRSA).

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Growth Strategy Our growth strategy is to commercialize the salmonella vaccine by progressing into initial FDA testing. Meanwhile, we will fly other selected vaccine targets to microgravity in available spacecraft. There are six additional Space Shuttle flights until the scheduled retirement of the fleet. While NASA may add more Space Shuttle flights, our business strategy assumes that there will be no further flights after the current manifest.

Competition There are many earthbound developers of vaccines, including most large pharmaceutical companies and many smaller biotechnology firms. While there are no known competitors developing vaccines in microgravity and with the recent delivery of both the European Space Agency (ESA) and the Japanese Space Agency (JAXA) nodes on the ISS, competition from foreign governments, academia and commercial companies is anticipated.

AirWard:

The AirWard Containers were developed to fully meet and exceed all of the applicable requirements of the Hazardous Materials Regulations (HMR; 49 CFR Parts 171-180) that are to become effective in October 2009.

Product/Services The AirWard thermal resistant transportation containers serve the commercial domestic airline industry by providing protective containers for transportation of hazardous materials. AirWard has met the DOT s stringent requirements, which will apply to all domestic and U.S.-bound airlines, effective October 2009.

Market/Customers Since the successful completion of the rigorous certification requirements established by DOT for hazardous containment, AirWard has presented its product to many of the domestic commercial airlines as well as regulatory bodies. AirWard began marketing directly to commercial airlines through the Company s sales staff and announced its first shipment in 2009.

Growth/Strategy Applying experience in the development of specialized containers for transporting goods in space, we have developed and certified a containment system to meet the DOT s 2009 requirements.

Competition There are several other viable competitors providing hazardous containers that claim to meet DOT s new requirements. Americase and Viking Packaging Specialists are known competitors.

Research and Development

We incurred $2.3 million and $1.4 million in research and development expense during fiscal years 2009 and 2008, respectively. Research and development in fiscal year 2009 has been primarily directed towards development of our 1st Detect mini-mass spectrometer product and Astrogenetix microgravity processing platform. Astrogenetix continues work on processing its FDA application for its salmonella vaccine candidate while continuing research on other potential vaccines, including MRSA. Most recently, Astrogenetix testing samples were included in the latest shuttle Discovery launch, STS-128. The 1st Detect chemical detector debuted at the American Society of Mass Spectrometry Conference in June 2008, during which several companies demonstrated significant interest in the product. Currently, several operational units have been manufactured including a boxed unit and a bench-top development unit. In tandem, we are working on the development of an additional technical capability, which will increase accuracy, increase auto-tuning capability, and reduce size and cost.

Certain Regulatory Matters

We are subject to federal, state, and local laws and regulations designed to protect the environment and to regulate the discharge of materials into the environment in order to protect our domestic technology from unintended foreign exploitation and to regulate certain business practices. We believe that our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and consequential financial liability to us. Compliance with environmental laws and regulations and technology export requirements has not had in the past, and, we believe, will not have in the future, material effects on our capital expenditures, earnings, or competitive position. Our operations are subject to various regulations under federal laws relative to the international transfer of technology, as well as to various federal and state laws relative to business operations. In addition, we are subject to federal contracting procedures, audit, and oversight.

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Significant federal regulations impacting our operations include the following:

Federal Regulation of International Business. We are subject to various federal regulations as it relates to the export of certain goods, services, and technology. These regulations, which include the Export Administration Act of 1979 administered by the Commerce Department and the Arms Export Control Act administered by the State Department, impose substantial restrictions on the sharing or transfer of technology to foreign entities. Our activities in the development of space technology and in the processing of commercial satellites deal with the type of technology subject to these regulations. Our operations are conducted pursuant to a comprehensive export compliance policy that provides close review and documentation of activities subject to these laws and regulations.

Foreign Corrupt Practices Act. The Foreign Corrupt Practices Act establishes rules for U.S. companies doing business internationally. Compliance with these rules is achieved through established and enforced corporate policies and documented procedures in our internal procedures and financial controls.

Iran Nonproliferation Act of 2000. This act includes specific prohibitions on commercial activities with certain specified Russian entities engaged in providing goods or services to the International Space Station. Our activities with Rocket Space Corporation, Energia of Russia, are not subject to this act.

Federal Acquisition Regulations. Goods and services provided by us to NASA and other U.S. Government agencies are subject to Federal Acquisition Regulations. These regulations provide rules and procedures for invoicing, documenting, and conducting business under contract with such entities. The Federal Acquisition Regulations also subject us to audit by federal auditors to confirm such compliance.

Truth in Negotiations Act. The Truth in Negotiations Act was enacted for the purpose of providing full and fair disclosure by contractors in the conduct of negotiations with the U.S. Government. The most significant provision included in the Truth in Negotiations Act is the requirement that contractors submit certified cost and pricing data for negotiated procurements above a defined threshold.

Defense Security Service. Occasionally, we are requested to process government spacecraft payloads that must be handled under federal security clearances. To accommodate these requirements, we maintain facility security clearances within certain subsidiaries of the Company and have persons engaged by the Company with necessary active security clearances to support these requirements. Maintenance of an active facility clearance requires dedicated trained personnel, specified facility standards and recordkeeping.

Regulatory Compliance and Risk Management

We maintain compliance with regulatory requirements and manage our risks through a program of compliance, awareness, and insurance, which includes the following:

Safety. We place a continual emphasis on safety throughout our organization. At the corporate level, safety programs and training are monitored by a corporate safety manager.

Export Control Compliance. We have a designated senior officer responsible for export control issues and the procedures detailed in our export control policy. This officer and the designated export compliance administrator monitor training and compliance with regulations relative to foreign business activities. Employees are provided comprehensive training in compliance with regulations relative to export and foreign activities through our interactive training program and are certified as proficient in such regulations as are relative to their job responsibilities.

Insurance. Our operations are subject to the hazards associated with operating assets in the severe environment of space. These hazards include the risk of loss or damage to the assets during storage, preparation for launch, in transit to the launch site, and during the space mission itself. We maintain insurance coverage against these hazards with reputable insurance underwriters.

Employees Update

As of June 30, 2009, we employed 76 regular full-time employees, none of which were covered by collective bargaining agreements.

On July 21, 2009, the Board of Directors appointed John Porter as Astrotech s Chief Financial Officer. Mr. Porter, a Senior Vice President of the Company, had been serving as interim CFO since the resignation of Brian K. Harrington on June 4, 2009.

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Item 1A. Risk Factors.

Given the inherent uncertainty and complexity of the businesses that we engage in, our results from operations and financial condition could be materially adversely impacted as set forth below. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impact our business operations.

Our success depends significantly on the establishment and maintenance of successful relationships with our customers.

We have relied on governmental customers for a substantial portion of our revenue. Approximately 65% of our revenue in fiscal year 2009 was generated by various NASA and U.S. Government contracts or subcontracts. The loss of these partners could have a material adverse effect on our business, financial condition and results of operations. We cannot make any assurances that they will require our services in the future, thereforewe continue to work on diversifying our customer base to include other government agencies and commercial industries, while going to great lengths to satisfy the needs of our current customer base.

Termination of our future orders could negatively impact our revenues.

As of June 30, 2009, ASO had a backlog of approximately $25.4 million. Backlog consists of the remaining contract values that have not been recognized. Approximately 95% of ASO s contract backlog as of June 30, 2009, was derived from mission contracts. Since our government contracts are contingent upon congressional appropriations and can be terminated for convenience, we cannot assure that our backlog will ultimately result in revenues.

A branch of the U.S. Government or a commercial competitor could construct spacecraft ground processing facilities, which could significantly reduce the number of missions using Astrotech facilities.

Astrotech provides services for domestic launch sites. In the event that the U.S. Government constructs spacecraft ground processing facilities would compete with the launch sites currently serviced by Astrotech, there could be a reduced need for the use of Astrotech facilities. This would result in direct competition for our existing customers in connection to servicing domestic launch sites, which could significantly reduce our revenues. There can be no assurance that we will be able to compete successfully against any new competitor in this area or that these competitive pressures we may face will not result in reduced revenues and market share.

Compliance with environmental and other government regulations could be costly and could negatively affect our financial condition.

Our business, particularly our ASO business unit, is subject to numerous laws and regulations governing the operation and maintenance of our facilities and the release or discharge of hazardous or toxic substances, including spacecraft fuels and oxidizers, into the environment. Under these laws and regulations, we could be liable for personal injury and cleaning costs and other environmental and property damages, as well as administrative, civil, and criminal penalties. In the event of a violation of these laws, or a release of hazardous substances at or from our facilities, our business, financial condition, and results of operations could be materially adversely affected.

As a U.S. Government contractor, we are subject to a number of rules and regulations, the violation of which could result in us being barred from future U.S. Government contracts.

We must comply with, and are affected by laws and regulations relating to the award, administration, and performance of U.S. Government contracts. These laws and regulations, among other things:

Require certification and disclosure of all cost or pricing data in connection with certain contract negotiations.

Impose acquisition regulations that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts.

Restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of our contracts, or disbarment from bidding on U.S. Government contracts. Additionally, U.S. Government contracts generally contain provisions that allow the U.S. Government to unilaterally suspend us from receiving new contracts pending resolution of alleged violations of certain federal laws or regulations, reduce the value of existing contracts, issue modifications to a contract, and control and potentially prohibit the export of our services and associated

materials. Prohibition against bidding on future U.S. Government contracts would have a material adverse affect on our financial condition and results of operations.

Our failure to comply with U.S. export control laws and regulations could adversely affect our business.

We are obligated by law and under contract to comply, and to ensure that our subcontractors comply, with all U.S. export control laws and regulations, including the International Traffic in Arms Regulations and the Export Administration Regulations. We are responsible for obtaining all necessary licenses or other approvals, if required, for exports of hardware, technical data, and software, or for the provision of technical assistance. We are also required to obtain export licenses, if required, before utilizing foreign persons in the performance of our contracts if the foreign person will have access to export-controlled technical data or software. The violation of any of the applicable export control laws and regulations, whether by us or any of our subcontractors, could subject us to administrative, civil, and criminal penalties.

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Our business could be adversely affected by a negative audit by the U.S. Government.

U.S. Government agencies, including NASA, routinely audit and investigate government contractors. These agencies review a contractor s performance under its contracts, cost structure, and compliance with applicable laws, regulations, and standards. The U.S. Government may also review the adequacy of, and a contractor s compliance with, its internal control systems and policies, including the contractor s purchasing, property, estimating, compensation, and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be refunded. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm that affects our non-governmental business if allegations of impropriety were made against us.

Our facilities located in Florida and California are susceptible to damage caused by hurricanes, earthquakes, or other natural disasters.

Our ASO spacecraft processing facilities on the east coast of Florida are susceptible to damage caused by hurricanes or other natural disasters. In addition, our leased launch processing facilities at VAFB and the facilities we operate at the Port of Long Beach are subject to damage caused by earthquakes. Although we insure our properties and maintain business interruption insurance, there can be no guarantee that the coverage would be sufficient. A natural disaster could result in a temporary or permanent closure of our business operations, thus impacting our future financial performance.

Due to our dependence on the timing of spacecraft launches, our results may fluctuate significantly from quarter to quarter.

The use of our ASO spacecraft processing facilities is highly dependent upon the number of satellite launches planned and executed each year. Additionally, factors beyond our direct control, such as a delay or accident at a launch vehicle support facility, could cause a material change in our financial results. As a result, significant fluctuations should be expected from quarter to quarter in our operating results.

The loss of key management and other employees could have a material adverse effect on our business.

We are dependent on the personal efforts and abilities of our senior management, and our success will also depend on our ability to attract and retain additional qualified employees. Failure to attract personnel sufficiently qualified to execute our strategy, or to retain existing key personnel, could have a material adverse effect on our business.

If we are unable to anticipate technological advances and customer requirements in the commercial and governmental markets, our business and financial condition will be adversely affected.

Our business strategy outlines the use of decades of experience to expand the services and products we offer to both the governmental and commercial industries. We believe that our growth and future financial performance depend upon our ability to anticipate technological advances and customer requirements. There can be no assurance that we will be able to achieve the necessary technological advances for us to remain competitive. In 2009, we continued new business initiatives for advancing commerce in space. These new business initiatives will require substantial investments of capital and technical expertise. Our failure to anticipate or respond adequately to changes in technology and market requirements, or delays in additional product development or introduction, could have a material adverse effect on our business and financial performance. Additionally, the cost of capital to fund these businesses will likely require dilution of shareholders.

Our inability to generate sufficient cash flow to pay off or refinance our indebtedness with near-term maturities could have a material adverse effect on our financial condition.

We cannot assure that our business will generate cash flows from operations or that future borrowings will be available to us in an amount sufficient to pay our maturing indebtedness as it falls due. As a result, we may need to refinance all or a portion of the debt or we may need to secure new financing before maturity. We cannot be sure that we will be able to obtain financing on reasonable terms or at all, particularly given the general economic situation and lending environment we currently face.

Our earnings and margins may vary due to the nature of our fixed-priced contracts.

Our business mix includes cost-reimbursable and fixed-price contracts. Cost-reimbursable contracts generally have lower profit margins than fixed-price contracts. Our ASO business unit contracts are mainly fixed-price contracts. If we are unable to control costs we incur in performing under the contract, our financial condition and operating results could be materially adversely affected.

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Additionally, the costs incurred to operate our core ASO business are near-term fixed. As a result, if we are not able to schedule payload processing in order to optimize our facilities our financial results could be adversely affected.

We plan to develop new products and services. No assurances can be given that we will be able to successfully develop these products and services.

Our business strategy outlines the use of decades of experience we have accumulated to expand the services and products we offer to both government and commercial industries. These services and products generally involve the commercial exploitation of space, and involve new and untested technologies and business models. These technologies and business models may not be successful, which could result in the loss of any investment we make in developing them.

Our financial results could be adversely affected if the estimates that we use in accounting for contracts are incorrect and need to be changed.

Contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. We rely on the application of consistent business processes in order to minimize material error and maximize reporting transparency. The estimation of total revenues and cost at completion for many of our contracts is complicated and subject to many unknown variables.

If our performance under a cost reimbursable contract results in an award fee that is lower than we have estimated, we would be required to refund previously billed fee amounts and would have to adjust our revenue recognition accordingly. If our performance was determined to be significantly deficient, we may be required to reimburse our customer for the entire amount of previously billed awards. Changes in underlying assumptions, circumstances, or estimates may adversely affect future period financial performance.

Our spacecraft payload processing facilities are specifically designed to process satellites and other payloads and we would lose a substantial portion of their value if we no longer provide these services.

Our ASO spacecraft processing facilities were built specifically to process satellites and space related payloads. If we were required to terminate the processing businesses, the value of these facilities could be impaired and, as a result, the impact on financial condition and results of operations will likely be negatively impacted.

Our inability to maintain required government security clearances and the impact of foreign ownership or control could result in a loss of potential future spacecraft ground processing and other opportunities.

In order to be a service and product provider for spacecraft ground processing and other related activities, we are required to maintain certain government security clearances and we must comply with laws that limit foreign ownership and control. We may be subject to regulatory action and other sanctions if we fail to comply with applicable laws and regulations relating to required security clearances and foreign ownership and control. This could harm our reputation, our prospects for future work and our operating results.

We incur substantial upfront, non-reimbursable costs in preparing proposals to bid on contracts that we may not be awarded.

Preparing a proposal to big on a contract is generally a three to six month process. This process is labor-intensive and results in the incurrence of substantial costs that are generally not retrievable. Additionally, although we may not be awarded a contract, work performance does not commence for several months following completion of the bidding process. If funding problems by the party awarding the contract or other matters further delay our commencement of work, these delays may lower the value of the contract, or possibly render it unprofitable.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Astrotech relocated its corporate headquarters to Austin, Texas in June 2009. The leased office houses executive management, finance and accounting, marketing and communication, and human resources. We continue to maintain leased offices in Houston, Texas, which accommodate engineering, export compliance, and contract administration.

ASO s headquarters and Florida operations team are located in a nine-building complex located on a 62-acre space technology campus in Titusville, Florida. This campus encompasses 140,000 square feet of facility space supporting non-hazardous and hazardous flight hardware processing, payload storage, and customer offices.

We maintain a separate 52,000 square foot payload processing facility located in Cape Canaveral, Florida. We negotiated an agreement with the Canaveral Port Authority for the lease of the land for a forty-three year period, expiring 2040. Upon expiration of the land lease, all improvements on the property revert at no cost to the lessor. In May 2005, we sold the facility in Cape Canaveral, Florida for $4.8 million. We now lease back 100% of the facility through December 31, 2010, with an option period of an additional five years.

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ASO presently leases a 60-acre site located on Vandenberg Air Force Base in California, and owns five buildings comprising approximately 40,000 square feet. The term of the present land lease expires in July, 2013, with provisions to extend the lease at the request of the lessee and the concurrence of the lessor. Upon final expiration of the land lease, all improvements on the property revert, at the lessor s option, to the lessor at no cost. During fiscal year 2007, we began an expansion of this facility that will be completed during fiscal year 2010 that will enhance our capabilities to process five-meter class satellite payloads.

We believe that our current facilities and equipment are generally well maintained and in good condition, and are adequate for our present and foreseeable needs.

Item 3. Legal Proceedings.

In July 2008, the Company filed a claim with its insurance underwriter for recovery of up to $750,000 in lost revenue resulting from the January 2007 launch failure of the Sea Launch operations. After negotiation with our Insurance Company, Affiliated FM, we received a letter in February 2009 denying coverage. We see no further method of recourse and now consider the matter closed.

Except as above, the Company is not a party to any significant pending or threatened proceedings, which in management s opinion, would have a material adverse effect on our business, financial condition, or results of operation.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of stockholders during the fourth quarter of the year ended June 30, 2009.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market for Registrant s Common Equity and Related Stockholder Matters

Effective May 4, 2009, the Company changed its stock trading symbol to ASTC from SPAB on the NASDAQ Capital Markets stock exchange. The following table sets forth the quarterly high and low intra-day bid prices for the periods indicated:

Fiscal 2009	**High**	**Low**
First Quarter	$ 0.60	$ 0.26
Second Quarter	$ 0.46	$ 0.20
Third Quarter	$ 0.50	$ 0.20
Fourth Quarter	$ 1.73	$ 0.40

Fiscal 2008	**High**	**Low**
First Quarter	$ 6.50	$ 3.90
Second Quarter	$ 3.25	$ 1.10
Third Quarter	$ 2.26	$ 0.55
Fourth Quarter	$ 0.82	$ 0.37

We have never paid cash dividends. It is our present policy to retain earnings to finance the growth and development of our business; therefore, we do not anticipate paying cash dividends on our Common Stock in the foreseeable future.

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We have 75,000,000 shares of Common Stock authorized for issuance. As of September 22, 2009 we had 16,510,218 shares of Common Stock outstanding.

In April 2008, we received a NASDAQ Staff Determination letter indicating that we failed to comply with NASDAQ Marketplace Rule 4310(c)(4), which requires that we maintain a $1.00 bid price, and our securities were, therefore, subject to delisting from the NASDAQ Capital Market. In June 2009, we received a letter from the NASDAQ Listing Qualifications Staff indicating that we regained compliance with the bid price rule, and are currently in compliance with all continued listing standards.

Equity Available for Issuance

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	1,288,387	$ 2.23	2,656,613
Equity compensation plans not approved by security holders			
Total	1,288,387	$ 2.23	2,656,613

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Stock Performance Graph

The following performance graph and table do not constitute soliciting material and the performance graph and table should not be deemed filed or incorporated by reference into any other previous or future filings by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate the performance graph and table by reference therein.

The performance graph and table below compare the five-year cumulative total return of our common stock with the comparable five-year cumulative total returns of the Standard & Poor s Aerospace & Defense Stock Index (S&P Aerospace & Defense) and the NASDAQ Composite Stock Index (NASDAQ Composite). The figures assume an initial investment of $100 at the close of business on June 30, 2004 in Astrotech Corporation, S&P, and NASDAQ, and the reinvestment of all dividends.

	6/04	6/05	6/06	6/07	6/08	6/09
Astrotech Corporation	**100.00**	**48.64**	**32.07**	**17.66**	**1.55**	**3.13**
NASDAQ Composite	**100.00**	**101.08**	**109.48**	**132.58**	**115.32**	**91.34**
S&P Aerospace & Defense	**100.00**	**116.87**	**139.20**	**172.87**	**152.65**	**116.18**

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Issuer Purchases of Equity Securities

In March 2003, our Board of Directors authorized us to repurchase up to $1.0 million of our outstanding stock at market prices. Additionally, in September 2008, the Board of Directors authorized the repurchase of the Company s outstanding Common Stock or Senior Convertible Notes payable, up to a cumulative amount of $6.0 million. During the year ended June 30, 2009, we repurchased 300,000 shares at a cost of $0.1 million. To date, a total of 311,660 shares at a cost of $0.2 million have been repurchased by the Company.

Sales of Unregistered Securities

Equity Securities

On February 11, 2008, the Company entered into a Stock Purchase Agreement with certain investors for the purchase of 55,000 shares of the Company s Series D convertible preferred stock for a total price of $5.5 million. Consummation of the transaction was contingent upon NASA awarding us a funded Space Act Agreement under the Commercial Orbital Transportation Services Program (COTS) and shareholder approval of the transaction. As consideration for investor commitment to this transaction, the Company issued 150,150 shares of common stock upon entering into the transaction. The Company was not awarded a funded Space Act Agreement under COTS and, except for the 150,150 shares issued, the offering was terminated.

Private Placement of Common Stock

On June 5, 2008, the Company entered into a Securities Purchase Agreement with certain investors, under which the investors agreed to subscribe for and purchase 1,330,000 shares of the Company s common stock for an aggregate purchase price of $0.6 million. The consummation of the transaction under the Securities Purchase Agreement was contingent upon certain customary conditions precedent to each party s obligation to close. The 1,330,000 shares of common stock issued under the Securities of the Agreement were sold in reliance on an exemption from registration pursuant to Rule 506 of Regulation D Securities Act of 1933. The Company believes that such issuance of the securities qualified for an exemption under Rule 506 because there were no more than 35 purchasers of securities and each Investor represented at the time of closing that the investor was an accredited investor within the meaning of Rule 501 of Regulation D.

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Item 6. Selected Financial Data.

The following table sets forth our selected consolidated financial data as of and for the years ended June 30, 2005, 2006, 2007, 2008, and 2009. Such data has been derived from our consolidated financial statements audited by Grant Thornton LLP for the fiscal years ended June 30, 2005 and 2006, and by PMB Helin Donovan, LLP for the fiscal years ended June 30, 2007, 2008, and 2009. The data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our Consolidated Financial Statements and Notes included in this annual report.

	Years Ended June 30,				
(In Thousands)	**2005**	**2006**	**2007**	**2008**	**2009**
Statement of Operations Data:					
Revenue from operations	$ 59,401	$ 50,746	$ 52,762	$ 25,544	$ 31,985
Costs of revenue	47,158	46,855(3)	51,029(5)	19,540	15,723