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

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

**For the fiscal year ended June 30, 2019**

or

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

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

**Commission File Number 001-34426**



## Astrotech Corporation

(Exact name of registrant as specified in its charter)

|  |   |
|--|---|
| Delaware<br>(State or other jurisdiction of<br>corporation or organization)                | 91-1273737<br>(I.R.S. Employer<br>Identification No.) |
| 201 West 5th Street, Suite 1275, Austin, Texas<br>(Address of principal executive offices) | 78701<br>(Zip Code)                                   |

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

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

| Title of each class                      | Trading Symbol(s) | Name of each exchange<br>on which registered |
|--|-------------------|--|
| <b>Common Stock</b><br>\$0.001 per share | <b>ASTC</b>       | <b>NASDAQ Capital Market</b>                 |

### 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 ☐ No ☒

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrants voting and non-voting common equity held by non-affiliates of the registrant as of December 31, 2018, based upon the closing price of such stock on the NASDAQ Capital Market on such date of \$4.77 was approximately \$26,573,522.

As of September 27, 2019, 5,923,629 shares of the registrant's common stock, par value \$0.001 per share, were outstanding.

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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 (the “Exchange Act”). 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 statements are 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 and political conditions in the United States or other nations that could impact our ability to sell our products and services or gain customers;
- Product demand and market acceptance risks, including our ability to develop and sell products and services to be used by governmental or commercial customers;
- The impact of trade barriers imposed by the U.S. government, such as import/export duties and restrictions, tariffs and quotas, and potential corresponding actions by other countries in which the Company conducts its business;
- Our ability to continue as a going concern;
- Our ability to raise sufficient capital to meet our long- and short-term liquidity requirements;
- Our ability to successfully pursue our business plan and execute our strategy;
- Technological difficulties and potential legal claims arising from any technological difficulties;
- Uncertainty in government funding and support for key programs, grant opportunities, or procurements; and
- Our ability to meet technological development milestones and overcome development challenges.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate. 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 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.

## **PART I**

### **Item 1. Business**

#### **Our Company**

Astrotech Corporation (NASDAQ: ASTC) (“Astrotech,” the “Company,” “we,” “us,” or “our”), a Delaware corporation organized in 1984, is a science and technology development and commercialization company that launches, manages, and builds scalable companies based on innovative technology in order to maximize shareholder value.

Our efforts are focused on the following:

- Astrotech Technology, Inc. (“ATI”) owns highly differentiated mass spectrometry technology and is a licensor of the intellectual property associated with the technology.
- 1<sup>st</sup> Detect Corporation (“1<sup>st</sup> Detect”), a licensee of ATI, is a manufacturer of explosives and narcotics trace detectors developed for use at airports, secured facilities, and borders worldwide.
- Agriculture Technology Corporation (“AG-TECH”), a licensee of ATI, is a manufacturer of trace detectors for use in agriculture.
- Astral Images Corporation (“Astral”) is a developer of advanced film restoration and enhancement software.

#### **Business Developments**

As of June 30, 2019, the Company issued 214,202 shares of common stock pursuant to an At-the-Market (“ATM”) Issuance Sales Agreement with B. Riley FBR, who acts as sales agent. A prospectus relating to the ATM Offering was filed with the SEC on November 9, 2018. In connection with the sale of these shares of common stock, the Company has received net proceeds of \$1,042,243. The weighted-average sale price per share was \$5.02.

During the last fiscal year, the Company completed two separate capital raises from Thomas B. Pickens III, the Chief Executive Officer and Chairman of the Board of Directors of the Company, and another long-term accredited investor in the Company (the “Investor”). On October 9, 2018, the Company entered into a Securities Purchase Agreement (“Agreement No. 1”) with Mr. Pickens and the Investor. Pursuant to Agreement No. 1, the Company agreed to sell an aggregate of 866,950 shares of its series B convertible preferred stock, par value \$0.001 per share (the “Series B Preferred Shares”) to Mr. Pickens and 409,645 of its shares of common stock, par value \$0.001 per share (the “Common Shares”) to the Investor, at a price per share of \$2.35 resulting in aggregate gross proceeds of approximately \$3.0 million. The purchase price of \$2.35 per share was equal to the closing consolidated bid price on The NASDAQ Capital Market on October 8, 2018. The Series B Preferred Shares converted into an aggregate of 866,950 shares of common stock on December 7, 2018 upon receipt of shareholder approval in accordance with NASDAQ Listing Rule 5635(b).

On April 17, 2019, the Company entered into a second Securities Purchase Agreement (“Agreement No. 2”) with Mr. Pickens and the Investor. Pursuant to Agreement No. 2, the Company agreed to sell an aggregate of 280,898 shares of its series C convertible preferred stock, par value \$0.001 per share (the “Series C Preferred Shares”) to the Investor and 280,898 of its series D convertible preferred stock, par value \$0.001 per share (the “Series D Preferred Shares”) to Mr. Pickens, at a price per share of \$3.56 resulting in aggregate gross proceeds of approximately \$2.0 million. The purchase price of \$3.56 per share was equal to the closing consolidated bid price on The NASDAQ Capital Market on April 16, 2019. The holder of the Series C Preferred Shares has agreed to restrict its ability to convert the Series C Preferred Shares such that the number of shares of the Company’s common stock held by such holder and its affiliates after such conversion does not exceed 9.99% of the Company’s then issued and outstanding shares of common stock. The Series D Preferred Shares are convertible into an aggregate of 280,898 shares of common stock at the option of the holder.

On September 5, 2019, the Company entered into a private placement transaction with Mr. Pickens for the issuance and sale of a secured promissory note (the “Note”) to Mr. Pickens with a principal amount of \$1,500,000. Interest on the Note shall accrue at 11% per annum. The principal amount and accrued interest on the Note shall become due and payable on September 5, 2020 (the “Maturity Date”). The Company may prepay the principal amount and all accrued interest on the Note at any time prior to the Maturity Date. In connection with the issuance of the Note, the Company, along with 1<sup>st</sup> Detect Corporation and Astrotech

Technologies, Inc. (the “Subsidiaries”), entered into a security agreement, dated as of September 5, 2019, with Mr. Pickens (the “Security Agreement”), pursuant to which the Company and the Subsidiaries granted to Mr. Pickens a security interest in all of the Company’s and the Subsidiaries’ Collateral, as such term is defined in the Security Agreement. In addition, the Subsidiaries jointly and severally agreed to guarantee and act as surety for the Company’s obligation to repay the Note pursuant to a subsidiary guarantee (the “Subsidiary Guarantee”).

## **Our Business Units**

### ***Astrotech Technology, Inc.***

There are a number of different market opportunities for the mass spectrometry technology that was originally developed by 1<sup>st</sup> Detect Corporation. ATI was formed to own and license the intellectual property, which includes 37 patents granted with five additional patents in process, for use in different fields. ATI currently licenses the intellectual property to 1<sup>st</sup> Detect Corporation for use in the security and detection market and to Agriculture Technology Corporation for use in the agriculture market.

### ***1<sup>st</sup> Detect Corporation***

1<sup>st</sup> Detect, a licensee of ATI, has developed the TRACER 1000™, the world’s first certified mass spectrometer (“MS”)-based explosives trace detector (“ETD”), designed to replace the explosives and narcotics trace detectors used at airports, secured facilities, and borders worldwide. We believe that government and airport customers are unsatisfied with the currently deployed ETD technology, which is driven by an antiquated technology known as Ion Mobility Spectrometry (“IMS”). We believe that IMS-based ETDs are fraught with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing unnecessary passenger delays and frustration, significant wasted security resources, and lack of security personnel confidence in ETDs. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those several explosives of largest concern. In fact, we believe that adding additional compounds to the detection library of an IMS-based ETD reduces the instrument’s performance further, causing more false alarms. In contrast, adding additional compounds does not degrade the TRACER 1000’s detection capabilities, as it has what we believe to be a virtually unlimited and easily expandable threat library. With terrorist threats becoming more numerous, sophisticated, and lethal, security professionals have been looking for better instrumentation to address the evolving threats.

MS has historically been reserved for highly trained professionals in high-end laboratories with large budgets. 1<sup>st</sup> Detect has overcome the significant challenge of making this sophisticated MS technology powerful, yet simple to use, with an easy-to-understand red light or green light output, at a price that is competitive with IMS. In addition to an increased probability of detection, decreased false alarm rate, and a virtually unlimited threat library that is field-upgradable, we believe that the 1<sup>st</sup> Detect ETD can increase passenger throughput and save billions of dollars in wasted airport security personnel resources. With more than 30,000 IMS instruments installed in the field, many of which are nearing their end of life or are unable to be updated to the newest standards, 1<sup>st</sup> Detect is positioned to be a leader in securing worldwide checkpoints.

Either Transportation Security Administration (“TSA”) or European Civil Aviation Conference (“ECAC”) certification is necessary to sell the TRACER 1000 to the airport market. On June 19, 2018, the Company announced that the TRACER 1000 had entered the ECAC Common Evaluation Process (“CEP”) to obtain certification in Europe. On December 12, 2018, the Company announced that the TRACER 1000 passed the ECAC CEP tests for airport checkpoint screening of passengers. On January 9, 2019, the Company subsequently announced that the TRACER 1000 passed the CEP tests for airport cargo screening. On February 21, 2019, the Company announced that 1<sup>st</sup> Detect received ECAC certification for both passenger and cargo screening for the TRACER 1000. Finally, on June 26, 2019, the Company announced the official launch of the TRACER 1000. As the TRACER 1000 is the first MS-based ETD to have ever passed either U.S. or European regulatory testing, there has been considerable interest from prospective customers, which has yielded a number of successful demos and field trials.

In addition, on March 27, 2018, the Company announced that the TRACER 1000 was accepted into TSA’s Air Cargo Screening Technology Qualification Test (“ACSQT”) and, on April 4, 2018, the Company announced that the TRACER 1000 was beginning testing with TSA for passenger screening at airports. With similar protocols as ECAC testing, we have received positive feedback under both programs, as anticipated. Both programs continue to progress as expected; however, there is no assurance that the TRACER 1000 will be approved by either TSA program.

### ***Agriculture Technology Corporation***

AG-TECH, a licensee of ATI, has developed the AG-LAB-1000™ series of trace detectors for use in the agricultural market. The technology is ideal for detecting trace levels of pesticides in agricultural products in real-time. With the increasing number of U.S. states and countries legalizing hemp and cannabis, pesticide regulations have become increasingly more important. In addition to detecting pesticides, the AG-LAB-1000 instrumentation can characterize and quantify the cannabinoids (including tetrahydrocannabinol (“THC”), cannabidiol (“CBD”), and many other constituents) and terpenes (aromatic oils) present in hemp and cannabis. This information can be used by growers, distributors, and retailers to customize products, to ensure quality control, or to verify delivered products match the order. It can also be used by regulators and law enforcement to track and trace products.

### ***Astral Images Corporation***

Astral Images is a developer of advanced film restoration and enhancement software. Astral’s intelligent algorithms remove dust, scratches, and defects from film while converting the content to a digital format with significantly enhanced resolution. In addition, Astral employs artificial intelligence (“AI”) to automatically extend the color gamut and enhance the dynamic range to be viewed in 4K and/or high-dynamic range (“HDR”), collectively known as ultra-high definition (“UHD”).

Although we believe Astral has developed valuable technology fortified by patents and trade secrets, the potential market has not evolved as quickly as anticipated. Due to funding constraints, the Company’s primary focus remains on the pursuit of opportunities for 1<sup>st</sup> Detect. Consequently, headcount and expenditures at Astral have been minimized and new development is exclusively focused on strategic initiatives that would facilitate the realization of Astral’s value.

### **Business Strategy**

#### ***1<sup>st</sup> Detect***

There are more than 30,000 IMS instruments deployed in the field today, with many nearing their end of life. As the current generation of IMS technology is replaced, we are working to position the Company as the next-generation solution for the ETD market with the introduction of the world’s first ETD driven by a mass spectrometer. With mass spectrometry being the gold standard of chemical detection, an MS-ETD significantly improves detection capabilities, dramatically reduces the number of false positives, and allows for a much more expansive library of compounds of interest, yielding an instrument that we believe is far superior to the currently deployed IMS instruments, at a similar price point.

While most of our activities have been focused on developing explosives and narcotics detection for airports and cargo facilities, we believe there is significant opportunity in other government agencies and in the industrial and commercial markets as well. Such markets are large and diverse, often requiring customized solutions to satisfy customer needs. Significant effort is therefore only reserved for customer-funded development programs or programs with large markets where our technology has a unique differentiator.

### ***Agriculture Technology Corporation***

With increasing regulation in the hemp and cannabis market, processors are increasingly being required to send samples to a laboratory for testing to certify that the product does not include an unacceptable level of pesticides. This process can take five to eight days before results are available. This is a major problem because the presence of pesticides can contaminate the instrumentation used for processing, which can then contaminate subsequent batches, leading to potentially millions of dollars in wasted product. The AG-LAB-1000 can identify the presence of pesticides in seconds and alert the user accordingly, leading to significant savings. ATI is initially launching the Processing Series of products to continuously monitor the process flow of the extraction and distillation processes to detect the presence of pesticides.

### ***Astral Images***

Astral provides the state-of-the-art software solution for image restoration and enhancement by deriving significant efficiencies through its powerful AI platform to an industry that traditionally relies on expensive manual labor for image correction and

enhancement that can be inconsistent and fraught with errors and omissions. While the Company looks to optimize its resources by focusing primarily on 1<sup>st</sup> Detect, the Company remains intent on evaluating its strategic options with respect to Astral.

## **Products and Services**

### ***1<sup>st</sup> Detect***

We believe 1<sup>st</sup> Detect's TRACER 1000 significantly outperforms currently deployed competitive trace detection solutions. Mass spectrometry is a much more powerful technology than the antiquated ion mobility spectrometry-based explosives trace detectors which is being used today.

### ***Agriculture Technology Corporation***

We believe the AG-LAB-1000 is the only solution on the market that can detect the presence of all regulated pesticides in real-time. It is also able to detect other chemical constituents from hemp and cannabis that are of significant value to growers, distributors, and retailers.

### ***Astral Images***

Using its powerful AI algorithms, Astral provides efficient and high-quality film digitization, image correction, and enhancement technology. We offer complete systems containing customized off-the-shelf hardware with integrated Astral software, standalone software products, and scanning or enhancement services. Our four products include:

- Astral Black ICE™ - targeted mainly towards the black-and-white feature film and television series digitization and restoration markets, Astral Black ICE™ is a complete system with customized off-the-shelf hardware with purpose-built AI software and services. Our image correction and enhancement technology is integrated into the scanner while offering high-quality, real-time results at scan speed.
- Astral Color ICE™ - a standalone AI software solution that can be integrated into most film scanners to enable color image correction and enhancement.
- Astral HDR ICE™ - our HDR solution can be used in combination with our other ICE products or as a standalone HDR conversion software, upgrading digital and traditional films to the new HDR standards while taking advantage of the vibrancy of the enhanced color gamut and the brilliance of the dynamic range extension to optimize the content for viewing on 4K/HDR televisions.
- Astral HSDR ICE™ - for content originally shot in HDR, including many of today's movies and shows, it must be reprocessed in standard-dynamic range ("SDR") before it can be displayed on older viewing platforms. HSDR ICE™ automatically converts HDR content to SDR while preserving the richest content possible.

All of our ICE products provide for significant cost savings over the expensive, labor-intensive, and inconsistent manual process currently employed in the industry.

## **Customers, Sales, and Marketing**

### ***1<sup>st</sup> Detect***

Marketing efforts at 1<sup>st</sup> Detect are currently focused on foreign airports and commercial companies in aviation, cargo, and border security. The Company has worked extensively to sign-up leading distributors in a number of international markets to help with sales efforts.

### ***Agriculture Technology Corporation***

The Company has received a number of inquiries from potential customers in the hemp and cannabis industry regarding our ability to detect pesticides. This led to development of our first product, which is nearing completion. We are in discussions with various channel partners that will help sell our products to target customers. We also plan to hire a sales team to go directly to customers.

## ***Astral Images***

Astral is positioned to leverage the demand generated for 4K/HDR content by the release of the new 4K/HDR standard and the growth in sales of next-generation 4K/HDR televisions. Consumers are increasingly demanding content that is optimized for their new televisions, but the conversion of content lags the sale of televisions capable of displaying that content, similar to what we saw with the proliferation of HDTV and 3D. In order to remain relevant in over-the-top distribution (Netflix, Amazon Prime, Hulu, etc.), content owners will need to convert their content to conform to the new standards. Astral is positioned to facilitate this market when industry investment in content conversion to 4K/HDR accelerates, but has focused its efforts on exploring strategic alternatives at this time.

## **Competition**

### ***1<sup>st</sup> Detect***

Competition for the TRACER 1000 comes from ion mobility spectrometers and traditional mass spectrometers.

There are several vendors that compete directly with 1<sup>st</sup> Detect; however, 1<sup>st</sup> Detect products combine a number of attributes in a single product not currently available in other products. While 1<sup>st</sup> Detect's focus is on replacing IMS-based ETDs, it also competes with traditional mass spectrometry solutions and our products have a number of attractive features that we believe give it a competitive advantage in an attractive market niche.

#### **Ion Mobility Spectrometers**

- High false alarms
- Lower probability of detection
- Numerous unscheduled bake-outs and calibrations
- Limited library of compounds of interest
- Fixed library requiring hardware changes to update
- Causes delays at security/inspection checkpoints
- Low price chemical detector

#### **1<sup>st</sup> Detect**

- Near-zero false alarm rate
- Higher probability of detection
- Near 100% up-time
- Unlimited library of compounds of interest
- Instantaneous library updates
- Improves throughput at checkpoints
- Competitive with IMS

#### **Traditional Mass Spectrometers**

- Very high price
- Laboratory-quality sensitivity, specificity, and performance
- Cumbersome clear-out and recalibration process
- Large footprint
- Heavy
- Non-portable
- High power requirements
- Tandem mass spectrometry ("MS/MS") available on high-end instruments
- Stored Waveform Inverse Fourier Transform ("SWIFT") available on select instruments

#### **1<sup>st</sup> Detect**

- Much lower price
- Laboratory-quality sensitivity, specificity, and performance
- Automated calibration
- Small footprint
- Relatively light
- Portable
- Low power requirements
- MS/MS provides secondary confirmation of an analysis
- SMART ("Sinusoidal Multiplexed Array in Real Time"), an improved version of SWIFT, selectively eliminates specific chemicals to reduce false positives

## ***Agriculture Technology Corporation***

We believe the AG-LAB-1000 is the only solution on the market that can detect the presence of all regulated pesticides in real-time. There are many laboratories that provide detailed analysis for the hemp and cannabis market, but they traditionally require samples to be sent to their laboratory with results taking between five to eight days. We believe customers have a growing desire to have the analysis in real-time.



## ***Astral Images***

Astral faces significant competition from several vendors in the scanning and restoration services industry. Our competitors are independent scanning boutiques at one end of the spectrum, and at the other end, fully-integrated post-production houses offering a breadth of services, including scanning and restoration. Our competitors all use the traditional manual restoration process that is laborious, non-exacting, inconsistent, and expensive. The level of automation provided by our AI algorithms gives us compelling cost advantages while maintaining high image quality. Our solutions are scalable, cost effective, and more consistent when compared to competitors' traditional manual approaches.

## **Research and Development**

### ***1<sup>st</sup> Detect***

We invest considerable resources into our internal research and development functions. We conduct research to improve system functionality, streamline and simplify the user experience, and optimize our capabilities for customer-defined specifications.

## ***Agriculture Technology Corporation***

Leveraging Astrotech's investment in the development of mass spectrometry technology, AG-TECH is augmenting the technology for use in the agriculture market.

## ***Astral Images***

We have developed a suite of products through our research and development activities at Astral, but development of new products has been curtailed due to funding constraints and the slower than expected development of the 4K HDR conversion market. We believe in protecting our intellectual property as Astral has six U.S. patents.

## **Certain Regulatory Matters**

We are subject to United States federal, state, and local laws and regulations designed to protect the environment and to regulate the discharge of materials into the environment. We are also beholden to certain regulations designed to protect our domestic technology from unintended foreign exploitation and 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. Our operations are also subject to various regulations under federal laws regarding the international transfer of technology, as well as to various federal and state laws related to business operations. In addition, we are subject to federal contracting procedures, audit, and oversight. Compliance with environmental laws and regulations and technology export requirements has not had and, we believe, will not have in the future, material effects on our capital expenditures, earnings, or competitive position.

Federal regulations that impact our operations include the following:

*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, documented internal procedures, and financial controls.

*Iran Nonproliferation Act of 2000.* This act authorizes the President of the United States to take punitive action against individuals or organizations known to be providing material aid to weapons of mass destruction programs in Iran.

*Federal Acquisition Regulations.* Goods and services provided by us to U.S. Government agencies are subject to Federal Acquisition Regulations ("FAR"). These regulations provide rules and procedures for invoicing, documenting, and conducting business under contract with such entities. The FAR also subjects 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.

*Export Administration Act.* This act provides authority to regulate exports, to improve the efficiency of export regulation, and to minimize interference with the ability to engage in commerce.

*Export Administration Regulations.* The Export Administration Regulations (“EAR”) govern whether a person or company may export goods from the U.S., re-export goods from a foreign country, or transfer goods from one person or company to another in a foreign country.

## **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 maintaining certain insurances and a continued emphasis on safety to mitigate any risks.

## **Employees Update**

As of June 30, 2019, we employed 30 employees, none of which were covered by any collective bargaining agreements.

## **Item 1A. Risk Factors**

An investment in our securities involves a high degree of risk. This annual report will contain a discussion of the risks applicable to an investment in our securities. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed under the heading “Risk Factors” in this annual report. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. The occurrence of any of these known or unknown risks might cause you to lose all or part of your investment in the offered securities.

***We have incurred significant losses since inception and anticipate that we will incur continued losses for the foreseeable future.***

As of June 30, 2019, we had an accumulated deficit of approximately \$191.7 million and reported a net loss of \$7.5 million for the fiscal year 2019. We are unable to predict the extent of any future losses or when we will become profitable, if at all. If we are unable to achieve and then maintain profitability, the market value of our common stock will likely experience significant decline.

***Our business units are in development stage. They have earned limited revenues and it is uncertain whether they will earn any revenues in the future or whether any of them will ultimately be profitable.***

Our business units are in an early stage with a limited operating history. Their future operations are subject to all of the risks inherent in the establishment of a new business including, but not limited to, risks related to capital requirements, failure to establish business relationships, and competitive disadvantages against larger and more established companies. These business units will require substantial amounts of funding to continue to commercialize their products. If such funding comes in the form of equity financing, such equity financing may involve substantial dilution to existing shareholders. Even with funding, our products may fail to be effective or attractive to the market or lack the necessary financial or other resources or relationships to be successful.

These business units can be expected to experience continued operating losses until they can generate sufficient revenues to cover their operating costs. Furthermore, there can be no assurance that the business units will be able to develop, manufacture, or market additional products in the future, that future revenues will be significant, that any sales will be profitable, or that the business units will have sufficient funds available to complete their commercialization efforts.

Any products and technologies developed and manufactured by our business units may require regulatory approval prior to being made, marketed, sold, and used. There can be no assurance that regulatory approval of any products will be obtained.

The commercial success of any of our business units will depend, in part, on obtaining patent and other intellectual property protection for the technologies contained in any products it developed. In addition, our business units may need to license intellectual property to commercialize future products or avoid infringement of the intellectual property rights of others. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all. Our business units may suffer

if any licenses terminate, if the licensors fail to abide by the terms of the license or fail to prevent infringement by third parties, if the licensed patents or other rights are found to be invalid, or if our respective business unit is unable to enter into necessary licenses on acceptable terms. If such business unit, or any third-party, from whom it licenses intellectual property, fails to obtain adequate patent or other intellectual property protection for intellectual property covering its products, or if any protection is reduced or eliminated, others could use the intellectual property covering the products, resulting in harm to the competitive business position of this business unit. In addition, patent and other intellectual property protection may not provide our business units with a competitive advantage against competitors that devise ways of making competitive products without infringing any patents that this business unit owns or has rights to. Such competition could adversely affect the prices for any products or the market share of any of our business units and could have a material adverse effect on its results of operations and financial condition.

***Our cash and cash equivalents may not be sufficient to fund our operating expenses, capital equipment requirements, and other expected liquidity requirements.***

Our future capital requirements will depend on a number of factors, including our success in developing and expanding markets for our products, payments under possible future strategic arrangements, continued progress of our research and development of potential products, the need to acquire licenses to new technology, costs associated with increasing our manufacturing and development facilities, costs associated with strategic acquisitions including integration costs and assumed liabilities, litigation expense, the status of competitive products, and potential cost associated with both protecting and defending our intellectual property. Additionally, actions taken as a result of the ongoing internal evaluation of our business could result in expenditures that are not currently contemplated. Factors that could affect our capital requirements, in addition to those listed above include continued collections of accounts receivable consistent with our historical experience and our ability to manage product development efforts.

***We cannot be certain that additional financing will be available on reasonable terms when needed, or at all, which could seriously harm our business.***

We have incurred net losses and negative cash flow from operations in recent prior periods, and we may not achieve or maintain profitability in the future. As a result, we may need additional financing. Our ability to obtain additional financing, if and when required, will depend on investor demand, our operating performance, the condition of the capital markets, and other factors. Therefore, we may need to raise additional funds and we cannot assure investors that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our common stock, and our existing stockholders may experience dilution.

***There is substantial doubt about our ability to continue as a going concern, indicating the possibility that we may not be able to operate in the future. The report of our independent registered public accounting firm also includes an explanatory paragraph about our ability to continue as a going concern.***

As of June 30, 2019, the Company has working capital of \$1.9 million. For the fiscal year 2019, the Company reported a net loss of \$7.5 million and net cash used in operating activities of \$8.5 million. For the fiscal year 2018, the Company reported a net loss of \$13.3 million and net cash used in operating activities of \$10.8 million. This raises substantial doubt about the Company's ability to continue as a going concern. Our ability to continue as a going concern is contingent upon, among other factors, the sale of the shares of our common stock or obtaining alternate financing.

The Company remains resolute in identifying the optimal solution to its liquidity issue. The Company is currently evaluating several potential sources of additional liquidity. These include, but are not limited to, selling the Company or a portion thereof, debt financing, equity financing, merging, or engaging in a strategic partnership. On July 3, 2018, management filed a Form S-3 to raise funds through the capital markets. On October 9, 2018, the Company raised \$3.0 million in a private placement of equity securities to the Company's Chairman of the Board and Chief Executive Officer, Thomas B. Pickens III, and a long-term accredited investor in the Company. On April 17, 2019, the Company raised \$2.0 million in a private placement of equity securities to Mr. Pickens, and a long-term accredited investor in the Company. As of June 30, 2019, the Company has received net proceeds of approximately \$1.0 million through the sale of shares of common stock through an "at-the-market offering" program (the "ATM Offering"). The Company is currently evaluating potential offerings of any combination of common stock, preferred stock, debt securities, warrants to purchase common stock, preferred stock or debt securities, or any combination of the foregoing, either individually or as units comprised of one or more of the other securities. However, additional funding may

not be available when needed or on terms acceptable to us. If we are unable to generate funding within a reasonable timeframe, we may have to delay, reduce or terminate our research and development programs, limit strategic opportunities, or curtail our business activities. Astrotech's consolidated financial statements as of June 30, 2019 do not include any adjustments that might result from the outcome of this uncertainty.

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

We cannot make any assurances that any customer will require our services in the future. Therefore, we continue to work on diversifying our customer base, while going to great lengths to satisfy the needs of our current customer base.

***Third parties may claim we are infringing their intellectual property rights, and we could suffer significant litigation or licensing expenses or be prevented from selling products.***

As we introduce any new and potentially promising product or service, or improve existing products or services with new features or components, companies possessing competing technologies, or other companies owning patents or other intellectual property rights, may be motivated to assert infringement claims in order to generate royalty revenues, delay or diminish potential sales, and challenge our right to market such products or services. Even if successful in defending against such claims, patent and other intellectual property related litigation is costly and time consuming. In addition, we may find it necessary to initiate litigation in order to protect our patent or other intellectual property rights, and even if the claims are well-founded and ultimately successful, such litigation is typically costly and time-consuming and may expose us to counterclaims, including claims for intellectual property infringement, antitrust, or other such claims. Third parties could also obtain patents or other intellectual property rights that may require us to either redesign products or, if possible, negotiate licenses from such third parties. Adverse determinations in any such litigation could result in significant liabilities to third parties or injunctions, or could require us to seek licenses from third parties, and if such licenses are not available on commercially reasonable terms, prevent us from manufacturing, importing, distributing, selling, or using certain products, any one of which could have a material adverse effect on us. In addition, some licenses may be non-exclusive, which could provide our competitors access to the same technologies. Under any of these circumstances, we may incur significant expenses.

***Our ongoing success is dependent upon the continued availability of certain key employees.***

We are dependent in our operations on the continued availability of the services of our employees, many of whom are individually key to our current and future success, and the availability of new employees to implement our growth plans. The market for skilled employees is highly competitive, especially for employees in technical fields. While our compensation programs are intended to attract and retain the employees required for us to be successful, ultimately, we may not be able to retain the services of all of our key employees or a sufficient number to execute on our plans. In addition, we may not be able to continue to attract new employees as required.

***Our operating results may be adversely affected by increased competition.***

We generally sell our products in industries that have increased competition through frequent new product and service introductions, rapid technological changes, and changing industry standards. Without the timely introduction of new products, services, and enhancements, our products and services will become technologically obsolete over time, in which case our revenue and operating results would suffer. The success of our new products and services will depend on several factors, including our ability to:

- properly identify customer needs and predict future needs;
- innovate and develop new technologies, services, and applications;
- successfully commercialize new technologies in a timely manner;
- manufacture and deliver our products in sufficient volumes and on time;
- differentiate our offering from our competitors' offerings;
- price our products competitively;
- anticipate our competitors' development of new products, services, or technological innovations; and
- control product quantity in our manufacturing process.

***Our insurance coverage may be inadequate to cover all significant risk exposures.***

We are exposed to liabilities that are unique to the products and services we provide. We maintain insurance for certain risks, and we believe our insurance coverage is consistent with general practices within our industry. However, the amount of our insurance coverage may not cover all claims or liabilities and we may be forced to bear substantial costs.

***Increased cybersecurity requirements, vulnerabilities, threats, and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, services, and data.***

Increased global cybersecurity vulnerabilities, threats, and more sophisticated and targeted cyber-related attacks pose a risk to the security of our and our customers', suppliers', and third-party service providers' products, systems, and networks and the confidentiality, availability, and integrity of our and our customers' data. Although we have implemented policies, procedures, and controls to protect against, detect, and mitigate these threats, we remain potentially vulnerable to additional known or unknown threats. We also have access to sensitive, confidential, or personal data or information that is subject to privacy and security laws, regulations, and customer-imposed controls. Despite our efforts to protect sensitive, confidential, or personal data or information, we may be vulnerable to material security breaches, theft, misplaced or lost data, programming errors, employee errors, and/or malfeasance that could potentially lead to the compromising of sensitive, confidential, or personal data or information, improper use of our systems or networks, unauthorized access, use, disclosure, modification, or destruction of information, defective products, production downtimes, and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness and remediation or increased protection costs, and could subject us to fines, damages, litigation, and enforcement actions.

***Our facilities located in Houston are susceptible to damage caused by hurricanes or other natural disasters.***

Our 1<sup>st</sup> Detect facilities in Houston are susceptible to damage caused by hurricanes or other natural disasters. Although we insure our properties and maintain business interruption insurance, there can be no guarantee that the coverage would be sufficient or a claim will be fulfilled. A natural disaster could result in a temporary or permanent closure of our business operations, thus impacting our future financial performance.

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

Our business strategy employs our personnel's decades of experience to expand the services and products we offer to our customers. 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. Our failure to anticipate or respond adequately to changes in technological 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.

***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 the decades of experience we have accumulated to expand the services and products we offer to both U.S. government agencies and commercial industries. These services and products 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.

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

Preparing a proposal to bid on a contract is labor-intensive and results in the incurrence of substantial costs that are generally not retrievable. Additionally, although we may 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.

***A failure of a key information technology system, process, or site could have a material adverse impact on our ability to conduct business.***

We rely extensively on information technology systems to interact with our employees and our customers. These interactions include, but are not limited to, ordering and managing materials from suppliers, converting materials to finished products, shipping product to customers, processing transactions, summarizing and reporting results of operations, transmitting data used by our service personnel and by and among our wide-spread personnel and facilities, complying with regulatory, legal, and tax requirements, and other processes necessary to manage our business. If our systems are damaged or cease to function properly due to any number of causes, ranging from the failures of third-party service providers, to catastrophic events, to power outages, to security breaches, and our business continuity plans do not effectively compensate on a timely basis, we may suffer interruptions in our ability to manage operations which may adversely impact our results of operations and/or financial condition.

***The market price of our common stock may be volatile and adversely affected by several factors.***

The market price of our common stock could fluctuate significantly in response to various factors and events, including:

- our ability to execute our business plan;
- operating results below expectations;
- our issuance of additional securities, including debt or equity or a combination thereof, necessary to fund our operating expenses;
- announcements of technological innovations or new products by us or our competitors;
- economic and other external factors;
- period-to-period fluctuations in our financial results; and
- whether an active trading market in our common stock develops and is maintained.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

***We have not paid cash dividends in the past and do not expect to pay cash dividends in the foreseeable future. Any return on investment in shares of common stock may be limited to the value of our common stock.***

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our capital stock will depend on our earnings, financial condition, and other business and economic factors affecting us at such time as the Board of Directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on any investment in shares of our common stock will only occur if the common stock price appreciates.

***A sale of a substantial number of shares of the common stock may cause the price of our common stock to decline.***

If our shareholders sell, or the market perceives that our shareholders intend to sell for various reasons, substantial amounts of our common stock in the public market may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

***If we fail to comply with the continued listing requirements of The NASDAQ Capital Market LLC, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.***

Our shares of common stock are currently listed on The NASDAQ Capital Market. On August 24, 2017, we received a written notice (the “Notice”) from NASDAQ that we were not in compliance with NASDAQ Listing Rule 5550(a)(2) (the “Rule”), as the minimum bid price of our common stock had been below \$1.00 per share for 30 consecutive business days. To regain compliance, on October 13, 2017, we effectuated a 1-for-5 reverse stock split of all of our outstanding shares of common stock and a proportional reduction in the number of our authorized shares of common stock. The closing bid price of our common stock met or exceeded \$1.00 per share for 10 consecutive business days following the effective date of our reverse stock split and we then regained compliance with the Rule.

There can be no assurances that we will continue to satisfy the continued listing requirements of The NASDAQ Capital Market, including the minimum bid price requirement, the minimum stockholder’s equity requirement or other corporate governance requirements. If we fail to satisfy the continued listing requirements, NASDAQ may take steps to de-list our common stock. A delisting of our common stock could materially reduce the liquidity of our common stock and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and fewer business development opportunities.

***We are a smaller reporting company and, as a result of the reduced disclosure and governance requirements applicable to such companies, our common stock may be less attractive to investors.***

We are a smaller reporting company, (i.e. a company with less than \$250 million of public float) and we are eligible to take advantage of certain exemptions from various reporting requirements applicable to other public companies. We have elected to adopt these reduced disclosure requirements. We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile.

***We are required to evaluate the effectiveness of our internal control over financial reporting on an annual basis and publicly disclose any material weaknesses in our controls. Any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and significant expense to remediate, and ultimately could have an adverse effect on our stock price.***

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to assess the effectiveness of our internal control over financial reporting and to disclose if such controls were unable to provide assurance that a material error would be prevented or detected in a timely manner. We have an ongoing program to review the design of our internal controls framework in keeping with changes in business needs, implement necessary changes to our controls design, and test the system and process controls necessary to comply with these requirements. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company will have been detected.

If we or our independent registered public accounting firm identifies material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and our stock price may decline. Remediation of a material weakness could require us to incur significant expenses and, if we fail to remedy any material weakness, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, our stock price may decline, and we may be subject to sanctions or investigation by regulatory authorities, including the SEC or NASDAQ. We may also be required to restate our financial statements from prior periods. Execution of restatements create a significant strain on our internal resources and could cause delays in our filing of quarterly or annual financial results, increase our costs, and cause management distraction. Restatements may also significantly affect our stock price in an adverse manner.

***We can sell additional shares of common stock without consulting shareholders and without offering shares to existing shareholders, which would result in dilution of shareholders’ interests in the Company and could depress our stock price.***

Our Certificate of Incorporation authorizes 15,000,000 shares of common stock, of which 5,775,171 were outstanding as of June 30, 2019, and our Board is authorized to issue additional shares of our common stock. In addition, our Certificate of

Incorporation authorizes 2,500,000 shares of “blank check preferred stock.” Shares of “blank check preferred stock” may be issued in such series and with such rights, privileges, and limitations as the Board may, in its sole discretion, determine. Our Board has designated 300,000 shares as Series A Junior Preferred Stock, none of which are outstanding. The Board has also designated Series B Preferred Stock, none of which are outstanding. In connection with the Securities Purchase Agreement that was signed on April 17, 2019, our Board authorized the creation of Series C convertible preferred shares and Series D convertible preferred shares. Pursuant to this Agreement, the Company agreed to sell to Mr. Pickens an aggregate of 280,898 Series D Preferred Shares and sell to the other Investor an aggregate of 280,898 Series C Preferred Shares, each at a purchase price equal to \$3.56 per share which was equal to the closing consolidated bid price on The NASDAQ Capital Market on April 16, 2019 for aggregate gross proceeds of \$1,999,993.76.

Although our Board intends to utilize its reasonable business judgment to fulfill its fiduciary obligations to our then existing shareholders in connection with any future issuance of our capital stock, the future issuance of additional shares of our capital stock would cause immediate, and potentially substantial, dilution to our existing shareholders, which could also have a material effect on the market value of the shares. Furthermore, our Board may authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock, and the right to the redemption of the shares, together with a premium, prior to the redemption of the common stock. In addition, our Board could authorize the issuance of a series of preferred stock that has greater voting power than the common stock or that is convertible into our common stock, which could decrease the relative voting power of the common stock or result in dilution to our existing shareholders.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

Astrotech’s corporate headquarters is located in Austin, Texas. The leased office is 5,219 square feet and houses executive management, finance and accounting, and marketing and communications as well as the staff of our Astral subsidiary. The lease began in November 2016 and expires in December 2023, with a provision to renew and extend the lease for the entire premises, for one renewal term of five years. Astrotech must, in writing, advise the landlord of its intention to renew the lease at least eight months before the expiration of its current lease in order to renew the lease.

In May 2013, 1<sup>st</sup> Detect completed build-out of a new 16,540 square foot leased research and development and production facility in Webster, Texas. This new facility is equipped with state-of-the-art laboratories, a clean room, a production shop, and offices for staff. The term of the lease is 62 months and includes options to extend for two additional five-year periods. In February 2015, 1<sup>st</sup> Detect exercised its right of first refusal on the adjoining space of 9,138 square feet. The original lease began in May 2013 and was to expire in June 2018; these dates were amended in October 2014 with the amended lease beginning February 1, 2015, and expiring April 30, 2020, with provisions to renew and extend the lease for the entire premises, but not less than the entire premises, for two renewal terms of five years each. On June 1, 2018, the Company entered into its third amendment of the original lease removing 8,118 square feet from its leased space, leaving leased premises with a total square footage of 17,560.

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

#### **Item 3. Legal Proceedings**

We are subject to legal proceedings and business disputes involving ordinary routine legal matters and claims incidental to our business. The ultimate legal and financial liability with respect to such matters generally cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements or awards against us. Estimates for losses from litigation are made after consultation with outside counsel. If estimates of potential losses increase or the related facts and circumstances change in the future, we may be required to record either more or less litigation expense. As of June 30, 2019, we are not involved in any pending or threatened legal proceedings that we believe could reasonably be expected to have a material adverse effect on our financial condition, results of operations, or cash flows.



**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

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

#### *Market Information*

Our common stock is principally traded on The NASDAQ Capital Market under the symbol ASTC. We have never paid cash dividends.

The following table identifies all repurchases during the year ended June 30, 2019 of any of the Company's securities registered under Section 12 of the Exchange Act, as amended, by or on behalf of the Company or any affiliated purchaser.

| <b>Fiscal Month</b>                        | <b>Total Number<br/>of Shares<br/>Purchased</b> | <b>Average Price<br/>Paid per Share</b> |
|--|---|---|
| August 1, 2018 through August 31, 2018 (1) | 389   | \$ 3.75                                 |
| Total                                      | 389   | \$ 3.75                                 |

(1) These shares were surrendered by employees to cover tax withholding obligations associated with equity compensation.

We have 15,000,000 shares of common stock authorized for issuance. As of September 27, 2019, we had 5,923,629 shares of common stock outstanding, which were held by approximately 5,500 holders. The last reported sale price of our common stock as reported by The NASDAQ Capital Market on September 27, 2019 was \$1.95 per share.

#### *Sales of Unregistered Securities*

On October 9, 2018, the Company entered into Agreement No. 1 with Mr. Pickens, and the Investor. Pursuant to Agreement No. 1, the Company agreed to sell an aggregate of 866,950 shares of its Series B Preferred Shares to Mr. Pickens and 409,645 of its shares of Common Shares to the Investor, at a price per share of \$2.35 and for aggregate gross proceeds of approximately \$3.0 million. The purchase price of \$2.35 per share was equal to the closing price on The NASDAQ Capital Market on October 8, 2018. The Series B Preferred Shares converted into an aggregate of 866,950 shares of common stock on December 7, 2018 upon receipt of shareholder approval in accordance with NASDAQ Listing Rule 5635(b). The securities issued pursuant to Agreement No. 1 were issued by the Company pursuant to the private placement exemption from registration provided by Section 4(a)(2) of the Securities Act and by Rule 506 of Registration D, promulgated by the SEC, and on similar exemptions under applicable state laws. On October 24, 2018, the Company filed a Form S-3 registration statement in order to register the 409,645 Common Shares sold to the Investor referenced above. The Form S-3 became effective on November 8, 2018.

On April 17, 2019, the Company entered into Agreement No. 2 with Mr. Pickens and the Investor. Pursuant to Agreement No. 2, the Company agreed to sell an aggregate of 280,898 shares of Series C Preferred Shares to the Investor and 280,898 of Series D Preferred Shares to Mr. Pickens, at a price per share of \$3.56 and for aggregate gross proceeds of approximately \$2.0 million. The securities issued pursuant to Agreement No. 2 were issued by the Company pursuant to the private placement exemption from registration provided by Section 4(a)(2) of the Securities Act and by Rule 506 of Registration D, promulgated by the SEC, and on similar exemptions under applicable state laws.

### Item 6. Selected Financial Data

The information called for under this item is not applicable to smaller reporting companies.

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following information should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes included below in Item 8 of this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements.*

### **Business Overview**

Astrotech Corporation (NASDAQ: ASTC) (“Astrotech,” the “Company,” “we,” “us,” or “our”), a Delaware corporation organized in 1984, is a science and technology development and commercialization company that launches, manages, and builds scalable companies based on innovative technology in order to maximize shareholder value.

The Company currently operates two reportable business units, 1<sup>st</sup> Detect Corporation (“1<sup>st</sup> Detect”) and Astral Images Corporation (“Astral”), and their efforts are focused on the following:

- 1<sup>st</sup> Detect is a manufacturer of explosives and narcotics trace detectors developed for use at airports, secured facilities, and borders worldwide.
- Astral is a developer of advanced film restoration and enhancement software.

### **Our Business Units**

#### ***Astrotech Technology, Inc.***

There are a number of different market opportunities for the mass spectrometry technology that was originally developed by 1<sup>st</sup> Detect Corporation. ATI was formed to own and license the intellectual property, which includes 37 patents granted with five additional patents in process, for use in different fields. ATI currently licenses the intellectual property to 1<sup>st</sup> Detect Corporation for use in the security and detection market and to Agriculture Technology Corporation for use in the agriculture market.

#### ***1<sup>st</sup> Detect Corporation***

1<sup>st</sup> Detect, a licensee of ATI, has developed the TRACER 1000™, the world’s first certified mass spectrometer (“MS”)-based explosives trace detector (“ETD”), designed to replace the explosives and narcotics trace detectors used at airports, secured facilities, and borders worldwide. We believe that government and airport customers are unsatisfied with the currently deployed ETD technology, which is driven by an antiquated technology known as Ion Mobility Spectrometry (“IMS”). We believe that IMS-based ETDs are fraught with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing unnecessary passenger delays and frustration, significant wasted security resources, and lack of security personnel confidence in ETDs. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those several explosives of largest concern. In fact, we believe that adding additional compounds to the detection library of an IMS-based ETD reduces the instrument’s performance further, causing more false alarms. In contrast, adding additional compounds does not degrade the TRACER 1000’s detection capabilities, as it has what we believe to be a virtually unlimited and easily expandable threat library. With terrorist threats becoming more numerous, sophisticated, and lethal, security professionals have been looking for better instrumentation to address the evolving threats.

MS has historically been reserved for highly trained professionals in high-end laboratories with large budgets. 1<sup>st</sup> Detect has overcome the significant challenge of making this sophisticated MS technology powerful, yet simple to use, with an easy-to-understand red light or green light output, at a price that is competitive with IMS. In addition to an increased probability of detection, decreased false alarm rate, and a virtually unlimited threat library that is field-upgradable, we believe that the 1<sup>st</sup> Detect ETD can increase passenger throughput and save billions of dollars in wasted airport security personnel resources. With more than 30,000 IMS instruments installed in the field, many of which are nearing their end of life or are unable to be updated to the newest standards, 1<sup>st</sup> Detect is positioned to be a leader in securing worldwide checkpoints.

Either Transportation Security Administration (“TSA”) or European Civil Aviation Conference (“ECAC”) certification is necessary to sell the TRACER 1000 to the airport market. On June 19, 2018, the Company announced that the TRACER 1000 had entered the ECAC Common Evaluation Process (“CEP”) to obtain certification in Europe. On December 12, 2018, the

Company announced that the TRACER 1000 passed the ECAC CEP tests for airport checkpoint screening of passengers. On January 9, 2019, the Company subsequently announced that the TRACER 1000 passed the CEP tests for airport cargo screening. On February 21, 2019, the Company announced that 1<sup>st</sup> Detect received ECAC certification for both passenger and cargo screening for the TRACER 1000. Finally, on June 26, 2019, the Company announced the official launch of the TRACER 1000. As the TRACER 1000 is the first MS-based ETD to have ever passed either U.S. or European regulatory testing, there has been considerable interest from prospective customers, which has yielded a number of successful demos and field trials.

In addition, on March 27, 2018, the Company announced that the TRACER 1000 was accepted into TSA's Air Cargo Screening Technology Qualification Test ("ACSQT") and, on April 4, 2018, the Company announced that the TRACER 1000 was beginning testing with TSA for passenger screening at airports. With similar protocols as ECAC testing, we have received positive feedback under both programs, as anticipated. Both programs continue to progress as expected; however, there is no assurance that the TRACER 1000 will be approved by either TSA program.

### ***Agriculture Technology Corporation***

AG-TECH, a licensee of ATI, has developed the AG-LAB-1000™ series of trace detectors for use in the agricultural market. The technology is ideal for detecting trace levels of pesticides in agricultural products in real-time. With the increasing number of U.S. states and countries legalizing hemp and cannabis, pesticide regulations have become increasingly more important. In addition to detecting pesticides, the AG-LAB-1000 instrumentation can characterize and quantify the cannabinoids (including tetrahydrocannabinol ("THC"), cannabidiol ("CBD"), and many other constituents) and terpenes (aromatic oils) present in hemp and cannabis. This information can be used by growers, distributors, and retailers to customize products, to ensure quality control, or to verify delivered products match the order. It can also be used by regulators and law enforcement to track and trace products.

### ***Astral Images Corporation***

Astral Images is a developer of advanced film restoration and enhancement software. Astral's intelligent algorithms remove dust, scratches, and defects from film while converting the content to a digital format with significantly enhanced resolution. In addition, Astral employs artificial intelligence ("AI") to automatically extend the color gamut and enhance the dynamic range to be viewed in 4K and/or high-dynamic range ("HDR"), collectively known as ultra-high definition ("UHD").

Although we believe Astral has developed valuable technology fortified by patents and trade secrets, the potential market has not evolved as quickly as anticipated. Due to funding constraints, the Company's primary focus remains on the pursuit of opportunities for 1<sup>st</sup> Detect. Consequently, headcount and expenditures at Astral have been minimized and new development is exclusively focused on strategic initiatives that would facilitate the realization of Astral's value.

### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions are reviewed periodically. Actual results may differ from these estimates under different assumptions or conditions.

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

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that directly affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Management continuously evaluates its critical accounting policies and estimates, including those used in evaluating the recoverability of long-lived assets, recognition of revenue, valuation of inventory, and the recognition and measurement of loss contingencies, if any.

### ***Revenue Recognition***

In fiscal year 2018, Astrotech recognized revenue employing two generally accepted revenue recognition methodologies. The methodology used was based on contract type and the manner in which products and services are provided.

### ***Software Licensing Agreements***

When revenue for sale of manufactured product is commenced or when we license our software for use, we will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when a firm sales contract or invoice is in place, delivery has occurred or services have been provided, and collectability is reasonably assured.

### ***Construction-Type and Production-Type Contracts***

In fiscal year 2018, some of the Company's revenue was derived from contracts to manufacture a product to a buyer's specification. These contracts are accounted for under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605-35 "Revenue Recognition: Construction-Type and Production-Type Contracts." This contract was fixed-price and was revenue was recorded once completed and shipped. In fiscal year 2018, we had two revenue sources and, in both arrangements, there were no undelivered elements at June 30, 2018.

Astrotech recognizes revenue employing the generally accepted revenue recognition methodologies described under the provisions of FASB ASC Topic 606 "Revenue from Contracts with Customers," which was adopted by the Company in fiscal year 2019. The methodology used is based on contract type and how products and services are provided. The guidelines of Topic 606 establish a five-step process to govern the recognition and reporting of revenue from contracts with customers. The five steps are: (i) identify the contract with a customer, (ii) identify the performance obligations within the contract, (iii) identify fixed or determinable price, (iv) allocate the transaction price to the performance obligations within the contract, and (v) recognize revenue when or as the performance obligations are satisfied.

An additional factor is reasonable assurance of collectability. This necessitates deferral of revenue recognition until collection has occurred or collection is reasonably assured. In fiscal years 2019 and 2018, we had two revenue sources and, in both arrangements, revenue was recognized at a point in time consistent with the guidelines in Topic 606.

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

Research and development costs are expensed as incurred. Research and development expenses for the fiscal years ended June 30, 2019 and 2018 were \$3.6 million and \$6.1 million, respectively, after adjusting for \$18 thousand and \$19 thousand in research and development expenses that were reclassified to cost of sales due to certain activities being associated with revenue recognition. The reason for this decrease was reduced compensation and related expenses and a reclassification of research and development materials to inventory on the balance sheet as we transition to selling TRACER 1000 units to the international airport security market.

### ***Net Loss per Common Share***

Basic net loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is the same as basic net loss per common share as the potential dilutive shares are considered to be anti-dilutive (see Note 11 to the consolidated financial statements).

### ***Cash and Cash Equivalents***

The Company considers short-term investments with original maturities of three months or less to be cash equivalents. Cash equivalents are comprised primarily of operating cash accounts, money market investments, and certificates of deposit.

### ***Accounts Receivable***

The carrying value of the Company's accounts receivable, net of an allowance for doubtful accounts, represents their estimated net realizable value. Astrotech estimates an allowance for doubtful accounts based on type of customer, age of outstanding

receivable, historical collection trends, and existing economic conditions. If events or changes in circumstances indicate that a specific receivable balance may be unrealizable, further consideration is given to the collectability of those balances, and the allowance is adjusted accordingly. Receivable balances deemed uncollectible are written off against the allowance. The Company anticipates collecting all unreserved receivables within one year. As of June 30, 2019 and 2018, there was no allowance for doubtful accounts deemed necessary.

### ***Inventory***

The Company computes inventory cost on a first-in, first-out basis, and inventory is valued at the lower of cost or net realizable value. The valuation of inventory also requires the Company to estimate obsolete and excess inventory as well as inventory that is not of saleable quality.

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

Property and equipment are stated at cost. All furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets, which is generally five years. Purchased software is typically depreciated over three years. Leasehold improvements are amortized over the shorter of the useful life of the improvement or the term of the lease. Repairs and maintenance are expensed when incurred.

### ***Impairment of Long-Lived Assets***

The Company continuously evaluates its long-lived assets for impairment to assess whether the carrying amount of an asset may not be recoverable. Our evaluation is based on an assessment of potential indicators of impairment, such as an adverse change in the business climate that could affect the value of an asset, current or forecasted operating or cash flow losses that demonstrate continuing losses associated with the use of an asset, and a current expectation that, more likely than not, an asset will be disposed of before the end of its previously estimated useful life. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Recoverability of long-lived assets is dependent on a number of conditions, including uncertainty about future events and demand for our services.

During the fourth quarter of fiscal year 2018, the Company determined that there was an impairment indicator associated with the Color ICE™ software platform and scanner of Astral (“Astral assets”). During the quarter, management’s push to sell a newer version of Astral’s Color ICE™ software to a major scanning company was postponed, possibly indefinitely. In addition, even though the Company secured its first contract that utilized Astral’s latest software, the contract yielded minimal revenues. In light of the Company’s limited resources, expenses in Astral have been reduced and efforts have been scaled back until the market begins to develop. Due to the delay in the development of the market which has to date not yielded significant revenues, management believes that, for the foreseeable future, it is probable that Astral net cash flows will continue to fall short of the value of the Astral assets. Management therefore recorded an impairment charge of \$1.6 million in fiscal year 2018. As of June 30, 2019 and 2018, the fair value of these assets was immaterial.

On June 1, 2018, the Company entered into its third amendment of the original lease for the 1<sup>st</sup> Detect facility removing 8,118 square feet from its leased space. Management therefore wrote-off the leasehold improvements and other assets associated with this reduction of square footage. The total amount associated with this impairment recognized during the year ended June 30, 2018 was \$114 thousand. See Note 13 to the consolidated financial statements for more information relating to the amended lease agreement. There was no impairment of long-lived assets recognized during the year ended June 30, 2019.

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

Astrotech’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities. The Company’s management believes the carrying amounts of these assets and liabilities approximates their fair value. For more information about the Company’s accounting policies surrounding fair value investments, see Note 6 to the consolidated financial statements.

### ***Available-for-Sale Investments***

Investments that are designated as available-for-sale are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss. The Company determines the cost of investments sold based on a first-in, first-out cost basis at the individual security level. The Company also considers specific adverse conditions related to the financial health of, and the business outlook for, the investee, which may include industry and sector performance, changes in technology, operational and financing cash flow factors, and changes in the investee's credit rating. The Company records other than temporary impairments on marketable equity securities and marketable equity method investments in gains (losses) on equity investments, net of previously recorded gains (losses). For more information on investments, see Note 4 to the consolidated financial statements.

### ***Operating Leases***

The Company leases space under operating leases. Lease agreements often include tenant improvement allowances, rent holidays, and rent escalation clauses, as defined in the respective lease agreements. Most of the Company's lease agreements include renewal periods at the Company's option. The Company recognizes rent holiday periods, tenant improvement allowances, and scheduled rent increases on a straight-line basis over the lease term beginning with the date the Company takes possession of the leased property. The Company records tenant improvement allowances and rent holidays as deferred rent liabilities on the consolidated balance sheets and amortizes the deferred rent over the terms of the leases to rent expense on the consolidated statements of operations.

### ***Share-Based Compensation***

The Company accounts for share-based awards to employees based on the fair value of the award on the grant date. The fair value of stock options is estimated using the expected dividend yields of the Company's stock, the expected volatility of the stock, the expected length of time the options remain outstanding, and the risk-free interest rates. Changes in one or more of these factors may significantly affect the estimated fair value of the stock options. The Company recognizes forfeitures as they occur. The fair value of awards that are likely to meet goals, if any, are recorded as an expense over the vesting period. For more information on share-based compensation, see Note 9 to the consolidated financial statements.

### ***Income Taxes***

The Company accounts for income taxes under the liability method, whereby deferred tax asset or liability account balances are determined based on the difference between the financial statement and the tax bases of assets and liabilities using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### ***Preferred Stock***

The Company has issued Series C and Series D convertible preferred stock. The holder of the Series C Preferred Shares is restricted from converting said shares to common shares if the number of common shares held by the Series C Preferred Shares holder after such conversion would exceed 9.99% of the Company's then issued and outstanding shares of common stock. The holder of Series D Preferred Shares has the option to convert said shares to common stock at the holder's discretion. Both Series C and Series D Preferred Shares are convertible to common stock on a one-to-one basis. The Preferred C and Preferred D are not callable by the Company. The holders of the preferred stock are entitled to receive, and the Company shall pay, dividends on shares equal to and in the same form as dividends actually paid on shares of the common stock when, and if, such dividends are paid on shares of common stock. No other dividends are paid on the preferred shares. Preferred shares have no voting rights. Upon liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the preferred shares have preference over common stock.

### ***Treasury Stock***

The Company records treasury stock at the cost to acquire it and includes treasury stock as a component of stockholders' equity.

## **Results of Operations for the Years Ended June 30, 2019 and 2018**

Selected financial data for the fiscal years ended June 30, 2019 and 2018 of our operations are as follows:

| (In thousands)                          | Years Ended June 30, |                    |                 |
|---|----------------------|--------------------|-----------------|
|   | 2019                 | 2018               | Variance        |
| Revenue                                 | \$ 127               | \$ 86              | \$ 41           |
| Cost of revenue                         | 90                   | 36                 | 54              |
| <b>Gross profit</b>                     | <b>37</b>            | <b>50</b>          | <b>(13)</b>     |
| Gross margin percentage                 | 29%                  | 58%                | -29%            |
| Operating expenses                      |                      |                    |                 |
| Selling, general and administrative     | 4,876                | 5,629              | (753)           |
| Research and development                | 3,578                | 6,065              | (2,487)         |
| Loss on impairment of long-lived assets | —                    | 1,693              | (1,693)         |
| <b>Total operating expenses</b>         | <b>8,454</b>         | <b>13,387</b>      | <b>(4,933)</b>  |
| Interest and other income, net          | 25                   | 86                 | (61)            |
| Income tax benefit                      | 858                  | —                  | 858             |
| <b>Net loss</b>                         | <b>\$ (7,534)</b>    | <b>\$ (13,251)</b> | <b>\$ 5,717</b> |

**Revenue** – Total revenue increased by \$41 thousand, or 48%, to \$127 thousand for the fiscal year ended June 30, 2019, compared to \$86 thousand for the fiscal year ended June 30, 2018. Of the fiscal year 2019 revenue, \$87 thousand was from a sale of our TRACER 1000 units to an international distributor of innovative technologies and \$40 thousand was associated with the Company’s now-discontinued agreement with ColorTime, a post-production house specializing in media content creation, restoration, and distribution. Of the fiscal year 2018 revenue, \$41 thousand was from a software license agreement with a large post-production film company and \$45 thousand was associated with space-grade handrail manufacturing sales, an opportunity born from our legacy space business for which the Company has unique expertise.

**Cost of Revenue and Gross Profit** – Cost of revenue is comprised of labor, materials, depreciation, and overhead. Gross profit is comprised of revenue less cost of revenue. Cost of revenue increased \$54 thousand, or 150%, for the fiscal year ended June 30, 2019, compared to the year ended June 30, 2018. Gross profit decreased \$13 thousand, or 29%, during the fiscal year ended June 30, 2019, compared to the year ended June 30, 2018, due to the increase in costs of revenue described above.

**Operating Expenses** – Our operating expenses decreased \$4.9 million, or 37%, during the fiscal year ended June 30, 2019, compared to the fiscal year ended June 30, 2018. Significant changes to operating expenses include the following:

- **Selling, General and Administrative Expenses** – As a result of management’s ongoing commitment to optimizing our available resources, our selling, general and administrative expenses decreased \$0.8 million, or 13%, for the year ended June 30, 2019, compared to the year ended June 30, 2018. This reduction was driven by decreases in compensation and related expenses, lobbying, investor relations, directors fees, legal, consulting, and audit fees.
- **Research and Development Expenses** – Research and development expenses, prior to a reclassification of \$18 thousand and \$19 thousand to cost of revenue in fiscal years 2019 and 2018, respectively, were \$3.6 million and \$6.1 million. The reason for this decrease was reduced compensation and related expenses and a reclassification of research and development materials to inventory on the balance sheet as we transition to selling TRACER 1000 units to the international airport security market.
- **Loss on Impairment of Long-Lived Assets** – During the fourth quarter of fiscal year 2018, the Company determined that there was an impairment indicator associated with the Color ICETM software platform and scanner of the Astral assets. During that quarter, management’s push to sell a newer version of Astral’s Color ICE software to a major scanning company was postponed, possibly indefinitely. In addition, even though the Company secured its first contract that utilized Astral’s latest software, the contract yielded minimal revenues. In light of the Company’s limited resources, expenses in Astral have been reduced and efforts have been scaled back until the market begins to develop. Due to the delay in the development of the market which has to date not yielded significant revenues, management believes that, for the foreseeable future, it is probable that Astral net cash flows will continue to fall short of the value of the Astral assets. Management therefore recorded an impairment charge of \$1.6 million in fiscal year 2018. As of June 30, 2019 and 2018, the fair value of these assets was immaterial. In addition, on June 1, 2018, the Company entered into its third amendment of the original lease for the 1<sup>st</sup> Detect facility removing 8,118 square feet from its leased space. Management therefore wrote-off the leasehold improvements and other assets associated with this



reduction of square footage. The total amount associated with this impairment was \$114 thousand. There was no impairment of long-lived assets recognized during the year ended June 30, 2019.

**Income Taxes** – Our income tax benefit increased \$858 thousand for the year ended June 30, 2019, compared to the year ended June 30, 2018 due to the Alternative Minimum Tax (“AMT”) credit from the removal of the AMT in the Tax Cuts and Jobs Act.

## FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

### Balance Sheet

Total assets for the year ended June 30, 2019 were \$3.7 million compared to total assets of \$5.1 million as of the end of fiscal year 2018. The following table sets forth the significant components of the balance sheet as of June 30, 2019, compared with 2018:

| (In thousands)                               | Years Ended June 30, |                 |                   |
|--|----------------------|-----------------|-------------------|
|  | 2019                 | 2018            | Variance          |
| <b>Assets:</b>                               |                      |                 |                   |
| Current assets                               | \$ 2,722             | \$ 4,276        | \$ (1,554)        |
| Property and equipment, net                  | 469                  | 733             | (264)             |
| Long-term investments                        | —                    | 50              | (50)              |
| Long-term tax receivable                     | 429                  | —               | 429               |
| Other assets, net                            | 72                   | 81              | (9)               |
| <b>Total</b>                                 | <b>\$ 3,692</b>      | <b>\$ 5,140</b> | <b>\$ (1,448)</b> |
| <b>Liabilities and stockholders' equity:</b> |                      |                 |                   |
| Current liabilities                          | \$ 838               | \$ 960          | \$ (122)          |
| Other long-term liabilities                  | 146                  | 188             | (42)              |
| Stockholders' equity                         | 2,708                | 3,992           | (1,284)           |
| <b>Total</b>                                 | <b>\$ 3,692</b>      | <b>\$ 5,140</b> | <b>\$ (1,448)</b> |

**Current assets** – Current assets decreased \$1.6 million as of June 30, 2019, compared to June 30, 2018, as a result of funding our normal operating activities.

**Property and equipment, net** – Property and equipment decreased \$0.3 million as of June 30, 2019, compared to June 30, 2018 due to continuing depreciation.

**Long-term investments** – Long-term investments decreased \$0.1 million due to the sale of all of our available-for-sale investments.

**Long-term tax receivable** – Long-term tax receivable increased \$0.4 million due to the AMT credit referenced above.

**Current liabilities** – Current liabilities decreased \$0.1 million as of June 30, 2019, compared to June 30, 2018, primarily due to a reduction in payroll related accruals and other accrued expenses.

**Other long-term liabilities** – Other long-term liabilities decreased \$42 thousand for the year ended June 30, 2019, compared to June 30, 2018, due to amortization of tenant improvement allowances associated with the corporate and 1<sup>st</sup> Detect offices.

## Liquidity and Capital Resources

The following is a summary of the change in our cash and cash equivalents:

| (In thousands)                                      | Years Ended June 30, |                   |                 |
|---|----------------------|-------------------|-----------------|
|   | 2019                 | 2018              | Variance        |
| <b>Change in cash and cash equivalents:</b>         |                      |                   |                 |
| Net cash used in operating activities               | \$ (8,475)           | \$ (10,784)       | \$ 2,309        |
| Net cash provided by investing activities           | 3,597                | 9,159             | (5,562)         |
| Net cash provided by (used in) financing activities | 5,914                | (7)               | 5,921           |
| <b>Net change in cash and cash equivalents</b>      | <b>\$ 1,036</b>      | <b>\$ (1,632)</b> | <b>\$ 2,668</b> |

### *Cash and Cash Equivalents*

At June 30, 2019, we held cash and cash equivalents of \$1.6 million and our net working capital was approximately \$1.9 million. At June 30, 2018, we held cash and cash equivalents of \$0.6 million and our net working capital was approximately \$3.3 million. Cash and cash equivalents increased by approximately \$1.0 million during the year ended June 30, 2019.

### *Operating Activities*

Net cash used in operating activities was \$8.5 million for the year ended June 30, 2019, compared to cash used in operating activities of \$10.8 million for the year ended June 30, 2018. The decrease in cash used in operating activities was primarily due to a reduction in our expenses, partially offset by increases in income tax receivable and inventory.

### *Investing Activities*

Net cash provided by investing activities for the year ended June 30, 2019 was \$3.6 million, compared to cash provided by investing activities of \$9.2 million for the year ended June 30, 2018. The decrease in cash provided by investing activities was due to fewer maturities and sales of our available-for-sale investments.

### *Financing Activities*

Cash provided by financing activities was \$5.9 million for the year ended June 30, 2019, compared to cash used in financing activities of \$7 thousand for the year ended June 30, 2018. The increase in cash provided by financing activities was the result of two private placements of equity securities as well as the sale of shares of common stock through the ATM Offering.

### *Debt*

As of June 30, 2019 and 2018, the Company had no credit facilities.

### *Liquidity*

As of June 30, 2019, we had cash and cash equivalents of \$1.6 million and our working capital was approximately \$1.9 million. The Company reported a net loss of \$7.5 million for the fiscal year 2019 and a net loss of \$13.3 million for the fiscal year 2018, along with net cash used in operating activities of \$8.5 million for the fiscal year 2019 and net cash used in operating activities of \$10.8 million for the fiscal year 2018. These factors raise substantial doubt about the Company's ability to continue as a going concern, but the Company remains resolute in identifying the optimal solution to the liquidity issue. The Company is currently evaluating several potential sources for additional liquidity. These include, but are not limited to, selling the Company or a portion thereof, debt financing, equity financing, merging, or engaging in a strategic partnership. On July 3, 2018, management filed a Form S-3 to raise funds through the capital markets. On October 9, 2018, the Company entered into Agreement No. 1 with Thomas B. Pickens III, the Chief Executive Officer and Chairman of the Board of Directors of the Company, and the Investor. Pursuant to Agreement No. 1, the Company agreed to sell an aggregate of 866,950 Series B Preferred Shares, par value \$0.001 per share to Mr. Pickens and 409,645 Common Shares, par value \$0.001 per share to the Investor, at a price per share of \$2.35 and for aggregate gross proceeds of approximately \$3.0 million. The purchase price of \$2.35 per share was equal to the closing price on The NASDAQ Capital Market on October 8, 2018. The Series B Preferred Shares converted into an aggregate of 866,950 shares of common stock on December 7, 2018 upon receipt of shareholder approval in accordance with NASDAQ Listing Rule 5635(b). On April 17, 2019, the Company entered into Agreement No. 2 with Mr. Pickens and the Investor. Pursuant to Agreement No. 2, the Company agreed to sell an aggregate of 280,898 Series C

Preferred Shares, par value \$0.001 per share to the Investor and 280,898 Series D Preferred Shares, par value \$0.001 per share to Mr. Pickens, at a price per share of \$3.56 and for aggregate gross proceeds of approximately \$2.0 million. The purchase price of \$3.56 per share was equal to the closing consolidated bid price on The NASDAQ Capital Market on April 16, 2019. The holder of the Series C Preferred Shares has agreed to restrict its ability to convert the Series C Preferred Shares such that the number of shares of the Company's common stock held by such holder and its affiliates after such conversion does not exceed 9.99% of the Company's then issued and outstanding shares of common stock. The Series D Preferred Shares are convertible into an aggregate of 280,898 shares of common stock at the option of the holder. As of June 30, 2019, the Company has sold 214,202 shares of common stock pursuant to an ATM Sales Agreement with B. Riley FBR through the ATM Offering under which B. Riley FBR acts as sales agent. A prospectus relating to the ATM Offering was filed with the SEC on November 9, 2018. In connection with the sale of these shares of common stock, the Company has received net proceeds of \$1,042,243. The weighted-average sale price per share was \$5.02.

The Company is currently evaluating the potential offering of any combination of common stock, preferred stock, debt securities, warrants to purchase common stock, preferred stock or debt securities, or any combination of the foregoing, either individually or as units comprised of one or more of the other securities. However, additional funding may not be available when needed or on terms acceptable to us. If we are unable to generate funding within a reasonable timeframe, we may have to delay, reduce, or terminate our research and development programs, limit strategic opportunities, or curtail our business activities. Astrotech's consolidated financial statements as of June 30, 2019 do not include any adjustments that might result from the outcome of this uncertainty.

Our future capital requirements will depend on a number of factors, including our success in developing and expanding markets for our products, payments under possible future strategic arrangements, continued progress of our research and development, the need to acquire licenses to new technology, costs associated with increasing our manufacturing and development capabilities, costs associated with strategic acquisitions including integration costs and assumed liabilities, and the status of competitive products and potential costs associated with both protecting and defending our intellectual property. Factors that could affect our capital requirements, in addition to those listed above, include continued collections of accounts receivable consistent with our historical experience and our ability to manage product development efforts.

#### **Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of June 30, 2019.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable to smaller reporting companies.

## **Item 8. Financial Statements and Supplementary Data**

### **Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Astrotech Corporation  
Austin, Texas

#### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Astrotech Corporation (the “Company”) and subsidiaries as of June 30, 2019, the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2019, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

#### **Going Concern Uncertainty**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations and has net cash flows deficiencies that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### **Basis for Opinion**

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

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

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

/s/ Armanino LLP

We have served as the Companys auditor since 2019.  
San Francisco, California  
September 30, 2019

## **Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Astrotech Corporation  
Austin, TX

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Astrotech Corporation (the “Company”) and subsidiaries as of June 30, 2018, the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for the year then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Going Concern Uncertainty**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations and has net cash flows deficiencies that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

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

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

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

/s/ BDO USA, LLP

We served as the Company’s auditor from 2015 to 2019  
Austin, Texas  
September 25, 2018

**ASTROTECH CORPORATION**  
Consolidated Balance Sheets  
(In thousands, except share data)

|  | <b>June 30,</b> |                 |
|--|-----------------|-----------------|
|  | <b>2019</b>     | <b>2018</b>     |
| <b>Assets</b>  |                 |                 |
| Current assets   |                 |                 |
| Cash and cash equivalents  | \$ 1,588        | \$ 552          |
| Short-term investments   | —               | 3,551           |
| Accounts receivable  | 3               | 12              |
| Inventory:   |                 |                 |
| Raw materials, net   | 150             | 7               |
| Work-in-process  | 181             | —               |
| Income tax receivable  | 429             | —               |
| Prepaid expenses and other current assets  | 371             | 154             |
| <b>Total current assets</b>  | <b>2,722</b>    | <b>4,276</b>    |
| Property and equipment, net  | 469             | 733             |
| Long-term investments  | —               | 50              |
| Long-term tax receivable   | 429             | —               |
| Other assets   | 72              | 81              |
| <b>Total assets</b>  | <b>\$ 3,692</b> | <b>\$ 5,140</b> |
| <b>Liabilities and stockholders' equity</b>  |                 |                 |
| Current liabilities  |                 |                 |
| Accounts payable   | \$ 160          | \$ 112          |
| Payroll related accruals   | 319             | 412             |
| Accrued expenses and other liabilities   | 357             | 434             |
| Income tax payable   | 2               | 2               |
| <b>Total current liabilities</b>   | <b>838</b>      | <b>960</b>      |
| Other liabilities  | 146             | 188             |
| <b>Total liabilities</b>   | <b>984</b>      | <b>1,148</b>    |
| <b>Commitments and contingencies (Note 13)</b>   |                 |                 |
| <b>Stockholders' equity</b>  |                 |                 |
| Convertible preferred stock, \$0.001 par value, 2,500,000 shares authorized; 280,898 and no shares of Series C and 280,898 and no shares of Series D issued and outstanding at June 30, 2019 and 2018, respectively              | —               | —               |
| Common stock, \$0.001 par value, 15,000,000 shares authorized; 6,184,698 and 4,496,873 shares issued at June 30, 2019 and 2018, respectively; 5,775,171 and 4,097,346 shares outstanding at June 30, 2019 and 2018, respectively | 190,571         | 190,570         |
| Treasury stock, 399,916 and 399,527 shares at cost at June 30, 2019 and 2018, respectively   | (4,129)         | (4,128)         |
| Additional paid-in capital   | 7,964           | 1,745           |
| Accumulated deficit  | (191,698)       | (184,164)       |
| Accumulated other comprehensive loss   | —               | (31)            |
| <b>Total stockholders' equity</b>  | <b>2,708</b>    | <b>3,992</b>    |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 3,692</b> | <b>\$ 5,140</b> |

*See accompanying notes to consolidated financial statements.*

**ASTROTECH CORPORATION**  
Consolidated Statements of Operations and Comprehensive Loss  
(In thousands, except per share data)

|   | <b>June 30,</b>   |                    |
|---|-------------------|--------------------|
|   | <b>2019</b>       | <b>2018</b>        |
| Revenue   | \$ 127            | \$ 86              |
| Cost of revenue   | 90                | 36                 |
| <b>Gross profit</b>   | <b>37</b>         | <b>50</b>          |
| Operating expenses:   |                   |                    |
| Selling, general and administrative   | 4,876             | 5,629              |
| Research and development  | 3,578             | 6,065              |
| Loss on impairment of long-lived assets   | —                 | 1,693              |
| Total operating expenses  | 8,454             | 13,387             |
| <b>Loss from operations</b>   | <b>(8,417)</b>    | <b>(13,337)</b>    |
| Interest and other income, net  | 25                | 86                 |
| <b>Loss from operations before income taxes</b>   | <b>(8,392)</b>    | <b>(13,251)</b>    |
| Income tax benefit  | 858               | —                  |
| <b>Net loss</b>   | <b>\$ (7,534)</b> | <b>\$ (13,251)</b> |
| Weighted average common shares outstanding:   |                   |                    |
| Basic and diluted   | 4,940             | 4,061              |
| Basic and diluted net loss per common share:  |                   |                    |
| Net loss  | \$ (1.53)         | \$ (3.26)          |
| Other comprehensive loss, net of tax:   |                   |                    |
| Net loss  | \$ (7,534)        | \$ (13,251)        |
| Available-for-sale securities   |                   |                    |
| Net unrealized losses, net of zero tax expense  | —                 | (94)               |
| Reclassification adjustment for realized losses included in net loss, net of zero tax expense | 31                | 124                |
| <b>Total comprehensive loss</b>   | <b>\$ (7,503)</b> | <b>\$ (13,221)</b> |

*See accompanying notes to consolidated financial statements.*

**ASTROTECH CORPORATION**  
Consolidated Statement of Changes in Stockholders' Equity  
(In thousands)

|   | Preferred Stock                    |        |                                    |        | Common Stock |            |                             |                                  |                        |         |           | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Equity |
|---|------------------------------------|--------|------------------------------------|--------|--------------|------------|-----------------------------|----------------------------------|------------------------|---------|-----------|---|----------------------------------|
|   | Class C                            |        | Class D                            |        |              |            | Treasury<br>Stock<br>Amount | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit |         |           |   |                                  |
|   | Number of<br>Shares<br>Outstanding | Amount | Number of<br>Shares<br>Outstanding | Amount |              |            |                             |                                  |                        |         |           |   |                                  |
| Balance at June 30, 2017  | —                                  | \$ —   | —                                  | \$ —   | 4,111        | \$ 190,382 | \$ (4,121)                  | \$ 1,483                         | \$ (170,913)           | \$ (61) | \$ 16,770 |   |                                  |
| Net change in available-for-sale debt<br>and marketable equity securities | —                                  | —      | —                                  | —      | —            | —          | —                           | —                                | —                      | 30      | 30        |   |                                  |
| Stock-based compensation  | —                                  | —      | —                                  | —      | —            | —          | —                           | 262                              | —                      | —       | 262       |   |                                  |
| Cancellation of restricted stock  | —                                  | —      | —                                  | —      | (12)         | —          | —                           | —                                | —                      | —       | —         |   |                                  |
| Share repurchases   | —                                  | —      | —                                  | —      | (2)          | —          | (7)                         | —                                | —                      | —       | (7)       |   |                                  |
| Restricted stock issuance   | —                                  | —      | —                                  | —      | —            | 188        | —                           | —                                | —                      | —       | 188       |   |                                  |
| Net loss  | —                                  | —      | —                                  | —      | —            | —          | —                           | —                                | (13,251)               | —       | (13,251)  |   |                                  |
| Balance at June 30, 2018  | —                                  | —      | —                                  | —      | 4,097        | 190,570    | (4,128)                     | 1,745                            | (184,164)              | (31)    | 3,992     |   |                                  |
| Net change in available-for-sale debt<br>and marketable equity securities | —                                  | —      | —                                  | —      | —            | —          | —                           | —                                | —                      | 31      | 31        |   |                                  |
| Issuance of shares, net of offering<br>issuance costs of \$113,726        | 281                                | —      | 281                                | —      | 1,491        | 1          | —                           | 5,907                            | —                      | —       | 5,908     |   |                                  |
| Stock-based compensation  | —                                  | —      | —                                  | —      | —            | —          | —                           | 177                              | —                      | —       | 177       |   |                                  |
| Cancellation of restricted stock  | —                                  | —      | —                                  | —      | (25)         | (14)       | —                           | —                                | —                      | —       | (14)      |   |                                  |
| Exercise of stock options   | —                                  | —      | —                                  | —      | 3            | 7          | —                           | —                                | —                      | —       | 7         |   |                                  |
| Share repurchases   | —                                  | —      | —                                  | —      | —            | —          | (1)                         | —                                | —                      | —       | (1)       |   |                                  |
| Restricted stock issuance   | —                                  | —      | —                                  | —      | 209          | 7          | —                           | 135                              | —                      | —       | 142       |   |                                  |
| Net loss  | —                                  | —      | —                                  | —      | —            | —          | —                           | —                                | (7,534)                | —       | (7,534)   |   |                                  |
| Balance at June 30, 2019  | 281                                | \$ —   | 281                                | \$ —   | 5,775        | \$ 190,571 | \$ (4,129)                  | \$ 7,964                         | \$ (191,698)           | \$ —    | \$ 2,708  |   |                                  |

*See the accompanying notes to consolidated financial statements.*



**ASTROTECH CORPORATION**  
Consolidated Statements of Cash Flows  
(In thousands)

|   | <b>Years Ended June 30,</b> |                   |
|---|-----------------------------|-------------------|
|   | <b>2019</b>                 | <b>2018</b>       |
| <b>Cash flows from operating activities:</b>  |                             |                   |
| Net loss  | \$ (7,534)                  | \$ (13,251)       |
| Adjustments to reconcile net loss from operations to net cash used in operating activities: |                             |                   |
| Stock-based compensation  | 305                         | 450               |
| Amortization  | 6                           | 16                |
| Depreciation  | 262                         | 749               |
| Deferred income tax benefit   | (429)                       | —                 |
| Net loss on sale of available-for-sale investments  | 31                          | 124               |
| Loss on impairment of long-lived assets   | —                           | 1,693             |
| Changes in assets and liabilities:  |                             |                   |
| Accounts receivable   | 9                           | 134               |
| Inventory, net  | (324)                       | —                 |
| Income tax receivable   | (429)                       | —                 |
| Other assets and liabilities  | (420)                       | (552)             |
| Accounts payable  | 48                          | (147)             |
| <b>Net cash used in operating activities</b>  | <b>(8,475)</b>              | <b>(10,784)</b>   |
| <b>Cash flows from investing activities:</b>  |                             |                   |
| Proceeds from sale of available-for-sale investments  | 3,345                       | 7,229             |
| Proceeds from maturities of securities  | 250                         | 1,949             |
| Proceeds from sale of property and equipment  | 2                           | —                 |
| Purchases of property and equipment   | —                           | (19)              |
| <b>Net cash provided by investing activities</b>  | <b>3,597</b>                | <b>9,159</b>      |
| <b>Cash flows from financing activities:</b>  |                             |                   |
| Payments for purchase of treasury stock   | (1)                         | (7)               |
| Proceeds from exercise of stock options   | 7                           | —                 |
| Proceeds from issuance of stock, net of offering issuance costs                             | 5,908                       | —                 |
| <b>Net cash provided by (used in) financing activities</b>                                  | <b>5,914</b>                | <b>(7)</b>        |
| <b>Net change in cash and cash equivalents</b>  | <b>\$ 1,036</b>             | <b>\$ (1,632)</b> |
| Cash and cash equivalents at beginning of period  | 552                         | 2,184             |
| <b>Cash and cash equivalents at end of period</b>   | <b>\$ 1,588</b>             | <b>\$ 552</b>     |
| <b>Supplemental disclosures of cash flow information:</b>                                   |                             |                   |
| Cash paid for interest  | \$ —                        | \$ —              |
| Income taxes paid   | \$ —                        | \$ —              |

*See accompanying notes to consolidated financial statements.*

**ASTROTECH CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

**(1) Description of the Company and Operating Environment**

Astrotech Corporation (NASDAQ: ASTC) (“Astrotech,” “the Company,” “we,” “us” or “our”), a Delaware corporation organized in 1984, is a science and technology development and commercialization company that launches, manages, and builds scalable companies based on innovative technology in order to maximize shareholder value.

**Business Overview**

**Segment Information** – The Company operates two reportable business units, 1<sup>st</sup> Detect Corporation (“1<sup>st</sup> Detect”) and Astral Images Corporation (“Astral”). Since the Company operates in two segments, all financial segment information required by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 280, Segment Reporting (“FASB ASC 280”) can be found in Note 14, Segment Information.

***1<sup>st</sup> Detect Corporation***

**1<sup>st</sup> Detect** - 1<sup>st</sup> Detect has developed the TRACER 1000™ for use at airports, secured facilities, and borders worldwide. On June 19, 2018, the Company announced that the TRACER 1000 had entered the European Civil Aviation Conference (“ECAC”) Common Evaluation Process (“CEP”) to obtain certification in Europe. On December 12, 2018, the Company announced that the TRACER 1000 passed the ECAC CEP tests for airport checkpoint screening of passengers. On January 9, 2019, the Company subsequently announced that the TRACER 1000 passed the CEP tests for airport cargo screening. On February 21, 2019, the Company announced that 1<sup>st</sup> Detect received ECAC certification for both passenger and cargo screening for the TRACER 1000. Finally, on June 26, 2019, the Company announced the official launch of the TRACER 1000.

In addition, on March 27, 2018, the Company announced that the TRACER 1000 was accepted into Transportation Security Administration’s (“TSA”) Air Cargo Screening Technology Qualification Test (“ACSQT”) and, on April 4, 2018, the Company announced that the TRACER 1000 began testing with TSA for passenger screening at airports. Both programs are currently progressing as expected; however, there is no assurance that the TRACER 1000 will be approved by either TSA program.

***Astral Images Corporation***

**Astral Images** - Astral is a developer of advanced film restoration and enhancement software. Astral’s intelligent algorithms remove dust, scratches, and defects from film while converting the content to a digital format with significantly enhanced resolution. In addition, Astral employs artificial intelligence (“AI”) to automatically extend the color gamut and enhance the dynamic range to be viewed in 4K and/or high-dynamic range (“HDR”), collectively known as ultra-high definition (“UHD”).

Although we believe Astral has developed valuable technology fortified by patents and trade secrets, the potential market has not evolved as quickly as anticipated. Due to funding constraints, the Company’s primary focus remains on the pursuit of opportunities for 1<sup>st</sup> Detect. Consequently, headcount and expenditures at Astral have been minimized and new development is exclusively focused on strategic initiatives that would facilitate the realization of Astral’s value.

**(2) Summary of Significant Accounting Policies**

***Principles of Consolidation and Basis of Presentation***

The consolidated financial statements include the accounts of Astrotech Corporation and its wholly-owned subsidiaries that are required to be consolidated. All intercompany transactions have been eliminated in consolidation.

On October 16, 2017, the Company effectuated a reverse stock split of its shares of common stock whereby every five (5) pre-split shares of common stock were exchanged for one (1) post-split share of the Company’s common stock (“Reverse Stock Split”). No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who would otherwise have held a fractional share of the common stock received a cash payment in lieu thereof. Numbers presented in these financial statements have been adjusted to reflect the Reverse Stock Split.

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

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that directly affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Management continuously evaluates its critical accounting policies and estimates, including those used in evaluating the recoverability of long-lived assets, recognition of revenue, valuation of inventory, and the recognition and measurement of loss contingencies, if any. Actual results may vary.

### ***Revenue Recognition***

Astrotech recognizes revenue employing the generally accepted revenue recognition methodologies described under the provisions of FASB ASC Topic 606 "Revenue from Contracts with Customers," which was adopted by the Company in fiscal year 2019. The methodology used is based on contract type and how products and services are provided. The guidelines of Topic 606 establish a five-step process to govern the recognition and reporting of revenue from contracts with customers. The five steps are: (i) identify the contract with a customer, (ii) identify the performance obligations within the contract, (iii) identify fixed or determinable price, (iv) allocate the transaction price to the performance obligations within the contract, and (v) recognize revenue when or as the performance obligations are satisfied.

An additional factor is reasonable assurance of collectability. This necessitates deferral of revenue recognition until collection has occurred or collection is reasonably assured. In fiscal years 2019 and 2018, we had two revenue sources and, in both arrangements, revenue was recognized at a point in time consistent with the guidelines in Topic 606.

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

Research and development costs are expensed as incurred. Research and development costs are used to improve system functionality, streamline and simplify the user experience, and extend our capabilities into customer-defined, application-specific opportunities. Other research and development activities include building innovative solutions consisting of customized off-the-shelf hardware and internally-developed, reliable AI software and services. Furthermore, the Company aggressively seeks patent protection from the U.S. Patent & Trademark Office and foreign patent offices.

### ***Net Loss per Common Share***

Basic net loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is the same as basic net loss per common share as the potential dilutive shares are considered to be anti-dilutive. For more information, see Note 11.

### ***Cash and Cash Equivalents***

The Company considers short-term investments with original maturities of three months or less to be cash equivalents. Cash equivalents are comprised primarily of operating cash accounts, money market investments, and certificates of deposits.

### ***Accounts Receivable***

The carrying value of the Company's accounts receivable, net of an allowance for doubtful accounts, represents their estimated net realizable value. Astrotech estimates an allowance for doubtful accounts based on type of customer, age of outstanding receivable, historical collection trends, and existing economic conditions. If events or changes in circumstances indicate that a specific receivable balance may be unrealizable, further consideration is given to the collectability of those balances, and the allowance is adjusted accordingly. Receivable balances deemed uncollectible are written off against the allowance. The Company anticipates collecting all unreserved receivables within one year. As of June 30, 2019 and 2018, there was no allowance for doubtful accounts deemed necessary.

### ***Inventory***

The Company computes inventory cost on a first-in, first-out basis, and inventory is valued at the lower of cost or net realizable value. The valuation of inventory also requires the Company to estimate obsolete and excess inventory as well as inventory that is not of saleable quality.

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

Property and equipment are stated at cost, less accumulated depreciation. All furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets, which is generally five years. Purchased software is typically depreciated over three years. Leasehold improvements are amortized over the shorter of the useful life of the improvement or the term of the lease. Repairs and maintenance are expensed when incurred.

### ***Impairment of Long-Lived Assets***

The Company continuously evaluates its long-lived assets for impairment to assess whether the carrying amount of an asset may not be recoverable. Our evaluation is based on an assessment of potential indicators of impairment, such as an adverse change in the business climate that could affect the value of an asset, current or forecasted operating or cash flow losses that demonstrate continuing losses associated with the use of an asset, and a current expectation that, more likely than not, an asset will be disposed of before the end of its previously estimated useful life. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Recoverability of long-lived assets is dependent on a number of conditions, including uncertainty about future events and demand for our services.

During the fourth quarter of fiscal year 2018, the Company determined that there was an impairment indicator associated with the Color ICE™ software platform and scanner of Astral (“Astral assets”). During the quarter, management’s push to sell a newer version of Astral’s Color ICE™ software to a major scanning company was postponed, possibly indefinitely. In addition, even though the Company secured its first contract that utilized Astral’s latest software, the contract yielded minimal revenues. In light of the Company’s limited resources, expenses in Astral have been reduced and efforts have been scaled back until the market begins to develop. Due to the delay in the development of the market which has to date not yielded significant revenues, management believes that, for the foreseeable future, it is probable that Astral net cash flows will continue to fall short of the value of the Astral assets. Management therefore recorded an impairment charge of \$1.6 million in fiscal year 2018. As of June 30, 2019 and 2018, the fair value of these assets was immaterial.

On June 1, 2018, the Company entered into its third amendment of the original lease for the 1<sup>st</sup> Detect facility removing 8,118 square feet from its leased space. Management therefore wrote-off the leasehold improvements and other assets associated with this reduction of square footage. The total amount associated with this impairment recognized during the year ended June 30, 2018 was \$114 thousand. See Note 13 for more information relating to the amended lease agreement. There was no impairment of long-lived assets recognized during the year ended June 30, 2019.

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

Astrotech’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities. Management believes the carrying amounts of these assets and liabilities approximates their fair value due to their liquidity. For more information about the Company’s accounting policies surrounding fair value investments, see Note 6.

### ***Available-for-Sale Investments***

Investments that are designated as available-for-sale are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss. The Company determines the cost of investments sold based on a first-in, first-out cost basis at the individual security level. The Company also considers specific adverse conditions related to the financial health of, and the business outlook for, the investee, which may include industry and sector performance, changes in technology, operational and financing cash flow factors, and changes in the investee’s credit rating. The Company records other than

temporary impairments on marketable equity securities and marketable equity method investments in gains (losses) on equity investments, net of previously recorded gains (losses). For more information on investments, see Note 4.

### ***Operating Leases***

The Company leases space under operating leases. Lease agreements often include tenant improvement allowances, rent holidays, and rent escalation clauses, as defined in the respective lease agreements. The Company's lease agreements include renewal periods at the Company's option. The Company recognizes rent holiday periods, tenant improvement allowances, and scheduled rent increases on a straight-line basis over the lease term beginning with the date the Company takes possession of the leased property. The Company records tenant improvement allowances and rent holidays as deferred rent liabilities on the consolidated balance sheets and amortizes the deferred rent over the terms of the lease to rent expense on the consolidated statements of operations.

### ***Share-Based Compensation***

The Company accounts for share-based awards to employees based on the fair value of the award on the grant date. The fair value of stock options is estimated using the expected dividend yields of the Company's stock, the expected volatility of the stock, the expected length of time the options remain outstanding, and the risk-free interest rates. Changes in one or more of these factors may significantly affect the estimated fair value of the stock options. The Company recognizes forfeitures as they occur. The fair value of awards that are likely to meet goals, if any, are recorded as an expense over the vesting period. For more information, see Note 9.

### ***Income Taxes***

The Company accounts for income taxes under the liability method, whereby deferred tax asset or liability account balances are determined based on the difference between the financial statement and the tax bases of assets and liabilities using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### ***Treasury Stock***

The Company records treasury stock at the cost to acquire it and includes treasury stock as a component of stockholders' equity.

### ***Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standard Update ("ASU") 2016-02: Leases (Topic 842) ("ASU 2016-02") and ASU 2018-10: Codification Improvements to Topic 842, Leases ("ASU 2018-10"). These ASUs require that a lessee recognize on its balance sheet, a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For leases with a term of 12 months or fewer, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. For statement of operations purposes, leases are still required to be classified as either operating or financing. Operating leases will result in straight-line expense while financing leases will result in a front-loaded expense pattern.

Astrotech has two existing facility leases and several small equipment leases. The headquarters lease expires in 2023 and the 1<sup>st</sup> Detect lease expires in 2020. The Company has completed its evaluation of the provisions of this standard and concluded that the adoption of this standard will place approximately \$1.8 million of right-of-use assets on the consolidated balance sheet with an \$1.8 million offset to lease liability reported in current and long-term liabilities. The initial \$0.2 million adjustment resulting from implementation of this standard will reduce liabilities and reduce beginning accumulated deficit. This effect includes 1<sup>st</sup> Detect occupying comparable space to its current location with a new five-year lease; however, the Company did not include any future commitments beyond April 2020 for the 1<sup>st</sup> Detect facility in Note 13.

Topic 842 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The Company will adopt Topic 842 for its fiscal year 2020, which begins on July 1, 2019. As allowed by the guidance, the Company will elect the transition option which does not require restatement of prior periods. The Company will

also elect the practical expedients which does not require the Company to reassess initial direct costs, classification of existing leases, or whether any existing contracts may contain an imbedded lease.

The adoption of Topic 842 will place a material amount of assets and offsetting liabilities on the balance sheet, but will not have a material impact on its statement of operations or total cash flows.

### (3) Going Concern

#### *Financial Condition*

The Company's consolidated financial statements for the year ended June 30, 2019 have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of June 30, 2019, the Company has working capital of \$1.9 million. The Company reported a net loss of \$7.5 million for the fiscal year 2019 and a net loss attributable to the Company of \$13.3 million for the fiscal year 2018, along with net cash used in operating activities of \$8.5 million for the fiscal year 2019 and net cash used in operating activities of \$10.8 million for the fiscal year 2018. This raises substantial doubt about the Company's ability to continue as a going concern within one year after the audited financial statements are issued.

#### *Management's Plans to Continue as a Going Concern*

The Company remains resolute in identifying the optimal solution to its liquidity issue. The Company is currently evaluating several potential sources for additional liquidity. These include, but are not limited to, selling the Company or a portion thereof, debt financing, equity financing, merging, or engaging in a strategic partnership. On July 3, 2018, management filed Form S-3 to raise funds through the capital markets. On October 9, 2018, the Company raised \$3.0 million in a private placement of equity securities to the Company's Chairman of the Board and Chief Executive Officer, Thomas B. Pickens III, and a long-term accredited investor in the Company. On April 17, 2019, the Company raised \$2.0 million in a private placement of equity securities to Mr. Pickens, and a long-term accredited investor in the Company. As of June 30, 2019, the Company has received net proceeds of approximately \$1.0 million through the sale of shares of common stock through an "at-the-market offering" program (the "ATM Offering"). The Company is currently evaluating potential offerings of any combination of common stock, preferred stock, debt securities, warrants to purchase common stock, preferred stock or debt securities, or any combination of the foregoing, either individually or as units comprised of one or more of the other securities. However, additional funding may not be available when needed or on terms acceptable to us. If we are unable to generate funding within a reasonable timeframe, we may have to delay, reduce or terminate our research and development programs, limit strategic opportunities, or curtail our business activities. Astrotech's consolidated financial statements as of June 30, 2019 do not include any adjustments that might result from the outcome of this uncertainty.

### (4) Investments

As of June 30, 2019, the Company did not hold any investments. The following table summarizes unrealized gains and losses related to our investments as of June 30, 2018:

| Available-for-Sale<br>(In thousands)       | June 30, 2018    |                    |                    |                 |
|--|------------------|--------------------|--------------------|-----------------|
|  | Adjusted<br>Cost | Unrealized<br>Gain | Unrealized<br>Loss | Fair<br>Value   |
| Mutual Funds - Corporate & Government Debt | \$ 1,751         | \$ —               | \$ (23)            | \$ 1,728        |
| Fixed Income Bonds                         | 1,333            | —                  | (5)                | 1,328           |
| Time Deposits                              | 548              | —                  | (3)                | 545             |
| <b>Total</b>                               | <b>\$ 3,632</b>  | <b>\$ —</b>        | <b>\$ (31)</b>     | <b>\$ 3,601</b> |

As of June 30, 2018, the Company had certain financial instruments on its condensed consolidated balance sheet related to interest-bearing time deposits and fixed income bonds. These time deposits are included in "Short-term Investments" if the maturities at the end of the reporting period were 360 days or less or "Long-term Investments" if the maturities at the end of the reporting period were over 360 days. Fixed income investments, maturing over one to three years, comprised a set of highly diversified bonds issued by various corporations and entities that in aggregate represented an above average investment-grade fixed income portfolio.

The following table presents the carrying amounts of certain financial instruments as of June 30, 2019, and June 30, 2018:

| (In thousands)  | Carrying Value         |                  |                       |                  |
|---|------------------------|------------------|-----------------------|------------------|
|   | Short-Term Investments |                  | Long-Term Investments |                  |
|   | June 30,<br>2019       | June 30,<br>2018 | June 30,<br>2019      | June 30,<br>2018 |
| <b>Mutual Funds - Corporate &amp; Government Debt</b> | \$ —                   | \$ 1,728         | \$ —                  | \$ —             |
| <b>Time Deposits</b>                                  |                        |                  |                       |                  |
| Maturities from 91-360 days                           | —                      | 495              | —                     | —                |
| Maturities over 360 days                              | —                      | —                | —                     | 50               |
| <b>Fixed Income Bonds</b>                             |                        |                  |                       |                  |
| Maturities less than 1 year                           | —                      | 1,328            | —                     | —                |
| <b>Total</b>  | <u>\$ —</u>            | <u>\$ 3,551</u>  | <u>\$ —</u>           | <u>\$ 50</u>     |

## (5) Property and Equipment

As of June 30, 2019 and 2018, property and equipment consisted of the following:

| (In thousands)  | June 30,             |                      |
|---|----------------------|----------------------|
|   | 2019                 | 2018                 |
| Furniture, Fixtures, Equipment & Leasehold Improvements | \$ 2,487             | \$ 2,554             |
| Software  | 326                  | 326                  |
| Capital Improvements in Progress                        | —                    | —                    |
| <b>Gross Property and Equipment</b>                     | <b>2,813</b>         | <b>2,880</b>         |
| Accumulated Depreciation                                | (2,344)              | (2,147)              |
| <b>Property and Equipment, net</b>                      | <u><b>\$ 469</b></u> | <u><b>\$ 733</b></u> |

Depreciation and amortization expense of property and equipment was \$0.3 million for the year ended June 30, 2019 and \$0.7 million for the year ended June 30, 2018.

## (6) Fair Value of Financial Instruments

The accounting standard for fair value measurements defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. The standard is applicable whenever assets and liabilities are measured and included in the financial statements at fair value.

The fair value hierarchy established in the standard prioritizes the inputs used in valuation techniques into three levels as follows:

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

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of June 30, 2019, the Company did not hold any investments. The following table presents the carrying amounts, estimated fair values, and valuation input levels of certain financial instruments as of June 30, 2018:

| (In thousands)                             | June 30, 2018      |                           |          |         |               |
|--|--------------------|---------------------------|----------|---------|---------------|
|  | Carrying<br>Amount | Fair Value Measured Using |          |         | Fair<br>Value |
|  |                    | Level 1                   | Level 2  | Level 3 |               |
| Available-for-Sale Securities              |                    |                           |          |         |               |
| Mutual Funds - Corporate & Government Debt | \$ 1,728           | \$ 1,728                  | \$ —     | \$ —    | \$ 1,728      |
| Bonds: less than 1 year                    | 1,328              | —                         | 1,328    | —       | 1,328         |
| Time deposits: 91-360 days                 | 495                | —                         | 495      | —       | 495           |
| Time deposits: over 360 days               | 50                 | —                         | 50       | —       | 50            |
| Total                                      | \$ 3,601           | \$ 1,728                  | \$ 1,873 | \$ —    | \$ 3,601      |

The value of available-for-sale investments is based on pricing from third-party pricing vendors, who may use quoted prices in active markets for identical assets (Level 1 inputs). The fair value of our bonds and time deposits with maturities less than 90 days is considered the amortized value; the fair value measurements used for bonds and time deposits with maturities greater than 90 days is considered Level 2 and uses pricing from third-party pricing vendors who use quoted prices for identical or similar securities in both active and inactive markets.

#### (7) Other Comprehensive Loss

Changes in the balances of each component included in accumulated other comprehensive loss for the year ended June 30, 2019 are presented below.

| (In thousands)                                   | Accumulated Other Comprehensive Loss |
|--|--------------------------------------|
| <b>Unrealized Loss in Investments</b>            |                                      |
| Balance at June 30, 2018                         | \$ (31)                              |
| Reclassification to net loss for realized losses | 31                                   |
| Balance at June 30, 2019                         | <u>\$ —</u>                          |

#### (8) Business Risk and Credit Risk Concentration Involving Cash

For the fiscal year ended June 30, 2019, the Company had two customers that together comprised all of the Company's revenue. All of the Company's revenue for the fiscal year ended June 30, 2018 came from two different customers. The following table summarizes the concentrations of sales for the Company's customers:

|                                    | Year Ended June 30, 2019<br>Percentage of Total Sales | Year Ended June 30, 2018<br>Percentage of Total Sales |
|------------------------------------|---|---|
| Post-Production Film Company #1    | —   | 48%   |
| Aerospace Manufacturing Company    | —   | 52%   |
| Post-Production Film Company #2    | 31%   | —   |
| Mini Mass Spectrometer Distributor | 69%   | —   |

The Company maintains funds in bank accounts that may exceed the limit insured by the Federal Deposit Insurance Corporation (the "FDIC"). The risk of loss attributable to these uninsured balances is mitigated by depositing funds in what the Company believes to be high credit quality financial institutions. The Company has not experienced any losses in such accounts.



## (9) Common Stock Incentive, Stock Purchase Plans, and Other Compensation Plans

### 2011 Stock Incentive Plan (“2011 Plan”)

The 2011 Plan was designed to increase shareholder value by compensating employees over the long term. The plan is to be used to promote long-term financial success and execution of the Company’s business strategy. At the time of approval, 350,000 shares of Astrotech’s common stock were reserved for issuance under this plan. On June 26, 2014, an additional 400,000 shares of Astrotech’s common stock were approved for issuance under this plan. On December 7, 2017, an additional 225,000 shares of Astrotech’s common stock were approved for issuance under this plan. On December 7, 2018, an additional 537,197 shares of Astrotech’s common stock were approved for issuance under this plan. The 2011 Plan, administered by the Compensation Committee of the Board of Directors, provides for granting of incentive awards in the form of stock, stock options, stock appreciation rights, and restricted stock to employees, directors, and consultants of the Company. As of June 30, 2019, there were 611,182 shares available for grant under the 2011 Plan.

### Stock Option Activity Summary

The Company’s stock option activity for the years ended June 30, 2019 and 2018 was as follows:

|                              | Shares<br>(In thousands) | Weighted<br>Average<br>Exercise Price |
|------------------------------|--------------------------|---------------------------------------|
| Outstanding at June 30, 2017 | 365                      | \$ 6.25                               |
| Granted                      | —                        | —                                     |
| Exercised                    | —                        | —                                     |
| Canceled or expired          | (4)                      | 5.30                                  |
| Outstanding at June 30, 2018 | 361                      | \$ 5.48                               |
| Granted                      | —                        | —                                     |
| Exercised                    | (3)                      | 2.25                                  |
| Canceled or expired          | (34)                     | 3.51                                  |
| Outstanding at June 30, 2019 | 324                      | \$ 5.71                               |

The aggregate intrinsic value of options exercisable at June 30, 2019 was \$0 as the fair value of the Company’s common stock is less than the exercise prices of these options. The aggregate intrinsic value of all options outstanding at June 30, 2019 was \$0.

| Range of exercise prices | Number<br>Outstanding | Options<br>Outstanding<br>Weighted-<br>Average<br>Remaining<br>Contractual<br>Life (years) | Weighted-<br>Average<br>Exercise<br>Price | Number<br>Exercisable | Options<br>Exercisable<br>Weighted-<br>Average<br>Exercise<br>Price |
|--------------------------|-----------------------|--|---|-----------------------|---|
| \$2.83 – 3.55            | 70,500                | 2.98   | \$ 3.39                                   | 70,500                | \$ 3.39   |
| \$5.30 – 5.85            | 123,653               | 7.86   | 5.48                                      | 79,575                | 5.48  |
| \$6.00 – 8.35            | 130,000               | 5.40   | 7.19                                      | 86,000                | 6.59  |
| <b>\$2.83 – 8.35</b>     | <b>324,153</b>        | <b>5.81</b>  | <b>\$ 5.71</b>                            | <b>236,075</b>        | <b>\$ 5.25</b>  |

Compensation costs recognized related to vested stock option awards during the years ended June 30, 2019 and 2018 were \$0.2 million and \$0.3 million, respectively. At June 30, 2019, there was \$0.1 million of total unrecognized compensation cost related to non-vested stock option awards, which is expected to be recognized over a weighted average period of 0.9 years.

## ***Restricted Stock***

The Company's restricted stock activity for the years ended June 30, 2019 and 2018, was as follows:

|                              | <b>Shares<br/>(In thousands)</b> | <b>Weighted<br/>Average<br/>Grant-Date<br/>Fair Value</b> |
|------------------------------|----------------------------------|---|
| Outstanding at June 30, 2017 | 56                               | \$ 9.95   |
| Granted                      | —                                | —   |
| Exercised                    | (16)                             | 13.37   |
| Canceled or expired          | (12)                             | 8.35  |
| Outstanding at June 30, 2018 | 28                               | \$ 10.16  |
| Granted                      | 209                              | 3.40  |
| Exercised                    | (4)                              | 8.86  |
| Canceled or expired          | (25)                             | 4.55  |
| Outstanding at June 30, 2019 | 208                              | \$ 4.06   |

Compensation costs recognized related to vested restricted stock awards during the years ended June 30, 2019 and 2018 were \$0.1 million and \$0.2 million, respectively. At June 30, 2019, there was \$0.5 million of unrecognized compensation cost related to restricted stock, which is expected to be recognized over a weighted average period of 2.5 years.

## ***Fair Value of Stock-Based Compensation***

Stock-based compensation costs are generally based on the fair value calculated from the Black-Scholes model on the date of grant of stock options. The fair values of stock options are amortized as compensation expense on a straight-line basis over the vesting period of the grants. The Company recognizes forfeitures as they occur. The assumptions used for the years ended June 30, 2019 and 2018 and the resulting estimates of weighted-average fair value per share of options granted or modified are summarized in the following table:

|   | <b>Year Ended<br/>June 30, 2019</b> | <b>Year Ended<br/>June 30, 2018</b> |
|---|-------------------------------------|-------------------------------------|
| Expected Dividend Yield                                   | —                                   | —                                   |
| Expected Volatility                                       | 100%                                | 113%                                |
| Risk-Free Interest Rates                                  | 2.00%                               | 2.86%                               |
| Expected Option Life (in years)                           | 3.50                                | 3.50                                |
| Weighted-average grant-date fair value of options awarded | \$ 3.01                             | \$ 2.83                             |

- The expected dividend yield is based on the Company's current dividend yield and the best estimate of projected dividend yield for future periods within the expected life of the option, which is currently 0%.
- The Company estimated volatility using the historical share price performance over the expected life. Management believes the historical estimated volatility is materially indicative of expectations about future volatility.
- The estimate of the risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.
- For the years ended June 30, 2019 and June 30, 2018, the Company used the simplified method of calculating the expected life of the options.

## **(10) Income Taxes**

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of June 30, 2019 and 2018, the Company had established a full valuation allowance against all of its net deferred tax assets.

For the fiscal year ended June 30, 2019, the Company incurred losses from operations in the amount of \$8.4 million. The total effective tax rate is approximately 10% for the fiscal year. There is no current state tax expense.

FASB ASC 740, Income Taxes addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company had no unrecognized tax benefit for the years ended June 30, 2019 and 2018.

For the years ended June 30, 2019 and 2018, the Company's effective tax rate differed from the federal statutory rate of 21% & 28% respectively, primarily due to the valuation allowance placed against its net deferred tax assets and the recognition of the AMT credit for the fiscal year 2019.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and creates new taxes on certain foreign sourced earnings. In the second quarter of fiscal year 2018, the Company revised its estimated annual effective rate to reflect a change in its federal statutory rate from 35% to 21%. The rate change was effective on January 1, 2018; therefore, the Company's blended statutory tax rate for the fiscal year ended June 30, 2018 was 28%. Note that the Company currently has net operating loss carryovers. A valuation allowance has been recorded to fully reserve for net operating loss carryovers, other carryovers, and book/tax differences on the balance sheet.

### ***SAB 118 Measurement Period***

The Company applied the guidance in SAB 118 when accounting for the enactment-date effects of the Tax Cuts and Jobs Act in 2017 and throughout 2018. At June 30, 2018, the Company had not completed its accounting for all the enactment-date income tax effects of the Tax Cuts and Jobs Act under ASC 740, *Income Taxes*, for remeasurement of deferred tax assets and liabilities. As of December 22, 2018, the Company completed its accounting for all of the enactment-date income tax effects of the Tax Cuts and Jobs Act. As further discussed below, during fiscal year 2019, the Company recognized adjustments of \$509 thousand to the provisional amounts recorded at June 30, 2019 and included these adjustments as a component of gross deferred taxes before valuation allowance.

### ***Deferred Tax Assets and Liabilities***

As of June 30, 2018, the Company remeasured certain deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future (which was generally 21%), by recording a provisional amount of \$8.5 million. Upon further analysis of certain aspects of the Tax Cuts and Jobs Act and refinement of calculations during the year ended June 30, 2019, the Company adjusted its provisional amount by \$509 thousand, which is included as a component of gross deferred taxes before valuation allowance.

Loss carryovers are generally subject to modification by tax authorities until three years after they have been utilized.

The components of income tax benefit from operations are as follows:

| (In thousands)                    | Year Ended June 30, |             |
|-----------------------------------|---------------------|-------------|
|                                   | 2019                | 2018        |
| <b>Current</b>                    |                     |             |
| Federal                           | \$ 858              | \$ —        |
| State and local                   | —                   | —           |
| <b>Total current tax benefit</b>  | <b>\$ 858</b>       | <b>\$ —</b> |
| <b>Deferred</b>                   |                     |             |
| Federal                           | —                   | —           |
| State and local                   | —                   | —           |
| <b>Total deferred tax benefit</b> | <b>\$ —</b>         | <b>\$ —</b> |
| <b>Total tax benefit</b>          | <b>\$ 858</b>       | <b>\$ —</b> |

A reconciliation of the reported income tax benefit to the amount that would result by applying the U.S. Federal statutory rate to the loss before income taxes to the actual amount of income tax benefit recognized follows:

| (In thousands)                  | Year Ended June 30, |             |
|---------------------------------|---------------------|-------------|
|                                 | 2019                | 2018        |
| Expected benefit                | \$ 1,763            | \$ 3,647    |
| State tax (expense) benefit     | —                   | —           |
| Change in valuation allowance   | (1,325)             | (3,608)     |
| AMT credit refund               | —                   | —           |
| Other permanent items           | (9)                 | (39)        |
| <b>Total income tax benefit</b> | <b>\$ 429</b>       | <b>\$ —</b> |

The Company's deferred tax assets as of June 30, 2019 and 2018 consist of the following:

| (In thousands)   | Year Ended June 30, |             |
|--|---------------------|-------------|
|  | 2019                | 2018        |
| Deferred tax assets:   |                     |             |
| Net operating loss carryforwards                                       | \$ 17,738           | \$ 15,976   |
| Alternative minimum tax credit carryforwards                           | —                   | 857         |
| Accrued expenses and other timing                                      | 1,100               | 983         |
| Total gross deferred tax assets  | \$ 18,838           | \$ 17,816   |
| Less — valuation allowance   | (18,903)            | (17,518)    |
| Net deferred tax assets  | \$ (65)             | \$ 298      |
| Deferred tax liabilities:  |                     |             |
| Property and equipment, principally due to differences in depreciation | \$ 65               | \$ (298)    |
| Total gross deferred tax liabilities                                   | 65                  | (298)       |
| <b>Net deferred tax assets</b>   | <b>\$ —</b>         | <b>\$ —</b> |

The Company files consolidated returns for federal, Florida, and Texas income and franchise taxes. In assessing the need for a valuation allowance, management considers whether it is more likely than not that some portion or all of the net deferred tax assets will be utilized to offset future tax liabilities. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As of June 30, 2019, the Company provided a full valuation allowance of approximately \$18.9 million against its net deferred tax assets. This deferred tax asset will be presented as a long-term tax receivable.

The valuation allowance increased by approximately \$1.4 million for the year ended June 30, 2019. Since the Company reflects a full valuation allowance against its deferred tax assets, there has been no income tax impact from these changes. The Tax Cuts and Jobs Act enacted on December 22, 2017 repealed the alternative minimum tax and any available alternative minimum tax credit will be refunded according to the guidelines of the Tax Cuts and Jobs Act. The alternative minimum tax credit is limited to 50% of the available balance each year for tax years 2018 to 2020 and any remaining balance is fully refundable for tax year 2021. The alternative minimum tax credit amount available is \$858 thousand and the current year credit is \$429 thousand.

At June 30, 2019, the Company had net operating loss carryforwards of approximately \$77.7 million with approximately \$57.7 million (\$12.1 million, tax effected) for federal income tax purposes that are available to offset future regular taxable income set to expire between the years of 2020 and 2037. The Company also had net operating loss carryforwards with indefinite lives of approximately \$20.0 million (\$4.2 million, tax effected) for federal income tax purposes that are available to offset future regular taxable income. For net operating losses with indefinite carryforward lives, generated beginning after December 31, 2017, the Tax Cuts and Jobs Act limits the amount of net operating losses to be utilized and deducted by the taxpayer to 80% of the taxpayer's taxable income. Utilization of some of these net operating losses is limited due to the changes in stock ownership of the Company associated with the October 2007 Exchange Offer; as such, the benefit from these losses may not be realized.

At June 30, 2019, the Company also has accumulated state net operating loss carryforwards of approximately \$42.6 million (\$1.4 million, tax effected) that are available to offset future state taxable income. These net operating loss carryforwards expire between the years 2026 and 2038. These losses may also be subject to utilization limitations; as such, the benefit from these losses may not be realized.

The Company has a temporary credit for business loss carryovers that may be utilized to offset its Texas margin tax. At June 30, 2019, the credit amount is \$0.5 million (\$0.3 million, tax effected). These credits may be used to offset \$13 thousand of state tax liability each year and will expire in 2027.

At June 30, 2019, the Company has \$0.4 million of alternative minimum tax credit carryforwards available to offset future regular tax liabilities.

### ***Uncertain Tax Positions***

The Company had no uncertain tax positions at June 30, 2019 and 2018.

The Company recognizes interest and penalties related to income tax matters in income tax expense, as incurred. For the years ended June 30, 2019 and 2018, the Company did not recognize any interest expense for uncertain tax positions.

### **(11) Net Loss per Share**

Basic loss per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method and the if-converted method. Dilutive potential common shares include outstanding stock options and shared-based awards.

Reconciliation and the components of basic and diluted net loss per share are as follows (in thousands, except per share data):

|  | <b>Year Ended</b> |                  |
|--|-------------------|------------------|
|  | <b>2019</b>       | <b>2018</b>      |
| <b>Numerator:</b>  |                   |                  |
| Net loss   | \$ (7,534)        | \$ (13,251)      |
| <b>Denominator:</b>  |                   |                  |
| Denominator for basic and diluted net loss per share — weighted average common stock outstanding | 4,940             | 4,061            |
| <b>Basic and diluted net loss per common share:</b>  |                   |                  |
| Net loss   | <u>\$ (1.53)</u>  | <u>\$ (3.26)</u> |

All unvested restricted stock awards for the years ended June 30, 2019 and 2018 are not included in diluted net loss per share, as the impact to net loss per share is anti-dilutive. Options to purchase 324,153 shares of common stock at exercise prices ranging from \$2.83 to \$8.35 per share outstanding for the year ended June 30, 2019 and options to purchase 361,128 shares of common stock at exercise prices ranging from \$1.60 to \$16.00 per share outstanding for the year ended June 30, 2018 were not included in diluted net loss per share, as the impact to net loss per share is anti-dilutive.

### **(12) Employee Benefit Plans**

Astrotech has a defined contribution retirement plan, which covers substantially all employees and officers. For each of the years ended June 30, 2019 and 2018, the Company has contributed the required match of \$0.2 million to the plan. The Company has the right, but not an obligation, to make additional contributions to the plan in future years at the discretion of the Company's Board of Directors. The Company has not made any additional contributions for the years ended June 30, 2019 and 2018.

### (13) Commitments and Contingencies

The Company is obligated under non-cancelable operating leases for equipment and office space. Future minimum payments under the operating leases are as follows (in thousands):

**For the Year Ended June 30,**

|              |           |              |
|--------------|-----------|--------------|
| 2020         | \$        | 344          |
| 2021         |           | 198          |
| 2022         |           | 204          |
| 2023         |           | 210          |
| 2024         |           | 143          |
| Thereafter   |           | —            |
| <b>Total</b> | <b>\$</b> | <b>1,099</b> |

Rent expense was approximately \$0.3 million and \$0.4 million for the years ended June 30, 2019 and 2018, respectively.

Astrotech Corporation leases office space consisting of 5,219 square feet in Austin, Texas and houses executive management, finance and accounting, marketing and communications as well as the staff of our Astral subsidiary. The lease began in November 2016 and expires in December 2023 with a provision to renew and extend the lease for the entire premises for one renewal term of five years. Astrotech must, in writing, advise the landlord of its intention to renew the lease at least eight months before the expiration of its current lease in order to renew the lease.

In May 2013, 1<sup>st</sup> Detect completed build-out of a new 16,540 square foot leased research and development and production facility in Webster, Texas. This new facility is equipped with state-of-the-art laboratories, a clean room, a production shop, and offices for staff. The term of the lease is 62 months and includes options to extend for two additional five-year periods. In February 2015, 1<sup>st</sup> Detect exercised its right of first refusal on the adjoining space of 9,138 square feet. The original lease began in May 2013 and was to expire in June 2018; these dates were amended in October 2014 with the amended lease beginning February 1, 2015, and expiring April 30, 2020, with provisions to renew and extend the lease for the entire premises, but not less than the entire premises, for two renewal terms of five years each. On June 1, 2018, the Company entered into its third amendment of the original lease removing 8,118 square feet from its leased space, leaving leased premises with a total square footage of 17,560.

In July 2015, Astral subleased premises consisting of approximately 4,000 square feet in Austin, Texas. The lease terminated at the end of June 2018.

#### ***Employment Contracts***

The Company has entered into an employment contract with a key executive. Generally, certain amounts may become payable in the event the Company terminates the executive's employment.

#### ***Legal Proceedings***

The Company is not party to, nor are its properties the subject of, any material pending legal proceedings.

### (14) Segment Information

The Company currently has two reportable business units: 1<sup>st</sup> Detect Corporation and Astral Images Corporation.

#### ***1<sup>st</sup> Detect Corporation***

1<sup>st</sup> Detect is a manufacturer of advanced chemical detection technology that detects and identifies trace amounts of explosives and narcotics.

#### ***Astral Images Corporation***

Astral Images is a developer of advanced film restoration and enhancement software.

All intercompany transactions between business units have been eliminated in consolidation.

Key financial metrics of the Company's segments for the years ended June 30, 2019 and 2018 are as follows:

| Year Ended June 30, 2019 |               |               |   |                          |
|--------------------------|---------------|---------------|---|--------------------------|
| (In thousands)           | Revenue       | Depreciation  | Loss on Impairment of Long-Lived Assets | Loss Before Income Taxes |
| 1 <sup>st</sup> Detect   | \$ 87         | \$ 233        | \$ —                                    | \$ (7,526)               |
| Astral Images            | 40            | 29            | —                                       | (866)                    |
| <b>Total</b>             | <b>\$ 127</b> | <b>\$ 262</b> | <b>\$ —</b>                             | <b>\$ (8,392)</b>        |

| Year Ended June 30, 2018 |              |               |   |                          |
|--------------------------|--------------|---------------|---|--------------------------|
| (In thousands)           | Revenue      | Depreciation  | Loss on Impairment of Long-Lived Assets | Loss Before Income Taxes |
| 1 <sup>st</sup> Detect   | \$ 46        | \$ 392        | \$ (114)                                | \$ (9,582)               |
| Astral Images            | 40           | 357           | (1,579)                                 | (3,669)                  |
| <b>Total</b>             | <b>\$ 86</b> | <b>\$ 749</b> | <b>\$ (1,693)</b>                       | <b>\$ (13,251)</b>       |

| June 30, 2019          |                   |                            |                 |
|------------------------|-------------------|----------------------------|-----------------|
| (In thousands)         | Fixed Assets, Net | Total Capital Expenditures | Total Assets    |
| 1 <sup>st</sup> Detect | \$ 452            | \$ —                       | \$ 3,668        |
| Astral Images          | 17                | —                          | 24              |
| <b>Total</b>           | <b>\$ 469</b>     | <b>\$ —</b>                | <b>\$ 3,692</b> |

| June 30, 2018          |                   |                            |                 |
|------------------------|-------------------|----------------------------|-----------------|
| (In thousands)         | Fixed Assets, Net | Total Capital Expenditures | Total Assets    |
| 1 <sup>st</sup> Detect | \$ 699            | \$ 8                       | \$ 5,075        |
| Astral Images          | 34                | 11                         | 65              |
| <b>Total</b>           | <b>\$ 733</b>     | <b>\$ 19</b>               | <b>\$ 5,140</b> |

### (15) Subsequent Events

Subsequent to year-end and as of September 24, 2019, the Company has sold an additional 146,466 shares of common stock pursuant to the ATM Offering. In connection with the sales of these shares of common stock, the Company has received net proceeds of \$327,891. The weighted-average sale price per shares was \$2.24.

On September 5, 2019, the Company entered into a private placement transaction with Thomas B. Pickens III, the Chief Executive Officer and Chairman of the Board of Directors of the Company for the issuance and sale of a secured promissory note (the "Note") to Mr. Pickens with a principal amount of \$1,500,000. Interest on the Note shall accrue at 11% per annum. The principal amount and accrued interest on the Note shall become due and payable on September 5, 2020 (the "Maturity Date"). The Company may prepay the principal amount and all accrued interest on the Note at any time prior to the Maturity Date. In connection with the issuance of the Note, the Company, along with 1<sup>st</sup> Detect Corporation and Astrotech Technologies, Inc. (the "Subsidiaries"), entered into a security agreement, dated as of September 5, 2019, with Mr. Pickens (the "Security Agreement"), pursuant to which the Company and the Subsidiaries granted to Mr. Pickens a security interest in all of the Company's and the Subsidiaries' Collateral, as such term is defined in the Security Agreement. In addition, the Subsidiaries jointly and severally agreed to guarantee and act as surety for the Company's obligation to repay the Note pursuant to a subsidiary guarantee (the "Subsidiary Guarantee").

On September 20, 2019, the Company announced the launch of a new subsidiary company, Agriculture Technology Corporation ("AG-TECH"), in response to a growing number of inquiries from the agriculture industry requiring detection of trace levels of harmful pesticides in agricultural products. AG-TECH licenses its AG-LAB-1000 technology from another newly formed subsidiary of the Company, Astrotech Technology, Inc. ("ATI"). ATI also licenses its mass spectrometry technology to 1<sup>st</sup> Detect for use in its TRACER 1000.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our internal controls through the oversight of the operations of the Company, and, based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. There have been no changes in our internal controls over financial reporting that occurred during the year ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and information required to be disclosed by us in the reports that we file under Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decision regarding required disclosure.

***Management's Report on Internal Controls over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive and financial officers, we conducted an evaluation of the effectiveness of our internal controls over financial reporting as of June 30, 2019, based on the frame-work in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal controls over financial reporting were effective as of June 30, 2019.

This annual report does not include an attestation report of our registered public accounting firm regarding internal controls over financial reporting. Management's report was not subject to attestation by our registered accounting firm pursuant to §989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which exempts the Company from the requirement that it include an attestation report of the Company's registered public accounting firm regarding internal controls over our management's assessment of internal controls over financial reporting.

**Item 9B. Other Information**

None.



## PART III

### Item 10. Directors, Executive Officers, and Corporate Governance

The following sets forth information concerning members of the Board of Directors:

| Current Directors        | Principal Occupation  | Age as of June 30, 2019 | Director Since |
|--------------------------|---|-------------------------|----------------|
| Thomas B. Pickens III    | Chairman and Chief Executive Officer of Astrotech Corporation | 62                      | 2004           |
| Mark Adams *             | Founder and CEO, Waterloo Medical Solution, LLC               | 57                      | 2007           |
| Daniel T. Russler, Jr. * | Principal, Family Asset Management, LLC                       | 56                      | 2011           |
| Ronald W. Cantwell *     | President, VC Holdings, Inc.                                  | 75                      | 2015           |
| Tom Wilkinson *          | Chief Executive Officer, Xplore Technologies                  | 49                      | 2018           |

\* Indicates independent director

#### Directors

### Thomas B. Pickens III

*Chairman and Chief Executive Officer of Astrotech Corporation*

Mr. Pickens currently serves as Chairman of the Board and Chief Executive Officer of Astrotech Corporation (NASDAQ: ASTC) and has held that position since January 2007. Mr. Pickens also currently serves as CEO of the Astrotech subsidiaries Astrogenetix Corporation and Astral Images Inc.

From 1982 to 1984, Mr. Pickens was the founder and President of Beta Computer Systems, Inc.; from 1985 to 1995, founder and President of T.B. Pickens & Co.; from 1986 to 1988, founder and General Partner of Grace Pickens Acquisition Partners L.P.; from 1988 to 1989, founder and Managing Partner of Sumpter Partners. From 1988 to 1994, Mr. Pickens was the CEO of Catalyst Energy Corporation and CEO of United Thermal Corporation (NYSE), President of Golden Bear Corporation, President of United Hydro, Inc., President of Slate Creek Corporation and President of Eury Dam Corporation. From 1995 to 2003, Mr. Pickens was the founder and CEO of U.S. Utilities, The Code Corporation, Great Southern Water Corp., South Carolina Water & Sewer, Inc. and the founder and Managing Partner of Pickens Capital Income Fund L.P. From 2004 to 2006, he was the Co-Chairman of the Equity Committee during the bankruptcy of Mirant Corp. (NASDAQ: MIRKQ).

Mr. Pickens is currently the Chairman of the Board of Astrotech Corporation, 1<sup>st</sup> Detect Corporation, Astrogenetix Corporation and Astral Images, Inc. and was the Chairman of the Board of Xplore Technologies Corporation (NASDAQ: XPLR) until it was sold to Zebra Technologies (NASDAQ: ZBRA) in July 2018. He has served as the Chairman of the Board of Astrotech Space Operations, Inc., Beta Computer Systems, Inc., Catalyst Energy Corporation, United Thermal (NYSE), Century Power Corporation, Vidilia Hydroelectric Corporation, U.S. Utilities, Great Southern Water Corp. and South Carolina Water & Sewer, Inc. He has served as a member on the boards of Trenwick America Reinsurance Corporation, Spacehab Inc. (NASDAQ), Advocate MD, Optifab, Inc. (NASDAQ), and was the New York chapter Chairman of United Shareholders Association, a shareholders' rights organization.

## **Mark Adams**

*Founder and CEO, Waterloo Medical Solution, LLC*

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Mr. Adams is the co-founder and Chief Executive Officer of Waterloo Medical Solution, LLC which began operations in 2016. Prior to this in 2009, he co-founded SOZO Global, Inc., a specialty based nutritional products company and served as the company's Chairman and Chief Executive Officer from 2011 until it was sold in 2016. Prior to that in 2003, Mr. Adams founded and ran as Chairman and Chief Executive Officer, Advocate, MD Financial Group, Inc., a leading Texas-based medical liability insurance holding company which he sold in 2009 and continued to run as Chief Executive Officer through 2011. Mr. Adams is also a founding partner in several other companies. Some of the companies he founded and currently owns include Murphy Adams Restaurant Group, Inc. which he co-founded in 2007, and which owns and is rapidly expanding Mama Fu's Asian House restaurants throughout the United States and the Middle East. In 2008, Mr. Adams co-founded Kind Health, LLC which is a unique online application driven health insurance curator. Also in 2008, Mr. Adams co-founded Small Business United, LLC, a non-profit organization that supports small businesses. In the last three years, Mr. Adams co-founded Olympic Capital Partners, LLC, a focused real estate investment fund, Direct Sales Forge, LLC a specialty software development company, and Direct Mobile, LLC a mobile application development company.

Mr. Adams brings to our Board a wide range of experience in business with a particular focus on entrepreneurship. He has brought his diversity of thought to the Board of Directors since 2007, which positions him as the longest tenured director other than Mr. Pickens. As stated above, Mr. Adams serves as a director for several public and private companies, including Astrotech, providing the Board with expertise in management and corporate governance. Mr. Adams serves on the Corporate Governance and Nominating Committee. Mr. Adams has been married to his wife Melissa for 30 years and they live in Austin, Texas along with their three sons.

## **Daniel T. Russler, Jr.**

*Principal, Family Asset Management, LLC*

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Daniel Russler has more than 25 years of capital markets, development and entrepreneurial experiences, including an extensive background in sales and trading of a broad variety of equity, fixed income and private placement securities. Since 2003, Mr. Russler has been the Principal Partner of Family Asset Management, LLC, a multi-family office providing high net worth individuals and families with financial services. Mr. Russler has held portfolio and risk management positions at First Union Securities, Inc., J.C. Bradford & Co., William R. Hough & Co., New Japan Securities International, and Bankers Trust Company.

Mr. Russler received an MBA from the Owen Graduate School of Management at Vanderbilt University and a Bachelors degree in English and political science from the University of North Carolina. Mr. Russler has extensive knowledge of finance, entrepreneurship, investment allocation and capital raising matters that the Board of Directors feels will add value to the Company for the shareholders. The Board of Directors has determined that Mr. Russler meets the qualification guidelines as an "audit committee financial expert" as defined by the SEC rules. Mr. Russler is Chairman of the Governance and Nominating Committee and serves on both the Audit Committee and the Compensation Committee.

## **Ronald (Ron) W. Cantwell**

*President, VC Holdings, Inc.*

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Ron Cantwell is President of VC Holdings, Inc., through which Mr. Cantwell provides advisory services in corporate and project investment structuring, mergers and acquisitions, financial restructuring and operations management. In addition, Mr. Cantwell serves as Chairman and Chief Executive Officer of Catalyst Group, Inc., and spent nineteen years in public accounting, most recently as a Tax Partner in the Ernst & Young, LLP Dallas office.

Mr. Cantwell graduated with honors from the University of Wisconsin in Madison and is licensed as a certified public accountant. Mr. Cantwell has a 47-year background in corporate and project investment structuring, mergers and acquisitions, financial/tax/regulatory restructuring and reporting and operational management. The Board of Directors has determined that Mr. Cantwell meets the qualification guidelines as an "audit committee financial expert" as defined by the SEC rules. Mr. Cantwell is Chairman of the Audit Committee and serves on the Compensation Committee.

## Tom Wilkinson

*Chief Executive Officer, Xplore Technologies*

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Mr. Wilkinson is the former Chief Executive Officer of Xplore Technologies Corp. (NASDAQ:XPLR) which was sold to Zebra Technologies in July 2018. Prior to becoming the Chief Executive Officer, Mr. Wilkinson served as the Chief Financial Officer of this international rugged tablet company. Prior to his tenure at Xplore, he served as Chief Financial Officer for Amherst Holdings, a financial services company focused on real estate and real estate financing. In this role, Mr. Wilkinson took part in the successful sale of Amherst's broker dealer subsidiary, significant capital generation for new strategies and the spin-off of one of the largest single-family equity businesses in the United States. Mr. Wilkinson was the co-founder and Managing Partner of PMB Helin Donovan, a multi-office regional accounting firm where he led the growth of the firm both organically and through acquisition to one of the top 200 firms in the United States. His clients included a large number of US Public Companies and international businesses.

Mr. Wilkinson has brought to our Board significant financial experience, as well as mergers and acquisitions, international business and executive compensation expertise after joining the Board and becoming Chairman of the Compensation Committee in October 2018. He has both Master's and Bachelor's degrees from the University of Texas and is a Certified Public Accountant in Texas and Colorado. The Board of Directors has determined that Mr. Wilkinson meets the qualification guidelines as an "audit committee financial expert" as defined by the SEC rules. Mr. Wilkinson is Chairman of the Compensation Committee and serves on the Audit Committee and the Corporate Governance and Nominating Committee.

### Executive Officers of the Company

Set forth below is a summary of the background and business experience of the executive officers of the Company:

| Name                | Position(s)                                      | Age as of June 30, 2019 |
|---------------------|--|-------------------------|
| Eric N. Stober      | Chief Financial Officer, Treasurer and Secretary | 41                      |
| Rajesh Mellacheruvu | Vice President and Chief Operating Officer       | 49                      |

## Eric N. Stober

*Chief Financial Officer, Treasurer and Secretary*

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Eric Stober joined Astrotech Corporation in 2008 and was promoted to Chief Financial Officer, Treasurer and Secretary in 2013. Mr. Stober brings significant experience in private equity, finance and business start-ups. Prior to joining Astrotech Corporation, he worked at the private equity firm Virtus Financial Group analyzing prospective middle market investments. Additionally, Mr. Stober founded or co-founded several companies, including a web advertising company, a small business tax and financial advisory firm, a sports-based media and entertainment company, and a service provider sourcing company. He has also helped numerous companies raise start-up or growth capital. Mr. Stober began his professional career working for both The Ayco Company, a subsidiary of Goldman Sachs Company (NYSE: GS), and Lehman Brothers (formerly NYSE: LEH), where he helped wealthy individuals and families manage their investments, taxes, insurance, estate plans, and compensation and benefits.

Mr. Stober has an MBA from the McCombs School of Business at the University of Texas where he was the President of the MBA Entrepreneur Society. He also has an undergraduate degree in Finance from the University of Illinois where he graduated with honors.

## **Rajesh (Raj) Mellacheruvu**

*Vice President and Chief Operating Officer*

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Rajesh Mellacheruvu has been Vice President and Chief Operating Officer of the Company since February 2015 and is also serving as the Chief Executive Officer of 1<sup>st</sup> Detect. Prior to joining the Company, Mr. Mellacheruvu was the Managing Director of Noumenon Consulting, Inc., providing consultant services on product strategy, management and business operation to 1<sup>st</sup> Detect, a subsidiary of the Company, since 2013. Mr. Mellacheruvu was previously employed by ClearCube Technology, Inc. as Vice President of Products Development and Strategy, Omega Band as an Engineer, and Advance Micro Devices as a Product Development Engineer.

Mr. Mellacheruvu has an MBA in Business Strategy and Finance from Kellogg School of Management at Northwestern University, a Masters in Electrical Engineering from Texas A&M University and a Bachelor's degree in Electronics and Communication Engineering from Osmania University.

### **Board of Directors**

The Board held a total of four meetings during fiscal 2019 and acted eleven times by written consent. All of our directors are expected to attend each meeting of our Board and the committees on which they serve and are encouraged to attend annual shareholder meetings, to the extent reasonably possible. All directors attended 95% of the aggregate of the meetings of our Board and committees on which they served in fiscal 2019 held during the period in which they served as directors. Three out of five of the directors attended our 2018 annual meeting of shareholders.

#### *Director Nomination Process*

Regarding nominations for directors, the Corporate Governance and Nominating Committee identifies nominees in various ways. The Corporate Governance and Nominating Committee considers the current directors that have expressed interest in, and that continue to satisfy, the criteria for serving on the Board of Directors. Other nominees may be proposed by current directors, members of management, or by shareholders. From time to time, the Corporate Governance and Nominating Committee may engage a professional firm to identify and evaluate potential director nominees. Regarding the skills of the director candidate, the Corporate Governance and Nominating Committee considers individuals with industry and professional experience that complements the Company's goals and strategic direction. The Corporate Governance and Nominating Committee has established certain criteria it considers as guidelines in considering nominations for the Board of Directors. The criteria include:

- the candidate's independence;
- the candidate's depth of business experience;
- the candidate's availability to serve;
- the candidate's integrity and personal and professional ethics;
- the diversity of experience and background relative to the Board of Directors as a whole; and
- the need for specific expertise on the Board of Directors.

The above criteria are not exhaustive and the Corporate Governance and Nominating Committee may consider other qualifications and attributes which they believe are appropriate in evaluating the ability of an individual to serve as a member of the Board of Directors. In order to ensure that the Board of Directors consists of members with a variety of perspectives and skills, the Corporate Governance and Nominating Committee has not set any minimum qualifications and also considers candidates with appropriate non-business backgrounds. Other than ensuring that at least one member of the Board of Directors is a financial expert and a majority of the Board of Directors meet all applicable independence requirements, the Corporate Governance and Nominating Committee looks for how the candidate can adequately address his or her fiduciary requirement and contribute to building shareholder value. With regards to diversity, the Company does not have a formal policy for the consideration of diversity in Board of Director candidates, but Company practice has historically considered this in director nominees and the Company expects to continue to in future nomination and review processes. The Corporate Governance and Nominating Committee will consider, for possible Board endorsement, director candidates recommended by shareholders.

### **Committees of the Board of Directors**

During fiscal year 2019, the Board of Directors had three standing committees: an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee.

Each such committee currently consists of three persons, and each member of the Audit, Compensation, and Corporate Governance and Nominating Committees meet the independence requirements of the NASDAQ's Listing Rules.

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

The Audit Committee is composed solely of independent directors that meet the requirements of NASDAQ and SEC rules and operates under a written charter adopted by the Audit Committee and approved by the Board of Directors. The charter is available on the Company's website at [www.astrotechcorp.com](http://www.astrotechcorp.com) under the heading "For Investors." The Audit Committee is responsible for appointing and compensating a firm of independent auditors to audit the Company's financial statements, as well as oversight of the performance and review of the scope of the audit performed by the Company's Independent Registered Public Accounting Firm. The Audit Committee also reviews audit plans and procedures, changes in accounting policies, and the use of the independent auditors for non-audit services. As of the end of fiscal year 2019, the Audit Committee consisted of Messrs. Cantwell (Chairman), Russler, and Wilkinson.

During fiscal year 2019, the Audit Committee met five times. The Board of Directors has determined that each of Messrs. Cantwell, Russler, and Wilkinson met the qualification guidelines as an "audit committee financial expert" as such term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the SEC.

#### ***Audit Committee Pre-Approval Policy and Procedures***

The Audit Committee is responsible for appointing, setting compensation for, and overseeing the work of Armanino LLP, the Company's independent auditor. Audit Committee policy requires the pre-approval of all audit and permissible non-audit services to be provided by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. The policy, as amended, provides for the general pre-approval of specific types of services and gives detailed guidance to management as to the specific audit, audit-related, and tax services that are eligible for general pre-approval. For both audit and non-audit pre-approvals, the Audit Committee will consider whether such services are consistent with applicable law and SEC rules and regulations concerning auditor independence.

The policy delegates to the Chairman of the Audit Committee the authority to grant certain specific pre-approvals, provided that the Chairman of the Audit Committee is required to report the granting of any pre-approvals to the Audit Committee at its next regularly scheduled meeting. The policy prohibits the Audit Committee from delegating to management the Audit Committee's responsibility to pre-approve services performed by the independent auditor.

Requests for pre-approval of services must be detailed as to the particular services proposed to be provided and are to be submitted by the CFO. Each request generally must include a detailed description of the type and scope of services, a proposed staffing plan, a budget of the proposed fees for such services, and a general timetable for the performance of such services.

#### ***Compensation Committee***

The Compensation Committee is composed solely of independent directors that meet the requirements of NASDAQ and SEC rules and operates under a written charter adopted by the Compensation Committee and approved by the Board of Directors in May 2004 and amended in May 2005. The charter is available on the Company's website at [www.astrotechcorp.com](http://www.astrotechcorp.com) under the heading "For Investors." The Compensation Committee is responsible for determining the compensation and benefits of all executive officers of the Company and establishing general policies relating to compensation and benefits of employees of the Company. The Compensation Committee is delegated all authority of the Board of Directors as may be required or advisable to fulfill the purposes of the Compensation Committee. Meetings may, at the discretion of the Compensation Committee, include members of the Company's management, other members of the Board of Directors, consultants or advisors, and such other persons as the Compensation Committee or its chairperson may determine in an informational or advisory capacity.

The Board of Directors annually considers the performance of our Chief Executive Officer. Meetings to determine the compensation of the CEO must be held in executive session. Meetings to determine the compensation of any officer of the Company other than the CEO may be attended by the CEO, but the CEO may not vote on these matters.

The Compensation Committee also administers the Company's 2011 Stock Incentive Plan and 2008 Stock Incentive Plan in accordance with the terms and conditions set forth in those plans. As of the end of fiscal year 2019, the Compensation Committee consisted of Messrs. Wilkinson (Chairman), Russler, and Cantwell. During fiscal year 2019, the Compensation Committee met three times.

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

The Corporate Governance and Nominating Committee was created by the Board of Directors. The Corporate Governance and Nominating Committee is comprised solely of independent directors that meet the requirements of NASDAQ and SEC rules and operates under a written charter adopted by the Corporate Governance and Nominating Committee and approved by the Board of Directors. The charter is available on the Company's website at [www.astrotechcorp.com](http://www.astrotechcorp.com) under the heading "For Investors." The primary purpose of the Corporate Governance and Nominating Committee is to provide oversight on the broad range of issues surrounding the composition and operation of the Board of Directors, including identifying individuals qualified to become Board of Directors members and recommending director nominees for the next Annual Meeting of Shareholders. As of the end of fiscal year 2019, the Corporate Governance and Nominating Committee consisted of Messrs. Russler (Chairman), Adams, and Wilkinson. During fiscal year 2019, the Corporate Governance and Nominating Committee did not meet.

#### **Code of Ethics and Business Conduct**

The Company's Code of Ethics and Business Conduct applies to all directors, officers, and employees of Astrotech. The key principles of this code include acting legally and ethically, speaking up, getting advice, and dealing fairly with the Company's shareholders. The Code of Ethics and Business Conduct is available on the Company's website at [www.astrotechcorp.com](http://www.astrotechcorp.com) under the heading "For Investors" and a copy is available to the Company's shareholders upon request. The Code of Ethics and Business Conduct meets the requirements for a "Code of Conduct" under NASDAQ rules.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, and persons who beneficially own more than 10% of the Company's common stock to file reports of ownership and changes in ownership with the SEC. Such directors, executive officers, and greater than 10% shareholders are required by SEC regulation to furnish to the Company copies of all Section 16(a) forms they file. Due dates for the reports are specified by those laws, and the Company is required to disclose in this document any failure in the past fiscal year to file by the required dates. Based upon a review of the copies of such forms furnished to us, we believe that all filings required to be made pursuant to Section 16(a) of the Exchange Act during the year ended June 30, 2019 were filed in a timely manner with the exception of a Form 3 that was to be filed by Tom Wilkinson on October 4, 2018 in connection with his appointment as a Director. Mr. Wilkinson filed such form on October 22, 2018.

#### **Family Relationships**

There are no family relationships between or among any of our directors and executive officers.

#### **Involvement in Certain Legal Proceedings**

None of our directors or executive officers has been involved in any legal proceeding in the past 10 years that would require disclosure under Item 401(f) of Regulation S-K promulgated under the Securities Act.

#### **Item 11. Executive Compensation**

The following table and footnotes provide information on compensation for the services of our Named Executive Officers (“NEOs”) for fiscal year 2019 and, where required, fiscal year 2018.

| <b>Name and Principal Position</b> | <b>Fiscal Year</b> | <b>Salary (\$)</b> | <b>Bonus (\$)</b> | <b>Stock Awards (\$)(1)</b> | <b>Options (\$)(2)</b> | <b>All Other Compensation (\$)(3)</b> | <b>Total (\$)</b> |
|------------------------------------|--------------------|--------------------|-------------------|-----------------------------|------------------------|---------------------------------------|-------------------|
| Thomas B. Pickens III;             | 2019               | 421,049            | —                 | 21,262                      | 58,958                 | 33,618                                | 534,887           |
| Chief Executive Officer            | 2018               | 471,607            | —                 | —                           | 58,912                 | 24,897                                | 555,416           |
| Eric N. Stober;                    | 2019               | 294,716            | —                 | 6,075                       | 31,550                 | 14,891                                | 347,232           |
| Chief Financial Officer            | 2018               | 287,596            | —                 | —                           | 31,526                 | 13,721                                | 332,843           |
| Rajesh Mellacheruvu;               | 2019               | 272,663            | —                 | 21,262                      | 40,497                 | 8,058                                 | 342,480           |
| Chief Operating Officer            | 2018               | 266,071            | —                 | 53,280                      | 76,123                 | 3,892                                 | 399,366           |

1. The amounts in this column include restricted stock granted to the NEOs. On December 17, 2018, Mr. Pickens was granted 35,000 shares of restricted stock, Mr. Stober was granted 10,000 shares of restricted stock, and Mr. Mellacheruvu was granted 35,000 shares of restricted stock. These grants vest over a three-year period and represented in this column is the amount that vested during that fiscal year.
2. The amounts in this column include stock options awards for the NEOs. On May 9, 2017, Mr. Pickens was awarded 40,000 options, Mr. Stober was awarded 20,000 options, and Mr. Mellacheruvu was awarded 25,671 options. These options vest over a three-year period and represented in this column is the amount that vested during that fiscal year.
3. The amounts in this column include the following: supplemental disability insurance premiums, cellular telephone service allowances, matching contributions under our 401(k) savings plan, and payments associated with a car allowance for Mr. Pickens.

## **Employment Agreements**

The Company entered into an employment agreement with Mr. Pickens on October 6, 2008, which sets forth, among other things, Mr. Pickens’ minimum base salary, bonus opportunities, provisions with respect to certain payments, and other benefits upon termination of employment under certain circumstances such as without “Cause,” “Good Reason,” or in event of a “Change in Control” of the Company. Please see Potential Payments Upon Termination or Change in Control for a description of such provisions. Pursuant to the employment agreement between the Company and Mr. Pickens, his required minimum annual base salary is \$360,000. He is eligible for short-term cash incentives, as are all employees of the Company. None of the other NEOs are party to an employment agreement.

## **Cash Bonus Awards**

During fiscal years 2019 and 2018, no cash bonus awards were given to the NEOs.

## **Long-Term Equity Compensation Awards**

The Compensation Committee has the authority to grant equity compensation awards under our 2011 Stock Incentive Plan (the “2011 Stock Incentive Plan”).

### *Summary of the 2011 Stock Incentive Plan*

The 2011 Stock Incentive Plan permits the discretionary award of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and incentive awards.

Any employee or consultant of the Company (or its subsidiaries) or a director of the Company who, in the opinion of the Compensation Committee, is in a position to contribute to the growth, development, or financial success of the Company, is eligible to participate in the 2011 Stock Incentive Plan. In any calendar year, no covered employee described in Section 162(m) of the Internal Revenue Code may be granted (in the case of stock options and stock appreciation rights), or

have vest (in the case of restricted stock or other stock-based awards), awards relating to more than 160,000 shares of Common Stock, and the maximum aggregate cash payout with respect to incentive awards paid in cash to such covered employees may not exceed \$5,000,000.

The maximum number of shares of the Company's common stock that may be delivered pursuant to awards granted under the 2011 Stock Incentive Plan is 1,512,197 shares of common stock. Any shares subject to an award under the 2011 Stock Incentive Plan that are forfeited or terminated, expire unexercised, lapse or are otherwise canceled in a manner such that the shares of common stock covered by such award are not issued may again be used for awards under the 2011 Stock Incentive Plan. A maximum of 1,512,197 shares of common stock may be issued upon exercise of incentive stock options. The maximum number of shares deliverable pursuant to awards granted under the 2011 Stock Incentive Plan is subject to adjustment by the Compensation Committee in the event of certain dilutive changes in the number of outstanding shares. Under the 2011 Stock Incentive Plan, the Company may issue authorized but unissued shares, treasury shares, or shares purchased by the Company on the open market or otherwise. In addition, the number of shares of common stock available for future awards is reduced by the net number of shares issued pursuant to an award.

On December 7, 2018, the Board of Directors approved an amendment to the 2011 Stock Incentive Plan to increase the aggregate number of shares of our common stock available under the 2011 Stock Incentive Plan by an additional 537,197 shares of common stock. This increased the number of shares of the Company's common stock that may be delivered pursuant to awards granted under the 2011 Stock Incentive Plan from 975,000 to 1,512,197 shares. Our stockholders approved the amendment at the 2018 annual shareholders' meeting.



### Outstanding Equity Awards at the End of Fiscal Year 2019

The following table shows certain information about equity awards as of June 30, 2019:

| Name                  | Option Awards (1)  |   |                            |                 | Stock Awards                        |  |
|-----------------------|--|---|----------------------------|-----------------|-------------------------------------|--|
|                       | Number of Securities Underlying Unexercised Options Exercisable (#)(2) | Number of Securities Underlying Unexercised & Unearned Options (#)(3) | Option Exercise Price (\$) | Expiration Date | Number of Shares Not Yet Vested (#) | Market Value of Shares Not Yet Vested at Grant Date (\$) |
| Thomas B. Pickens III | 22,500   | —   | 3.55                       | 09/13/21        | —                                   | —  |
|                       | 20,000   | —   | 6.00                       | 08/21/22        | —                                   | —  |
|                       | 26,666   | 13,334  | 5.85                       | 05/09/27        | —                                   | —  |
|                       | —  | —   | —                          | —               | 35,000                              | 119,000  |
| Eric N. Stober        | 2,800  | —   | 3.55                       | 09/13/21        | —                                   | —  |
|                       | 2,000  | —   | 6.00                       | 08/21/22        | —                                   | —  |
|                       | 13,333   | 6,667   | 5.30                       | 05/09/27        | —                                   | —  |
|                       | —  | —   | —                          | —               | 10,000                              | 34,000   |
| Rajesh Mellacheruvu   | 8,000  | —   | 2.83                       | 04/07/25        | —                                   | —  |
|                       | 34,000   | —   | 7.50                       | 02/17/26        | —                                   | —  |
|                       | 17,114   | 8,557   | 5.30                       | 05/09/27        | —                                   | —  |
|                       | —  | —   | —                          | —               | 35,000                              | 119,000  |

1. All exercisable options will expire 90 days after the date of employee's termination.
2. Options granted on September 13, 2011 and August 21, 2012 vested upon the Company's common stock achieving a closing price of \$1.50 on October 21, 2013. These options expire 10 years from the grant date.
3. Options granted vest in equal annual installments over a three-year period subject to the NEO's continuous employment with the Company.

The following table provides information with respect to the vesting of each NEO's outstanding exercisable options:

| Schedule of Vested Astrotech Stock Option Grants | Amount Vested (#) |
|--|-------------------|
| Thomas B. Pickens III                            | 69,166            |
| Eric N. Stober                                   | 18,133            |
| Rajesh Mellacheruvu                              | 59,114            |

#### 401(k) Savings Plan

We maintain a tax-qualified retirement plan that provides eligible employees, including NEOs, with an opportunity to save for retirement on a tax advantaged basis. All participants' interests in their deferrals are 100% vested when contributed. Contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participant's directions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan, and all contributions, if any, are deductible by the Company when made. The 401(k) plan does not promise any guaranteed minimum returns or above-market returns; the investment returns are dependent upon actual investment results. Accordingly, when determining annual compensation for executive officers, the Company does not consider the individuals' retirement plan balances and payout projections.

## Potential Payments Upon Termination or Change in Control

As noted above, the Company has entered into an employment agreement with Mr. Pickens that provides for payments and other benefits in connection with termination of his employment for a qualifying event or circumstance and for enhanced payments in connection with such termination after a Change in Control (as defined below). A description of the terms with respect to each of these types of terminations follows.

### *Termination other than after a Change in Control*

The employment agreement provides for payments of certain benefits upon the termination of the employment of the NEO. The NEO's rights upon termination of his employment depends upon the circumstances of the termination. For purposes of the employment agreement, Mr. Pickens' employment may be terminated at any time by the Company upon any of the following:

- Death of the NEO;
- In the event of physical or mental disability where the NEO is unable to perform his duties;
- For Cause or Material Breach where Cause is defined as conviction of certain crimes and/or felonies, and Material Breach is defined to include certain specified failures of the NEO to perform duties or uphold fiduciary responsibilities; or
- Otherwise at the discretion of the Company and subject to the termination obligations set forth in the employment agreement.

The NEO may terminate his employment at any time upon any of the following:

- Death of the NEO;
- In the event of physical or mental disability where the NEO is unable to perform his duties;
- The Company's material reduction in the NEO's authority, perquisites, position, title or responsibilities or other actions that would give the NEO the right to resign for "Good Reason;" or
- Otherwise at the discretion of the NEO and subject to the termination obligations set forth in the employment agreement.

### *Termination after a Change in Control*

A termination after a Change in Control is similar to the severance provisions described above, except that Mr. Pickens becomes entitled to benefits under these provisions only if his employment is terminated within twelve months following a Change in Control. A Change in Control for this purpose is defined to mean (i) the acquisition by any person or entity of the beneficial ownership of securities representing 50% or more of the outstanding securities of the Company having the right under ordinary circumstances to vote at an election of the Board of Directors of the Company; (ii) the date on which the majority of the members of the Board of Directors of the Company consists of persons other than directors nominated by a majority of the directors on the Board of Directors at the time of their election; and (iii) the consummation of certain types of transactions, including mergers and the sale or other disposition of all, or substantially all, of the Company's assets.

As with the severance provisions described above, the rights to which the NEO is entitled under the Change in Control provisions upon a termination of employment are dependent on the circumstances of the termination. The definitions of Cause and other reasons for termination are the same in this termination scenario as in a termination other than after a Change in Control.

## **DIRECTOR COMPENSATION**

### **Overview**

Astrotech's director compensation program consists of cash-based as well as equity-based compensation. The Board of Directors recognizes that cash compensation is an integral part of the compensation program and has instituted a fixed and variable fee structure to provide compensation relative to the required time commitment of each director. The equity component of Astrotech's director compensation program is designed to build an ownership stake in the Company while conveying an incentive to directors relative to the returns recognized by our shareholders.

### **Cash-Based Compensation**

The Company's directors, other than the Chairman of each the Audit, Compensation, and Corporate Governance and Nominating Committees, receive an annual stipend of \$40,000. The Chairman of the Audit Committee receives an annual stipend of \$55,000, the Chairman of the Compensation Committee receives an annual stipend of \$47,500, and the Chairman of the Corporate Governance and Nominating Committee receives an annual stipend of \$45,000, recognizing the additional duties and responsibilities of each of those roles. These stipends are generally paid on a biannual basis.

In addition, each non-employee director receives a meeting fee of \$4,000 for each meeting of the Board of Directors attended by such director in person and \$1,500 by conference call.

The Chairman of the Audit Committee receives \$1,250 for attendance at Audit Committee meetings in person or by conference call; all other members of the Audit Committee receive \$1,000 for attendance at meetings in person or by conference call. The Chairman of the Compensation Committee receives \$1,000 for attendance at Compensation Committee meetings in person or by conference call; all other members of the Compensation Committee receive \$750 for attendance at meetings in person or by conference call. The Chairman of the Corporate Governance and Nominating Committee receives \$1,000 for attendance at Corporate Governance and Nominating Committee meetings in person or by conference call; all other members of the Corporate Governance and Nominating Committee receive \$750 for attendance at meetings in person or by conference call. All directors are reimbursed ordinary and reasonable expenses incurred in exercising their responsibilities in accordance with the Business Expense Reimbursement policy applicable to all employees of the Company.

### **Equity-Based Compensation**

Under provisions adopted by the Board of Directors, each non-employee director receives 5,000 shares of restricted Common Stock issued upon his first election to the Board of Directors, subject to board discretion. Other stock awards are given to the directors at the discretion of the Compensation Committee. Restricted stock and stock options granted typically terminate in 10 years. Already vested shares do not expire upon termination of the director's term on the Board of Directors.

### **Pension and Benefits**

The non-employee directors are not eligible to participate in the Company's benefits plans, including the 401(k) plan.

### **Indemnification Agreements**

The Company is party to indemnification agreements with each of its directors and executive officers that require the Company to indemnify the directors and executive officers to the fullest extent permitted by Delaware state law. The Company's Certificate of Incorporation also requires the Company to indemnify both the directors and executive officers of the Company to the fullest extent permitted by Delaware state law.

**Fiscal Year 2019 Non-Employee Director Compensation Table**

| <b>Name</b>            | <b>Fees Earned or Paid<br/>in Cash (\$)</b> | <b>Stock Awards<br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|------------------------|---|------------------------------|-----------------------|
| Mark Adams             | 67,750                                      | 10,925                       | 78,675                |
| Daniel T. Russler, Jr. | 80,750                                      | 10,925                       | 91,675                |
| Ronald W. Cantwell     | 97,000                                      | 35,430                       | 132,430               |
| Tom Wilkinson          | 69,375                                      | 9,112                        | 78,487                |
| <b>Total</b>           | <b>314,875</b>                              | <b>66,392</b>                | <b>381,267</b>        |

The table below provides the number of outstanding stock options and unvested restricted stock held by each non-employee director as of June 30, 2019.

| <b>Name</b>            | <b>Aggregate Number of Options<br/>Outstanding (#)</b> | <b>Aggregate Number of Unvested<br/>Restricted Stock Shares<br/>Outstanding (#)</b> |
|------------------------|--|---|
| Mark Adams             | 17,000   | 1,667   |
| Daniel T. Russler, Jr. | 17,000   | 1,667   |
| Ronald W. Cantwell     | 8,000  | 2,667   |
| Tom Wilkinson          | —  | —   |
| <b>Total</b>           | <b>42,000</b>  | <b>6,001</b>  |

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth as of September 27, 2019 certain information regarding the beneficial ownership of outstanding common stock held by (i) each person known by the Company to be a beneficial owner of more than 5% of any outstanding class of the Company's capital stock, (ii) each of the Company's directors and director nominees, (iii) the Company's Chief Executive Officer and two most highly compensated executive officers at the end of the Company's last completed fiscal year, and (iv) all directors and executive officers of the Company as a group. Unless otherwise described below, each of the persons listed in the table below has sole voting and investment power with respect to the shares indicated as beneficially owned by each party.

| Name and Address of Beneficial Owners                              | Shares of Common Stock (#) | Unvested Restricted Stock Grants (#) | Shares Subject to Options Exercisable Within 60 Days of June 30, 2019 | Total Number of Shares Beneficially Owned | Percentage of Class (1) |
|--|----------------------------|--------------------------------------|---|---|-------------------------|
| <b>Certain Beneficial Owners</b>                                   |                            |                                      |   |   |                         |
| Huckleberry Investments LLP (2)                                    | 383,504                    | —                                    | —   | 383,504                                   | 6.6%                    |
| Winn Interests, Ltd. (5)   | 584,532                    | —                                    | —   | 584,532                                   | 9.9%                    |
| <b>Non-Employee Directors: (3)</b>                                 |                            |                                      |   |   |                         |
| Mark Adams   | 108,003                    | 5,000                                | 15,333  | 128,336                                   | 2.2%                    |
| Daniel T. Russler  | 15,800                     | 5,000                                | 15,333  | 36,133                                    | *                       |
| Ronald W. Cantwell   | 8,333                      | 11,666                               | 5,333   | 25,332                                    | *                       |
| Tom Wilkinson  | 5,952                      | 15,000                               | —   | 20,952                                    | *                       |
| <b>Named Executive Officers: (3)</b>                               |                            |                                      |   |   |                         |
| Thomas B. Pickens III (4)  | 1,844,249                  | 35,000                               | 69,166  | 1,948,415                                 | 31.8%                   |
| Eric Stober  | 93,295                     | 10,000                               | 18,133  | 121,428                                   | 2.1%                    |
| Rajesh Mellacheruvu  | 38,199                     | 35,000                               | 59,114  | 132,313                                   | 2.3%                    |
| <b>All Directors and Executive Officers as a Group (7 persons)</b> |                            |                                      |   |   |                         |
|  | <b>2,113,831</b>           | <b>116,666</b>                       | <b>182,412</b>  | <b>2,412,909</b>                          | <b>36.5%</b>            |

\* Indicates beneficial ownership of less than 1% of the outstanding shares of common stock.

1. Calculated pursuant to Rule 13d-3(d) of the Securities Exchange Act of 1934. Under Rule 13d-3(d), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by a person, but not deemed outstanding for the purpose of calculating the number and percentage owned by any other person listed. As of June 30, 2019, we had 5,775,171 shares of common stock outstanding.
2. Information based on Form 13G/A filed with the SEC by Huckleberry Investments LLP on December 31, 2018. Huckleberry Investments LLP, is a fund manager based in the United Kingdom with its principal business conducted at 28 Deveraux Lane, London, SW13 8DA, UK.
3. The applicable address for all non-employee directors and named executive officers is c/o Astrotech Corporation, 201 W. 5th Street, Suite 1275, Austin, Texas 78701.
4. Mr. Pickens owns 280,898 shares of series D convertible preferred stock, par value \$0.001 per share ("Series D"), of the Company. The Series D shares have no voting rights and will only become convertible into shares of common stock at the option of the holder. As such, the shares of common stock increased by 280,898 of convertible preferred stock.
5. Winn Interests owns 280,898 shares of series C convertible preferred stock, par value \$0.001 per share ("Series C"), of the Company. Winn Interests has agreed to restrict its ability to convert the Series C shares such that the number of

shares of the Company's common stock held by Winn Interests and its affiliates after such conversion does not exceed 9.99% of the Company's then issued and outstanding shares of common stock. As such, the shares of common stock increased by 61,145 of convertible preferred stock to bring Winn Interests to the 9.99% restriction.

### Equity Compensation Plan Information

The following table summarizes information, as of June 30, 2019, regarding our equity compensation plans pursuant to which grants of stock options, restricted stock, and other rights to acquire shares of the Company's common stock may be granted from time to time.

| Plan Category  | Number of Securities<br>to be Issued Upon<br>Exercise of<br>Outstanding Options,<br>Warrants, and Rights | Weighted Average<br>Exercise Price of<br>Outstanding Options,<br>Warrants, and Rights | Number of Securities<br>Remaining Available<br>For Future Issuance<br>Under Equity<br>Compensation Plans<br>(Excluding Securities<br>Reflected in the First<br>Column) |
|--|--|---|--|
| <b>Equity compensation plans approved<br/>by security holders:</b>     |  |   |  |
| 2008 Stock Incentive Plan  | 24,500   | \$ 3.69   | —  |
| 2011 Stock Incentive Plan  | 299,653  | \$ 5.88   | 611,182  |
| <b>Equity compensation plans not<br/>approved by security holders:</b> |  |   |  |
| None   | —  | \$ —  | —  |
| <b>Total</b>   | <b>324,153</b>   | <b>\$ 5.71</b>  | <b>611,182</b>   |

### Item 13. Certain Relationships and Related Transactions and Director Independence

#### Certain Relationships and Related Transactions

For fiscal year 2019, there were no transactions or series of similar transactions to which we were a party, and there is currently no proposed transactions or series of similar transactions to which we will be a party, in which the amount involved exceeded or will exceed the lesser of (i) \$120,000 or (ii) one percent of the average of our total assets at year-end for the last two completed fiscal years and in which any related person had or will have a direct or indirect material interest.

#### Director Independence

The Board of Directors has determined each of the following directors and director nominees to be an "independent director" as such term is defined by Rule 5605(a)(2) of the NASDAQ Listing Rules:

Mark Adams  
Daniel T. Russler, Jr.  
Ronald W. Cantwell  
Tom Wilkinson.

The Board of Directors has also determined that each member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee during the past fiscal year and the proposed nominees for the upcoming fiscal year meets the independence requirements applicable to those Committees prescribed by NASDAQ and SEC rules.

### Item 14. Principal Accounting Fees and Services

#### The Company's Independent Registered Public Accounting Firm

On April 11, 2019, the Astrotech Audit Committee engaged Armanino LLP as independent auditor for the fiscal year ended June 30, 2019.

## **Audit Fees**

Audit fees consist of fees billed for professional services rendered for the audit of the Company's consolidated financial statements, for the review of the interim condensed consolidated financial statements included in quarterly reports, services that are normally provided by Armanino LLP in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation. The aggregate fees billed for the fiscal year 2019 for professional services rendered by Armanino LLP were \$27,000. The aggregate fees billed for the fiscal year 2019 for professional services rendered by BDO USA, LLP were \$59,051. The aggregate fees billed for the fiscal year 2018 for professional services rendered by BDO USA, LLP were \$174,837.

## **Audit-Related Fees**

There were no audit-related fees billed by or to be billed by Armanino LLP or BDO USA, LLP for the fiscal years ended June 30, 2019 and 2018.

## **Tax Fees**

Tax fees consist of tax compliance and preparation and other tax services. Tax compliance and preparation consist of fees billed for professional services related to federal and state tax compliance and assistance with tax return preparation. This fee includes services charged related to our R&D tax credits. The aggregate fees billed for the fiscal year 2019 for professional services rendered by Armanino LLP were \$0. The aggregate fees billed for the fiscal year 2019 for professional services rendered by BDO USA, LLP were \$1,020. The aggregate fees billed for the fiscal year 2018 for professional services rendered by BDO USA, LLP was \$16,255.

## **All Other Fees**

The Company paid no other fees to Armanino LLP or BDO USA, LLP during the fiscal years 2019 and 2018.

## **Audit Committee Pre-Approval Policy and Procedures**

The Audit Committee is responsible for appointing, setting compensation for, and overseeing the work of Armanino LLP, the Company's independent auditor. Audit Committee policy requires the pre-approval of all audit and permissible non-audit services to be provided by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. The policy, as amended, provides for the general pre-approval of specific types of services and gives detailed guidance to management as to the specific audit, audit-related, and tax services that are eligible for general pre-approval. For both audit and non-audit pre-approvals, the Audit Committee will consider whether such services are consistent with applicable law and SEC rules and regulations concerning auditor independence.

The policy delegates to the Chairman of the Audit Committee the authority to grant certain specific pre-approvals, provided that the Chairman of the Audit Committee is required to report the granting of any pre-approvals to the Audit Committee at its next regularly scheduled meeting. The policy prohibits the Audit Committee from delegating to management the Audit Committee's responsibility to pre-approve services performed by the independent auditor.

Requests for pre-approval of services must be detailed as to the particular services proposed to be provided and are to be submitted by the CFO. Each request generally must include a detailed description of the type and scope of services, a proposed staffing plan, a budget of the proposed fees for such services, and a general timetable for the performance of such services.

## **PART IV**

### **Item 15. Exhibits, Financial Statement Schedules**

The following documents are filed as part of the report:

Financial Statements.

The following consolidated financial statements of Astrotech Corporation and its wholly-owned subsidiaries and related notes, are set forth herein as indicated below.

|  | Page |
|--|------|
| <a href="#"><u>Report of Armanino LLP, Independent Registered Public Accounting Firm</u></a> | 28   |
| <a href="#"><u>Report of BDO USA LLP, Independent Registered Public Accounting Firm</u></a>  | 29   |
| <a href="#"><u>Consolidated Balance Sheets</u></a>   | 30   |
| <a href="#"><u>Consolidated Statements of Operations and Comprehensive Loss</u></a>          | 31   |
| <a href="#"><u>Consolidated Statement of Changes in Stockholders' Equity</u></a>             | 32   |
| <a href="#"><u>Consolidated Statement of Cash Flows</u></a>                                  | 33   |
| <a href="#"><u>Notes to Consolidated Financial Statements</u></a>                            | 34   |
| <a href="#"><u>Exhibits</u></a>  | 64   |



| <b>Exhibit No.</b> | <b>Description of Exhibit</b>   |
|--------------------|---|
| <b>(3)</b>         | <b>Certificate of Incorporation and Bylaws</b>  |
| 3.1                | <a href="#"><u>Certificate of Incorporation, as filed with the Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on December 28, 2017).</u></a>  |
| 3.2                | <a href="#"><u>Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on December 28, 2017).</u></a>   |
| 3.3                | <a href="#"><u>Certificate of Designations of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.3 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on December 28, 2017).</u></a>                                  |
| 3.4                | <a href="#"><u>Certificate of Designations of Preferences, Rights and Limitations of Series B Convertible Preferred Stock, as filed with the Delaware Secretary of State on October 9, 2018. (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on October 12, 2018).</u></a> |
| 3.5                | <a href="#"><u>Certificate of Designations of Series C Convertible Preferred Stock, as filed with the Delaware Secretary of State on April 17, 2019. (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 23, 2019).</u></a>   |
| 3.6                | <a href="#"><u>Certificate of Designations of Preferences, Rights and Limitations of Series D Convertible Preferred Stock, as filed with the Delaware Secretary of State on April 17, 2019. (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 23, 2019).</u></a>    |
| <b>(4)</b>         | <b>Instruments Defining the Rights of Security Holders, including Indentures</b>  |
| 4.1                | <a href="#"><u>Rights Agreement, dated as of July 29, 2009, between Astrotech Corporation and American Stock Transfer &amp; Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A filed with the Securities and Exchange Commission on July 31, 2009).</u></a>                                 |
| 4.2                | <a href="#"><u>Amendment One to Rights Agreement, dated as of July 29, 2010, between Astrotech Corporation and American Stock Transfer &amp; Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on July 29, 2010).</u></a>              |
| 4.3                | <a href="#"><u>Amendment Two to Rights Agreement, dated as of August 10, 2011, between Astrotech Corporation and American Stock Transfer &amp; Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on August 10, 2011).</u></a>          |
| 4.4                | <a href="#"><u>Amendment Three to Rights Agreement, dated as of August 10, 2012, between Astrotech Corporation and American Stock Transfer &amp; Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on August 10, 2012).</u></a>        |
| 4.5                | <a href="#"><u>Amendment Four to Rights Agreement, dated as of August 6, 2013, between Astrotech Corporation and American Stock Transfer &amp; Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 12, 2013).</u></a>            |
| 4.6                | <a href="#"><u>Amendment Five to Rights Agreement, dated as of June 9, 2014, between Astrotech Corporation and American Stock Transfer &amp; Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on June 9, 2014).</u></a>               |

- 4.7 [Amendment Six to Rights Agreement, dated as of August 5, 2015, between Astrotech Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent \(incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on August 11, 2015\).](#)
- 4.8 [Amendment Seven to Rights Agreement, dated as of August 4, 2016, between Astrotech Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent \(incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on August 8, 2016\).](#)
- 4.9 [Amendment Eight to Rights Agreement, dated as of July 20, 2017, between Astrotech Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent \(incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on July 25, 2017\).](#)
- 4.10 [Amendment Nine to Rights Agreement, dated as of February 22, 2018, between Astrotech Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-A/A filed on February 27, 2018\).](#)
- 4.11 [Amendment Ten to Rights Agreement, dated as of August 6, 2018, between Astrotech Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent \(incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on August 6, 2018\).](#)
- (10) Material Contracts**
- 10.1 [Securities Purchase Agreement dated October 9, 2018, by and between Astrotech Corporation and the Investors signatory thereto \(incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on October 12, 2018\).](#)
- 10.2 [Registration Rights Agreement, dated October 9, 2018, by and between Astrotech Corporation and the Investors signatory thereto \(incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on October 12, 2018\).](#)
- 10.3 [Sales Agreement dated November 9, 2018 by and between the Company and B. Riley FBR, Inc. \(incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 9, 2018\).](#)
- 10.4 [Securities Purchase Agreement, dated April 17, 2019, by and between Astrotech Corporation and the Investors signatory thereto \(incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 23, 2019\).](#)
- (16) Letter Regarding Change in Certifying Accountant**
- 16.1 [Letter of BDO USA, LLP to the Securities and Exchange Commission, dated May 15, 2019, issued by Astrotech Corporation \(incorporated by reference to Exhibit 16.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 16, 2019\).](#)
- (21) Subsidiaries of the Registrant**
- [Astrotech Corporation and Subsidiaries — Subsidiaries of the Registrant](#)
- (23) Consents of Experts and Counsel**
- 23.1 [Consent of Armanino LLP](#)
- 23.2 [Consent of BDO USA, LLP](#)
- (31) Rule 13a-14(a) Certifications**
- 31.1 [Certification of Thomas B. Pickens III, the Company's Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)
- 31.2 [Certification of Eric Stober, the Company's Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)

**(32) Section 1350 Certifications**

32.1 [Certification of Thomas B. Pickens III, the Company's Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)

32.2 [Certification of Eric Stober, the Company's Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)

|         |                                     |
|---------|-------------------------------------|
| 101.INS | XBRL Instance Document              |
| 101.SCH | XBRL Schema Document                |
| 101.CAL | XBRL Calculation Linkbase Document  |
| 101.DEF | XBRL Definition Linkbase Document   |
| 101.LAB | XBRL Labels Linkbase Document       |
| 101.PRE | XBRL Presentation Linkbase Document |

**Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Astrotech Corporation

By: /s/ Thomas B. Pickens III  
Thomas B. Pickens III  
Chief Executive Officer

Date: September 30, 2019

By: /s/ Eric N. Stober  
Eric N. Stober  
Chief Financial Officer and  
Principal Accounting Officer

Date: September 30, 2019

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of this registrant in the capacities and on the dates indicated.

|   |   |                    |
|---|---|--------------------|
| <u>/s/ Thomas B. Pickens III</u><br>Thomas B. Pickens III   | Chairman of the Board and<br>Chief Executive Officer        | September 30, 2019 |
| <u>/s/ Mark Adams</u><br>Mark Adams                         | Director  | September 30, 2019 |
| <u>/s/ Ronald W. Cantwell</u><br>Ronald W. Cantwell         | Director  | September 30, 2019 |
| <u>/s/ Daniel T. Russler, Jr.</u><br>Daniel T. Russler, Jr. | Director  | September 30, 2019 |
| <u>/s/ Tom Wilkinson</u><br>Tom Wilkinson                   | Director  | September 30, 2019 |
| <u>/s/ Eric N. Stober</u><br>Eric N. Stober                 | Chief Financial Officer and<br>Principal Accounting Officer | September 30, 2019 |