UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2010

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

For the transition period from __________ to __________

Commission File Number 001-34426

Astrotech Corporation

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ 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 and posted on it corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

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

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

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

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

The aggregate market value of the registrants voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of such stock on the NASDAQ Capital Market on such date of $1.92 was approximately $31,807,035 as of December 31, 2009.

As of August 25, 2010, 19,238,988 shares of the registrant's Common Stock, no par value, were outstanding, including 1,540,203 shares of restricted stock with voting rights.

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FORWARD-LOOKING STATEMENTS

This Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws. Forward-looking statements may include the words "may," "will," "plans," "believes," "estimates," "expects," "intends" and other similar expressions. Such 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 conditions in the United States or other space faring nations that could impact our ability to access space and support or gain customers;
- Our ability to raise sufficient capital to meet our long and short-term liquidity requirements;
- Our ability to successfully pursue our business plan;
- Whether we will fully realize the economic benefits under our NASA and other customer contracts;
- Continued availability and use of the U.S. Space Shuttle and the International Space Station;
- Technological difficulties and potential legal claims arising from any technological difficulties;
- Product demand and market acceptance risks, including our ability to develop and sell products and services to be used by the manned and unmanned space programs that replace the Space Shuttle Program;
- Uncertainty in government funding and support for key space programs;
- The impact of competition on our ability to win new contracts;
- Uncertainty in securing reliable and consistent access to space;
- Delays in the timing of performance of other contracts; and
- Risks described in the "Risk Factors" section of this Form 10-K.

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

PART I

Item 1. Business.

Our Company

Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," "the Company," "we," "us" or "our") is a commercial aerospace company that provides spacecraft payload processing and related services, designs and manufactures space hardware, and commercializes space technologies for use on Earth. The Company serves the U.S. Government and commercial satellite and spacecraft customers with our pre-launch services from our Astrotech Space Operations ("ASO") subsidiary and incubates space technology businesses now focusing on two companies: 1st Detect Corporation ("1st Detect), which is developing a Miniature Chemical Detector first developed for the International Space Station; and Astrogenetix, Inc. ("Astrogenetix"), which is utilizing the unique microgravity environment of space to develop novel therapeutic products.

Astrotech was formed in 1984 to leverage the environment of space for commercial purposes. For the last 26 years, the Company has remained a crucial player in space commerce activities. We have supported the launch of 23 shuttle missions and more than 280 spacecraft, built space hardware and processing facilities, and prepared and processed scientific research for microgravity.

We offer products and services in the following areas:

- Facilities and support services necessary for the preparation of satellites and payloads for launch.
- Commercialization of space-based technologies into real-world applications.
- Expertise in qualifying hardware for spaceflight and the habitability and occupational challenges of space.

The Company has experience supporting both manned and unmanned missions to space with product and service support including space hardware design and manufacturing, research and logistics expertise, engineering and support services, and payload processing and integration. Through new Spacetech business initiatives such as 1st Detect and Astrogenetix, Astrotech is paving the way in the commercialization of space by translating space-based technology into terrestrial applications.

Our Business Units

***Astrotech Space Operations* ("ASO")**

ASO is the leading commercial supplier of satellite launch processing services in the United States. ASO provides processing support for government and commercial customers for their complex communication, earth observation and deep space satellites. ASO's spacecraft processing facilities are among the elite in the industry, with over 150,000 square feet of clean rooms that can support the largest five-meter class satellites, encompassing the majority of U.S. based satellite preparation services. ASO has provided launch processing support for government and commercial customers for more than a quarter century, successfully processing more than 280 spacecraft.

ASO accounted for 100% of our consolidated revenues for the year ended June 30, 2010 (See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations.) Revenue for our ASO business unit is primarily generated from various fixed-priced contracts with launch service providers in both the commercial and government markets. The services and facilities we provide to our customers support the final assembly, checkout, and countdown functions associated with preparing a spacecraft for launch. The revenue and cash flows generated from our ASO operations are related to the number of spacecraft launches, which reflects the growth in the satellite-based communications industries and the requirement to replace aging satellites. Other factors that have impacted, and are expected to continue to impact earnings and cash flows for this business include:

- Our ability to control our capital expenditures, which are primarily limited to modifications to accommodate payload processing for new launch vehicles, upgrading communications infrastructure and other building improvements.
- The continuing limited availability of competing facilities at the major domestic launch sites that can offer comparable services, leading to an increase in government use of our services.
- Our ability to complete customer specified facility modifications within budgeted costs and time commitments.
- Our ability to control and reduce costs in order to maximize profitability of our fixed-priced contracts.

Spacetech

Our Spacetech business unit is an incubator intended to develop space-industry technologies into commercial applications to be sold to consumers and industry. Spacetech has developed three business initiatives to date: 1st Detect Corporation, Astrogenetix and AirWard Corporation ("AirWard"). 1st Detect's business began under a Space Act Agreement with the National Aeronautics and Space Administration ("NASA") for a chemical detection unit to be used on the International Space Station. 1st Detect engineers have developed a Miniature Chemical Detector, based on mass spectrometry, that we believe will fill a niche by being highly accurate, lightweight, battery-powered, durable and inexpensive. Astrogenetix is a biotechnology company created to use the unique environment of space to discover and develop novel therapeutic products. A natural extension of the many years of experience preparing, launching, and operating over 1,500 scientific payloads in space, Astrogenetix is in the process of developing products from microgravity discoveries. AirWard designed and manufactured shipping containers to transport oxygen bottles and oxygen generators for commercial aircraft. Further investment in AirWard was suspended in February 2010, as the initiative has not yielded the anticipated return for shareholders.

Noncontrolling Interest

In January 2010, restricted shares of Astrotech subsidiaries 1st Detect and Astrogenetix were granted to certain employees, directors and officers, resulting in Astrotech owning less than 100% of these subsidiaries. The Company applied non-controlling interest accounting for the period ended June 30, 2010, which requires us to clearly identify the non-controlling interest in the consolidated balance sheets and consolidated income statements. We disclose three measures of net income: net income, net income attributable to noncontrolling interest, and net income attributable to Astrotech Corporation. Our operating cash flows in our consolidated statements of cash flows reflect net income, while our basic and diluted earnings per share calculations reflect net income attributable to Astrotech Corporation.

Beginning balance at July 1, 2009	**$**	**—**
Net loss attributable to noncontrolling interest		(588)
Issuance of restricted stock and warrants		1,826
State of Texas Funding		900
Stock based compensation		116
Ending balance at June 30, 2010	**$**	**2,254**

As of June 30, 2010, the Company's share of income and losses is 86% for 1st Detect and 79% for Astrogenetix.

Business Strategy

Astrotech Space Operations

As the leading commercial satellite processing provider, ASO is continuously working to secure additional government and commercial customers that require our services.

Spacetech

1st Detect has developed a revolutionary chemical detector based on ion trap mass spectrometry, which allows for the device's portability, versatility, sensitivity, durability, high speed and low cost. Potential markets that 1st Detect may serve include Security and Defense, Industrial, Medical and Healthcare, Critical Infrastructure, and First Responders.

Astrogenetix is currently focused on submitting an Initial New Drug application with the Food and Drug Administration ("FDA") for a Salmonella vaccine as part of the ongoing commercialization strategy. Concurrently, we are using the final two scheduled Space Shuttle flights to complete the on-orbit processing of our next vaccine biomarker discovery, methicilin-resistant Staphylococcus aureus ("MRSA").

Products and Services

Astrotech Space Operations

From our state of the art facilities in Titusville, Florida and Vandenberg Air Force Base ("VAFB") in California we have provided support for pre-launch ground based operations for 26 years for both commercial and government satellites, and we are the leader in this service sector.

Spacetech

1st Detect's Miniature Chemical Detector is a universal chemical analyzer that provides rapid analysis time and is capable of detecting residues and vapors from a wide range of chemicals including explosives, chemical warfare agents, toxic chemicals, and volatile organic compounds. 1st Detect's proprietary technology, leveraging advances in low power electronics and miniaturization technologies developed for the space program, allows for the device's portability, versatility, sensitivity, durability, efficiency and low cost.

Astrogenetix has discovered a Salmonella vaccine candidate, which validates the use of microgravity in identifying commercially viable biomarkers. Astrogenetix's capabilities include preparing microgravity payloads that can be flown on a variety of launch systems, including the Space Shuttle, the Russian Soyuz, Progress and Photon, the European Automated Transfer Vehicle, the Japanese H-II Transfer Vehicle, and the SpaceX Dragon (still under development). The Astrogenetix Microgravity Processing Platform has been developed to grow microbes in space that can result in significant advantages over traditional earthbound vaccine discovery processes, thus reducing the development time and cost significantly.

Customers, Sales and Marketing

Astrotech Space Operations

ASO services a variety of domestic and international government and commercial customers sending satellites to low-earth-orbit or geosynchronous orbit. ASO has long-term contracts in place with NASA, other U.S. Governmental agencies, United Launch Alliance, and Sea Launch, LLC. During fiscal year 2010, ASO accounted for 100% of our consolidated revenues.

Spacetech

The broadband nature of the 1st Detect technology, as well as the high performance provided by the ion trap architecture, opens up 1st Detect to a variety of applications. Potential markets that 1st Detect may serve include Security and Defense, Industrial, Medical and Healthcare, Critical Infrastructure, and First Responders.

While there have been no sales to date, likely customers for Astrogenetix will be large international pharmaceutical companies and smaller biotechnology companies. Astrogenetix is currently focused on starting the FDA process with the Salmonella vaccine candidate and is continuing drug development work for other vaccine targets, including MRSA.

Most recently, Astrogenetix testing samples were included in the latest shuttle Discovery launch, STS-132. The 1st Detect Miniature Chemical Detector debuted at the American Society of Mass Spectrometry Conference in June 2008, during which several companies demonstrated significant interest in the product. Currently, several operational units have been manufactured including a boxed unit and a bench-top development unit. In tandem, we are working on the development of an additional technical capability, which will increase accuracy, increase auto-tuning capability, and reduce size and cost.

Competition

Astrotech Space Operations

The majority of the Company's revenue is derived from ASO, which processes satellites for U.S. launch locations. The only significant competition to ASO's facilities is from commercial competitor Spaceport Systems International ("SSI") and certain U.S. Government facilities. However, we believe that the majority of domestic satellites, including many government satellites, are processed at ASO due to the state-of-the-art, professionally operated, full-service environment.

Commercial

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

Governmental

NASA and the United States Air Force own and operate payload processing facilities at both the CCAFS /KSC and VAFB launch sites. These facilities, however, are used to process select government spacecraft only. They are not used to process commercial spacecraft. Therefore, ASO's competition from the U.S. Government is limited in scope.

Spacetech

There are many incumbent vendors that will compete with 1st Detect's Miniature Chemical Detector. However, we believe the 1st Detect product offers a combination of attributes that are currently unavailable in the marketplace in a single product.

There are many earthbound developers of vaccines, including most large pharmaceutical companies and many smaller biotechnology firms. However, there are no known competitors to Astrogenetix developing vaccines in microgravity. With the construction of the ISS nearing completion, and with the recent delivery of both the European Space Agency and the Japanese Space Agency nodes on the ISS, competition from foreign governments, academia and commercial companies is anticipated.

Research and Development

We incurred $2.8 million and $2.3 million in research and development expense during fiscal years 2010 and 2009, respectively. Research and development in fiscal year 2010 has been primarily directed towards development of 1st Detect's Miniature Chemical Detector and Astrogenetix's Microgravity Processing Platform. Astrogenetix continues to work on processing its FDA application for its Salmonella vaccine candidate while also researching other potential vaccines, including MRSA.

Backlog

The Company's 18-month rolling backlog at June 30, 2010, which includes contractual backlog and scheduled but uncommitted missions, is $24.9 million. The majority of the backlog is for ASO pre-launch satellite processing services, which include hardware launch preparation, advance planning, use of unique satellite preparation facilities and spacecraft checkout, encapsulation, fueling, and transport.

(In thousands) **Contract**	**18-Month Rolling Backlog**
ASO Missions	$ 20,659
Facility Programs	4,203
Total Backlog	**$ 24,862**

The 18-month rolling backlog consists of fixed-price satellite missions from various government and commercial entities requiring pre-launch processing services at our Titusville, Florida and VAFB locations.

Certain Regulatory Matters

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

Significant federal regulations impacting our operations include the following:

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

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

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

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

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

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

Regulatory Compliance and Risk Management

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

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

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

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

Employees Update

As of June 30, 2010, we employed 71 regular full-time employees, none of which were covered by any collective bargaining agreements.

In June 2010, General (Ret.) Lance W. Lord resigned from the Board of Directors of Astrotech and as the Chief Executive Officer of Astrotech Space Operations. The vacancy on the Board of Directors created by General Lord's resignation is not expected to be filled until the next annual meeting. The position of Chief Executive Officer, Astrotech Space Operations, will remain open pending a review of internal and external candidates.

In July 2010, the Company simultaneously announced the termination of James Royston, President of Astrotech Corporation, and a realignment of its corporate structure in order to optimize operational efficiencies. The Company's action follows an evaluation of each business and a review of strategic alternatives. The corporate realignment will allow Astrotech to put a greater focus on the pre-launch satellite service offering of its ASO business unit. The Company has no immediate plans to fill the vacancy created by Mr. Royston's termination.

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

Item 1A. Risk Factors.

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

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

We have relied on governmental customers for a substantial portion of our revenue. Approximately 49% of our revenue in fiscal year 2010 was generated by various NASA and U.S. Government contracts or subcontracts. The loss of these customers could have a material adverse effect on our business, financial condition and results of operations. 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 to include other government agencies and commercial industries, while going to great lengths to satisfy the needs of our current customer base.

Termination of our future orders could negatively impact our revenues.

The Company's rolling backlog at June 30, 2010, which includes contractual backlog and scheduled but uncommitted missions, is $24.9 million. The majority is for ASO pre-launch satellite processing services, which include hardware launch preparation; advance planning; use of unique satellite preparation facilities; and spacecraft checkout, encapsulation, fueling and transport. Since some of our government contracts are contingent upon congressional appropriations and can be terminated "for convenience," we cannot assure that our backlog will ultimately result in revenues.

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

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

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

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

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

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

- Require certification and disclosure of all cost or pricing data in connection with certain contract negotiations.
- Impose acquisition regulations that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts.
- Restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

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

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

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

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

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

Our Spacetech business unit is in an early development stage. It has earned no revenues and it is uncertain whether it will earn any revenues in the future or whether it will ultimately be profitable.

Our Spacetech business unit is in an early development stage with no commercial sales and a limited operating history. Its future operations are subject to all of the risks inherent in the establishment of a new business enterprise including, but not limited to, risks related to capital requirements, failure to establish business relationships and competitive disadvantages as against larger and more established companies. The Spacetech business unit will require substantial amounts of funding to develop, test, and commercialize its 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 product development program may not lead to commercial products, either because our product candidates fail to be effective or are not attractive to the market or because we lack the necessary financial or other resources or relationships to pursue our programs through commercialization.

The Spacetech business unit can be expected to experience significant operating losses until it can generate sufficient revenues to cover its operating costs. The Spacetech business unit currently has no commercial products and there can be no assurance that the business will be able to develop, manufacture or market any products in the future, that future revenues will be significant, that any sales will be profitable or that the business will have sufficient funds available to complete its marketing and development programs or to market any products which it may develop.

Any products and technologies developed and manufactured by our Spacetech business unit 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 the Spacetech business unit is expected to depend, in part, on obtaining patent and other intellectual property protection for the technologies contained in any products it develops. In addition, the Spacetech business unit 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. The Spacetech business unit 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 the Spacetech business unit is unable to enter into necessary licenses on acceptable terms. If the Spacetech 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 the Spacetech business unit. In addition, patent and other intellectual property protection may not provide the Spacetech business unit with a competitive advantage against competitors that devise ways of making competitive products without infringing any patents that the Spacetech business unit owns or has rights to. Such competition could adversely affect the prices for any products or the market share of the Spacetech business unit and could have a material adverse effect upon its results of operations and financial condition.

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

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

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

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

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

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

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

Our business strategy outlines the use of decades of experience to expand the services and products we offer to both government agencies and commercial industries. We believe that our growth and future financial performance depend upon our ability to anticipate technological advances and customer requirements. There can be no assurance that we will be able to achieve the necessary technological advances for us to remain competitive. In fiscal year 2010, we continued new business initiatives for advancing commerce in space. These new business initiatives will require substantial investments of capital and technical expertise. Our failure to anticipate or respond adequately to changes in 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.

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

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

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

Our business mix includes cost-reimbursable and fixed-price contracts. Cost-reimbursable contracts generally have lower profit margins than fixed-price contracts. Our ASO business unit contracts are mainly fixed-price contracts. If we are unable to control costs we incur in performing under the contract, our financial condition and operating results could be materially adversely affected. Additionally, the costs incurred to operate our core ASO business are near-term fixed. As a result, if we are not able to schedule payload processing in order to optimize our facilities our financial results could be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Astrotech relocated its corporate headquarters to Austin, Texas in June 2009. The leased office houses executive management, finance and accounting, and marketing and communications. We continue to maintain leased offices in Houston, Texas which are primarily focused on supporting the engineering efforts of Spacetech.

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

In September 2009, we completed construction of a 23,000 square foot payload processing facility at VAFB in California which enhanced our capability to process five-meter class satellite payloads. Additionally, in December 2009, we completed construction of a 5,600 square foot office building used by customers for administrative and operational support of teams processing satellites in the new five-meter payload facility. ASO presently leases the 60-acre site located on VAFB in California, where we own four buildings totaling over 50,000 square feet of space. The present land lease expires in July 2013, with provisions to extend the lease at the request of the lessee and the concurrence of the lessor. Upon final expiration of the land lease, all improvements on the property revert, at the lessor’s option, to the lessor at no cost.

We maintain a separate 58,000 square foot payload processing facility located in Cape Canaveral, Florida. We negotiated an agreement with the Canaveral Port Authority for the lease of the land for a forty-three year period, expiring 2040. Upon expiration of the land lease, all improvements on the property revert at no cost to the lessor. In May 2005, we sold the facility in Cape Canaveral, Florida for $4.8 million. We now lease back 100% of the facility through December 31, 2010, with an option period of an additional five years.

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

Item 3. Legal Proceedings.

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

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

No matters were submitted to a vote of stockholders during the fourth quarter of the year ended June 30, 2010.

PART II

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

Market Information

The following table sets forth the quarterly high and low intra-day bid prices for the periods indicated:

Fiscal 2010	High	Low
First Quarter	$ 3.84	$ 0.98
Second Quarter	$ 3.66	$ 1.36
Third Quarter	$ 4.06	$ 1.88
Fourth Quarter	$ 3.58	$ 1.24
Fiscal 2009	**High**	**Low**
First Quarter	$ 0.60	$ 0.26
Second Quarter	$ 0.46	$ 0.20
Third Quarter	$ 0.50	$ 0.20
Fourth Quarter	$ 1.73	$ 0.40

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

We have 75,000,000 shares of Common Stock authorized for issuance. As of August 25, 2010 we had 19,238,988 shares of Common Stock outstanding, including 1,540,203 shares of restricted stock with voting rights.

Effective May 4, 2009, the Company changed its stock trading symbol to "ASTC" from "SPAB" on the NASDAQ Capital Markets stock exchange.

Astrotech Equity Available for Issuance

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	806,541	$ 1.65	379,389
Equity compensation plans not approved by security holders	—	—	—
Total	806,541	$ 1.65	379,389

1st Detect Equity Available for Issuance

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants, and Rights (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	1,820	$ 212.00	172,000
Equity compensation plans not approved by security holders	—	—	—
Total	1,820	$ 212.00	172,000

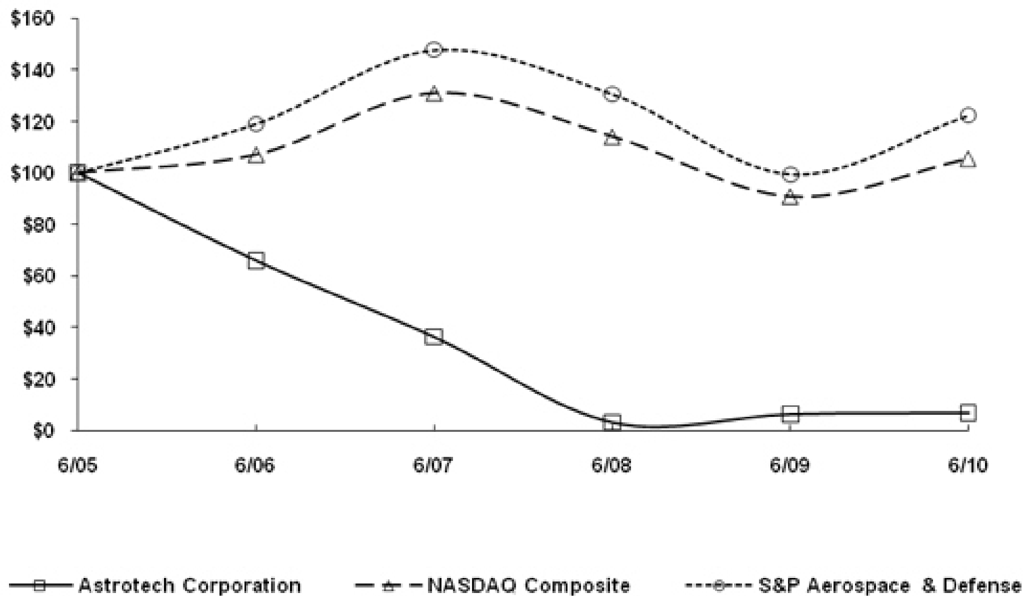
Astrogenetix Equity Available for Issuance

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	2,050	$ 167.00	190,400
Equity compensation plans not approved by security holders	—	—	—
Total	2,050	$ 167.00	190,400

Stock Performance Graph

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

The performance graph and table below compare the five-year cumulative total return of our common stock with the comparable five-year cumulative total returns of the Standard & Poor's Aerospace & Defense Stock Index ("S&P Aerospace & Defense") and the NASDAQ Composite Stock Index ("NASDAQ Composite"). The figures assume an initial investment of $100 at the close of business on June 30, 2005 in Astrotech Corporation, S&P, and NASDAQ, and the reinvestment of all dividends.



	6/05	6/06	6/07	6/08	6/09	6/10
Astrotech Corporation	**100.00**	**65.92**	**36.31**	**3.19**	**6.42**	**6.93**
NASDAQ Composite	**100.00**	**107.08**	**130.99**	**114.02**	**90.79**	**105.54**
S&P Aerospace & Defense	**100.00**	**119.11**	**147.92**	**130.62**	**99.41**	**122.37**

Issuer Purchases of Equity Securities

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

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
04/01/10 – 04/30/10	—	—	—	—
05/01/10 – 05/31/10	—	—	—	—
06/01/10 – 06/30/10	—	—	—	—
Total	—	—	—	—

Item 6. Selected Financial Data.

The following table sets forth our selected consolidated financial data as of and for the years ended June 30, 2006, 2007, 2008, 2009, and 2010. Such data has been derived from our consolidated financial statements audited by Grant Thornton LLP for the fiscal year ended June 30, 2006, and by PMB Helin Donovan, LLP for the fiscal years ended June 30, 2007, 2008, 2009 and 2010. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and our Consolidated Financial Statements and Notes included in this annual report.

	Years Ended June 30,				
	2010	**2009**	**2008**	**2007**	**2006**
			(In thousands)		
Statement of Operations Data:					
Revenue	$ 27,979	$ 31,985	$ 25,544	$ 52,762	$ 50,746
Costs of revenue	12,858	15,723	19,540	51,029	46,855
Gross profit	**15,121**	**16,262**	**6,004**	**1,733**	**3,891**
Selling, general and administrative expenses	12,170	9,760	9,361	13,762	10,672
Research and development expenses	2,798	2,330	1,375	801	410
Income (loss) from operation	**153**	**4,172**	**(4,732)**	**(12,830)**	**(7,191)**
Gain on bond exchange	—	665	—	—	—
Debt conversion expense	—	—	(30,194)	—	—
Interest and other expense, net	(459)	(622)	(427)	(3,531)	(5,174)
Income tax benefit (expense)	(22)	510	(675)	69	(32)
Net income (loss)	**(328)**	**4,725**	**(36,028)**	**(16,292)**	**(12,397)**
Less: net loss attributable to noncontrolling interest	(588)	—	—	—	—
Net income (loss) attributable to Astrotech Corporation	**260**	**4,725**	**(36,028)**	**(16,292)**	**(12,397)**
Net income (loss) per common share — basic	$ 0.02	$ 0.29	$ (4.26)	$ (12.61)	$ (9.73)
Shares used in computing net income (loss) per common share — basic	16,567	16,365	9,254	1,292	1,274
Net income (loss) per common share — diluted	$ 0.01	$ 0.28	$ (4.26)	$ (12.61)	$ (9.73)
Shares used in computing net income (loss) per common share — diluted	18,283	16,904	9,254	1,292	1,274
Balance Sheet Data (End of Period):					
Cash and Cash Equivalents	$ 8,085	$ 4,730	$ 2,640	$ 9,724	$ 6,317
Total assets	54,903	58,919	58,211	72,475	85,450
Current debt	8,467	267	267	—	—
Long-term debt, excluding current portion	—	8,435	10,387	52,944	63,250
Stockholders' equity	42,212	40,548	34,936	(13,131)	2,809
Working capital (deficit) surplus	$ 2,623	$ 8,418	$ 522	$ (6,105)	$ 2,753
Other Data:					
Net cash provided by operating activities	$ 4,437	$ 4,972	$ (8,598)	$ 6,028	$ 3,984
Net cash used in investing activities	(1,829)	(1,427)	(158)	(1,077)	(1,141)
Net cash used in financing activities	747	(1,455)	1,672	(1,544)	(3,853)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and notes included elsewhere in this report.

Overview

Astrotech was formed in 1984 to leverage the environment of space for commercial purposes. For the last 26 years, the Company has remained a crucial player in space commerce activities. We have supported the launch of 23 shuttle missions and more than 280 spacecraft, building space hardware and processing facilities, and preparing and processing scientific research for microgravity.

We offer products and services in the following areas:

- Facilities and support services necessary for the preparation of satellites and payloads for launch.
- Commercialization of space-based technologies into real-world applications.
- Expertise in qualifying hardware for spaceflight and the habitability and occupational challenges of space.

Our Business Units

Astrotech Space Operations

ASO provides support for its government and commercial customers to successfully process complex communication, earth observation and deep space satellites in preparation for their launch on a variety of launch vehicles. Processing activities include satellite ground transportation; pre-launch hardware integration and testing; satellite encapsulation, fueling, launch pad delivery; and communication linked launch control. Our ASO facilities can accommodate five meter class satellites encompassing the majority of U.S. based satellite preparation services. In addition to satellite processing, ASO offers engineering services capabilities that encompass the entire life cycle of a satellite. ASO accounted for 100% of our consolidated revenues for the year ended June 30, 2010. Revenue for our ASO business unit is generated primarily from various fixed-priced contracts with launch service providers in both the commercial and government markets. The services and facilities we provide to our customers support the final assembly, checkout, and countdown functions associated with preparing a spacecraft for launch. The revenue and cash flows generated from our ASO operations are related to the number of spacecraft launches, which reflects the growth in the satellite-based communications industries and the requirement to replace aging satellites. Other factors that have impacted, and are expected to continue to impact earnings and cash flows for this business include:

- Our ability to control our capital expenditures, which primarily are limited to modifications to accommodate payload processing for new launch vehicles, upgrading communications infrastructure and other building improvements.
- The continuing limited availability of competing facilities at the major domestic launch sites that can offer comparable services, leading to an increase in government use of our services.
- Our ability to complete customer specified facility modifications within budgeted costs and time commitments.
- Our ability to control and reduce costs in order to maximize profitability of our fixed-priced contracts.

Spacetech

Our other business unit is an incubator intended to commercialize space-industry technologies into commercial applications to be sold to consumers and industry. The 1st Detect Miniature Chemical Detector and the Astrogenetix microgravity processing platform are initiatives developed under our Spacetech business unit. The 1st Detect Miniature Chemical Detector, which is in development, is a low power, portable chemical detection device intended to be utilized for a variety of applications. 1st Detect has been awarded a Developmental Testing and Evaluation designation from the U.S. Department of Homeland Security as a "promising anti-terrorism technology", and is the recipient of a Phase I award from the U.S. Army's Chemical and Biological Defense ("CBD") Small Business Innovation Research ("SBIR") Program. Additionally, 1st Detect received a $1.8 million award from the Texas Emerging Technology Fund. Astrogenetix is performing drug discovery in microgravity and NASA has designated this work as the National Lab Pathfinder Missions. Astrogenetix has identified a vaccine candidate for Salmonella and is currently conducting microgravity research on MRSA.

Critical Accounting Policies

Revenue Recognition. Revenue is derived primarily from contracts to deliver payload processing support and facilities to the U.S. Government and to commercial customers. Revenues under these contracts are recognized using the methods described below. Given the changing launch schedules of our customers, and the changing requirements of the customers in construction contracts, estimating future costs and revenues is a process requiring a high degree of judgment by our management. (See Risk Factors—Risks Related to Our Business—Our financial results could be adversely affected if the estimates that we use in accounting for contracts are incorrect and need to be changed.) For our satellite payload processing, we base our estimate on historical experience and on assumptions that are believed to be reasonable under the circumstances, including the negotiation of equitable adjustments to our fixed-price contracts due to launch delays. For construction contracts, costs to complete include, when appropriate, material, labor, subcontracting costs, lease costs, commissions, insurance, and depreciation. In the event of a change in total estimated contract cost or profit, the cumulative effect of such change is recorded in the period that the change in estimate occurs.

A Summary of Revenue Recognition Methods Follows:

Services/Products Provided	Contract Type	Method of Revenue Recognition
Satellite Payload Processing Support & Facilities	Firm Fixed Price — Mission Specific	Ratably, over the occupancy period of a satellite within the facility from arrival through launch
	Firm Fixed Price — Guaranteed Number of Missions	For multi-year contract payments recognized ratably over the contract period
Facility Construction contracts	Firm Fixed Price	Percentage-of-completion based on costs incurred
Engineering Services	Cost Reimbursable Award/Fixed Fee	Reimbursable costs incurred plus award/fixed fee
Commercial Products	Specific Purchase Order Based	At shipment

Under certain contracts, we make expenditures for specific enhancements and/or additions to our facilities where the customer agrees to pay a fixed fee to deliver the enhancement or addition. We account for such agreements as a reduction in the cost of such investments and recognize any excess of amounts collected above the expenditure as revenue. Revenue for ASO recognized under a building modification contract with a government agency was accounted for under the percentage-of-completion method based on costs incurred over the period of the agreement.

Long-Lived Asset. In assessing the recoverability of long-lived assets, fixed assets, assets under construction and intangible assets, we evaluate the recoverability of those assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future 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 asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

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 reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Deferred Revenue

Deferred revenue represents amounts collected from customers for projects, products, or services expected to be provided at a future date. Deferred revenue is shown on the balance sheet as either a short-term or long-term liability, depending on when the service or product is expected to be provided.

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 the stock options is estimated using expected dividend yields of the Company's stock, the expected volatility of the stock, the expected length of time the options remain outstanding and risk-free interest rates. Changes in one or more of these factors may significantly affect the estimated fair value of the stock options. Additionally, the Company estimates the number of instruments for which the required service is expected to be rendered. The Company estimates forfeitures using historical forfeiture rates for previous grants of equity instruments. The fair value of awards that are expected to vest is recorded as an expense over the vesting period.

Noncontrolling Interest

Noncontrolling interest accounting is applied for any entities where the Company maintains less than 100% ownership. The Company clearly identifies the noncontrolling interest in the balance sheets and income statements. We also disclose three measures of net income: net income, net income attributable to noncontrolling interest, and net income attributable to Astrotech Corporation. Our operating cash flows in our consolidated statements of cash flows reflect net income, while our basic and diluted earnings per share calculations reflect net income attributable to Astrotech Corporation.

State of Texas Funding

The Company accounts for the State of Texas funding in its majority owned subsidiary 1st Detect as a contribution of capital and has reflected the disbursement in the equity section of the consolidated balance sheet. While the award agreement includes both a common stock purchase right and a note payable to the State of Texas, the economic substance of the transaction is that the State of Texas has purchased shares of 1st Detect in exchange for granted award.

CONSOLIDATED RESULTS OF OPERATIONS

Results of Operations for the Years Ended June 30, 2010 and 2009

The following table sets forth the significant components in the Consolidated Statements of Operations for the year ended June 30, 2010, compared with 2009. The financial information and the discussion below should be read in conjunction with the Consolidated Financial Statements and Notes.

	Year Ended June 30,		
(In thousands)	2010	2009	Variance
Revenue	**$ 27,979**	**$ 31,985**	**$ (4,006)**
Gross profit	**15,121**	**16,262**	**(1,141)**
Gross margin	*54 %*	*51 %*	*3 %*
Selling, general and administrative	12,170	9,760	2,410
Research and development	2,798	2,330	468
Total operating expenses	**14,968**	**12,090**	**2,878**
Income from operations	153	4,172	(4,019)
Gain on bond exchange	—	665	(665)
Interest and other expense, net	(459)	(622)	163
Income (loss) before income taxes	(306)	4,215	(4,521)
Income tax (expense) benefit	(22)	510	(532)
Net income (loss)	**(328)**	**4,725**	**(5,053)**
Less: net loss attributable to noncontrolling interest	(588)	—	(588)
Net income attributable to Astrotech Corporation	**$ 260**	**$ 4,725**	**$ (4,465)**

The following table sets forth the percentage of total revenue of certain items in the Consolidated Statements of Operations for the year ended June 30, 2010, compared with 2009:

	Year Ended June 30,	
	2010	2009
Revenue	**100%**	**100%**
Cost of revenue	46%	49%
Gross profit	**54%**	**51%**
Operating expenses		
Selling, general and administrative	44%	31%
Research and development	10%	7%
Total operating expenses	**54%**	**38%**
Income (loss) from operations	1%	13%
Gain on bond exchange	—%	2%
Interest and other expense, net	(2)%	(2)%
Income (loss) before income taxes	(1)%	13%
Income tax (expense) benefit	*	2%
Net income (loss)	**(1)%**	**15%**
Less: net loss attributable to noncontrolling interest	(2)%	—%
Net income attributable to Astrotech Corporation	**1%**	**15%**

* Represents less than 1% of period revenue

Revenue. Total revenue decreased to $28.0 million for the year ended June 30, 2010, as compared to $32.0 million at June 30, 2009, due to the completion of construction on the new 5-meter satellite facility and associated building improvement projects at VAFB during the first quarter of 2010, offset partially by processing RSC-Energia's MRM1 in our Cape Canaveral facility.

A breakdown of revenue for the years ended June 30, 2010 and 2009 is as follows:

(In thousands)	Year Ended June 30, 2010	2009
ASO	$ 27,979	$ 31,856
Spacetech	—	129
	$ 27,979	$ 31,985

Gross Profit. Gross profit decreased to $15.1 million for the year ended June 30, 2010, as compared to $16.3 million for the year ended June 30, 2009. The decrease in gross profit was attributable to the decline in revenue, partially offset by a customer contract which was processed at a higher margin.

Selling, General and Administrative Expense. Selling, general and administrative expense increased to $12.2 million for the year ended June 30, 2010, as compared to $9.8 million for the year ended June 30, 2009. The increase was primarily attributable to additional employee incentive compensation expense, an increase in business development personnel and an increase in outside consulting fees. As a percentage of revenue, selling, general and administrative expenses increased to 44% for the year ended June 30, 2010, on lower revenue, as compared to 31% for the year ended June 30, 2009.

Research and Development Expense. Research and development expense increased to $2.8 million for the year ended June 30, 2010, as compared to $2.3 million for the year ended June 30, 2009. As a percentage of revenue, research and development increased to 10% for the year ended June 30, 2010, as compared with 7% for the year ended June 30, 2009. The increase in expense was the result of our investments in the development of the 1st Detect Miniature Chemical Detector and the Astrogenetix Microgravity Processing Platform.

Gain on bond exchange. In October 2008, the Company repurchased and retired $1.8 million principal amount of its outstanding 5.5% Senior Convertible notes, acquired at an established market price on the day of trade. The Company recognized a gain of $0.7 million on the transaction in the year ended June 30, 2009.

Interest and Other expense, net. Interest and other expense, net, decreased to $0.5 million for the year ended June 30, 2010, as compared to $0.6 million for the year ended June 30, 2009. Interest expense relates to interest on the Senior Convertible Notes and the term loan, offset by interest income primarily from our money market accounts due to the larger cash balance available for investment. Also included in other expense for the years ended June 30, 2010 and 2009 is the write-off of $0.2 million and $0.1 million, respectively, of aerospace metals.

SEGMENT RESULTS OF OPERATIONS

Selected financial data for the years ended June 30, 2010, and 2009 of our ASO business unit is as follows:

(In thousands)	Year Ended June 30, 2010	2009	Variance
Revenue	**$ 27,979**	**$ 31,856**	**$ (3,877)**
Gross profit	**15,125**	**16,338**	**(1,213)**
Gross margin percentage	*54 %*	*51 %*	*3 %*
Selling, general and administrative	8,563	8,739	(176)
Operating expenses	**8,563**	**8,739**	**(176)**
Interest and other expense, net	(230)	(254)	24
Income tax expense	—	—	—
Net income	**6,332**	**7,345**	**(1,013)**
Less: net loss attributable to noncontrolling interest	—	—	—
Net income attributable to ASO	**$ 6,332**	**$ 7,345**	**$ (1,013)**

Revenue. Total revenue decreased to $28.0 million for the year ended June 30, 2010, as compared to $31.9 million at June 30, 2009, due to the completion of construction on the new 5-meter satellite facility and associated building improvement projects at VAFB during the first quarter of 2010, offset partially by processing RSC-Energia's MRM1 in our Cape Canaveral facility.

Gross Profit. Gross profit decreased to $15.1 million for the year ended June 30, 2010, as compared to $16.3 million for the year ended June 30, 2009. The decrease in gross profit was attributable to the decline in revenue, partially offset by a customer contract which was processed at a higher margin.

Selling, General and Administrative Expense. Selling, general and administrative expense decreased to $8.6 million for the year ended June 30, 2010, as compared to $8.7 million for the year ended June 30, 2009. This decrease is primarily a result of lower administrative fees.

Interest and other expense, net. Interest and other expense, net, decreased to $0.2 million in the year ended June 30, 2010, as compared to $0.3 million in the year ended June 30, 2009. This relatively consistent expense relates to interest on the term loan, offset by interest earned primarily from our money market accounts. Also included in other expense for the year ended June 30, 2010 and 2009 is the write-off of $0.2 million and $0.1 million, respectively, of aerospace metals.

Selected financial data for the years ended June 30, 2010, and 2009 of our Spacetech business unit is as follows:

(In thousands)	Year Ended June 30, 2010	2009	Variance
Revenue	$ **—**	**$ 129**	**$ (129)**
Gross loss	**(4)**	**(76)**	**$ 72**
Gross margin percentage	—%	(59)%	59%
Selling, general and administrative	3,607	1,021	2,586
Research and development	2,798	2,330	468
Operating expenses	**6,405**	**3,351**	**3,054**
Gain on notes repurchased	—	665	(665)
Interest and other expense, net	(229)	(368)	139
Income tax expense	(22)	510	(532)
Net loss	**(6,660)**	**(2,620)**	**(4,040)**
Less: net loss attributable to noncontrolling interest	(588)	—	(588)
Net loss attributable to Spacetech	$ **(6,072)**	**$ (2,620)**	**$ (3,452)**

Revenue. Total revenue decreased $0.1 million for the year ended June 30, 2010, from the year ended June 30, 2009. The revenue in fiscal year 2009 was derived from AirWard, which designed and manufactured shipping containers to transport oxygen bottles and oxygen generators for commercial aircraft. In February 2010, further investment in AirWard was suspended as the initiative has not yielded the anticipated return for shareholders.

Gross loss. The gross loss decreased for AirWard in the year ended June 30, 2010, as the initiative has not yielded the anticipated return for shareholders.

Selling, General and Administrative Expense. Selling, general and administrative expense increased to $3.6 million for the year ended June 30, 2010, as compared to $1.0 million for the year ended June 30, 2009. The increase was primarily attributable to increased employee incentive compensation expense and an increase in outside consulting fees.

Research and Development Expense. Research and development expense increased to $2.8 million for the year ended June 30, 2010, as compared to $2.3 million for the year ended June 30, 2009. The increase in expense was the result of our investments in the development of the 1st Detect Miniature Chemical Detector and the Astrogenetix Microgravity Processing Platform.

Interest and other expense, net. Interest and other expense, net, decreased to $0.2 million in the year ended June 30, 2010, as compared to $0.4 million for the year ended June 30, 2009. Interest expense relates to interest on the Senior Convertible Notes, offset by interest earned from our money market accounts.

FINANCIAL CONDITION, CAPITAL RESOURCES, AND LIQUIDITY

Balance Sheet

Total assets for the year ended June 30, 2010, were $54.9 million compared to total assets of $58.9 million as of the end of fiscal year 2009. The following table sets forth the significant components of the balance sheet as of June 30, 2010, compared with 2009 (in thousands):

	Year Ended June 30,		
	2010	**2009**	**Variance**
Assets:			
Current assets	$ 14,964	$ 17,600	$ (2,636)
Property and equipment, net	39,920	40,226	(306)
Other assets, net	19	1,093	(1,074)
Total	$ 54,903	$ 58,919	$ (4,016)
Liabilities and stockholders' equity:			
Current debt	$ 8,467	$ 267	$ 8,200
Other current liabilities	3,874	8,915	(5,041)
Long-term debt	—	8,435	(8,435)
Other long-term liabilities	350	754	(404)
Stockholders' equity	42,212	40,548	1,664
Total	$ 54,903	$ 58,919	$ (4,016)

Current assets. Current assets decreased $2.6 million for the year ended June 30, 2010, as compared to June 30, 2009. The overall decrease relates to collection of accounts receivable, including the collection of final invoicing on the facility construction at VAFB which were outstanding at June 30, 2009, and the timing of a note receivable which is now classified as due within one year.

Property and equipment, net. Depreciation and amortization expense of $2.1 million exceeded capital expenditures of $1.8 million.

Other assets, net. Other assets, net, decreased $1.1 million for the year ended June 30, 2010, as compared to June 30, 2009. A note receivable of $0.7 million is due now within the next fiscal year and classified as a current asset. The Company also had a partial write off of $0.2 million and a recorded sale of $0.1 million on remaining aerospace metals.

Current and long-term debt. The $5.1 million of Senior Convertible Notes and the $3.4 million term loan are due within the next fiscal year, and therefore, the classification has changed from long-term debt to current debt. The Company made principal payments on the term loan of $0.3 million for the year ended June 30, 2010. Interest is paid bi-annually on the Senior Convertible Notes.

Other current liabilities. Other current liabilities decreased by $5.0 million for the year ended June 30, 2010, as compared to June 30, 2009. The decrease in accounts payable of $2.1 million is due to payments made to vendors related to the facility construction at VAFB, which were outstanding at June 30, 2009, as well as timing of other payments. The decrease in short term deferred revenue of $2.7 million is a result of a timing difference between cash collections on payload processing customer contracts and amounts earned as revenue.

Other long-term liabilities. Other long-term liabilities decreased $0.4 million for the year ended June 30, 2010, as compared to June 30, 2009. This was primarily due to a decrease in non-current deferred revenue of $0.3 million.

Liquidity and Capital Resources

As of June 30, 2010, we had cash and cash equivalents of $8.1 million and our working capital was approximately $2.6 million, including $0.5 million of cash in 1st Detect available only to fund development of the Miniature Chemical Detector (see Note 13). As of June 30, 2009 we had cash and cash equivalents of $4.7 million and our working capital was approximately $8.4 million. The following is a summary of the change in our cash and cash equivalents:

	June 30,	
	2010	**2009**
Net cash provided by operating activities	$ 4,437	$ 4,972
Net cash used in investing activities	(1,829)	(1,427)
Net cash used in financing activities	747	(1,455)
Net increase in cash and cash equivalents	**$ 3,355**	**$ 2,090**

Operating Activities

Cash provided by operations for the year ended June 30, 2010, was $4.4 million as compared with $5.0 million for the year ended June 30, 2009. Significant items affecting operating cash flows at June 30, 2010 were our net loss of $0.3 million and depreciation and amortization of $2.1 million. At June 30, 2009, operating cash flow included net income of $4.7 million and depreciation and amortization of $2.2 million.

Changes in assets and liabilities affecting our operating cash flows for fiscal year 2010 are as follows:

Assets. The decrease in accounts receivable of $6.6 million is primarily attributable to the timing of payments received by the Company, including the collection of amounts due from the U.S. Government on the facility construction at VAFB which were outstanding as of June 30, 2009. The increase in cash and cash equivalents of $3.4 million is primarily due to the collection of amounts in our accounts receivable.

Liabilities. The decrease in accounts payable of $2.1 million is due to payments made to vendors related to the facility construction at VAFB, which were outstanding at June 30, 2009, as well as timing of other payments. The decrease in short term deferred revenue of $2.7 million is a result of a timing difference between cash collections on payload processing customer contracts and amounts earned as revenue.

Investing Activities

Cash used in investing activities for the year ended June 30, 2010, was $1.8 million as compared with $1.4 million for the year ended June 30, 2009. In fiscal year 2010, capital expenditures for payload processing facilities related to ASO were $1.8 million, which included construction of an administrative customer support building at VAFB.

Financing Activities

Cash provided by financing activities for the year ended June 30, 2010, was $0.7 million as compared with cash used in financing activities of $1.5 million for the year ended June 30, 2009. In fiscal year 2010, the Company received $0.1 million in proceeds from issuance of common stock and 1st Detect received $0.9 million from the Texas Emerging Technology Fund (See Note 13). This was offset by the $0.3 million in principal payments the Company made on the term loan. In fiscal year 2009, the Company purchased $1.8 million of the principal amount of its outstanding Senior Convertible Notes offset by a gain of $0.7 million.

Debt Facilities. In February 2008, we entered into a financing facility providing a $4.0 million term loan terminating February 2011 and a $2.0 million revolving credit facility terminating in February 2009. The term loan requires monthly payments of principal, plus interest at the rate of prime plus 1.75% and the revolving credit facility incurs interest at the rate of prime plus 1.75%. Effective February 2010, we renewed the $2.0 million revolving credit facility for an additional one-year period expiring February 2011. The renewal changed the interest rate to the bank's prime rate plus 0.75%. The bank financing facilities are secured by the assets of our ASO Florida facilities and other bank covenants. The balance of the $4.0 million term loan as of June 30, 2010 was $3.4 million. As of June 30, 2010, there was no balance outstanding on the $2.0 million revolving credit facility.

As of June 30, 20 Astrotech had $5.1 million of Senior Convertible Notes outstanding which mature on October 15, 2010, and pay interest on April 15 and October 15 annually. The $5.1 million of Senior Convertible Notes and the $3.4 million term loan are due within the next fiscal year, and therefore, the classification has changed from long-term debt to current debt.

Contractual Obligations

Leases

The Company is obligated under non-cancelable operating leases for equipment, office space, the land for a payload processing facility and certain flight assets. Future minimum payments under these non-cancelable operating leases are as follows (in thousands):

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-Term Debt Obligations	—	—	—	—	—
Capital Lease Obligations	—	—	—	—	—
Operating Lease Obligations	$ 885	$ 616	$ 269	—	—
Purchase Obligations	—	—	—	—	—
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP	—	—	—	—	—
Total	$ 885	$ 616	$ 269	—	—

Rent expense for the years ended June 30, 2010, and 2009 was approximately $0.9 million and $0.9 million, respectively. For fiscal year 2010, the Company received sublease payments of $0.3 million.

Construction Contract Contingency

In August 2007, we entered into a $14.0 million modification to our existing VAFB construction contract. The modification required us to complete the construction on the redesigned facility by September 30, 2009. The modification contained penalties of up to $3.0 million if we did not meet the contracted completion date. The construction was complete in September 2009 and no penalties were incurred (See Note 12).

State of Texas Funding

In March 2010, the Texas Emerging Technology Fund awarded 1st Detect $1.8 million for the development and marketing of the Miniature Chemical Detector, a portable mass spectrometer designed to serve the security, healthcare and industrial markets (See Note 13). As of June 30, 2010, 1st Detect has received the first of two $0.9 million disbursements. The disbursed amount of $0.9 million represents a contingency through March 2020, the date of cancellation. If an event of default should occur, the principal and accrued interest would be reclassified from equity to notes payable in the consolidated financial statements as amounts due to the State of Texas. Management considers the likelihood of an event of default to be remote.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2010.

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

Our primary exposure to market risk relates to interest rates. We do not currently use any interest rate swaps or derivative financial instruments to manage our exposure to fluctuations in interest rates. A one percent change in variable interest rates will not have a material impact on our financial condition.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Astrotech Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Astrotech Corporation and its subsidiaries (the "Company") as of June 30, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ PMB HELIN DONOVAN LLP
Austin, Texas
August 30, 2010

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

	June 30,	
	2010	**2009**
Assets		
Current assets		
Cash and cash equivalents	$ 8,085	$ 4,730
Accounts receivable, net	5,676	12,279
Prepaid expenses and other current assets	528	591
Short term note receivable	675	—
Total current assets	**14,964**	**17,600**
Property and equipment, net	39,920	40,226
Long term note receivable	—	691
Other assets, net	19	402
Total assets	**$ 54,903**	**$ 58,919**
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	859	2,965
Accrued liabilities and other	2,083	2,356
Deferred revenue	854	3,594
Senior convertible subordinated notes payable — 5.5%	5,111	—
Term note payable	3,356	267
Other	78	—
Total current liabilities	**12,341**	**9,182**
Deferred revenue	350	649
Other liabilities	—	105
Senior convertible subordinated notes payable — 5.5%	—	5,111
Term note payable, net of current portion	—	3,324
Total liabilities	**12,691**	**18,371**
Commitments and contingencies (Note 12)	—	—
Stockholders' equity		
Preferred stock, no par value, convertible, 2,500,000 authorized shares, 0 issued and outstanding shares, at June 30, 2010 and 2009	—	—
Common stock, no par value, 75,000,000 and 75,000,000 shares authorized at June 30, 2010 and 2009 respectively, 17,081,543 and 16,754,378 shares issued at June 30, 2010 and 2009, respectively	183,515	183,341
Treasury stock, 311,660 shares at cost	(237)	(237)
Additional paid-in capital	639	1,663
Retained deficit	(143,959)	(144,219)
Noncontrolling interest	2,254	—
Total stockholders' equity	**42,212**	**40,548**
Total liabilities and stockholders' equity	**$ 54,903**	**$ 58,919**

See accompanying notes to consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended June 30, 2010	2009
Revenue	$ 27,979	$ 31,985
Costs of revenue	12,858	15,723
Gross profit	**15,121**	**16,262**
Operating expenses		
Selling, general and administrative	12,170	9,760
Research and development	2,798	2,330
Total operating expenses	14,968	12,090
Income from operations	**153**	**4,172**
Gain on bond exchange	—	665
Interest and other expense, net	(459)	(622)
Income (loss) before income taxes	(306)	4,215
Income tax benefit (expense)	(22)	510
Net income (loss)	**(328)**	**4,725**
Less: Net loss attributable to noncontrolling interest	(588)	—
Net income attributable to Astrotech Corporation	**$ 260**	**$ 4,725**
Net income per share, basic	$ 0.02	$ 0.29
Weighted average common shares outstanding, basic	16,567	16,365
Net income per share, diluted	$ 0.01	$ 0.28
Weighted average common shares outstanding, diluted	18,283	16,904

See accompanying notes to consolidated financial statements.

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

	Common Stock		Treasury Stock	Additional Paid- In	Accumulated	Non-Controlling	Total Stockholders'
	Number of Shares	Amount	Amount	Capital	Deficit	Interest	Equity
Balance at June 30, 2008	14,954	$183,306	$ (117)	$ 691	$ (148,944)	$ —	$ 34,936
Stock based compensation	—	—	—	972	—	—	972
Treasury stock purchase	(312)	—	(120)	—	—	—	(120)
Exercise of stock options	38	35	—	—	—	—	35
Restricted stock issuance	1,763						
Net income (loss)		—	—	—	4,725	—	4,725
Balance at June 30, 2009	16,443	$183,341	$ (237)	$ 1,663	$ (144,219)	$ —	$ 40,548
Stock based compensation	—	—	—	862	—	116	978
Exercise of stock options	283	174	—	(60)	—	—	114
Restricted stock issuance	44	—	—	—	—	—	—
Issuance of restricted stock and warrants in subsidiaries	—	—	—	(1,826)		1,826	—
State of Texas Funding						900	900
Net income (loss)	—	—	—	—	260	(588)	(328)
Balance at June 30, 2010	16,770	$183,515	$ (237)	$ 639	$ (143,959)	$ 2,254	$ 42,212

See the accompanying notes to consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended June 30,	
	2010	**2009**
Cash flows from operating activities		
Net income (loss)	$ (328)	$ 4,725
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation	978	338
Depreciation and amortization	2,135	2,209
Gain on note repurchase	—	(665)
Other	—	171
Changes in assets and liabilities:		
Restricted cash	—	8,386
Accounts receivable	6,603	(8,407)
Deferred revenue	(3,039)	2,009
Accounts payable	(2,106)	365
Advances for construction contract	—	(4,863)
Other assets and liabilities	194	704
Net cash provided by operating activities	4,437	4,972
Cash flows from investing activities		
Purchases of property, equipment and leasehold improvements	(1,829)	(1,427)
Net cash used in investing activities	(1,829)	(1,427)
Cash flows from financing activities		
State of Texas Funding	900	—
Proceeds from issuance of common stock	114	17
Senior convertible note repurchase	—	(1,085)
Term loan payment	(267)	(267)
Purchase of treasury stock	—	(120)
Net cash provided by (used in) financing activities	747	(1,455)
Net change in cash and cash equivalents	**3,355**	**2,090**
Cash and cash equivalents at beginning of period	4,730	2,640
Cash and cash equivalents at end of period	**$ 8,085**	**$ 4,730**
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 469	$ 569
Cash paid for income taxes	$ —	$ —

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Description of the Company and Operating Environment

Astrotech Corporation (Nasdaq: ASTC) (“Astrotech,” “the Company,” “we,” “us” or “our”) is a commercial aerospace company that provides spacecraft payload processing and government services, designs and manufactures space hardware, and develops space technologies for use on Earth.

Astrotech has experience supporting both manned and unmanned missions to space with product and service support including space hardware design and manufacturing, research and logistics expertise, engineering and support services, and payload processing and integration. Through new business initiatives such as 1st Detect and Astrogenetix, Astrotech is paving the way in the commercialization of space by translating space-based technology into terrestrial applications.

Our Business Units

Astrotech Space Operations (“ASO”) — ASO is the leading commercial supplier of satellite launch processing services in the United States. ASO provides processing support for government and commercial customers for their complex communication, earth observation and deep space satellites. ASO’s spacecraft processing facilities are among the elite in the industry, with more than 150,000 square feet of clean room space that can support the largest, five-meter class satellites. ASO has provided launch processing support for government and commercial customers for nearly a quarter century, successfully processing more than 280 spacecraft.

Spacetech — Our other business unit is an incubator intended to develop space-industry technologies into commercial applications to be sold to consumers and industry. Spacetech has developed three business initiatives to date: 1st Detect Corporation (“1st Detect”), Astrogenetix, Inc. (“Astrogenetix”) and AirWard Corporation (“Airward”). 1st Detect’s business began under a Space Act Agreement with the National Aeronautics and Space Administration (“NASA”) for a chemical detection unit to be used on the International Space Station. 1st Detect engineers have developed a Miniature Chemical Detector, a device based on mass spectrometry, that we believe will fill a niche by being highly accurate, lightweight, battery-powered, durable and inexpensive. Astrogenetix is a biotechnology company created to use the unique environment of space to develop novel therapeutic products. A natural extension of the many years of experience preparing, launching, and operating over 1,500 science payloads in space, Astrogenetix is in the process of developing products from microgravity discoveries. AirWard designed and manufactured shipping containers to transport oxygen bottles and oxygen generators for commercial aircraft. Further investment in Airward was suspended in February, 2010, as the initiative has not yielded the anticipated return for shareholders.

The Company’s significant legal entities include Astrotech Space Operations, Inc., 1st Detect Corporation and Astrogenetix, Inc. Additional discussion on Astrotech’s business can be found in Items 1-7 and Exhibit 21 of this Form 10-K.

Liquidity

As of June 30, 2010, we had cash and cash equivalents of $8.1 million and our working capital was approximately $2.6 million, including $0.5 million of cash in 1st Detect available only to fund development of the Miniature Chemical Detector (see Note 13). As of June 30, 2009, we had cash and cash equivalents of $4.7 million and our working capital was approximately $8.4 million.

In February 2008 (see Note 5), we consummated a financing facility with a commercial bank. This facility provides for a three year $4.0 million term loan, payable in monthly installments of principal and interest and a $2.0 million revolving credit facility. The term loan is secured by the assets of ASO and the revolving credit facility is secured by ASO's accounts receivable. As of June 30, 2010, we have no outstanding balance under the revolving credit facility.

At June 30, 2010, Astrotech had $5.1 million of Senior Convertible Notes outstanding which mature on October 15, 2010, and pay interest on April 15 and October 15 annually (see Note 5). The $5.1 million of Senior Convertible Notes and the $3.4 million term loan are due within the next fiscal year and therefore the classification has changed from long-term debt to current debt. The Company made principal payments on the term loan of $0.3 million for the year ended June 30, 2010. Interest is paid bi-annually on the Senior Convertible Notes.

The Company's debt repayments are due as follows (in thousands):

	Balance 6/30/2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Term Note	$ 3,356	$ 3,356	$ —	$ —	$ —	$ —
Senior Convertible Notes Payable — 5.5%	5,111	5,111	—	—	—	—
	$ 8,467	**$ 8,467**	**$ —**	**$ —**	**$ —**	**$ —**

We believe we have sufficient liquidity and backlog to fund ongoing operations for at least the next fiscal year. We expect to utilize existing cash and proceeds from operations to grow our core business offering in ASO and to support strategies for new business initiatives.

(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 majority-owned subsidiaries that are required to be consolidated. All significant intercompany transactions have been eliminated in consolidation.

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 reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Reclassifications

Certain amounts reported in previous periods have been reclassified to conform to the current year presentation.

Credit Risk

The Company maintains funds in bank accounts that, at times, may exceed the limit insured by the Federal Deposit Insurance Corporation, or "FDIC." In October 2008, the FDIC increased its insurance to $250,000 per depositor, and to an unlimited amount for non-interest bearing accounts. The risk of loss attributable to these uninsured balances is mitigated by depositing funds in what we believe to be high credit quality financial institutions. The Company has not experienced any losses in such accounts.

Revenue Recognition

Revenue is derived primarily from contracts to deliver payload processing support and facilities to the U.S. Government and to commercial customers. Revenues under these contracts are recognized using the methods described below. Given the changing launch schedules of our customers, and the changing requirements of the customers in construction contracts, estimating future costs and revenues is a process requiring a high degree of judgment by our management. (See Risk Factors—Risks Related to Our Business—Our financial results could be adversely affected if the estimates that we use in accounting for contracts are incorrect and need to be changed.) For our satellite payload processing, we base our estimate on historical experience and on assumptions that are believed to be reasonable under the circumstances, including the negotiation of equitable adjustments to our fixed-price contracts due to launch delays. For construction contracts, costs to complete include, when appropriate, material, labor, subcontracting costs, lease costs, commissions, insurance, and depreciation. In the event of a change in total estimated contract cost or profit, the cumulative effect of such change is recorded in the period that the change in estimate occurs.

A Summary of Revenue Recognition Methods Follows:

Services/Products Provided	Contract Type	Method of Revenue Recognition
Satellite Payload Processing Support & Facilities	Firm Fixed Price — Mission Specific	Ratably, over the occupancy period of a satellite within the facility from arrival through launch
	Firm Fixed Price — Guaranteed Number of Missions	For multi-year contract payments recognized ratably over the contract period
Facility Construction contracts	Firm Fixed Price	Percentage-of-completion based on costs incurred
Engineering Services	Cost Reimbursable Award/Fixed Fee	Reimbursable costs incurred plus award/fixed fee
Commercial Products	Specific Purchase Order Based	At shipment

Under certain contracts, we make expenditures for specific enhancements and/or additions to our facilities where the customer agrees to pay a fixed fee to deliver the enhancement or addition. We account for such agreements as a reduction in the cost of such investments and recognize any excess of amounts collected above the expenditure as revenue. Revenue for ASO recognized under a building modification contract with a government agency was accounted for under the percentage-of-completion method based on costs incurred over the period of the agreement.

Deferred Revenue

Deferred revenue represents amounts collected from customers for projects, products, or services expected to be provided at a future date. Deferred revenue is shown on the balance sheet as either a short-term or long-term liability, depending on when the service or product is expected to be provided.

Research and Development

Research and development costs are expensed as incurred.

Income Taxes

We recognize income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss and tax credit carry forward. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income 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.

Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share includes all common stock options and other common stock equivalents that potentially may be issued as a result of conversion privileges, including the convertible subordinated notes payable and convertible preferred stock (see Note 10).

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 the allowance for doubtful accounts, represents their estimated net realizable value. We estimate the 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.

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. Our payload processing facilities are depreciated using the straight-line method over their estimated useful lives ranging from 16 to 40 years.

Leasehold improvements are amortized over the shorter of the useful life of the building or the term of the lease. Repairs and maintenance are expensed when incurred.

As required by our customers, we purchase equipment or enhance our facilities to meet specific customer requirements. These enhancements or equipment purchases are compensated through our contract with the customer. The difference between the amount reimbursed and the cost of the enhancements is recognized as revenue.

Deferred Financing Costs

Deferred financing costs represent loan origination fees paid to the lender and related professional fees. These costs are amortized on a straight-line basis over the term of the respective loan agreements.

Investments in Affiliates

We use the equity method of accounting for our investments in, and earnings of, investees in which we exert significant influence. In accordance with the equity method of accounting, the carrying amount of such an investment is initially recorded at cost and is increased to reflect our share of the investor's income and is reduced to reflect the Company's share of the investor's losses.

Impairment of Long-Lived Assets

We review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future 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.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, notes payable and accrued liabilities. The carrying amounts of these assets and liabilities, in the opinion of Company's management, approximate their fair value, except for the Senior Convertible Notes Payable (See Note 6).

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 the stock options is estimated using expected dividend yields of the Company's stock, the expected volatility of the stock, the expected length of time the options remain outstanding and 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 estimates forfeitures using historical forfeiture rates for previous grants of equity instruments. The fair value of awards that are expected to vest is recorded as an expense over the vesting period.

Noncontrolling Interest

Noncontrolling interest accounting is applied for any entities where the Company maintains less than 100% ownership. The Company clearly identifies the noncontrolling interest in the balance sheets and income statements. We also disclose three measures of net income: net income, net income attributable to noncontrolling interest, and net income attributable to Astrotech Corporation. Our operating cash flows in our consolidated statements of cash flows reflect net income, while our basic and diluted earnings per share calculations reflect net income attributable to Astrotech Corporation.

State of Texas Funding

The Company accounts for the State of Texas funding in its majority owned subsidiary 1st Detect as a contribution of capital and has reflected the disbursement in the equity section of the consolidated balance sheet. While the award agreement includes both a common stock purchase right and a note payable to the State of Texas, the economic substance of the transaction is that the State of Texas has purchased shares of 1st Detect in exchange for the granted award.

The common stock purchase right gives the State of Texas the ability to purchase common stock in 1st Detect, at par value per share, at the earlier of: (1) the first Qualifying Financing Event or (2) eighteen months (See Note 13).

There are no cash payments due under the note unless there is an event of default, and the terms that allow for the note to be cancelled after the passage of a set amount of time. The purpose of the note is to provide recourse for the State of Texas if 1st Detect fails to fulfill the purpose of the grant, which is primarily to provide for economic development within the State of Texas. If an event of default should occur, the principal and accrued interest would be reclassified from equity to notes payable in the consolidated financial statements as amounts due to the State of Texas. Management considers the likelihood of an event of default to be remote.

(3) Accounts Receivable

As of June 30, 2010, and 2009, accounts receivable consisted of the following (in thousands):

	2010	2009
U.S. Government contracts:		
Billed	$ 2,123	$ 6,274
Unbilled	836	4,926
Total U.S. Government contracts	$ 2,959	$ 11,200
Commercial contracts:		
Billed	$ 1,926	$ 254
Unbilled	791	825
Total commercial contracts	$ 2,717	$ 1,079
Total accounts receivable	**$ 5,676**	**$ 12,279**

The Company anticipates collecting all unreserved receivables within one year. Unbilled accounts receivable represents revenue earned in excess of contracted billing milestones.

The accuracy and appropriateness of our direct and indirect costs and expenses under government contracts, and therefore, our accounts receivable recorded pursuant to such contracts, are subject to extensive regulation and audit by the U.S. Defense Contract Audit Agency ("DCAA") or by other appropriate agencies of the U.S. Government. Such agencies have the right to challenge our cost estimates or allocations with respect to any government contract. Additionally, a substantial portion of the payments to the Company under government contracts are provisional payments that are subject to potential adjustment upon audit by such agencies. In the opinion of management, any adjustments likely to result from inquiries or audits of its contracts would not have a material adverse impact on our financial condition or results of operations.

(4) Property & Equipment

As of June 30, 2010, and 2009, property and equipment consisted of the following (in thousands):

	June 30,	
	2010	2009
Flight Assets	$ 49,210	$ 49,210
Payload Processing Facilities	44,457	42,652
Furniture, Fixtures, Equipment & Leasehold Improvements	19,611	18,810
Capital Improvements in Progress	108	885
Gross Property and Equipment	**113,386**	**111,557**
Accumulated Depreciation	(73,466)	(71,331)
Property and Equipment, net	**$ 39,920**	**$ 40,226**

Depreciation and amortization expense of property and equipment for the years ended June 30, 2010 and 2009 was $2.1 million and $2.2 million, respectively.

(5) Debt

Revolving Loan Payable

In February 2008, we entered into a financing facility with a bank providing a $4.0 million term loan terminating February 2011 and a $2.0 million revolving credit facility terminating in February 2009. The term loan requires monthly payments of principal, plus interest at the rate of prime plus 1.75%, and the revolving credit facility incurs interest at the rate of prime plus 1.75%. Effective February 2010, we renewed the $2.0 million revolving credit facility for an additional one-year period which included reducing the interest rate to prime plus 0.75%. The bank financing facilities are secured by the assets of ASO and require us to comply with designated covenants. As of June 30, 2010, the balance of the $4.0 million term loan was $3.4 million and there was no balance outstanding on the $2.0 million revolving credit facility. The Company made principal payments on the term loan of $0.3 million for the year ended June 30, 2010. Interest is paid bi-annually on the Senior Convertible Notes.

Convertible Subordinated Notes Payable

As of June 30, 2010 Astrotech had $5.1 million of 5.5% Senior Convertible Notes outstanding which mature on October 15, 2010, and pay interest on April 15 and October 15 annually. Senior Convertible Notes are convertible into 66.67 shares of Astrotech common stock per $1,000 of par.

The $5.1 million of Senior Convertible Notes and the $3.4 million term loan are due within the next fiscal year, and therefore, the classification has changed from long-term debt to current debt.

(6) Fair Value of Financial Instruments

In general, fair values utilizes quoted prices in active (when available) markets for identical assets or liabilities. The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments as of June 30, 2010, and 2009 (in thousands):

	June 30, 2010		June 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan payable	$ 3,356	$ 3,356	$ 3,591	$ 3,591
Senior Convertible Notes Payable — 5.5%	$ 5,111	$ 4,808	$ 5,111	$ 2,650

The fair value of our long-term debt is estimated based on the current rates offered for similar financial instruments. The carrying amounts of cash and cash equivalents, accounts receivable, notes receivable, and accounts payable approximate their fair market value due to the relatively short duration of these instruments.

(7) Business Concentration

A substantial portion of our revenue has been generated under contracts with the U.S. Government. During the years ended June 30, 2010, and 2009, approximately 49% and 65% of our revenues were generated under U.S. Government contracts, respectively. Of the accounts receivable balance as of June 30, 2010, totaling $5.7 million, 52% of the balance is attributed to the U.S. Government.

(8) Common Stock Incentive, Stock Purchase Plans and Other Compensation Plans

As of June 30, 2010, 379,389 shares of Common Stock were reserved for future grants of stock incentive grants under the Company's three stock incentive plans.

The 1994 Plan ("1994 Plan")

Under the terms of the 1994 Plan, the number and price of the stock incentive awards granted to employees is determined by the Board of Directors and such grants vest, in most cases, incrementally over a period of four years and expire no more than ten years after the date of grant. The total number of shares that are available under this plan is 395,000. As of June 30, 2010 there are no shares available for grant. Based on the Articles of the 1994 stock incentive plan, no awards shall be granted more than ten years after the effective date of the plan unless amended.

The Directors' Stock Option Plan ("Director's Plan")

Options under the Director's Plan vest after one year and expire seven years from the date of grant. The total number of options that are available under this plan is 50,000. Through June 30, 2010, there are 30,000 options available for grant.

Space Media, Inc. Stock Option Plan

During the year ended June 30, 2000, Space Media, Inc. ("SMI"), a majority-owned subsidiary of the Company, adopted an option plan under which 1,500,000 shares of our Common Stock have been reserved for future grants. The operations of SMI have been discontinued. No options were issued or are outstanding under this plan.

2008 Stock Incentive Plan ("2008 Plan")

The 2008 Plan was created to promote growth of the Company by aligning the long-term financial success of the Company with the employees, consultants and directors. In the first and second quarters of fiscal 2010, the compensation committee of the Board of Directors granted 1,995,559 and 410,000 restricted shares, respectively, to directors, named executive officers and employees in recognition of the positive fiscal 2009 financial and operating performance. The shares were issued from the 2008 Stock Incentive Plan, vest 33.33% a year over a three year period and expire upon the employee's termination. As of June 30, 2010, 5,622,267 stock options and restricted shares were granted, 471,656 shares have been cancelled and 349,389 shares are available for future grant.

1st Detect

On January 19, 2010, an independent committee of the Board of Directors of 1st Detect, a subsidiary of the Company, approved a grant of 1,180 restricted stock shares and 1,820 stock purchase warrants to certain officers, directors and employees of 1st Detect. The awards vest 50% a year over a 2 year period. We recognized compensation expense of $0.1 million for restricted stock outstanding in 2010. The Company utilized the Black-Scholes methodology in determining the fair market value of the warrants of $0.3 million, of which $1,600 was recognized in 2010.

Astrogenetix

On January 19, 2010, an independent committee of the Board of Directors of Astrogenetix, a subsidiary of the Company, approved a grant of 1,550 restricted stock shares and 2,050 stock purchase warrants to certain officers, directors and employees of Astrogenetix. The awards vest 50% a year over a 2 year period. We recognized compensation expense of $0.1 million for restricted stock outstanding in 2010. The Company utilized the Black-Scholes methodology in determining the fair market value of the warrants of $0.2 million, of which $1,400 was recognized in 2010.

Stock Option Activity Summary

The Company's stock options activity for the twelve months ended June 30, 2010 was as follows:

	Shares (in thousands)	**Weighted Average Exercise Price**
Outstanding at June 30, 2009	1,125	$ 2.27
Granted	—	—
Exercised	(271)	0.43
Cancelled or expired	(109)	12.54
Outstanding at June 30, 2010	745	$ 1.45

The aggregate intrinsic value of options exercisable at June 30, 2010 was $0.4 million as the fair value of the Company's common stock is more than the exercise prices of these options.

Range of exercise prices	Number Outstanding	Options outstanding Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable	Options exercisable Weighted-Average Exercise Price
$0.30 – 0.45	705,741	4.4	0.40	520,741	0.41
$4.40 – 11.50	17,600	3.4	9.07	16,400	8.89
$14.30 – 26.00	14,100	2.6	21.27	14,100	21.27
$34.38 – 48.75	8,200	0.3	41.57	8,200	41.57
$0.30 – 48.75	745,641	4.3	$ 1.45	559,441	$ 1.79

Compensation costs recognized related to vested stock option awards during the year ended June 30, 2010, and 2009 was $0.1 million and $0.2 million, respectively. At June 30, 2010, 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 2.24 years.

Restricted Stock

At June 30, 2010, and 2009, there was $2.3 million and $0.2 million of unrecognized compensation costs related to restricted stock, respectively, which is expected to be recognized over a weighted average period of 2.1 years.

The Company's restricted stock activity for the twelve months ended June 30, 2010, was as follows:

	Shares (in thousands)	Weighted Average Grant-Date Fair Value
Non-vested at June 30, 2009	243	$ 0.52
Granted	2,406	1.27
Vested	(44)	0.50
Cancelled or expired	(269)	1.63
Non-vested at June 30, 2010	2,336	$ 1.17

Restricted Stock 1st Detect

At June 30, 2010, there was $0.5 million of unrecognized compensation costs related to restricted stock and warrants, which is expected to be recognized over a weighted average period of 1.6 years.

1st Detect restricted stock activity for the twelve months ended June 30, 2010, was as follows:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at June 30, 2009	—	$ —
Granted	1,180	212.00
Vested	—	—
Cancelled or expired	—	—
Non-vested at June 30, 2010	1,180	$ 212.00

Restricted Stock Astrogenetix

At June 30, 2010, there was $0.4 million of unrecognized compensation costs related to restricted stock and warrants, which is expected to be recognized over a weighted average period of 1.6 years.

Astrogenetix restricted stock activity for the twelve months ended June 30, 2010, was as follows:

Other Stock Based Incentive Awards

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at June 30, 2009	—	$ —
Granted	1,950	167.00
Vested	—	—
Cancelled or expired	(400)	167.00
Non-vested at June 30, 2010	1,550	$ 167.00

2007 performance shares — We issued 239,900 performance shares in December 2007 out of the 1994 Plan, which vest in February 2011, subject to certain events or upon designation by the Compensation Committee. Termination of employment for any cause is an event of forfeiture. We valued the 2007 performance shares granted at the close of business on the date of grant, and recognize expense and accrue an incentive compensation liability, pro rata over the vesting period. Subsequent to issuance 179,000 shares were forfeited. An expense was incurred in the amount of $0.02 million for the year ended June 30, 2010.

Fair Value of Stock Based Compensation

The Company calculated the fair value of each option grant on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Astrotech Year ended June 30,		Spacetech Year ended June 30,	
	2010	**2009**	**2010**	**2009**
Expected Dividend Yield	—%	0%	0%	—%
Expected Volatility	—	1.15	1.43	—
Risk-Free Interest Rates	—%	2.7%	0.9%	—%
Expected Option Life (in years)	—	3.55	2.00	—

Due to differences in option terms and historical exercise patterns among the plans, we have segregated option awards into two homogenous groups for the purpose of determining fair values for its options. Valuation assumptions are determined separately for the two groups, which represent, respectively, the 1994 Stock Incentive Plan and the Director's Stock Option Plan. No options have been issued during the year ended June 30, 2010, under the 2008 Stock Incentive Plan. The assumptions are as follows:

- We estimated volatility using our historical share price performance over the last ten years. Management believes the historical estimated volatility is materially indicative of expectations about expected future volatility.
- We use the simplified method to estimate expected lives for options granted.
- The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for the expected term of the option.
- The expected dividend yield is based on our current dividend yield and the best estimate of projected dividend yield for future periods within the expected life of the option.

Cash Based Long Term Incentive Awards

The Compensation Committee of the Board of Directors adopted and implemented a Long-Term Cash Incentive Plan during the second quarter of fiscal year 2008. The Long-Term Cash Incentive Plan pays cash awards to employees upon the successful completion of certain events and passage of time as established by the Compensation Committee. In the year ended June 30, 2008, the Compensation Committee awarded Long-Term Cash Incentive Units valued at $0.3 million to employees. These units vest 50% in August 2010 and 50% in February 2011 and are subject to material risk of forfeiture. For fiscal year 2010, expense recognized for this plan totaled $0.01 million, cash paid to terminated employees was $0.02 million, and the deferred liability was $0.1 million.

Securities Repurchase Program

In March 2009, the Company repurchased 300,000 shares of Common Stock at a price of $0.40 per share, pursuant to the securities repurchase program. As of June 30, 2009, we had repurchased 311,660 share of Common Stock at a cost of $0.2 million, which represents an average cost of $0.76 per share, and $1.1 million of Senior Convertible Notes Payable (See Note 5). As a result, the Company is authorized to repurchase an additional $5.7 million of securities under this program.

Common Stock or Senior Convertible Notes Payable repurchases under the Company's securities repurchase program may be made from time-to-time, in the open market, through block trades or otherwise in accordance with applicable regulations of the Securities and Exchange Commission. Depending on market conditions and other factors, these purchases may be commenced or suspended at any time or from time-to-time without prior notice. Additionally, the timing of such transactions will depend on other corporate strategies and will be at the discretion of the management of the Company.

(9) Income Taxes

The components of income tax expense (benefit) from continuing operations are as follows (in thousands):

	Year Ended June 30,	
	2010	**2009**
Current		
Federal	$ —	$ (202)
State and local	22	(308)
Foreign	—	—
	$ 22	$ (510)
Deferred		
Federal	—	—
State and local	—	—
Foreign	—	—
	$ 22	$ (510)

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

	Year Ended June 30, 2010	Year Ended June 30, 2009
Expected expense (benefit)	$ (104)	$ 1,433
Alternative minimum tax and state tax expense	22	123
Debt exchange	—	(210)
Adjustment from prior year tax filings	—	(633)
Change in valuation allowance	(186)	(1,482)
Stock compensation	207	126
Other permanent items	83	133
Total	**$ 22**	**$ (510)**

The Company's deferred tax assets as of June 30, 2010 and 2009 consist of the following (in thousands):

	2010	2009
Deferred tax assets:		
Net operating loss carryforwards	$ 12,410	$ 12,500
Alternative minimum tax credit carryforwards	689	687
Accrued expenses and other timing	85	113
Total gross deferred tax assets	$ 13,184	$ 13,300
Less — valuation allowance	(12,789)	(12,975)
Net deferred tax assets	$ 395	$ 325
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	(395)	(325)
Total gross deferred tax liabilities	$ (395)	$ (325)
Net deferred tax assets (liabilities)	**$ —**	**$ —**

The valuation allowance decreased by approximately $0.2 million for the year ended June 30, 2010. The valuation allowance decreased by approximately $1.5 million for the year ended June 30, 2009.

At June 30, 2010, the Company had accumulated net operating loss carryforwards of approximately $36.5 million for Federal income tax purposes ($12.4 million, tax effected) that are available to offset future regular taxable income. These net operating loss carryforwards expire between the years 2021 and 2026. Utilization 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.

The Company has $0.7 million of alternative minimum tax credit carryforwards available to offset future regular tax liabilities.

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, 2010, the Company provided a full valuation allowance of approximately $12.8 million against its net deferred tax assets.

(10) Net Income Per Share

Basic net income per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted net income 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, convertible debt, and shared-based awards. Reconciliation and the components of basic and diluted net income per share are as follows (in thousands):

	Year Ended June 30,	
	2010	**2009**
Numerator:		
Net income basic	$ 260	$ 4,725
Dilutive share based payments	—	21
Net income diluted	$ 260	$ 4,746
Denominator:		
Denominator for basic net income per share — weighted average common stock outstanding	16,567	16,365
Dilutive common stock equivalents — common stock options and share-based awards	1,716	539
Denominator for diluted net income per share weighted average common stock outstanding and dilutive common stock equivalents	18,283	16,904
Basic net income per share	$ 0.02	$ 0.29
Diluted net income per share	$ 0.01	$ 0.28

The Senior Convertible Subordinated Notes Payable outstanding as of June 30, 2010, and June 30, 2009, which are convertible into 341,000 and 458,000 shares of common stock, respectively, at $15.00 per share, have not been included in the computation of diluted net income per share for the twelve months ended June 30, 2010, and June 30, 2009, as the impact to net income per share is anti-dilutive.

Options to purchase 39,900 shares of common stock at exercise prices ranging from $4.40 to $48.75 per share outstanding for the twelve months ended June 30, 2010, were not included in diluted net income per share, as the impact to net income per share is anti-dilutive. Options to purchase 467,000 shares of common stock at exercise prices ranging from $0.30 to $51.25 per share outstanding for the twelve months ended June 30, 2009, respectively, were not included in diluted net income per share, as the impact to net income per share is anti-dilutive.

(11) Employee Benefit Plans

We have a defined contribution retirement plan, which covers substantially all employees and officers. For the years ended June 30, 2010 and 2009, we have contributed the required match of $0.3 million and $0.3 million, respectively, to the plan. We have 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. We have not made any additional contributions for the years ended June 30, 2010 and 2009.

(12) Commitments and Contingencies

Leases

The Company is obligated under noncancelable operating leases for equipment, office space, storage space, and the land for a payload processing facility, and certain flight assets. Future minimum payments under these noncancelable operating leases are as follows (in thousands).

Year ending June 30,	Operating Leases
2011	616
2012	256
2013	13
2014	—
2015	—
2016 and thereafter	—
Subtotal	$ 885

Rent expense for the years ended June 30, 2010 and 2009 was approximately $0.9 million and $0.9 million, respectively. For fiscal year 2010, the Company received sublease payments of $0.3 million.

Construction Contract Contingency

In August 2007 we entered into a $14.0 million modification to our existing VAFB construction contract. The modification required us to complete the construction on the facility by September 30, 2009. The modification contained penalties of up to $3.0 million if we did not meet the contracted completion date. The construction was complete in September 2009 and the Company did not incur a penalty.

State of Texas Funding

In March 2010, the Texas Emerging Technology Fund awarded 1st Detect $1.8 million for the development and marketing of the Miniature Chemical Detector, a portable mass spectrometer designed to serve the security, healthcare and industrial markets. (See Note 13). As of June 30, 2010, 1st Detect has received the first of two $0.9 million disbursements. The disbursed amount of $0.9 million represents a contingency through March 2020, the date of cancellation. If an event of default should occur, the principal and accrued interest would be reclassified from equity to notes payable in the consolidated financial statements as amounts due to the State of Texas. Management considers the likelihood of an event of default to be remote.

Employment Contracts

The Company has entered into employment contracts with certain of its key executives. Generally, certain amounts may become payable in the event the Company terminates the executives' employment (See Part III, Item 11).

(13) State of Texas Funding

In March 2010, the Texas Emerging Technology Fund awarded 1st Detect $1.8 million for the development and marketing of the Miniature Chemical Detector, a portable mass spectrometer designed to serve the security, healthcare and industrial markets. In exchange for the award, 1st Detect granted a common stock purchase right and a note payable to the State of Texas. As of June 30, 2010, 1st Detect has received the first of two $0.9 million disbursements. The proceeds from the award can only be used to fund development of the Miniature Chemical Detector at 1st Detect, not for repaying existing debt or for use in other Company subsidiaries.

The common stock purchase right is exercisable at the first "Qualifying Financing Event", which is essentially a change in control or third party equity investment in 1st Detect. The number of shares available to the State of Texas, at the price of par value, is calculated as the total disbursements (numerator) divided by the stock price established in the Qualifying Financing Event (denominator). If the first Qualifying Financing Event does not occur within eighteen months of the agreement effective date, the number of shares available for purchase will equal the total disbursements (numerator) divided by $100 (denominator).

The note equals the disbursements to 1st Detect to date, accrues interest at 8% per year and cancels automatically at the earlier of (1) selling substantially all of the assets of 1st Detect, (2) selling more than 50% of common stock of 1st Detect or (3) in March 2020. No payments of interest or principal are due on the note unless there is a default, which would occur if 1st Detect moves its operations or headquarters outside of Texas at any time before March 2020. 1st Detect has the option to pay back the principal plus accrued interest by September 30, 2011, but repayment does not cancel the State of Texas' common stock purchase right.

Management considers the likelihood of voluntarily repaying the note or of a default event as remote. As such, the first $0.9 million installment was accounted for as a contribution to equity in the period ended June 30, 2010.

(14) Segment Information

Selected financial data for the year ended June 30, 2010 and 2009 of the Company's segments is as follows (in thousands):

Year ended June 30, 2010:

	Revenue	Income (loss) before income taxes	Net Fixed Assets	Depreciation & Amortization	Total Assets
ASO	$ 27,979	$ 6,332	$ 39,670	$ 2,025	$ 48,670
Spacetech	—	(6,638)	250	110	6,233
Total	$ 27,979	$ (306)	$ 39,920	$ 2,135	$ 54,903

Year ended June 30, 2009:

	Revenue	Income (loss) before income taxes	Net Fixed Assets	Depreciation & Amortization	Total Assets
ASO	$ 31,856	$ 7,345	$ 40,051	$ 2,073	$ 52,595
Spacetech	129	(3,130)	175	136	6,324
Total	$ 31,985	$ 4,215	$ 40,226	$ 2,209	$ 58,919

(15) Strategic Financial and Business Alternatives

In September 2009, the Company announced that the Board of Directors had engaged investment banking firm Lazard Ltd. to advise the Company in exploring strategic financial and business alternatives to enhance shareholder value. In July 2010, the Company announced that it had concluded its engagement with Lazard Middle Market following a review of strategic alternatives by its Board of Directors.

(16) Board of Director Resignation

On June 18, 2010, General (Ret.) Lance W. Lord resigned from the Board of Directors of Astrotech and as the Chief Executive Officer of Astrotech Space Operations. The vacancy on the Board of Directors created by General Lord's resignation is not expected to be filled until the next annual meeting. The role of Chief Executive Officer, Astrotech Space Operations, will remain open pending a review of internal and external candidates.

On September 30, 2009, R. Scott Nieboer resigned from the Astrotech Board of Directors and the Audit Committee of the Board of Directors. Mr. Nieboer's decision to resign is not a result of a disagreement with the Company related to the Company's operations, policies or practices. In October 2009, the Board of Directors appointed current director Sha-Chelle Manning to fill the vacancy on the Audit Committee.

(17) Related Party Transactions

The Company engaged in certain transactions with directors, executive officers, shareholders, and certain former officers during fiscal years 2010 and 2009. Following is a description of these transactions:

Senior Convertible Note Repurchase

In October 2008, the Company purchased $1.8 million principal amount of its outstanding 5.5% Senior Convertible Notes. At the time, company Director Mr. R. Scott Nieboer was a beneficial owner of the repurchased securities. The Company paid $1.1 million for these securities and has recognized a gain of $0.7 million on the transaction in fiscal year 2009.

Directors Compensation

Our independent directors are paid an annual cash retainer fee upon their appointment or annual re-election to the Board of Directors and are granted annual equity based compensation grants. We amortize the expense of these annual awards over the period between annual meetings of shareholders. Meeting fees, expenses, and other costs are expensed as incurred. The director fees expensed in 2010 and 2009 were $0.2 million and $0.3 million, respectively.

James D. Royston

Effective December 2008, the Company entered into a seven month auto-renewable lease agreement with Mr. Royston for a house located in Melbourne Florida to be used by employees of the Company while conducting business on behalf of the Company. The lease provides for monthly rental payments of $2,900 plus utilities and consumables to be paid by the Company. The lease was terminated by the Company as of March 2010.

(18) Adverse Event

On January 30, 2007, Sea Launch experienced a launch failure resulting in the loss of a satellite and damage to the floating launch platform. A full inspection, evaluation, and repair of the damage occurred and Sea Launch returned to operations in October 2007. We were paid under our contract with Sea Launch upon launch of each mission; therefore, revenues were delayed until the resumption of normal operations. As a result of the launch failure, the Company lost revenue on at least three launch missions either through cancellation or schedule delay. We submitted a claim under our business interruption insurance for $750,000, the limit of our policy.

After negotiation with our Insurance Company, Affiliated FM, we received a letter in February 2009 denying coverage. In June 2009, Sea Launch filed for Chapter 11 bankruptcy protection. We see no further method of recourse and now consider the matter closed.

(19) NASDAQ Listing Qualifications

On April 7, 2008, we received a NASDAQ Staff Determination letter indicating that we failed to comply with NASDAQ Marketplace Rule 4310(c)(4), which requires that we maintain a $1.00 bid price, and our securities were, therefore, subject to delisting from The NASDAQ Capital Market.

In June 2009, we received a letter from the NASDAQ Listing Qualifications Staff indicating that we regained compliance with the bid price rule. As of June 30, 2010, we are in compliance with all continued listing standards.

(20) Subsequent Events

In July 2010, the Company announced that it has concluded its engagement with Lazard Middle Market following a review of strategic alternatives by its Board of Directors (See Note 15). As a result, the Company realigned its corporate structure in order to optimize operational efficiencies.

The Company's corporate realignment included the termination of James Royston, President of Astrotech Corporation, allowing for a greater focus on the satellite payload processing of its ASO business unit. The Company has no immediate plans to fill the vacancy created by Mr. Royston's termination.

The Company and ARES have resolved certain issues relative to the early termination of the subcontract in May 2008, including, but not limited to, a receivable from ARES under this contract totaling $1.4 million. The Company wrote off $0.1 million of unbilled receivables in connection with this agreement in the period ended June 30, 2010. In July 2010, the Company received $1.2 million from ARES. The remaining $0.2 million balance is expected to be paid upon completion of the 2005 through 2008 governmental audits by the DCAA.

(21) Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Codification ("ASC") No. 805, *Business Combinations* ("ASC 805"), previously referred to as Statement of Financial Accounting Standard ("SFAS") 141 (revised 2007), *Business Combinations.* ASC 805 will significantly change current practices regarding business combinations. Among the more significant changes, ASC 805 expands the definition of a business and a business combination; requires the acquirer to recognize the assets acquired, liabilities assumed and noncontrolling interests (including goodwill), measured at fair value at the acquisition date; requires acquisition-related expenses and restructuring costs to be recognized separately from the business combination; and requires in-process research and development to be capitalized at fair value as an indefinite-lived intangible asset. ASC 805 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted the provisions of ASC 805 in the first quarter of 2010 and its adoption did not have a material effect on its consolidated financial statements.

In June 2009, the FASB issued ASC No. 105, *Generally Accepted Accounting Principles* ("GAAP") ("ASC 105" or "FASB Codification"), previously referred to as SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No 162* ("SFAS 168"). The effective date for use of the FASB Codification is for interim and annual periods ending after September 15, 2009. Companies should account for the adoption of the guidance on a prospective basis. The Company adopted the FASB Codification in the first quarter of 2010 and its adoption did not have an effect on its consolidated financial statements.

In June 2009, the FASB issued ASC No. 810, Consolidation, previously referred to as SFAS 167, *Amendments to FASB Interpretation No. 46(R),* which significantly changes the consolidation model for variable interest entities. ASC No. 810 requires companies to qualitatively assess the determination of the primary beneficiary of a variable interest entity ("VIE") based on whether the entity (1) has the power to direct matters that most significantly affect the activities of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The standard shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not expect that the adoption of ASC No. 810 will have a material effect on its consolidated financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures* (Topic 820): *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"). Reporting entities will have to provide information about movements of assets among Levels 1 and 2; and a reconciliation of purchases, sales, issuance, and settlements of activity valued with a Level 3 method, of the three-tier fair value hierarchy established by SFAS No. 157, Fair Value Measurements (ASC 820). The ASU 2010-06 also clarifies the existing guidance to require fair value measurement disclosures for each class of assets and liabilities. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 for Level 1 and 2 disclosure requirements and after December 15, 2010 for Level 3 disclosure requirements. The Company adopted ASU No. 2010-06 in the third quarter of 2010 and it did not have a material effect on its consolidated financial statements.

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

None to report for the year ended June 30, 2010.

Item 9A. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report, and, based on that evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are our controls and other 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 Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control 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 control over financial reporting as of June 30, 2010, based on the frame work in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of June 30, 2010.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control 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 control over our management's assessment of internal controls over financial reporting.

Item 9B. Other Information.

None to report for the period ended June 30, 2010.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

A Board of six directors was elected at the 2009 Annual Meeting. The Company's Articles of Incorporation authorize the Board of Directors ("Board") to determine the number of its members. A director who is appointed by the existing Board of Directors, due to a vacant position or the need for an additional director, will serve until the next Annual Meeting of Shareholders or until a successor is duly elected and qualified.

The following table shows information as of June 30, 2010, regarding members of the Company's Board of Directors:

Current Directors **	Principal Occupation	Age as of June 30, 2010	Director Since
Thomas B. Pickens, III	Chairman and Chief Executive Officer of Astrotech Corporation	53	2004
Mark Adams*	Founder, President and CEO, Advocate MD Financial Group, Inc.	48	2007
John A. Oliva*	Managing Principal, Capital City Advisors, Inc.	54	2008
William F. Readdy*	Founder, Discovery Partners, International LLC	58	2008
Sha-Chelle Devlin Manning*	Managing Director, Nanoholdings LLC	42	2009

* Indicates an "independent director"

** Lance W. Lord served as a member of the Board of Directors during the time from the 2009 Annual Meeting through his resignation on June 18, 2010.

Current Directors

Thomas B. Pickens, III

Mr. Pickens was named Astrotech's Chief Executive Officer in January 2007 and Chairman in February 2008. In 1985, Mr. Pickens founded T.B. Pickens & Co., a company that provides consulting services to corporations, public institutions, and start-up organizations. Additionally, Mr. Pickens is the Managing Partner and Founder of Tactic Advisors, Inc., a company specializing in corporate turnarounds on behalf of creditors and investors that have aggregated to over $20 billion in value. Since 1985, Mr. Pickens has served as President of T.B. Pickens & Co. From 1991 to 2002, Mr. Pickens was the Founder and Chairman of U.S. Utilities, Inc., a company which operated 114 water and sewer utilities on behalf of various companies affiliated with Mr. Pickens. From 1995 to 1999, Mr. Pickens directed over 20 direct investments in various venture capital investments and was Founder and Chairman of the Code Corporation. From 1988 to 1993, Mr. Pickens was the Chairman of Catalyst Energy Corporation and was Chairman of United Thermal Corporation (NYSE). Mr. Pickens was also the President of Golden Bear Corporation, Slate Creek Corporation, Eury Dam Corporation, Century Power Corporation, and Vidilia Hydroelectric Corporation. From 1982 to 1988, Mr. Pickens founded Beta Computer Systems, Inc., and Sumpter Partners, and was the General Partner of Grace Pickens Acquisition L.P.

Mark Adams

Mr. Adams founded Advocate, MD Financial Group, Inc., a leading Texas-based medical liability insurance holding company, in July 2003. Since July 2003, Mr. Adams has served as its Chairman, President, and Chief Executive Officer. He is also a founding partner in several other companies including the Endowment Development Group, a Houston-based life insurance company specializing in placing large multimillion dollar life insurance policies throughout the U.S. market. Mr. Adams founded Murphy Adams Restaurant Group in 2007. He owns and operates Mama Fu's Asian House restaurants throughout the southeast United States. In 2008, Mr. Adams founded Small Business United, LLC, a cutting edge health insurance company for small businesses. Mr. Adams founded Sozo Global, LLC, a rapidly expanding network marketing functional beverage company. Mr. Adams is the winner of the 2008 Prestigious Ernst and Young Entrepreneur of the Year Award for Central Texas. After his career with global public companies such as Xerox and Johnson & Johnson (1985-1988), beginning in 1988, Mr. Adams then spent the next 12 years at Bostik Adhesives where he served in senior management, sales and strategic business roles for their worldwide markets in North America, Latin America, Asia, and Europe. In 1997, Mr. Adams then served as Global Sales Director for Bostik and General Manager of Nitta-Findley Company based in Osaka, Japan and later joined Ward Adhesives, Inc. as a minority owner, General Manager, and Vice President of Sales and Marketing. Mr. Adams currently serves as a Director for several public and private companies, as well as a board member for multiple nonprofit organizations. Mr. Adams is also an advisory board member for the McCoy College of Business at Texas State University.

John A. Oliva

John A. Oliva has 30 years of experience in the private equity, investment banking, capital markets, branch management, and asset management sectors. Since 2002, Mr. Oliva has been the Managing Principal of Southeastern Capital Partners BD Inc., a FINRA registered broker/dealer and independent investment banking and advisory firm. Since 2002, Southeast Capital Partners has provided financial advisory services, including mergers/acquisitions, underwriting and raising expansion capital to select mid-tier companies. In addition, Mr. Oliva is the Managing Partner of Capital City Advisors Inc., which provides private merchant banking services to clients in Europe and Asia.

Mr. Oliva has eight FINRA licenses including the Managing Principal and Financial Principal licenses. Prior to joining Southeastern Capital Partners, he worked for Morgan Stanley & Co and served as an advisor to their Private Wealth Management group, developing, reviewing and implementing solutions for investment banking clients, he was also a group manager at Morgan Stanley. Mr. Oliva has been nationally recognized for achievements while at Morgan Stanley & Co. and Shearson/Lehman Brothers in the asset management and investment banking sector. He performed similar key roles at Interstate/Johnson Lane and The Robinson Humphrey Company. Mr. Oliva has also worked on the floor of the New York Stock Exchange.

William F. Readdy

From 1974 to 2005, Mr. Readdy served the United States as a naval aviator, pilot astronaut, military officer, and civil service executive. In 2005, Mr. Readdy established Discovery Partners, International LLC, a consulting firm to provide strategic planning, risk management, safety and emerging technology solutions to aerospace and high-tech industries.

He served as a test pilot and instructor between carrier deployments to the North Atlantic, Caribbean and Mediterranean in the late 1970s and early 1980s. Mr. Readdy joined the National Aeronautics and Space Administration (NASA) in 1986 and in 1987 became a member of the astronaut corps, but continued his military service in the Naval Reserve, attaining the rank of captain before retiring in 2000.

Mr. Readdy logged more than 672 hours in space on three shuttle missions. He commanded his third flight, docking space shuttle *Atlantis* at the Russian space station *Mir* in 1996 and oversaw the first exchange of American astronaut researchers living aboard the Russian outpost.

In 2001, Mr. Readdy was appointed as NASA's associate administrator for space operations and moved to Washington D.C. Following the loss of space shuttle *Columbia* in February 2003, Mr. Readdy chaired NASA's Space Flight Leadership Council, and oversaw the agency's recovery from the accident and the shuttle's successful return to flight in July 2005.

Mr. Readdy was honored as a Meritorious Rank Executive by President Bush in 2003 and in 2005 was awarded NASA's highest honor, the Distinguished Service Medal for the second time. He has also been the recipient of NASA's Outstanding Leadership Medal three times and the Exceptional Service Medal twice. In addition he is the recipient of numerous national and international aviation and space awards, and has been recognized for his contributions to aerospace safety.

Sha-Chelle Manning

Since September 1, 2008, Sha-Chelle Manning has been Managing Director of Nanoholdings LLC, a company that commercializes scientific breakthroughs in nanotechnology that solve energy efficiency challenges with some of the world's best scientists and universities. From January 2007 to December 31, 2008, Ms. Manning was Vice-President at Authentix, a Carlyle company, that is the leader in authentication solutions for Fortune 500 companies and governments around the world for brand protection, excise tax recovery, and nano-scaled enabled authentication of security documents and pharmaceutical drugs. From September 2005 to April 2007, Ms. Manning was a consultant to the Office of the Governor of Texas, Rick Perry, where she led the development of various strategic initiatives including the Texas Nanotechnology Initiative. Prior to these assignments, Ms. Manning was Director of Alliances at Zyvex Corporation from August 2002 to September 2005, where she was responsible for the commercialization of nanotechnology products (consumer, energy, and defense) introduced and sold into the marketplace in partnership with key government agencies and industry. Ms. Manning also served as a Vice President for Winstar Communications (acquired by IDT) where she commercialized and brought to market broadband wireless technologies and web-enabled platforms. Several of her projects were launched by the White House including "the Virtual Wall" (www.vvmf.org), honoring the 58,195 Vietnam Veterans who made the ultimate sacrifice for their country.

Ms. Manning continues and or has provided strategic consulting for some of the following organizations: Lockheed Martin (Office of the CTO), Texas A&M University System (Vice-Chancellor for Research); HRL Laboratories (Office of the CEO); KERA-PBS, Zyvex Labs (atomically precise manufacturing to enable quantum devices and computing), and Nano-Retina (a nano-enabled artificial retina to restore vision).

Ms. Manning serves on the advisory boards of the non-profit organizations; Soul Arts and Music Foundation, and the Clean Technology and Sustainable Industries. Ms. Manning has served as one of the NSTI (Nanotechnology Society Technical Industry) Conference Chairs both in 2008 and 2010. Ms. Manning received a MBA in Telecommunications from the University of Dallas.

Executive Officers and Key Employees of the Company who are Not Directors

Set forth below is a summary of the background and business experience of the executive officers of the Company who are not nominees of the Board of Directors:

Name	Position(s)	Age as of June 30, 2010	With Company Since
John M. Porter	Senior Vice President, Chief Financial Officer, Treasurer and Secretary	38	2008
Don M. White Jr.	Senior Vice President, GM of Astrotech Space Operations	47	2005

James Royston served as President until his termination from Astrotech Corporation in July 2010.

The executive officers and key employees named below will serve in such capacities until the next annual meeting of the Company's Board of Directors, or until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification, or removal from office.

John M. Porter

Mr. Porter joined Astrotech in October 2008 and serves as the Company's Senior Vice President, Chief Financial Officer, Treasurer and Secretary. He is responsible for overall strategic planning, corporate development and finance. His primary areas of focus is utilizing financial management to support the core spacecraft payload processing business while efficiently advancing the Company's biotechnology initiatives in microgravity processing and commercializing advanced technologies that have been developed in and around the space industry.

Prior to joining the Company, Mr. Porter co-founded Arabella Securities, an investment banking firm that specialized in providing trading services and equity research on small-cap companies to institutional investors. He headed the Equity Research department, and published research on small companies in the Healthcare Technology sector. Arabella Securities subsequently merged with another broker/dealer in 2006 where Mr. Porter continued to lead the firm's Healthcare investment banking practice. Mr. Porter previously served as Director of Business Development for Luminex Corporation (NASDAQ: LMNX), a leading developer of biological testing technologies for the Diagnostic and life sciences industries. While at Luminex, Mr. Porter was responsible for the development, negotiation and management of Luminex's strategic partnership program. During his tenure at Luminex, over 40 new strategic licensing partnerships were formed with companies around the globe including Hitachi Software (Japan), Qiagen (Germany), Tepnel (UK), Invitrogen (formerly Biosource, US), Inverness Medical (US), Millipore Corporation (formerly Upstate Biotech, US), and many other world class companies. Mr. Porter performed additional duties including strategic planning, product development, marketing management, and investor relations. Mr. Porter also served in multiple capacities during the preparation, and execution of Luminex's initial public offering (IPO) in March 2000, where the company successfully raised approximately $100M.

Mr. Porter has a Bachelor of Science in Chemistry from Hampden-Sydney College in Virginia. In addition, Mr. Porter earned a Master of Business Administration from the A.B. Freeman School of Business at Tulane University and holds a Master of Science in Physical Chemistry & Material Science from Tulane University in New Orleans.

Don M. White Jr.

Don M. White has been instrumental in leading Astrotech's satellite processing operations since 2005. As Senior Vice President and General Manager of Astrotech Space Operations, Mr. White oversees a rigorous satellite payload processing schedule. He is also responsible for expanding business services, improving profitability, and managing current contracts. Additionally, Mr. White maintains ongoing negotiations with all customers, pledging that every mission contract process is streamlined with the utmost efficacy and safety.

Prior to joining the Astrotech team, Mr. White's 21 years of Aerospace experience included employment at Lockheed Martin as their Payloads/Ordnance Chief Engineer. He was then promoted to Mission Support Manager, leading various aspects of the Atlas V Development Program. Mr. White's extensive aerospace experience also includes providing leadership to the Titan and Shuttle External Tank programs while at Martin Marietta Corporation.

Mr. White has a Master of Business Administration from the Florida Institute of Technology and a Bachelor of Science in Industrial technology from the University of West Florida.

Operations of the Board of Directors

Board Member Attendance at Annual Meeting of Stockholders

The Company strongly encourages each member of the Board of Directors to attend each annual meeting of stockholders. Accordingly, we expect most, if not all, of the Company's directors to be in attendance at the meeting. All of our directors attended the 2009 annual meeting of stockholders.

Meetings and Committees of the Board of Directors

The Board of Directors and its committees meet periodically during the year as deemed appropriate. During 2010, the Board of Directors met eight times. No director attended fewer than 75% of all the 2010 meetings of the Board of Directors and its committees on which each such director served.

Director Nomination Process

Astrotech's Director nominees are approved by the Board after considering the recommendation of the Corporate Governance and Nominating Committee.

A Board of five Directors is expected to be elected at the Annual Meeting. The Company's Articles of Incorporation provide that, with respect to any vacancies or newly created directorships, the Board will nominate such individuals as may be specified by a majority vote of the then sitting directors.

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. Other nominees may be proposed by current directors, members of management, or by shareholders. The Corporate Governance and Nominating Committee may engage a professional firm to identify and evaluate potential director nominees, but has not paid any of such fees to date. The Corporate Governance and Nominating Committee considers the Board at a strategic level looking for industry and professional experience that complements the Company's goals and direction. The Corporate Governance and Nominating Committee has established certain criteria it considers as nominating guidelines 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 balance of the business experience on the Board as a whole; and
- the need for specific expertise on the Board.

The criteria are not exhaustive and the Corporate Governance and Nominating Committee and the Board of Directors 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. The Corporate Governance and Nominating Committee's goal is to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In order to ensure that the Board 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 is a financial expert and a majority of the Board members meet all applicable independence requirements, the Corporate Governance and Nominating Committee does not have any specific skills that it believes are necessary for any individual director to possess. Instead, the Corporate Governance and Nominating Committee evaluates potential nominees based on the contribution such nominee's background and skills could have upon the overall functioning of the Board.

Committees of the Board of Directors

During fiscal year 2010, 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 Committee, Compensation Committee and Corporate Governance and Nominating Committees is required, at the minimum, to meet the "independence" requirements of the Nasdaq Capital Market's Marketplace Rules. The Governance and Nominating Committee, the Audit Committee and the Compensation Committee have adopted a charter that governs its authority, responsibilities and operation. The Company periodically reviews, both internally and with the Board, the provisions of the Sarbanes-Oxley Act of 2002, and the rules of the SEC and NASDAQ regarding corporate governance policies, processes and listing standards. In conformity with the requirement of such rules and listing standards, we have adopted a written Audit Committee Charter, a Compensation Committee Charter, and a Corporate Governance and Nominating Committee Charter, which may be found on the Company's web site at www.astrotechcorp.com under "For Investors" or by writing to Astrotech Corporation, 401 Congress Avenue, Suite 1650, Austin, Texas 78701, Attention "Investor Relations" and requesting copies.

The Board of Directors has determined each of the following directors to be an "independent director" as such term is defined by Rule 5605(a)(2) of the NASDAQ Marketplace Rules: Mark Adams; John A. Oliva; Sha-Chelle Manning and William F. Readdy.

The Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee was created by the Board of Directors in February 2004. The Corporate Governance and Nominating Committee's charter was adopted by the Committee and approved by the Board in May 2004. The charter is available in the "For Investors" section of the Company's web site at www.astrotechcorp.com. 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 members and recommending to the Board director nominees for the next Annual Meeting of Shareholders. As of the end of fiscal year 2010 the Corporate Governance and Nominating Committee consisted of Mr. Adams (Chairman), Ms. Manning and Mr. Oliva. During fiscal year 2010, the Corporate Governance and Nominating Committee met once.

The 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 in May 2004. The charter is available on the Company's web site which is www.astrotechcorp.com. The Audit Committee is responsible for appointing and compensating a firm of independent registered public accountants 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 accountants. The Audit Committee also reviews audit plans and procedures, changes in accounting policies, and the use of the independent registered public accountants for non-audit services. As of the end of fiscal year 2010, the Audit Committee consisted of Mr. Oliva (Chairman), Mr. Adams, and Ms. Manning. During fiscal year 2010, the Audit Committee met five times. The Board of Directors has determined that John A. Oliva 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.

Mr. Nieboer resigned as Director on September 30, 2009. Subsequently, Ms. Manning was appointed to the Audit Committee in October 2009.

The 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 web site at www.astrotechcorp.com. 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 also administers the Company's 2008 Stock Incentive Plan, the 1994 Stock Incentive Plan, the 1995 Directors' Stock Option Plan, and the Employee Stock Purchase Plan in accordance with the terms and conditions set forth in those plans. As of the end of fiscal year 2010, the Compensation Committee consisted of Mr. Adams (Chairman), Mr. Readdy, and Mr. Oliva. During fiscal year 2010, the Compensation Committee met three times.

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 web site at www.astrotechcorp.com and 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 the SEC rules for financial officers.

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 solely on written representations of the Company's directors, executive officers and 10% Shareholders and on copies of the reports that they have filed with the SEC, it is the Company's belief that all of Astrotech's directors, executive officers and 10% Shareholders complied with all filing requirements applicable to them with respect to transactions in the Company's equity securities during fiscal year 2010.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

Overview

Astrotech provides a range of products and services that focus on utilizing space for the needs of government and commercial applications. Our core business operates spacecraft pre-launch facilities and provides supporting services at three domestic launch sites. We develop and operate space flight hardware assets, provide manned and unmanned payload processing services, and develop commercial product using space-based technology. In anticipation of the planned 2011 space shuttle retirement, we began developing new products and services within our strategic focus on the commercial exploitations of space.

Achieving our Company's aspirations requires a highly skilled, motivated team. Thus, our compensation system is designed to be competitive with those of other companies that compete for highly skilled technical employees and executives. Our performance-based compensation system is intended to include incentives for innovation and entrepreneurial spirit.

Guiding Principles

The Compensation Committee strives to achieve our strategic objectives by designing our compensation program to offer competitive base compensation to attract and retain experienced qualified executives while offering incentives to foster the innovation and entrepreneurial spirit necessary for executing our business strategy and rewards for successful achievement of performance goals. In designing our executive compensation program, we are guided by five principles:

- Establish target compensation levels that are competitive within the industries and the markets in which we compete for executive talent;
- Structure executive compensation so that our executives share in Astrotech's successes and failures by correlating compensation with target levels based upon business performance;
- Link pay to performance by making a percentage of total executive compensation variable, or "at risk", through an annual determination of performance-based incentive compensation;
- Align a portion of executive pay with shareholder interests through equity awards; and
- Maintain a company-wide entrepreneurial atmosphere by minimizing special "executive only" benefits or prerequisites.

Operation of the Compensation Committee

The Compensation Committee of the Board of Directors administers our executive compensation program and monitors the Company's overall compensation strategy to ensure that executive compensation supports the Company's business objectives. The Compensation Committee reviews and determines salary, short-term incentives, long-term incentives and other benefits for the Company's Chief Executive Officer ("CEO") and certain named executive officers ("NEOs").

For a more complete discussion of the responsibilities of the Compensation Committee, see the Operations of the Board of Directors — The Compensation Committee, and the charter for the Compensation Committee, posted on our web site at www.astrotechcorp.com.

The Compensation Program

The key components of our current compensation program for Astrotech executive officers are:

- Base salary;
- Short-term cash incentives;
- Long-term performance-based and other equity awards; and
- Other benefits.

To remain competitive, the Compensation Committee periodically benchmarks our executive compensation program to determine how actual compensation targets and levels compare to our overall philosophy and target markets. The primary focus of the benchmarking process is on public companies in the aerospace, defense and government contractor industries of similar or otherwise comparable size and complexity. This benchmarking considers information from proxy data for the peer group's CEO and NEOs and was last presented to the Compensation Committee in July 2010.

Other Considerations in Determining Executive Compensation

We believe that our executive compensation properly incentivizes our senior management to focus on the overall goals of the Company. Each element of our Executive Compensation Program is structured towards specific objectives. If a unique situation occurs where incentive goal adjustment or stock option repricing are considered, the Compensation Committee will perform a review of the individual facts and circumstances before taking any action.

Role of the Compensation Committee and CEO in Determining Executive Compensation

Mr. Pickens is not a member of the Compensation Committee. He did not attend the Compensation Committee meetings in August 2009 or July 2010, which discussed NEO and all other employee compensation.

Base Salary

Base salary is designed to compensate our employees in part for their roles and responsibilities, and also to provide a fixed level of compensation that serves as a retention tool throughout the executive's career. Initial base salaries were set considering each executive's roles and responsibilities, current skills, future potential and comparable market compensation. Typically, the Compensation Committee reviews the base salaries of each NEO annually. Adjustments are made based on individual performance, changes in roles and responsibilities, and external market data for similar positions.

Short-term Cash Incentives

At the discretion of the Compensation Committee, we provide annual incentive awards under our Key Employee Incentive Bonus Plan (the "Bonus Plan"). These short-term cash incentives are designed to reward the achievement of specific, pre-set financial results measured over the fiscal year in which that compensation is earned. Generally, we compute the Bonus Plan after the end of each fiscal year and make the cash awards during the first quarter of the next fiscal year. The Bonus Plan encompasses all employees of the Company based upon maximum award levels stated as a percentage of base salary ("Payout Percentage"). The maximum award levels are set within our salary-grade structure for each salary grade ranging from 5% to 50%.

For fiscal year 2010, the Compensation Committee approved a Bonus Plan encompassing three equally weighted "Bonus Elements," each based upon specific objectives set by the Compensation Committee at the beginning of the fiscal year. The sum of the Payout Percentage for each of the Bonus Elements, then is applied to the award levels for each employee to determine the Bonus Award. For fiscal year 2010, the Compensation Committee had established the following three Bonus Elements:

- Individual Performance — A Payout Percentage of up to 33% of the individual's total bonus is based upon the officer or employee's performance of his job responsibilities and achievement of individual goals as determined through the annual performance review process.

- Business Unit Performance — A Payout Percentage of up to 33% of the individual's total bonus is to be awarded based upon the financial performance of the officer or employee's business unit based upon net income, relative to the approved budget for the fiscal year.

- Corporate Performance — A Payout Percentage of up to 33% of the individual's total bonus is to be awarded based upon the financial performance of the Company, as measured by comparing the approved budget of revenue, net income and backlog to actual results for the fiscal year.

Given the dynamic marketplace and the possibility of unforeseen developments, the Compensation Committee has discretionary authority to adjust such awards to reflect actual performance in light of such developments or to make other discretionary adjustments to the overall Payout Percentage or to individual employee bonuses. Bonus maximum award levels range from 30% to 50% of base salaries for our NEOs. On average, we target our short term cash incentives to comprise approximately 15% of the total compensation package of our NEOs.

Long-term Non-cash Incentive Awards

Our long-term incentive awards are used to link Company performance and increases in shareholder value to the total compensation of our NEOs. These awards are also key components of our ability to attract and retain our NEOs. The annualized value of the awards to our NEOs is intended to be a significant component of the overall compensation package. On average, and assuming performance is on target, these awards are targeted to represent up to 40% of the total compensation package, consistent with our emphasis on linking executive pay to shareholder value.

Our shareholder-approved incentive plans allow for the granting of stock options based upon Astrotech's stock prices in the public markets. Stock options are granted with an exercise price not less than the market price of our common stock on the grant date. Options generally vest over a period of four years with 25% becoming exercisable on each anniversary of the grant date as long as the recipient is still employed by the Company on the date of vesting, and generally expire after ten years.

Stock awards, restricted stock grants and stock option awards were made to our NEOs in August 2009 and November 2009, in the amounts set forth in the table labeled Fiscal Year 2010 Grants of Plan-Based Awards.

Benefits

Our benefit programs are established based upon an assessment of competitive market factors and a determination of what is needed to attract and retain high caliber executives and other employees. Astrotech's primary benefits for executives include participation in the Company's broad-based plans: the 401(k) Plan, the Company's health, dental and vision plans and term life and disability insurance plans. The Company also provides certain executives, including some NEOs, with supplemental disability insurance. This plan offers additional income protection to Senior Vice Presidents and above and is provided to supplement the monthly benefit amounts that are capped in the general disability policy. The Company provides 1.5 times of each NEOs annual base salary to a maximum of $300,000 in term life insurance and pays the premium for such insurance. The fair value of premiums paid in excess of IRS limitations are included as other income reported for the NEO.

Indemnification Agreements

The Company has entered into indemnification agreements with each of its NEOs. The agreements provide that the Company shall indemnify and hold harmless each indemnitee from liabilities incurred as a result of such indemnitee's status as an officer or employee of the Company, subject to certain limitations.

Post-Termination Compensation

The Compensation Committee believes that severance benefits and change of control benefits are necessary in order to attract and retain the caliber and quality of executive that the Company needs in its most senior positions. These benefits are particularly important to provide for continuity of senior management allowing executives to focus on results and long-term strategic initiatives.

As of June 30, 2010, Mr. Pickens, Mr. Royston and Mr. White were the executives with existing employment contracts. In July 2010, Mr. Royston was terminated from Astrotech. The agreements provide for severance payments and benefits if termination occurs without "cause" or if the executive leaves for "good reason." There is also additional compensation provided in circumstances following such termination after a "change in control." Additional information regarding the severance and change in control payments, including a definition of key terms and a quantification of benefits that would have been received by our NEOs at termination is found under Potential Payments upon Termination or Change in Control, which follows.

Stock Ownership Guidelines

The Company has not established stock ownership guidelines.

Tax Deductibility Policy

The Compensation Committee considers the deductibility of compensation for federal income tax purposes in the design of the Company's compensation programs. We believe that all of the incentive compensation paid to our NEOs for fiscal year 2010 qualifies as "performance-based compensation" and thus, is fully deductible by the Company for federal income tax purposes. While we generally seek to ensure the deductibility of the incentive compensation paid to our NEOs, the Compensation Committee intends to retain the flexibility necessary to provide cash and equity compensation in line with competitive practice, our compensation philosophy, and the best interest of our Shareholders even if these amounts are not fully tax deductible. The employment agreements between the Company and its NEOs provide for interpretation, operation and administration consistent with the intent of Section 409A of the Internal Revenue Code, to the extent applicable.

Compensation Committee Interlocks and Insider Participation

The Company's Compensation Committee consists of Mr. Adams (Chairman), Mr. Readdy and Mr. Oliva. Mr. Adams is Chairman, President and Chief Executive Officer of Advocate MD. Mr. Pickens previously served on the Board of Directors of Advocate MD until his resignation in November 2009.

Compensation Committee Report

Astrotech's Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis required by item 402(b) of Regulation S-K and, based on such review and discussion, has recommended to the Board of Directors that such Compensation Discussion and Analysis be included in Form 10-K for fiscal year ended June 30, 2010.

Mark Adams
John A. Oliva
William F. Readdy

August 26, 2010

Executive Compensation

The Summary Compensation Table provides compensation information about Astrotech's principal executive officer, principal financial officer and the other most highly compensated executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Spacetech Incentive Awards ($)(4)	All Other Compensation ($)(5)	Total ($)
Thomas B. Pickens, III;	2010	380,000	57,000	—	—	361,782	24,091	822,873
Chief Executive Officer	2009	360,000	200,000	847,500	—	—	11,974	1,419,474
John M. Porter (6);	2010	250,000	37,500	—	—	227,704	11,900	527,104
Chief Finance Officer	2009	142,500	100,000	339,000	30,040	—	7,378	618,918
Don M. White(7);	2010	200,470	91,000	—	—	—	10,703	302,173
Sr. VP, GM of Astrotech Space Operations	2009	184,765	92,383	84,750	14,160	—	9,879	385,937
James D. Royston(8);	2010	210,000	150,000	185,000	—	50,100	8,958	604,058
President	2009	210,000	—	—	—	—	813	210,813
Lance W. Lord(9);	2010	240,000	75,000	370,000	—	—	24,072	709,072
Former Chief Executive Officer, Astrotech Space Operations	2009	225,000	—	—	—	—	703	225,703
Brian K. Harrington;	2010	—	—	—	—	—	—	—
Former Chief Financial Officer	2009	207,692	—	—	—	—	85,556	293,248

(1) See narrative on *Short-term Cash Incentives*: Bonus was awarded in August 2010, for performance in fiscal year 2010, except for Mr. Royston and Mr. Lord who received payment in November 2009.

(2) See narrative on *Long-term Incentive Non-cash Awards*: Includes restricted stock granted on August 19, 2009 of 750,000 shares to Mr. Pickens, 300,000 shares to Mr. Porter and 75,000 shares to Mr. White. On November 13, 2009, Mr. Royston received 100,000 shares of restricted stock and Mr. Lord received 200,000 shares of restricted stock.

(3) Option awards are valued using a Black-Scholes option pricing model at the grant date.

(4) Consists of grants of restricted stock and warrants for Astrogenetix and 1st Detect. On January 19, 2010, Mr. Pickens received 500 shares of restricted stock and 1,000 warrants in Astrogenetix, Mr. Porter received 400 shares of restricted stock and 800 warrants in Astrogenetix and Mr. Royston received 300 shares of restricted stock in Astrogenetix. On January 19, 2010, Mr. Pickens received 300 shares of restricted stock and 680 warrants in 1st Detect and Mr. Porter received 200 shares of restricted stock and 180 warrants in 1st Detect.

(5) See *Schedule of All Other Compensation* that follows for further detail.

(6) Mr. Porter began employment with Astrotech in October 2008. His annual salary was $195,000 in fiscal 2009.

(7) In addition to his fiscal year 2010 performance bonus of $75,000, Mr. White was awarded a bonus of $16,000 in February 2010 in recognition of his efforts which resulted in the timely completion of ASO's new 5-meter processing facility at VAFB.

(8) Mr. Royston was terminated on July 13, 2010.

(9) Mr. Lord was appointed Chief Executive Officer of Astrotech Space Operations in June 2008. Prior to that time, Mr. Lord was a member of the Board of Directors. Mr. Lord resigned from Astrotech Corporation effective June 18, 2010.

Schedule of All Other Compensation for Fiscal Year 2010

Named Executive Officer	401(K) Plan Company Matching Contributions ($)	Supplemental Disability Insurance Premium ($)	Other Benefits ($)	Total ($)
Thomas B. Pickens, III(1)	9,952	1,578	12,561	24,091
John M. Porter	10,894	1,006	—	11,900
Don M. White	9,903	800	—	10,703
James D. Royston(2)	8,077	881	—	8,958
Lance W. Lord(3)	—	995	23,077	24,072

(1) Mr. Pickens employement contract includes a car allowance of $1,000 per month. Astrotech paid $561 for a healthclub membership for Mr. Pickens during fiscal 2010.

(2) Mr. Royston was terminated on July 13, 2010.

(3) Mr. Lord resigned as Chief Executive Officer of Astrotech Space Operations in June 2010. Included in Other Benefits is accrued vacation paid upon his resignation.

Fiscal Year 2010 Grants of Plan-Based Awards

The following table shows additional information regarding: (i) the target and presumed maximum level of annual cash incentive awards for the Company's executive officers for performance during fiscal year 2011, as established by the Compensation Committee under the Company's Key Employee Incentive Bonus Plan; and (ii) Spacetech equity awards granted in January 2010 that were awarded to help retain the NEOs and focus their attention on building Shareholder value. The actual amount of the annual cash incentive award received by each NEO for performance during fiscal year 2010 is shown in the Fiscal Year 2010 Summary Compensation Table.

	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares Restricted Stock (#)(2)	Spacetech Restricted Stock (#)(3)	Spacetech Warrants (#)(3)	Grant Date Fair Value of Equity ($)	Grant Date of Equity Awards
Name	Target ($)(1)	Maximum ($)(1)					
Thomas B. Pickens, III	119,700	199,500	—	800	1,680	361,782	January 19, 2010
John M. Porter	82,500	137,500	—	600	980	227,704	January 19, 2010
Don M. White	67,500	112,500	—	—	—	—	—
James D. Royston(4)	—	—	100,000	300	—	235,100	November 13, 2009 & January 19, 2010
Lance Lord(5)	—	—	200,000	—	—	370,000	November 13, 2009

No options were awarded to NEO's during fiscal year 2010.

(1) Estimated bonus for Mr. Pickens, Mr. Porter, and Mr. White are computed at a maximum of 50% of base salary. Estimated target bonus percentage is 30% of base salary.

(2) Represents restricted stock granted to Mr. Royston on November 13, 2009.

(3) Represents Astrogenetix and 1st Detect restricted stock and warrants granted to Mr. Pickens, Mr. Porter and Mr. Royston on January 19, 2010.

(4) Mr. Royston was terminated from Astrotech on July 13, 2010.

(5) Mr. Lord resigned from Astrotech on June 18, 2010.

Employment Agreements

During fiscal year 2010, the Company had employments agreements in place with Mr. Pickens, Mr. White, Mr. Lord and Mr. Royston. Each employment agreement sets forth, among other things, the NEO's minimum base salary, bonus opportunities and provisions with respect to certain payments and other benefits upon termination of employment under certain circumstances such as without "Cause," leaving employment for "Good Reason" or a "Change in Control." Please see Potential Payments Upon Termination or Change in Control for a description of such provisions.

The minimum base salary set in the employment agreement for Mr. Pickens is $360,000, for Mr. White is $184,765, for Mr. Lord is $175,000 and for Mr. Royston is $210,000. Mr. Lord was paid his salary pro rata through the date of his resignation, June 18, 2010. Mr. Royston was paid his salary pro rata through the date of his termination on July 13, 2010.

The NEOs participate in the Key Employee Incentive Bonus Plan in accordance with the terms of the plan which includes all employees of the Director level and above. In accordance with that Plan, all NEO's maximum bonus is 50%, subject to Compensation Committee discretion.

Awards

On January 19, 2010, an independent committee of the Board of Directors of 1st Detect, a subsidiary of the Company, approved a grant of 1,180 restricted stock shares and 1,820 stock purchase warrants to certain officers, Directors and employees of 1st Detect. Additionally, on the same day, an independent committee of the Board of Directors of Astrogenetix, a subsidiary of the Company, approved a grant of 1,550 restricted stock shares and 2,050 stock purchase warrants to certain officers, directors and employees of Astrogenetix.

The Compensation Committee also awarded bonuses to directors, NEOs, and employees in August 2010, in recognition of the employee performance during fiscal year 2010.

Salary and Bonus in Proportion to Total Compensation

We believe that a substantial portion of each NEO's compensation should be in the form of performance based awards, particularly equity based awards which align the interests of management with that of the Shareholders. In 2010, the total compensation of our NEOs was consistent with this philosophy. Providing long-term compensation such as equity awards allows the Company to attract and incentivize qualified executives with less cash outlay, and to retain the executives over a longer period.

Outstanding Equity Awards at Fiscal Year 2010 End

The following table shows certain information about unexercised options as of June 30, 2010.

Schedule of Outstanding Equity Awards

		Option Awards & Warrants			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable[(1)]**	**Number of Securities Underlying Unexercised Options (#) Unexercisable[(2)]**	**Option Exercise Price ($)**	**Spacetech Warrants (#)(3)**	**Expiration Date**
Thomas B. Pickens, III[(3)]	100,000	—	0.45		07/18/2010
	1,000	—	20.80		12/01/2011
	500	—	7.70		12/01/2012
	500	—	7.20		12/12/2013
				1,680	01/19/2017
John M. Porter	100,000	—	0.35		10/01/2018
				980	01/19/2017
Don M. White[(4)]	8,900	—	0.45		07/18/2010
	900	300	11.50		08/09/2016
	12,500	37,500	0.33		10/06/2018
James D. Royston[(5)]	75,000	—	0.45		07/18/2010
	300	—	7.00		09/17/2012
	400	—	10.20		08/07/2013
	1,200	—	24.10		08/16/2014
	1,200	—	14.30		08/03/2015
	1,500	500	11.50		08/09/2016

(1) All exercisable options will expire 90 days after the date of an employee's termination.

(2) Options vest ratable over a four year period, with the exception of the July 18, 2009, grants, which vested on January 15, 2009 and expired on July 18, 2010.

(3) Spacetech warrants are unexercisable. Stock price is based on grant date fair value: $212.00 for 1st Detect and $167.00 for Astrogenetix.

(4) All exercisable options with an expiration date of July 18, 2010 were exercised prior to expiration date.

(5) All exercisable options with an expiration date of July 18, 2010 were exercised prior to expiration date. Mr. Royston was terminated on July 13, 2010.

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

Schedule of Vesting Astrotech Stock Option Grants

Name	**08/09/2010**	**10/06/2010**	**10/06/2011**	**10/06/2012**
Don M. White	300	12,500	12,500	12,500
James D. Royston	500	—	—	—

Schedule of Vesting Spacetech Warrant Grants

Name	**01/19/2011**	**01/19/2012**
Thomas B. Pickens, III [(1)]	840	840
John Porter [(1)]	490	490

(1) Warrants granted to Mr. Pickens and Mr. Porter in January 2010 for 1st Detect and Astrogenetix.

2010 Option Exercises and Stock Granted

During fiscal year 2010, there were no stock options exercised by the Company's CEO or other NEOs. The following table sets forth the number and corresponding value realized during fiscal year 2010 and reflecting the grants made on August 19, 2009 and November 13, 2009, with respect to common stock or restricted stock grants.

	Option Awards		Restricted Stock Awards		Spacetech Warrant Awards		Spacetech Restricted Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Grant	Value Realized on Grant ($)	Number of Shares Acquired on Grant	Value Realized on Grant ($)	Number of Shares Acquired on Grant	Value Realized on Grant ($)
Thomas B. Pickens III(1)	—	—	750,000	847,500	1,680	214,682	800	147,100
John M. Porter(1)	—	—	300,000	339,000	980	118,504	600	109,200
James D. Royston(2)	—	—	100,000	185,000	—	—	300	50,100
Lance W. Lord(3)	—	—	200,000	370,000	—	—	—	—

(1) Awards of restricted stock vesting 33.33% on August 19, 2010, 33.33% on August 19, 2011, and 33.33% on August 19, 2012.

(2) Awards of restricted stock vesting 33.33% on November 13, 2010, 33.33% on November 13, 2011, and 33.33% on November 13, 2012. Mr. Royston was terminated on July 13, 2010.

(3) Awards of restricted stock vesting 33.33% on November 13, 2010, 33.33% on November 13, 2011, and 33.33% on November 13, 2012. Mr. Lord resigned on June 18, 2010.

The Company granted restricted stock units to the NEO's during fiscal 2010. Refer to the table entitled "Fiscal Year 2010 Grants of Plan-Based Awards" included in Item 11 of this Form 10-K for further detail.

Pension Benefits

All employees of the Company, including NEOs, are eligible to participate in the Astrotech 401(k) plan. In accordance with this plan, employees are eligible to contribute up to 25% of their base salary subject to Internal Revenue Service limitations into the plan with all such contributions being fully vested upon contribution. The Company will match, dollar for dollar, up to 5% of the employee's contributions. Employer contributions into the plan vest pro-rata after 3 years of vesting service and are fully vested thereafter. The Company has no additional pension benefits for its NEOs.

The Company does not have a nonqualified deferred compensation plan and the NEOs have not accrued any benefits or rights to payments other than the Astrotech 401(k) Plan and potential payments upon termination discussed below.

Potential Payments Upon Termination or Change in Control

As noted under Compensation Discussion and Analysis – Post-Termination Compensation, the Company has entered into employment agreements with Mr. Pickens and Mr. White that provide for payments and other benefits in connection with the officer's termination for a qualifying event or circumstance and for enhanced payments in connection with such termination after a Change in Control (as defined in the applicable agreement). 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 agreements provide for payments of certain benefits upon the termination of the employment of the NEO. The NEO's rights upon termination of his or her employment depend upon the circumstances of the termination. Central to an understanding of the rights of each NEO under the employment agreements is an understanding of the definitions of "Cause" and "Good Reason" as those terms are used in those agreements. For purposes of the employment agreements, the Term of 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/her 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 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 the Term of Employment at any time upon any of the following:

- Upon the death of the NEO;
- In the event of physical or mental disability where the NEO is unable to perform his/her duties;
- Upon 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.

The benefits to be provided to the NEO in each of these situations are described in the tables below, which assume that the termination had taken place in fiscal 2011.

Termination after a Change in Control

A termination after a Change in Control is similar to the severance provisions described above, except that the NEO 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.

Payment Obligations Under Employment Agreements Upon Termination of Employment of NEO

The following tables set forth Astrotech's potential future payment obligations under the employment agreements under the circumstances specified upon a termination of the employment of our NEOs. Unless otherwise noted, the descriptions of the payments below are applicable to all of the tables relating to potential payments upon termination or a Change in Control.

Equity Acceleration — The Company's employment agreements include provisions to accelerate the vesting of outstanding equity awards upon termination, including termination pursuant to a Change in Control. The Compensation Committee oversees the Executive Stock Option Plan and is charged with the responsibility of reviewing and granting exceptions to previously issued equity grants on a case by case basis.

Health Care Benefits — The employment agreements generally provide that, after resignation for Good Reason or termination without Cause, the Company will continue providing medical, dental, and vision coverage to the NEO and the NEO's dependents at least equal to that which would have been provided if the NEO's employment had not terminated, if such coverage continues to be available to the Company, until the earlier of (a) the date the NEO becomes eligible for any comparable medical benefits provided by any other employer or (b) the end date of an enumerated period following the NEO's date of termination.

As termination benefits would be payable upon an event following June 30, 2010, the tables below reflect salary changes made by the Compensation Committee for fiscal year 2011.

Thomas B. Pickens, III

Benefits and Payments Upon Termination	Resignation for Good Reason or Termination Without Cause ($)(1)	Termination for Other Than Good Reason or Termination With Cause ($)	Resignation for Good Reason or Termination Without Cause After Change-in-Control ($)(2)	Disability ($)	Death ($)
Compensation:					
Base Salary	399,000	—	598,500	399,000	399,000
Bonus(3)	99,750	—	149,625	99,750	99,750
Equity(4):					
Restricted Stock	930,000	—	930,000	930,000	930,000
Spacetech Equity Awards	361,782	—	361,782	361,782	361,782
Benefits and Perquisites:					
Post-Termination Health Care	19,557	—	29,336	19,557	19,557
Accrued Vacation Pay(5)	38,365	38,365	38,365	38,365	38,365
Total:	**1,848,454**	**38,365**	**2,107,608**	**1,848,454**	**1,848,454**

(1) Pursuant to the employment agreement, this estimate assumes twelve months of base salary and benefits after termination.

(2) Provision on change in control provides for 18 months salary if terminated.

(3) Bonus calculated at 50% of estimated maximum bonus.

(4) Astrotech equity awards assumed exercise price of $1.24, which was the closing ASTC stock price as of June 30, 2010. Unvested options with a strike price above market value as of June 30, 2010 were not included in the calculation. Spacetech warrants were valued based on the Black Scholes Model and Spacetech restricted stock was based on a third party valuation.

(5) Assumes 5 weeks of accrued vacation upon termination (maximum contractual allowance).

Don M. White

Benefits and Payments Upon Termination	Resignation for Good Reason or Termination Without Cause ($)[1]	Termination for Other Than Good Reason or Termination With Cause ($)	Resignation for Good Reason or Termination Without Cause After Change-in-Control ($)[2]	Disability ($)	Death ($)
Compensation[3]:					
Base Salary	112,500	—	168,750	112,500	112,500
Bonus	56,250		84,375	56,250	56,250
Equity:					
Restricted Stock[4]	93,000	—	93,000	93,000	93,000
Options[5]	34,125	—	34,125	34,125	34,125
Benefits and Perquisites:					
Post-Termination Health Care	6,998	—	10,497	6,998	6,998
Life Insurance Premiums	—	—	—	—	—
Accrued Vacation Pay[6]	21,635	21,635	21,635	21,635	21,635
Total:	**324,508**	**21,635**	**412,382**	**324,508**	**324,508**

(1) Pursuant to the employment agreement, this estimate assumes six months of base salary and benefits after termination.

(2) Provision on change in control provides for nine months salary if terminated.

(3) Bonus estimated at 50% of maximum bonus.

(4) Equity awards assumed exercise price of $1.24, which was the ASTC closing stock price as of June 30, 2010.

(5) Option awards assumed market price of $1.24, which was the ASTC closing stock price as of June 30, 2010. Unvested options with a strike price above market value as of June 30, 2010, were not included in the calculation.

(6) Assumes five weeks of accrued vacation upon termination (maximum contractual allowance).

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

Company directors, other than the Chairman of the Audit Committee and Chairman of the Compensation Committee, receive an annual stipend of $30,000 paid upon the annual election of each non-employee director or upon joining the Board of Directors. The Chairman of the Audit Committee receives an annual stipend of $40,000 and the Chairman of the Compensation Committee receives an annual stipend of $35,000, recognizing the additional duties and responsibilities of those roles. In addition, each non-employee director receives a meeting fee of $3,000 for each meeting of the Board of Directors attended in person and $1,000 for each such meeting attended by conference call.

Audit Committee members received $750 for attendance to meetings in person or by conference call, while the Compensation Committee and the Governance and Nominating Committee members received $500 for attendance to meetings in person or by conference call. All directors are reimbursed ordinary and reasonable expenses incurred in exercising their responsibilities in accordance with Travel and Entertainment 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 25,000 shares of restricted common stock issued upon his first election to the Board of Directors, subject to board discretion. Restricted stock and stock options granted under the plan vest 25% annually, beginning after one year and 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 that require the Company to indemnify the directors to the fullest extent permitted by Washington state law. The Company's certificate of incorporation also requires the Company to indemnify both the directors and officers of the Company to the fullest extent permitted by Washington state law.

Fiscal Year 2010 Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Restricted Stock Awards ($)	Stock Options ($)	All other compensation ($)	Total ($)
Mark Adams	54,250	—	—	—	54,250
John A. Oliva	60,500	—	—	—	60,500
William F. Readdy[(1)]	46,000	—	—	12,708	58,708
Sha-Chelle Manning	47,500	—	—	—	47,500
Total Total	**208,250**	—	—	**12,708**	**220,958**

(1) Mr. Readdy served as a consultant to Astrogenetix during fiscal year 2010. In November 2009, he received $12,708 in compensation for consulting fees and for the reimbursement of expenses incurred during his consulting-related international travel.

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

The following table sets forth as of June 30, 2010, certain information regarding the beneficial ownership of the Company's outstanding common stock held by (i) each person known by the Company to be a beneficial owner of more than five percent of any outstanding class of the Company's capital stock, (ii) each of the Company's directors, (iii) the Company's Chief Executive Officer and four 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	Amount and Nature of Beneficial Ownership#	Shares Subject to Options ($)	Total ($)	Percentage of Class(1)
Certain Beneficial Owners				
SMH Capital Advisors, Inc.(2)	3,228,192	—	3,228,192	17.0%
Bruce & Co., Inc.(3)	1,120,073	—	1,120,073	5.9%
Astrium GmbH (4)	1,099,245	—	1,099,245	5.8%
Non-Employee Directors:				
Mark Adams(5)	685,000	18,500	703,500	3.7%
John A. Oliva(6)	170,000	17,500	187,500	1.0%
William F. Readdy(7)	150,000	17,500	167,500	*
Sha-Chelle Manning(8)	135,000	—	135,000	*
Named Executive Officers:				
Thomas B. Pickens, III(9)	1,850,000	102,000	1,952,000	10.3%
John M. Porter(10)	300,000	100,000	400,000	2.1%
Don M. White(11)	77,000	22,600	99,600	*
James D. Royston (12)	300,000	80,100	380,100	2.0%
All Directors and Named Executive Officers as a Group (8 persons)	3,667,000	358,200	4,025,200	21.1%

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

\# Includes unvested restricted stock grants.

(1) Calculated pursuant to Rule 13d-3(d) of the Securities Exchange Act of 1934. Under Rule 13d-3(d), shares not outstanding which 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, 2010, we had 19,040,369 shares of common stock outstanding, including 2,180,205 of restricted stock with voting rights.

(2) Held by SMH Capital Advisors, Inc. in discretionary accounts for the benefit of its clients. This holder's address is 4800 Overton Plaza, Suite 300, Ft. Worth, Texas 76109. Includes information from Form 13D filed by SMH Capital Advisors, Inc. on February 1, 2010.

(3) Bruce & Co., Inc., is the investment manager for Bruce Fund, Inc., a Maryland registered investment company with its principle business conducted at 20 North Wacker Dr., Suite 2414, Chicago, IL 60606. Includes information from Schedule 13G files by Bruce & Co., Inc. on December 31, 2009.

(4) Astrium GmbH's address is Hünefeldstraße 1-5, Postfach 105909, D-28361 Bremen, Germany.

(5) Includes 172,500 shares of unvested restricted stock. On August 19, 2010, 53,334 restricted shares vest.

(6) Includes 157,500 shares of unvested restricted stock. On August 19, 2010, 48,334 restricted shares vest.

(7) Includes 122,500 shares of unvested restricted stock. On August 19, 2010, 36,667 restricted shares vest.

(8) Includes 128,750 shares of unvested restricted stock. On August 19, 2010, 36,667 restricted shares vest.

(9) Includes 750,000 shares of unvested restricted stock. On August 19, 2010, 250,000 restricted shares vest.

(10) Includes 300,000 shares of unvested restricted stock. On August 19, 2010, 100,000 restricted shares vest.

(11) Includes 75,000 shares of unvested restricted stock. On August 19, 2010, 25,000 restricted shares vest.

(12) Includes 150,000 shares of unvested restricted stock. James Royston, former President, was terminated in July 2010.

Securities Authorized for Issuance Under Equity Compensation Plans.

Equity Compensation Plan Information

Plan Name	Type	Options Authorized	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available at September 30, 2009 for future issuance under equity compensation plans (excluding securities reflected in column (a)
Plans Previously Approved by Security Holders					
1 The 1994 Plan(1)	Common Stock Options Incentive or Non-Qualified	395,000	24,900	$ 24.53	0
2 Directors Stock Option Plan(2)	Non-Qualified Common Stock Options	50,000	15,000	$ 12.64	30,000
3 1997 Employee Stock Purchase Plan(3)	Common Stock	150,000	0	N/A	1,735
4 2008 Stock Incentive Plan4)	Common options, restricted stock, stock units and other equity awards	5,500,000	705,741	$ 0.40	329,389

(1) Under the terms of the 1994 Plan, the number and price of the options granted to employees is determined by the Board of Directors and such options vest, in most cases, incrementally over a period of four years and expire no more than ten years after the date of grant. As of October 2009, additional shares cannot be granted from the 1994 Plan.

(2) Options under the Directors' Plan vest after one year and expire seven years from the date of grant.

(3) The Employee Stock Purchase plan allowed eligible employees to purchase shares of Common Stock of the Company at prices no less than 85% of the current market price. Company discontinued employee purchases of common stock under the plan in the fourth quarter of fiscal year 2007.

(4) The 2008 Stock Incentive Plan authorizes the award of stock grants, restricted stock and stock options. The number and price of the awards granted to employees is determined by the Board of Directors and such options vest, in most cases, incrementally over a period of four years and expire no more than ten years after the date of grant. As of June 30, 2010, 2,180,205 shares of unvested restricted stock were outstanding.

Additional information on the Company's equity compensation plan can be found under Item 11- Executive Compensation, above.

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

Director Independence

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

Mark E. Adams

John A. Oliva

William F. Readdy

Sha-Chelle Manning

The Board of Directors has also determined that each member of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee during fiscal year 2010 meet 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

In March 2010, the Astrotech Shareholders ratified the appointment of PMB Helin Donovan LLP as the independent registered public accounting firm to audit the Company's financial statements. There were no discussions between the Company and PMB Helin Donovan LLP regarding the application of accounting principles to specific completed or contemplated transactions, or the type of audit opinion that might be rendered on the Company's financial statements. Furthermore, no written or oral advice was provided by PMB Helin Donovan LLP that was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue. The Company has not consulted with PMB Helin Donovan LLP regarding any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K and the related instructions to this item) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

The following table presents fees paid or to be paid for professional audit services rendered by PMB Helin Donovan LLP for the audit of the Company's annual financial statements during the years ended June 30, 2010 and 2009. PMB Helin Donovan LLP did not provide tax or other consulting services during 2010 or 2009.

	Fiscal 2010	Fiscal 2009
Audit Fees[1]	$ 191,000	$ 161,000
Tax Fees	—	—
All Other Fees	—	—
Total All Fees	**$ 191,000**	**$ 161,000**

(1) Audit Fees consisted of fees billed for professional services rendered for the audit of the Company's annual financial statements and review of the interim financial statements included in quarterly reports.

Audit Committee Pre-Approval Policy

The Audit Committee is responsible for appointing, setting compensation for, and overseeing the work of PMB Helin Donovan LLP, the Company's independent registered public accountants. In order to assure that the provision of such services does not impair the auditors' independence, the Audit Committee has established a policy requiring pre-approval of all audit and permissible non-audit services to be provided by independent registered public accountants. The policy 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. The policy requires specific pre-approval of the annual audit engagement, most statutory or subsidiary audits, and all permissible non-audit services for which no general pre-approval exists. 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 the authority to grant certain specific pre-approvals; provided, however, that the Chairman 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 Committee's responsibility to pre-approve services performed by the independent registered public accountants.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of the report:

Financial Statements.

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

	Page
Report of PMB Helin Donovan LLP, Independent Registered Public Accounting Firm	25
Consolidated Balance Sheets	26
Consolidated Statements of Operations	27
Consolidated Statements of Stockholders’ Equity and Comprehensive Income (Loss)	28
Consolidated Statements of Cash Flows	29
Notes to Consolidated Financial Statements	30
Exhibits	82

Exhibit No.	Description of Exhibit
(2)	**Articles of Incorporation and Bylaws**
2.1	Amended and Restated Articles of Incorporation of the Registrant, as amended (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
2.2	Bylaws of the Registrant (incorporated by reference to the Registrant's registration statement on Form S-1, File No. 33- 97812, and all amendments thereto, filed with the Securities and Exchange Commission on October 5, 1995)
(4)	**Instruments Defining the Rights of Security Holders, including Indentures**
4.1	Designation of Rights, Terms and Preferences of Series B Senior Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
4.2	Preferred Stock Purchase Agreement between the Registrant and DaimlerChrysler Aerospace AG dated as of August 2, 1999 (incorporated by reference to Exhibit 4.2 of the Registrant's Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
4.3	Registration Rights Agreement between the Registrant and DaimlerChrysler Aerospace AG dated as of August 5, 1999 (incorporated by reference to Exhibit 4.3 of the Registrant's Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
4.4	Indenture dated as of October 15, 1997 between the Registrant and First Union National Bank, as Trustee, relating to the Registrant's 8.0% Convertible Subordinated Notes due 2007 (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-3 (Reg. No. 333-43221) filed with the Securities and Exchange Commission on December 24, 1997)
4.5	Designation of Right, Terms and Preferences of Series D Junior Participating Preferred Stock of Astrotech Corporation (incorporated by reference to Exhibit 3.1 of Registrant's Form 8-A filed with the Securities and Exchange Commission on July 31, 2009).
4.6	Rights Agreement, dated as of July 29, 2009, 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 filed with the Securities and Exchange Commission on July 31, 2009).
4.7	Amendment One to Rights Agreement, dated as of July 29, 2010, 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 29, 2009).

Exhibit No.	Description of Exhibit
(10)	**Material Contracts**
10.1	Letter Agreement dated August 15, 1995, by and between the Registrant and Mitsubishi Corporation (incorporated by reference to Exhibit 10.7 of the Registrant's Registration Statement on Form S-1 (Reg. No. 33-97812) filed with the Securities and Exchange Commission on October 5, 1995)
10.2	SPACEHAB, Incorporated 1995 Directors' Stock Option Plan as amended and restated effective October 21, 1997 (incorporated by reference to Exhibit B of the Registrant's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on September 12, 1997)
10.3	Office Building Lease Agreement, dated October 6, 1993, between Astrotech and the Secretary of the Air Force (Lease number SPCVAN – 2-94-001) (incorporated by reference to Exhibit 10.52 of the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 filed with the Securities and Exchange Commission on September 12, 1997)
10.4	SPACEHAB, Incorporated 1994 Stock Incentive Plan as amended and restated effective October 14, 1999 (incorporated by reference to Exhibit 10.90 of the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1999 filed with the Securities and Exchange Commission on September 17, 1999)
10.5	Agreement, dated September 30, 2004, between the Registrant and Dr. Shelley A. Harrison (incorporated by reference to Exhibit 10.7 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.6	Lease for property at 300 D Street, SW, Suite #814, Washington, DC, dated as of December 16, 1998, by and between the Registrant and The Washington Design Center, LLC (incorporated by reference to Exhibit 10.8 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.7	Sublease Agreement, dated as of July, 2002, between the Registrant and The Boeing Company (incorporated by reference to Exhibit 10.9 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.8	SPACEHAB, Incorporated 1997 Employee Stock Purchase Plan (incorporated by reference to Exhibit C of the Registrant's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on September 12, 1997)

Exhibit No.	Description of Exhibit
10.9	Agreement between Astrotech Space Operations, Inc. and McDonnell Douglas Corporation, dated January 7, 2000 (incorporated by reference to Exhibit 10.103 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 filed with the Securities and Exchange Commission on May 12, 2000)
10.10	Agreement between Astrotech Space Operations, Inc. and Lockheed Martin Commercial Launch Services, Inc., dated January 24, 2000 (incorporated by reference to Exhibit 10.104 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 filed with the Securities and Exchange Commission on May 12, 2000)
10.11	Credit agreement dated as of August 30, 2001 by and between Astrotech Florida Holdings, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.114 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 filed with the Securities and Exchange Commission on November 8, 2001)
10.12	Employment and Non-Interference Agreement, dated as of April 1, 2003, between the Registrant and Michael E. Kearney (incorporated by reference to Exhibit 10.119 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed with the Securities and Exchange Commission on May 14, 2003)
10.13	First amendment to the Credit Agreement dated as of August 30, 2001 by and between Astrotech Florida Holdings, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.122 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2003 filed with the Securities and Exchange Commission on February 13, 2004)
10.14	Employment and Non-Interference Agreement, dated as of January 9, 2004, between the Registrant and Brian K. Harrington (incorporated by reference to Exhibit 10.123 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed with the Securities and Exchange Commission on May 12, 2004)
10.15	50 Year Lease, dated as of February 1, 1991, between the Registrant and Canaveral Port Authority (incorporated by reference to Exhibit 10.17 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.16	Commercial Contract, dated as of March 3, 2005, between the Registrant and Tamir Silvers, LLC (incorporated by reference to Exhibit 10.18 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

Exhibit No.	Description of Exhibit
10.17	Lease Agreement, dated as of February 18, 2005, between the Registrant and R & H Investments, a California partnership (incorporated by reference to Exhibit 10.19 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.18	Fixed Price Subcontract 889208 for Wideband Gapfiller Satellite Program Launch Site Payload Processing Facilities and Services, dated as of January 18, 2005, between Boeing Satellite Systems, Inc. and Astrotech Space Operations, Inc. (incorporated by reference to Exhibit 10.20 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.19	Loan Agreement, dated as of February 11, 2005, between the Registrant and First American Bank, SSB (incorporated by reference to Exhibit 10.125 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2004 filed with the Securities and Exchange Commission on February 14, 2005)
10.20	Letter Contract No. GF80726B11, dated as of February 18, 2004, between the Registrant and Lockheed Martin Corporation (incorporated by reference to Exhibit 10.23 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.21	ISS Program Integration and Control Contract, between SPACEHAB Government Services, Inc. and ARES Corporation (incorporated by reference to Exhibit 10.24 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.22	Asset Purchase Agreement, dated as of December 19, 2000, between the Registrant and Astrium GmbH. (incorporated by reference to Exhibit 10.27 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.23	Amendment No. 1 to Asset Purchase Agreement, dated as of December 19, 2000, between the Registrant and Astrium GmbH, dated July 3, 2001 (incorporated by reference to Exhibit 10.28 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.24	Lease Agreement, dated as of February 28, 2001, between the Registrant and Astrium GmbH (incorporated by reference to Exhibit 10.29 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

Exhibit No.	Description of Exhibit
10.25	Binding Term Sheet, dated as of December 19, 2001, between the Registrant and Astrium GmbH, amending the Lease Agreement, dated as of February 28, 2001, between the Registrant and Astrium GmbH (incorporated by reference to Exhibit 10.30 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.26	Lease Agreement, dated as of July 3, 2001, between the Registrant and Astrium GmbH (incorporated by reference to Exhibit 10.31 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.27	Agreement No. 48801 for Provision of Payload Processing Facilities and Support in Conjunction with Commercial Atlas Launches, between Astrotech Space Operations, Inc. and Lockheed Martin Commercial Launch Services, Inc. (incorporated by reference to Exhibit 10.32 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.28	Contract No. NNK04LA75C, dated as of July 2, 2004, between Astrotech Space Operations, Inc. and John F. Kennedy Space Center, NASA (incorporated by reference to Exhibit 10.33 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.29	Agreement and Statement of Work, dated as of April 25, 1996 and as amended by Amendment No. 3 as of December 6, 2002, between Astrotech Space Operations, Inc. and Sea Launch Company, L.L.C. (incorporated by reference to Exhibit 10.34 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.30	Employment and Non-Interference Agreement, dated as of May 12, 2005, between the Registrant and Michael E. Bain (incorporated by reference to Exhibit 10.35 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.31	Employment and Non-Interference Agreement, dated as of May 12, 2005, between the Registrant and E. Michael Chewning (incorporated by reference to Exhibit 10.36 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

Exhibit No.	Description of Exhibit
10.32	Settlement Agreement and Mutual Release of All Claims, dated as of May 25, 2005, among the Registrant and Lloyd's of London, Goshawk Syndicate No. 102, Euclidian Syndicate No. 1243, Ascot Underwriting Ltd. Syndicate No. 1414, and R.J. Kiln Syndicate No. 510 (incorporated by reference to Exhibit 10.37 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.33	Lease No. SPCVAN-2-94-0001, between the Secretary of the Air Force and Astrotech Space Operations, L.P. (incorporated by reference to Exhibit 10.39 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.34	Strategic Collaboration Agreement, dated as of August 5, 1999, between the Registrant and DaimlerChrysler Aerospace AG (incorporated by reference to Exhibit 10.40 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.35	Guaranty Agreement, dated as of August 30, 2001, between the Registrant and SouthTrust Bank (incorporated by reference to Exhibit 10.41 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.36	Guaranty Agreement, dated as of August 30, 2001, between Astrotech Space Operations, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.42 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.37	Stock Pledge and Security Agreement, dated as of August 30, 2001, between the Registrant and SouthTrust Bank (incorporated by reference to Exhibit 10.43 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.38	Stock Pledge and Security Agreement, dated as of August 30, 2001, between Astrotech Space Operations, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.44 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.39	Assignment of CLIN 1 Rights, dated as of August 30, 2001, between Astrotech Space Operations, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.45 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

Exhibit No.	Description of Exhibit
10.40	Termination Agreement, dated as of June 1, 2004, between the Registrant and Vladimir J. Fishel (incorporated by reference to Exhibit 10.46 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.41	Memorandum of Understanding, dated as of June 8, 2005, between the Registrant and SMH Capital Advisors, Inc. (incorporated by reference to Exhibit 10.47 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.42	Space Media, Inc. Stock Option Plan (incorporated by reference to Exhibit 10.48 of the Registrant's Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.43	First Amendment to Loan Agreement (incorporated by reference to Exhibit 10.49 of the Registrant's Current Report on 8-K filed with the Securities Exchange Commission on November 10, 2005), effective September 30, 2005 between SPACEHAB, Incorporated (the "Borrower") and Citibank Texas, N.A., formerly known as First American Bank, SSB (the "Lender"), as executed on November 10, 2005
10.44	Second Amendment to Loan Agreement (incorporated by reference to Exhibit 10.50 of the Registrant's Current Report on 8-K filed with the Securities Exchange Commission on March 3, 2006), dated February 11, 2006 between SPACEHAB, Incorporated (the "Borrower") and Citibank Texas, N.A., formerly known as First American Bank, SSB (the "Lender"), as executed on February 28, 2006
10.45	Separation Agreement and Mutual Release, dated as of December 15, 2006, between the Registrant and Michael E. Kearney (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 15, 2006)
10.46	Separation Agreement and Mutual Release, dated as of January 19, 2007, between the Registrant and Michael E. Bain (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on 10-Q, filed with the Securities and Exchange Commission on February 14, 2007)
10.47	Separation Agreement and Mutual Release, dated as of January 19, 2007, between the Registrant and E. Michael Chewning (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on 10-Q, filed with the Securities and Exchange Commission on February 14, 2007)

Exhibit No.	Description of Exhibit
10.48	Employment and Non-Interference Agreement, dated as of June 4, 2007, between the Registrant and Michael J. Bowker (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 12, 2007)
10.50	Loan Agreement dated as of February 6, 2008, between Astrotech Space Operations, Inc. ("the Borrower") and Green Bank, N.A. (the "Lender") (incorporated by reference to Exhibit 10.50 of the Registrant's Annual Report on 10-K filed with the Securities and Exchange Commission on September 29, 2008)
10.51	Employment Agreement, effective October 6, 2008 between SPACEHAB, Incorporated and Thomas B. Pickens, III (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report Form 8-K filed with the Securities and Exchange Commission on November 21, 2008).
10.52	Employment Agreement, effective October 6, 2008 between SPACEHAB, Incorporated and James D. Royston (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report Form 8-K filed with the Securities and Exchange Commission on November 21, 2008).
10.53	Employment Agreement, effective October 6, 2008 between SPACEHAB, Incorporated and Brian K. Harrington (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report Form 8-K filed with the Securities and Exchange Commission on November 21, 2008).
10.54	Employment Agreement, effective October 6, 2008 between SPACEHAB, Incorporated and Lance W. Lord (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report Form 8-K filed with the Securities and Exchange Commission on January 13, 2009).
10.55	Separation, Release and Consulting Agreement, dated June 4, 2009, between the Registrant and Brian K. Harrington.
10.56	1st Detect Corporation Stock Purchase Warrant Agreement, dated January 19, 2010.
10.57	1st Detect Corporation Restricted Stock Agreement, dated January 19, 2010.
10.58	Astrogenetix, Inc. Stock Purchase Warrant Agreement, dated January 19, 2010.
10.59	Astrogenetix, Inc. Restricted Stock Agreement, dated January 19, 2010.
10.60	Texas Emerging Technology Fund Award and Security Agreement, effective March 30, 2010, between the State of Texas and 1st Detect Corporation.
10.61	1st Detect Corporation Investment Unit, effective March 30, 2010, between the State of Texas and 1st Detect Corporation.
10.62	Third Amendment, dated February 6, 2010, to the original loan agreement between the Registrant and Greebank, N.A., signed on February 6, 2008 (incorporated by reference to Exhibit 99.1 of the Registrant's Form 8K filed with the Securities and Exchange Commission on April 1, 2010).
10.63	Separation Agreement, dated August 19, 2010, between the Registrant and James D. Royston.

Exhibit No.	Description of Exhibit
(16)	**Letter Regarding Change in Certifying Accountant**
16.1	Letter from Grant Thornton LLP regarding change in certifying accountant, dated January 18, 2007 (incorporated by reference to Exhibit 16 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2007)
(21)	**Astrotech Corporation and Subsidiaries – Subsidiaries of the Registrant**
(23)	**Consents of Experts and Counsel**
23.1	Consent of PMB Helin Donovan LLP
23.2	Consent of Grant Thornton LLP (incorporated by reference to Exhibit 23.2 of the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 29, 2008)
(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 John M. Porter, the Company's Senior Vice President and 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 John M. Porter, the Company's Senior Vice President and 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.

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: August 30, 2010

By: /s/ John M. Porter
John M. Porter
Senior Vice President, Chief Financial Officer and Chief Accounting Officer

Date: August 30, 2010

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.

/s/ Thomas B. Pickens, III Thomas B. Pickens, III	Chairman of the Board and Chief Executive Officer	August 30, 2010
/s/ Mark Adams Mark Adams	Director	August 30, 2010
/s/ Sha-Chelle Manning Sha-Chelle Manning	Director	August 30, 2010
/s/ John A. Oliva John A. Oliva	Director	August 30, 2010
/s/ William F. Readdy William F. Readdy	Director	August 30, 2010
/s/ John M. Porter John M. Porter	Senior Vice President, Chief Financial Officer and Chief Accounting Officer	August 30, 2010

EXHIBIT INDEX

Exhibit Index	Description
10.55	Separation, Release and Consulting Agreement, dated June 4, 2009, between the Registrant and Brian K. Harrington.
10.56	1st Detect Corporation Stock Purchase Warrant Agreement, dated January 19, 2010.
10.57	1st Detect Corporation Restricted Stock Agreement, dated January 19, 2010.
10.58	Astrogenetix, Inc. Stock Purchase Warrant Agreement, dated January 19, 2010.
10.59	Astrogenetix, Inc. Restricted Stock Agreement, dated January 19, 2010.
10.60	Texas Emerging Technology Fund Award and Security Agreement, effective March 30, 2010, between the State of Texas and 1st Detect Corporation.
10.61	1st Detect Corporation Investment Unit, effective March 30, 2010, between the State of Texas and 1st Detect Corporation.
10.63	Separation Agreement, dated August 19, 2010, between the Registrant and James D. Royston.
23.1	Consent of PMB Helin Donovan LLP
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 John M. Porter, the Company's Senior Vice President and 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.
32.1	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 John M. Porter, the Company's Senior Vice President and 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.

Exhibit 10.55

SEPARATION, RELEASE AND CONSULTING AGREEMENT

This Separation, Release and Consulting Agreement (the "***Agreement***") is made and entered into as of June 4, 2009 (the "***Effective Date***") by and between Astrotech Corporation (including any entities, in whatever form, of which the Company has any ownership interest or ownership or management control, as determined by the Board) (collectively "***Astrotech***" or the "***Company***") and Brian K. Harrington ("***Executive***") (collectively the "***Parties***").

RECITALS

WHEREAS, the Parties agree that Executive has voluntarily resigned his employment with the Company as of the Effective Date; and

WHEREAS, Executive and the Company agree to terminate the Employment Agreement executed by Executive and the Company on October 6, 2008 (the "***Employment Agreement***"), except as otherwise provided herein; and

WHEREAS, Executive and the Company agree that *paragraphs 10-17* of Executive's Employment Agreement, relating to confidentiality, return of Company property/documents, best efforts and disclosures, inventions and other works, non-solicitation, non-competition and non-recruitment, survive the termination of Executive's employment; and

WHEREAS, Executive and the Company wish to enter into this Agreement to, among other things, clarify and resolve any issues or open matters that may exist between them arising out of their employment relationship and its termination and any continuing obligations of Executive and the Company to one another following the termination of Executive's employment; and

WHEREAS, the Company desires to avail itself of the experience, sources of information, advice and assistance available to or possessed by Executive and to, in turn, have Executive undertake certain consultant duties fully described below in this Agreement; and

WHEREAS, in consideration of his consent to enter into this Agreement and the restrictive covenants contained herein, the Company desires to engage Executive pursuant to the terms and conditions of this Agreement; and

WHEREAS, in consideration of such engagement by Astrotech, and subject to the terms and conditions of this Agreement, Executive desires to perform such services for Astrotech as set forth herein; and

WHEREAS, the Company has advised Executive of Executive's right to consult with an attorney before signing this Agreement and Executive has either consulted with an attorney of Executive's choice or voluntarily elected not to consult with an attorney; and

WHEREAS the Parties agree that the Agreement recitals are true and accurate.

AGREEMENT TERMS —
SEPARATION OF EMPLOYMENT AND RELEASE

Therefore, in consideration of the promises and mutual agreements set forth in this Agreement, the receipt and sufficiency of which is hereby acknowledged by all Parties, the Company and Executive agree as follows:

1. **Termination of Employment Agreement and Severance Payments.** As of the Effective Date of this Agreement, the Employment Agreement between Executive and the Company is hereby terminated, except as otherwise provided in ***Paragraph 5*** of this Agreement. The Company and Executive agree that this Agreement provides each other with sufficient notice of Executive's separation from employment in accordance with *paragraphs 4, 7 and 35* of the Employment Agreement and the severance payments described below are appropriate and acceptable to the Parties. Therefore, Executive agrees and acknowledges that except as specifically provided herein, any rights he may have to any payments, benefits, or other perquisites of any kind whatsoever under the terminated Employment Agreement, including, without limitation, compensation, bonus payments, salary, stock options, stock option gains, disability insurance, life insurance, health, dental or vision insurance, or any other insurance benefits, vacation and sick pay are extinguished by this Agreement and Executive's right to any claim or cause of action whatsoever to reimbursement, payments, benefits, or other perquisites under the Employment Agreement are released and forever waived. Notwithstanding the foregoing, Executive shall be entitled to the payments specified below (collectively, the "***Severance Payments***").

(a) Minimum Payments. Under the terms of *paragraph 6(a)(1)-6(a)(3)* of the Employment Agreement, the Company will provide Executive with the following:

(i) a cash payment of $18,750.00, *less amounts for federal income tax and other employment-related withholdings*, payable within ten (10) business days following the Effective Date, which represents Executive's base salary (as in effect as of the Effective Date) for the payroll period containing the Effective Date, with such amount to be calculated through the end of such payroll period;

(ii) a cash payment of $21,635.00, *less amounts for federal income tax and other employment-related withholdings*, payable within ten (10) business days following the Effective Date, which represents Executive's accrued, but unpaid, vacation days, as of the Effective Date, up to a maximum of five (5) weeks;

(iii) continued benefits through the end of the payroll period containing the Effective Date; and

(iv) Executive's reasonable and unreimbursed expenses, if any, as of the Effective Date, which expenses are listed by item and amount on ***Schedule I*** attached hereto. This cash payment will be reimbursed in accordance with the Company's normal procedures.

(b) <u>Other Severance Payments</u>. Under the terms of *paragraphs 6(b)(1)-6(b)(3)* of the Employment Agreement, the Company will provide to Executive the following:

(i) a cash payment of $112,500.00, which represents additional compensation equal to one-half (0.5) times the sum of the Executive's highest base salary as in effect at any time within twelve (12) months before the Effective Date, *less amounts for federal income tax and other employment-related withholdings* (the "***Additional Severance Payment***"), payable in five installments, subject to the terms of ***Paragraph 12*** herein, as follows: (A) May 29, 2009: $12,500.00; (B) June 30, 2009: $25,000.00; (C) July 31, 2009: $25,000.00; (D) August 31, 2009: $25,000.00; and (E) September 30, 2009: $25,000.00;

(ii) an amount equal to the difference between the full COBRA premium less the premium paid by active employees of the Company for the same level of coverage, provided such Executive elects to purchase COBRA continuation coverage. Such payments shall commence on the Effective Date of this Agreement and end on the earliest of (i) the last day of the sixth month following the Effective Date; (ii) the date Executive obtains employment with another entity under which Executive is offered and becomes eligible to receive health insurance coverage as an employee; (iii) the date Executive breaches the terms of this Agreement; or (iv) the date Executive (or Executive's eligible dependents) ceases to be eligible for COBRA continuation coverage under the applicable plans. Executive understands and agrees that Executive will be solely responsible for the payment of COBRA premiums. Executive acknowledges and agrees that he is solely responsible for reading, understanding, making all elections or requests and providing all notices required under any and all COBRA continuation coverage notices provided to him by the Company. The Company will provide Executive with a separate COBRA notice and election form. Executive understands that a failure to timely pay such COBRA premiums will result in a loss of continuation coverage under the applicable plans. Any benefits provided under this ***Paragraph 1(b)(ii)*** to Executive or Executive's dependents shall be modified to the extent benefits under the applicable plans are modified for active employees of the Company, and the Company reserves the right to amend, terminate or modify the applicable plans at any time.

In connection with the foregoing, Executive has been advised to consult with his own tax advisor regarding his eligibility for and the advisability of requesting to be determined to be eligible to pay the reduced COBRA premium under the American Recovery and Reinvestment Act of 2009 ("***ARRA***"). Executive should review the separate COBRA notice the Company is providing to him to learn more about the reduced COBRA premium under ARRA. The reduced COBRA premium may last for up to nine months of COBRA continuation coverage. If Executive applies for a determination to be eligible to pay the reduced COBRA premium, he must complete and return the form entitled "Request to be Treated as an Assistance Eligible Individual."

Aside from this COBRA benefit, Executive understands that all other benefit plan rights will terminate with Executive's termination as of the Effective Date; and

(iii) Executive's service requirements under all Company stock option and incentive award plans shall automatically be deemed satisfied, and the Executive shall automatically become 100% vested on the Effective Date in all grant shares and incentive awards to which he is entitled, as provided on ***Schedule II*** attached hereto.

Severance Payments and other benefits provided to Executive by the Company pursuant to this Agreement shall be deemed to be in lieu of any other amounts or benefits to which Executive may be entitled under the Employment Agreement. Executive understands and agrees that under the terms of this Agreement, he is receiving greater benefits than those to which he would otherwise be entitled under the Employment Agreement.

2. **Resignation as Senior Vice President, Chief Financial Officer and Secretary of the Board of Directors.** Executive hereby voluntarily resigns all positions as an officer and employee of the Company, including his Senior Vice President, Chief Financial Officer, and Secretary to the Board of Director positions, effective as of the Effective Date. Likewise, Executive hereby voluntarily resigns all positions as an employee, director, representative or agent of all Company subsidiaries, whether direct or indirect, and Company affiliates effective as of the Effective Date, which shall be the date Executive incurs a "separation from service" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, (the "Code").

3. **Astrotech Releasees**. The "***Astrotech Releasees***" are defined as Astrotech Corporation, each of Astrotech's subsidiaries whether wholly owned or not and whether direct or indirect and each of Astrotech and its subsidiaries predecessors, successors, parents, joint ventures, holding companies, subsidiaries, divisions, affiliates, assigns, partnerships, agents, directors, officers, employees, consultants, committees, employee benefit committees, fiduciaries, representatives, attorneys, and all persons and entities acting by, through, under or in concert or in any such capacity with any of them. Under this Agreement, Executive is excluded from the definition of "Astrotech Releasee."

4. **Global Release of Claims**. Executive, on behalf of himself, his heirs, executors, successors and assigns, irrevocably and unconditionally releases, waives, and forever discharges the Astrotech Releasees from any and all claims, demands, actions, causes of action, costs, fees, attorneys' fees, and all liability whatsoever, whether known or unknown, fixed or contingent, which Executive has, had, or may have against any of the Astrotech Releasees including, without limitation, any acts or omissions that resulted in Executive's separation from employment with Astrotech, from the beginning of time and up to and including the date of execution of this Agreement. This Agreement includes, without limitation, claims at law or equity or sounding in contract (express or implied) or tort, claims arising under any federal, state, or local laws of any jurisdiction that prohibit age, sex, race, national origin, color, disability, religion, veteran, military status, sexual orientation, or any other form of discrimination, harassment, or retaliation (including, without limitation, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Americans with Disabilities Act Amendments of 2008, Title VII of the 1964 Civil Rights Act, the Civil Rights Act of 1991, 42 U.S.C. § 1981, the Rehabilitation Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Employee Polygraph Protection Act, the Equal Pay Act of 1963, the Lilly Ledbetter Fair Pay Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Texas Commission on Human Rights Act, any federal, state, local or municipal whistleblower protection or anti-retaliation statute or ordinance, or any other federal, state, local, or municipal laws of any jurisdiction), claims arising under the Employee Retirement Income Security Act, or any other statutory or common law claims related to Executive's employment or separation from employment with Astrotech.

5. **Executive's Agreement to Honor Portions of the Employment Agreement**. In addition to this Agreement, Executive agrees that his obligations under *paragraphs 10-17* of the Employment Agreement, including those provisions regarding confidentiality, return of Company property/documents, best efforts and disclosures, inventions and other works, non-solicitation, non-competition and non-recruitment, survive the termination of Executive's employment with the Company and are not superseded by this Agreement. Executive agrees that his obligations under *paragraphs 10-17* off the Employment Agreement and the definition of Confidential Information (described in *paragraph 11* of the Employment Agreement) are incorporated into this Agreement by reference and Executive agrees to adhere to his promises to the Company under the *paragraphs 10-17* of the Employment Agreement. If for any reason any court of competent jurisdiction finds any provision of this ***Paragraph 5*** or applicable provision of Executive's Employment Agreement unreasonable in duration or geographic scope or otherwise, the Company and Executive agree that the restrictions and prohibitions under *paragraphs 10-17* of the Employment Agreement and this ***Paragraph 5*** shall be effective to the fullest extent allowed under applicable law. Further, if the Company determines that Executive has violated *paragraphs 10-17* of his Employment Agreement or this ***Paragraph 5***, Executive agrees to the following forfeiture provision: Executive understands that breach of *paragraphs 10-17* of his Employment Agreement or this ***Paragraph 5*** will result in Executive's immediate forfeiture and repayment to the Company of ninety percent (90%) of any Additional Severance Payments that have been paid to Executive as of the date of the breach and forfeiture of any remaining unpaid Additional Severance Payments that otherwise would have been due to the Executive but for the breach (the "***Forfeited Severance Payment***"). Notwithstanding the foregoing, the Company and Executive agree that the definition of "Restricted Period**"** in *paragraph 11(e)(5)* of the Employment Agreement is hereby terminated and replaced with the following definition: "***Restricted Period***" means the period commencing on the Effective Date and continuing through the three month anniversary of the date of termination of the Consulting Term (as that term is defined in ***Paragraph 21***) or the date of termination of any renewed Consulting Term.

6. **No Admission of Liability/Confidentiality of Release.** Executive understands and agrees that this Agreement shall not in any way be construed as an admission by the Astrotech Releasees of any unlawful or wrongful acts whatsoever against Executive or any other person, and the Astrotech Releasees specifically disclaim any liability to or wrongful acts against Executive or any other person. Similarly, the Company acknowledges and agrees that this Agreement shall not in any way be construed as an admission by Executive of any unlawful or wrongful act by Executive and Executive specifically disclaims any liability to or wrongful acts against the Company or any other person. Executive agrees to keep this Agreement and any of its terms completely confidential; however, Executive may disclose the terms of this Agreement to his attorneys, accountant, spouse, or as otherwise required by law. Accordingly, nothing in this ***Paragraph 6*** is intended to preclude Executive or Astrotech from disclosing information in response to a subpoena issued by a court of law or a government agency having jurisdiction or power to compel the disclosure or as otherwise may be required by law. Executive, however, agrees, as required by Agreement ***Paragraph 8***, to provide Astrotech prompt written notice before responding to any subpoena. Further, Executive acknowledges and agrees that nothing in this Agreement prevents Astrotech from disclosing the terms of this Agreement and filing a copy of this Agreement (i) in response to a subpoena issued by a court of law or a government agency having jurisdiction or power to compel the disclosure, (ii) in response to a request by a governmental law enforcement agency or federal or state agency giving jurisdiction over the acts or activities of Astrotech or any of its subsidiaries, or (iii) as Astrotech believes is reasonably required by applicable federal or state law.

7. **Non-Disparagement.**

(a) **Executive's Non-Disparagement**. Executive agrees not to, directly or indirectly, disclose, communicate, or publish any intentionally disparaging, negative, harmful, or disapproving information, written communications, oral communications, electronic or magnetic communications, writings, oral or written statements, comments, opinions, facts, or remarks, of any kind or nature whatsoever (collectively, "***Disparaging Information***"), concerning or related to any of the Astrotech Releasees. Executive understands and acknowledges that this non-disparagement clause prevents him from disclosing, communicating, or publishing, directly or indirectly, any Disparaging Information concerning or related to the Astrotech Releasees including, without limitation, information regarding the Astrotech Releasees' businesses, customers or clients, proprietary or technical information, documents, operations, inventions, trade secrets, product ideas, technical information, know-how, processes, plans (including, without limitation, marketing plans and strategies), specifications, designs, methods of operation, techniques, technology, formulas, software, improvements, internal or external audits, internal controls, or any financial, marketing or accounting information of any nature whatsoever. Further, Executive acknowledges that in executing this Agreement, he has knowingly, voluntarily, and intelligently waived any free speech, free association, free press or First Amendment to the United States Constitution (including, without limitation, any counterpart or similar provision or right under the Texas Constitution or any other state constitution which may be deemed to apply) rights to disclose, communicate, or publish Disparaging Information concerning or related to the Astrotech Releasees. Executive also understands and agrees that he has had a reasonable period of time to consider this non-disparagement clause, to review the non-disparagement clause with his attorney, and to consent to this clause and its terms knowingly and voluntarily. Executive further acknowledges that this non-disparagement clause is a material term of this Agreement. If Executive breaches this ***Paragraph 7(a)***, Astrotech will not be limited to a damages remedy, but may seek all other equitable and legal relief including, without limitation, a temporary restraining order, temporary injunctive relief, a permanent injunction, and its attorneys' fees and costs, against him and any other persons, individuals, corporations, businesses, groups, partnerships or other entities acting by, through, under, or in concert with him. Nothing in this Agreement shall, however, be deemed to prevent Executive from testifying fully and truthfully in response to a subpoena from any court or from responding to investigative inquiry from any governmental agency.

(b) **The Company's Non-Disparagement**. Astrotech, through its directors and management-level employees acting within the scope of their duties and authority, agrees not to, directly or indirectly, disclose, communicate, or publish any Disparaging Information concerning or related to the Executive.

8. **Cooperation.** After his separation from employment from Astrotech, Executive agrees to cooperate with Astrotech in connection with the defense or prosecution of any claims, causes of action, investigations, hearings, proceedings, arbitrations or other tribunals now in existence or which may be brought in the future against or on behalf of Astrotech that relate to events or occurrences that transpired while he was employed with Astrotech. Executive's cooperation in connection with this ***Paragraph 8*** shall include, without limitation, making himself reasonably available to meet with counsel to prepare for discovery or trial, to act as a witness on behalf of Astrotech at convenient times, and to provide true and accurate testimony regarding any such matters. If Executive is subpoenaed or contacted to cooperate in any manner by a non-governmental party concerning any matter related to Astrotech, he shall immediately notify Astrotech, through the notice procedures identified in this Agreement, before responding or cooperating.

9. **Confidentiality of Company Information.** The Executive shall continue to abide by Astrotech's confidentiality policies, including those imposed on him by virtue of his consulting relationship with the Company. The Executive will not at any time disclose to anyone, including, without limitation, any person, firm, corporation, or other entity, or publish, or use for any purpose, any Confidential Information (defined below), except as Astrotech directs and authorizes, or pursuant and subject to his obligations as a consultant for Astrotech. The Executive shall take all reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of the Confidential Information (defined below) and agrees to immediately notify Astrotech in the event of any unauthorized use or disclosure of the Confidential Information. "***Confidential Information***" includes, without limitation, all of Astrotech's technical and business information, which is of a confidential, trade secret or proprietary character; lists of customers; identity of customers; identity of prospective customers; contract terms; bidding information and strategies; pricing methods or information; photographs; internal policies, procedures, communications and reports; computer software; computer software methods and documentation; graphic designs; hardware; Astrotech's methods of operation; the procedures, forms and techniques used in servicing clients and/or customers; and other information or documents that Astrotech requires to be maintained in confidence for Astrotech's continued business success or any other information defined as "Confidential Information" in the Employment Agreement. Confidential Information does not include any information that is readily available to the public or, upon reasonable investigation, is readily ascertainable in the public domain.

10. **Knowing and Voluntary Agreement.** The Executive understands it is his choice whether or not to enter into this Agreement and that his decision to do so is voluntary and is made knowingly. The Executive acknowledges that he has been advised by Astrotech to seek legal counsel to review this Agreement.

11. **Time to Consider Agreement.** The Executive acknowledges that he has been advised in writing by the Company that he should consult an attorney before executing this Agreement, and he further acknowledges that he has been given a period of twenty-one (21) calendar days within which to review and consider the Agreement provisions. The Executive understands that if he does not sign this Agreement before the twenty-one (21) calendar day period expires, this Agreement will be withdrawn automatically.

12. **Revocation Period.** The Executive understands and acknowledges that he has seven (7) calendar days following the execution of this Agreement to revoke his acceptance of this Agreement. This Agreement will not become effective or enforceable, and the Additional Severance Payments referenced in ***Paragraph 1(b)(i)*** of this Agreement and the Consultant Consideration payments referenced in ***Paragraph 15*** of this Agreement will not become due, and the Company will not pay such amounts, until after this revocation period has expired without Executive's revocation. If Executive does not revoke this Agreement within the revocation period, the Company will comply with ***Paragraphs 1(b)(i) and 15*** of this Agreement concerning his Additional Severance Payments and Consultant Consideration.

AGREEMENT TERMS — CONSULTANT

13. **Description of Services**. Subject to the terms of this Agreement, the Company retains Executive to serve as a consultant, and Executive agrees to serve as a consultant and advisor to the Company and its subsidiaries and affiliates for the purpose of (i) if requested by the Board of Directors (the "***Board***") or the Chief Executive Officer ("***CEO***") advising and assisting the Company on all aspects of Company operations; (ii) resolving contractual disputes or issues, including but not limited to the ARES Company contract; (iii) facilitating any loan transactions or assisting with administration of any loans, including but not limited to the Company's Term Loan with Green Bank, N.A.; and (iv) providing other advice to the Company and offering assistance (consistent with the resources of Executive) on other matters as reasonably requested by the Company's CEO (everything in (i) — (iv) collectively, the "***Consultant Services***"). The Company is entering into this Agreement in reliance on the special and unique abilities of Executive in rendering the Consultant Services and Executive will use his reasonable efforts, skills, judgment, and abilities in rendering the Consultant Services. The Executive will report directly to the Astrotech CEO, and will not be provided any office space on Company premises. The Executive shall perform such consulting services upon reasonable notice from the Company at such times and places as may be mutually agreeable to the Company and the Executive; provided, however, that if the Executive commences employment with another entity, the Executive shall not be required to perform such consulting services at times or places that would conflict with such new employment of the Executive. Notwithstanding anything herein to the contrary, the Company and Executive reasonably anticipate that the level of bona fide services Executive will perform after the Effective Date will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed by Executive over the immediately preceding thirty-six (36) month period.

14. **Nature of Relationship Between Parties**. The Executive shall render the Consultant Services in this Agreement as an independent contractor. Except as otherwise agreed to by the Company, Executive will have no authority or power to bind the Company in relation to third parties or to represent to third parties that Executive has authority or power to bind the Company. It is not the intention of the Parties to this Agreement to create, by virtue of this Agreement, any employment relationship, trust, partnership or joint venture between Executive and the Company or any of its affiliates or, except as specifically provided in this Agreement, to make them legal representatives or agents of each other or to create any fiduciary relationship or additional contractual relationship among them.

15. **Consideration**. During the Consulting Term (as defined in ***Paragraph 21***), in consideration of the Consultant Services, the Company shall pay Executive $2,000.00 per month, subject to the terms of ***Paragraph 12*** herein, in accordance with the Company's usual payroll practices ("***Consultant Consideration***"). The Company will pay the Consultant Consideration without withholdings or deductions for taxes, and Executive shall be responsible for all required tax payments owed on the Consultant Consideration. The Company will issue Executive an IRS Form 1099 at the end of each year during which it pays Executive the Consultant Consideration. However, if the Company determines in its sole discretion that Executive has failed to satisfactorily perform the services described in ***Paragraph 13*** herein, the Company may terminate the consulting arrangement with Executive and Executive will no longer be eligible to receive any remaining Consultant Consideration payments. Additionally, if Executive terminates his consulting arrangement for any reason, he will no longer be eligible to receive any remaining Consultant Consideration payments.

16. **Payments**. The amounts set forth in ***Paragraph 15*** hereof shall be Executive's sole compensation for performing the Consultant Services, except that Executive will be reimbursed for pre-approved, reasonable out of pocket expenses (including travel costs, lodging and meals) incurred in the performance of the Consultant Services assigned to Executive. Executive will submit such reimbursements to the Company through the Company's usual procedures for obtaining reimbursements.

17. **Limitations on the Company's Liability.** By entering into this Agreement and receiving the Consultant Services provided by Executive under this Agreement, but subject to the terms of this Agreement, the Company shall not be liable for any damages, cost or claims of any kind caused by the dishonesty, gross negligence or willful misconduct of Executive in the performance of the Consultant Services or Executive's breach of this Agreement.

18. **Executive's Standard of Care**. Subject to the other provisions of this Agreement, Executive shall provide his services under this Agreement with the same degree of care, skill and prudence that would be customarily exercised for what he reasonably believes to be in the best interest of the Company.

19. **Confidentiality**. The Executive acknowledges and agrees that all Confidential Information (defined in ***Paragraph 9***) about the Company that was previously provided in the course of employment with the Company and Confidential Information that will be provided to him in the course of the Consulting Term of this Agreement are and will continue to be the exclusive property of the Company. The Executive agrees to keep all Confidential Information in strict confidence, not disclosing any Confidential Information to any third person except (i) as consented to in writing by the CEO of the Company, (ii) as required by law or judicial or regulatory process; or (iii) pursuant and subject to his obligations as a consultant; provided, however, that Executive shall not be obligated to keep in confidence any information which has become generally available to the public without any breach by Executive of this ***Paragraph 19***. If requested by the Company, Executive will obtain from any third party to whom he discloses any Confidential Information the written agreement (in form and substance satisfactory to the Company in its sole discretion) of such third party to keep such information confidential. The Executive agrees to continue to abide by Astrotech policies regarding confidentiality and ***Paragraph 9***.

20. **Return of Documents and Confidential Information.** Following the termination of Executive's consulting arrangement for any reason, Executive agrees that: (i) he will not take with him, copy, alter, destroy, or delete any files, documents or other materials whether or not embodying or recording any Confidential Information, including copies, without obtaining in advance the written consent of an authorized Company representative; and (ii) he will promptly return to the Company all Confidential Information, documents, files, records and tapes (written or electronically stored) that have been in his possession or control regarding the Company, and he will not use or disclose such materials in any way or in any format, including written information in any form, information stored by electronic means, and any and all copies of these materials. He further agrees to return to the Company immediately all Company property, including, without limitation, keys, equipment, computer(s) and computer equipment, devices, Company cellular phones, other Company telephonic equipment, Company credit cards, data, lists, information, correspondence, notes, memos, reports, or other writings prepared by the Company or himself on behalf of the Company.

21. **Consulting Term**. Executive shall perform Consultant Services for the Company from the Effective Date until the earlier of: (i) October 5, 2009, or (ii) the date on which the Company or the Executive terminates the Executive's consulting arrangement (the "***Consulting Term***").

22. **Survival**. The provisions set forth in ***Paragraphs 5, 6, 7, 8, 9, 19 and 20*** shall survive termination or expiration of this Agreement for any reason. In addition, all provisions of this Agreement which expressly continue to operate after the termination of this Agreement shall survive termination or expiration of this Agreement in accordance with the terms of such provisions.

AGREEMENT TERMS — MISCELLANEOUS AND ENFORCEMENT

23. **Miscellaneous Provisions and Enforcement**.

(i) **Notices**. Any notice or other communication required, permitted or desired to be given under this Agreement shall be deemed delivered when personally delivered; the business day, if delivered by overnight courier; the same day, if transmitted by facsimile on a business day before noon, Central Standard Time; the next business day, if otherwise transmitted by facsimile; and the third business day after mailing, if mailed by prepaid certified mail, return receipt requested, as addressed or transmitted as follows (as applicable):

If to Executive:
Brian K. Harrington
2426 Inwood Drive
Houston, Texas 77019

<u>If to the Company</u>:
Astrotech Corporation
Thomas B. Pickens, III
Chairman of the Board and Chief Executive Officer
907 Gemini Avenue
Houston, Texas 77058
Attention: Secretary

<u>With a copy (which shall not constitute notice) to</u>:
Bill Nelson
Haynes and Boone, LLP
1221 McKinney, Suite 2100
Houston, Texas 77010
Fax: (713) 236-5557

(ii) **Governing Law; Jurisdiction**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS (RULES) OR CHOICE OF LAWS (RULES) THEREOF. JURISDICTION AND VENUE OF ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT (TO THE EXTENT ARBITRATION IS NOT REQUIRED UNDER ***PARAGRAPH 23(IX)***) SHALL BE EXCLUSIVELY IN HOUSTON, TEXAS.

(iii) **Limitations on Assignment.** Except as provided in this Agreement, Executive may not assign this Agreement or any of the rights or obligations set forth in this Agreement without the explicit written consent of Astrotech. Any attempted assignment by Executive in violation of this ***Paragraph 23(iii)*** shall be void. Except as provided in this Agreement, nothing in this Agreement entitles any person, other than the Parties to the Agreement, to any claim, cause of action, remedy, or right of any kind, including, without limitation, the right of continued employment.

(iv) **Waiver**. A party's waiver of any breach or violation of any Agreement provisions shall not operate as, or be construed to be, a waiver of any later breach of the same or other Agreement provision.

(v) **Severability**. If any provision or provisions of this Agreement are held to be invalid, illegal, or unenforceable for any reason whatsoever, (a) the validity, legality, and unenforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any Agreement paragraphs containing any provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable), will not in any way be affected or impaired thereby, and (b) the provision or provisions held to be invalid, illegal, or unenforceable will be limited or modified in its or their application to the minimum extent necessary to avoid the invalidity, illegality, or unenforceability, and, as so limited or modified, the provision or provisions and the balance of this Agreement will be enforceable in accordance with their terms.

(vi) **Headings**. The Agreement headings are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

(vii) **Counterparts**. This Agreement and amendments to it will be in writing and may be executed in counterparts and by facsimile. Each counterpart will be deemed an original, but both counterparts together will constitute one and the same instrument.

(viii) **Entire Agreement**, **Amendment, Binding Effect**. This Agreement constitutes the entire agreement between the Parties concerning the subject matter in this Agreement. No oral statements or prior written material not specifically incorporated in this Agreement shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized, unless incorporated in this Agreement by written amendment, such amendment to become effective on the date stipulated in it. The Executive acknowledges and represents that in executing this Agreement, he did not rely, and has not relied, on any communications, promises, statements, inducements, or representation(s), oral or written, by Astrotech or any Astrotech Releasee, except as expressly contained in this Agreement. Any amendment to this Agreement must be signed by all Parties to this Agreement. This Agreement will be binding on and inure to the benefit of the Parties hereto and their respective successors, heirs, legal representatives, and permitted assigns (if any). This Agreement supersedes (a) any prior agreements between Executive and Astrotech concerning the subject matter of this Agreement, and (b) all other agreements between Executive and Astrotech, as explained in ***Paragraph 1***, unless specifically provided for or modified by this Agreement. Unless otherwise specified in this Agreement, Astrotech and Executive agree that to the extent the terms of this Agreement conflict with any surviving terms of the Employment Agreement, the terms of this Agreement shall supersede and govern the terms of the Employment Agreement.

(ix) **Arbitration**. If any dispute arises out of or is related to this Agreement or Executive's employment, consulting relationship, or separation from employment or consulting relationship with Astrotech for any reason, and the Parties to this Agreement cannot resolve the dispute, the dispute shall be submitted to final and binding arbitration. The arbitration shall be conducted in accordance with the American Arbitration Association's ("***AAA***") National Rules for the Resolution of Employment Disputes ("***Rules***"). If the Parties cannot agree to an arbitrator, an arbitrator will be selected through the AAA's standard procedures and Rules. Astrotech and Executive shall share the costs of arbitration, unless the arbitrator rules otherwise, with the Parties agreeing that if Executive challenges this arbitration provision based on the allocation of costs between the Parties, then the arbitrator shall decide the proper allocation of costs. Astrotech and Executive agree that the arbitration shall be held in Houston, Texas. Arbitration of the Parties' disputes is mandatory, and in lieu of all civil causes of action or lawsuits either party may have against the other arising out of the Agreement or Executive's employment or separation from employment with Astrotech, with the exception that Astrotech alone may seek a temporary restraining order and temporary injunctive relief in a court to enforce the terms of this Agreement. Executive acknowledges that by agreeing to this provision, he knowingly and voluntarily waives any right he may have to a jury trial based on any claims he has, had, or may have against Astrotech, including any right to a jury trial under any local, municipal, state or federal law including, without limitation, claims under Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, the Age Discrimination In Employment Act of 1967, the Older Workers Benefit Protection Act, the Texas Commission on Human Rights Act, claims of harassment, discrimination or wrongful termination, and any other statutory or common law claims.

(x) **Injunctive Relief**. The Executive acknowledges and agrees that the covenants, obligations and agreements of the Executive contained in this Agreement concern special, unique and extraordinary matters and that a violation of any of the terms of these covenants, obligations or agreements will cause Astrotech irreparable injury for which adequate remedies at law are not available. Therefore, the Executive agrees that Astrotech alone will be entitled to an injunction, restraining order, or all other equitable relief (without the requirement to post bond) as a court of competent jurisdiction may deem necessary or appropriate to restrain the Executive from committing any violation of the covenants, obligations or agreements referred to in this Agreement before submitting this matter to binding arbitration. These injunctive remedies are cumulative and in addition to any other rights and remedies Astrotech may have against the Executive. Astrotech and the Executive irrevocably submit to the exclusive jurisdiction of the state courts and federal courts in the city of Astrotech's headquarters (Houston, Texas) regarding the injunctive remedies set forth in this paragraph and the interpretation and enforcement of this ***Paragraph 23(x)*** solely insofar as the interpretation and enforcement relate to an application for injunctive relief in accordance with the Agreement provisions. Further, the Parties irrevocably agree that (a) the sole and exclusive appropriate venue for any suit or proceeding relating to injunctive relief shall be in the courts listed in this ***Paragraph 23(x)***, (b) all claims with respect to any application for injunctive relief shall be heard and determined exclusively in these courts, (c) these courts will have exclusive jurisdiction over the Parties to this Agreement and over the subject matter of any dispute relating to an application for injunctive relief, and (d) each party waives all objections and defenses based on service of process, forum, venue, or personal or subject matter jurisdiction, as these defenses may relate to an application for injunctive relief in a suit or proceeding under the provisions of this ***Paragraph 23(x)***.

(xi) **409A Compliance**. Executive understands that he is advised to consult with his own tax advisor regarding the tax consequences of this Agreement, including, without limitation, any possible tax consequences of this Agreement in connection with Section 409A of the Code. This Agreement is intended to comply with Section 409A of the Code, to the extent applicable. Notwithstanding any provisions herein to the contrary, this Agreement shall be interpreted, operated, and administered consistent with this intent. Notwithstanding any provision to the contrary in the Agreement, payment of any termination benefits under this Agreement that are deemed deferred compensation subject to Section 409A of the Code will be made when Executive's termination of employment constitutes a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h). For purposes of determining whether a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h) has occurred with respect to deferred compensation under the Agreement, in applying Sections 1563(a)(1), (2) and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, "80 percent" shall be used instead of "at least 80 percent" at each place the latter appears in Sections 1563(a)(1), (2) and (3) of the Code; and, in applying Treas. Reg. Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "80 percent" shall be used instead of "at least 80 percent" at each place the latter appears in Treas. Reg. Section 1.414(c)-2. Notwithstanding any provision to the contrary in the Agreement, if Executive is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which Executive is entitled pursuant to this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's termination benefits shall not be provided to him prior to the earlier of (i) the expiration of the six-month period measured from the date of his "separation from service" with the Company (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (ii) the date of Executive's death. Upon the expiration of the applicable Code Section 409A(a)(2)(B)(i) deferral period, all payments deferred pursuant to this ***Paragraph 23(xi)*** shall be paid in a lump sum to Executive, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.

MY SIGNATURE BELOW MEANS THAT I HAVE READ THIS SEPARATION, RELEASE AND CONSULTING AGREEMENT AND AGREE AND CONSENT TO ALL OF ITS TERMS AND CONDITIONS.

EXECUTIVE:

____

Brian K. Harrington

____

Date

COMPANY:

Astrotech Corporation

By: ____

Name: ____________________________________

Title: ____________________________________

____

Date

SCHEDULE I

Reimbursable Expenses

Item	Date Incurred	Amount
Legal Fees	May 23, 2009 through June 4, 2009	$ 1,800

SCHEDULE II

Vesting Under the Company's Stock Option and Incentive Award Plans

- 2000 stock options granted on January 6, 2004 at $17.50 per share
- 2000 stock options granted on August 16, 2004 at $24.10 per share
- 2000 stock options granted on August 3, 2005 at $14.30 per share
- 2000 stock options granted on August 9, 2006 at $11.50 per share
- 15,000 Long Term Incentive Units granted on December 14, 2007, payable in cash at $1.00 per unit
- 50,000 stock options granted on July 18, 2008 at $0.45 per share
- 150,000 shares of restricted stock granted on July 18, 2008

THE SECURITIES REPRESENTED BY THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, OR OTHERWISE TRANSFERRED, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OF 1933 OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT, THE AVAILABILITY OF WHICH EXEMPTION MUST BE ESTABLISHED TO THE REASONABLE SATISFACTION OF THE COMPANY. THE TRANSFER OF THIS INSTRUMENT IS RESTRICTED AS DESCRIBED HEREIN.

Issue Date: January 19, 2010

STOCK PURCHASE WARRANT
1ST DETECT CORPORATION

For value received, including performance of services (the "Services") for the Company as **(Title)** thereof, subject to the terms and conditions herein, 1st Detect Corporation, a Delaware corporation (the "Company"), hereby grants to **(Employee Name)** (the "Holder") the right to purchase from the Company **(Number of Shares)** shares (the "Shares") of the Company's Common Stock, par value $0.001 per share ("Common Stock"). The number of Shares shall be subject to adjustment pursuant to Section 6 hereof.

1. *Exercise Price*. The purchase price for each Share shall be **(Price)** per share, as adjusted from time to time pursuant to Section 6 hereof (the "Exercise Price"), and shall be payable upon exercise pursuant to Section 4 hereof.

2. *Vesting*.

(a) This stock purchase warrant (this "Warrant") shall vest and become exercisable as follows: 50% of the Shares shall vest and become exercisable on the first anniversary of the Issue Date and 50% of the Shares shall vest and become exercisable on the second anniversary of the Issue Date; provided, that no Shares shall vest unless on such vesting date the Holder has, since the Issue Date, continuously provided Services to the Company. Upon vesting, the Shares will remain exercisable until 5:00 p.m., Central time on the seventh anniversary of the Issue Date.

(b) Notwithstanding the foregoing, all of the Shares shall immediately and automatically vest and become exercisable upon the occurrence of a "Change of Control" of the Company, defined herein as the consummation of

(i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;

(ii) a merger, reorganization or consolidation in which the outstanding shares of capital stock of the Company are converted into or exchanged for securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction;

(iii) the sale of all or a majority of the capital stock of the Company to an unrelated person or entity; or

(iv) any other transaction in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or a successor entity immediately upon completion of the transaction;

provided, however, that neither of the following shall be deemed a "Change of Control" of the Company: (x) the transfer of the capital stock of the Company to an affiliate of the transferor or (y) the issuance of a dividend in the form of the capital stock of the Company or the capital stock of any affiliate of the Company.

3. *Effect of Termination of Employment or Services*.

(a) The Shares granted pursuant to this Warrant shall vest in accordance with Section 2(a) above, as long as the Holder continues to perform Services for the Company. If, however, prior to the date on which the Shares vest pursuant to Section 2(a), either:

(i) the Company terminates the Holder's Services, or

(ii) the Holder voluntarily ceases to perform Services for the Company,

in each case, without the Holder's immediate rehire by the Company, then the portion of the right to purchase all of the Shares vested immediately prior to the date of termination shall remain vested and shall be exercisable by the Holder and the right to purchase the Shares that have not previously vested in accordance with Section 2(a) above shall, as of the date of such termination or cessation of Services, be forfeited by the Holder to the Company.

4. *Method of Exercise; Expenses*.

(a) While the Shares remain exercisable in accordance with Section 2, the Holder may exercise, in whole or in part, and from time to time, the purchase rights evidenced hereby. Such exercise will be effected by the Holder:

(i) surrendering this Warrant to the Company at the address shown beneath the Company's signature in this Warrant, together with a duly executed notice of exercise in the form of Exhibit A attached hereto (the "Notice of Exercise"); and

(ii) delivering cash, a check payable to, or a wire transfer to the account of, the Company in an amount equal to the product of (x) the Exercise Price multiplied by (y) the number of Shares being purchased.

(b) Each exercise of this Warrant will be deemed to have been effected immediately prior to the close of business on the day on which the Holder will have exercised the purchase rights as provided in Section 4(a). Upon such exercise, the Company shall issue as soon as practicable a stock certificate in proper form representing the number of Shares so purchased.

(c) If this Warrant is exercised in part only, the Company shall execute and deliver a new Warrant of the same tenor evidencing the right of the Holder to purchase the balance of the Shares purchasable hereunder upon the same terms and conditions as herein set forth.

(d) The Company will pay all expenses, taxes (other than transfer taxes) and other charges payable in connection with the preparation, issuance and delivery of this Warrant and the Shares.

5. *Valid Issuance of Shares*. The Company covenants that: (i) it will at all times keep reserved for issuance upon exercise hereof such number of Shares as will be issuable upon such exercise, and (ii) the Shares, when issued pursuant to the exercise of this Warrant, will be duly and validly issued, fully paid and nonassessable.

6. *Adjustments*. The number of and kind of securities purchasable upon exercise of this Warrant shall be subject to adjustment from time to time as follows:

(a) *Subdivisions, Combinations and Other Issuances*. If the Company shall at any time prior to the expiration of this Warrant subdivide its Common Stock, by stock split or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend with respect to any shares of its Common Stock, the number of Shares issuable on the exercise of this Warrant shall forthwith be proportionately increased in the case of a subdivision or stock dividend, or proportionately decreased in the case of a combination. In such event, the Exercise Price shall be adjusted to equal (i) the Exercise Price in effect immediately prior to such adjustment multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (ii) the number of shares for which this Warrant is exercisable immediately after such adjustment. Any adjustment under this Section 6(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

(b) *Reclassification, Reorganization and Consolidation*. In case of any reclassification, capital reorganization, or change in the Common Stock of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 6(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to Holder, so that Holder shall have the right at any time prior to the expiration of this Warrant to purchase the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, or change by a holder of the same number of shares of Common Stock as were purchasable by Holder immediately prior to such reclassification, reorganization, or change, and the exercise price therefor shall be appropriately adjusted. In any such case appropriate provisions shall be made with respect to the rights and interest of Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof.

(c) *Limitation on Adjustments*. Notwithstanding the foregoing, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one cent ($.01) in such price; provided, however, that any adjustments which by reason of this Section 6 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. Notwithstanding anything in this Section 6 to the contrary, the Exercise Price shall not be reduced to less than the then existing par value of the Common Stock as a result of any adjustment made hereunder.

7. *No Fractional Shares or Scrip*. No fractional shares or scrip representing fractional shares will be issued upon the exercise of this Warrant. The Company shall make any adjustment therefor by rounding the number of shares obtainable upon exercise to the next highest whole number of shares.

8. *Stockholder Rights*. Subject to the limitations and restrictions contained herein, upon exercise of this Warrant in accordance with Section 2 hereof, the Holder shall have all rights as a stockholder of the Company with respect to the purchased Shares, including the right to vote and receive dividends and distributions.

9. *Restrictions on Transfer*. Absent prior written consent of the Board of Directors of the Company, this Warrant may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise, during the period beginning on the Issue Date and ending on the second anniversary of the date such Shares shall have become vested and exercisable pursuant to Section 2. Consistent with the foregoing, no right or benefit under this Warrant shall be subject to transfer, sale, assignment, pledge, encumbrance or charge, whether voluntary, involuntary, by operation of law or otherwise (other than by will or the laws of descent and distribution), and any attempt to transfer, sell, assign, pledge, encumber or charge the same shall be void. If the Holder shall become bankrupt or attempt to transfer, assign, sell, pledge, encumber or charge any right or benefit hereunder, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration or any other form of process or involuntary lien or seizure, then such right or benefit shall cease and terminate.

10. *Limitation of Rights*. Nothing in this Warrant shall be construed to:

(a) give the Holder any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;

(b) give the Holder or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or

(c) confer upon the Holder the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Holder at any time or for any reason.

11. *Drag Along Rights*. If at any time the Company or the owners of a majority of the Company approves a sale of (i) all of the stock of the Company to one or more independent third parties through one or more related transactions, (ii) all or substantially all of the assets of the Company to one or more independent third parties through one or more related transactions, or (iii) any other transaction where control of the Company is transferred to one or more independent third parties, in each case including if structured as a merger, consolidation, joint venture or other similar transaction (each, an "Approved Sale"), the Holder will consent to and raise no objections against the Approved Sale and shall waive any dissenters' rights, appraisal rights or similar rights in connection with such Approved Sale. If the Approved Sale is structured as a sale of stock, then the Holder will, if requested by the Company, sell or otherwise transfer its any and all Shares purchased hereunder (or any portion thereof if requested), on the terms and conditions approved by the Company. The Holder will promptly take all reasonable actions deemed necessary or desirable, in the reasonable judgment of the Company, in connection with and to facilitate the consummation of the Approved Sale, including the execution of all agreements and instruments reasonably requested by the Company. The Company will use reasonable efforts to notify the Holder in writing not less than ten (10) business days before the proposed consummation of an Approved Sale; provided, however, that the Holder agrees not to, directly or indirectly, without the prior written consent of the Company, disclose to any other person any information related to such potential Approved Sale, other than disclosures to legal counsel in confidence or as otherwise necessary to protect the Holder's rights under this Warrant or applicable law, or as otherwise required by law.

12. *Successors and Assigns*. This Warrant shall bind and inure to the benefit of and be enforceable by the Holder, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Holder may not assign any rights or obligations under this Warrant except to the extent and in the manner expressly permitted herein.

13. *Amendments*. This Warrant cannot be modified, altered or amended except by an agreement in writing signed by both the Company and the Holder.

14. *Severability; Counterparts*. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. This Warrant may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. *Notices*. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other party at its address as shown beneath its signature in this Warrant, or to such other address as such party may designate in writing from time to time by notice to the other party in accordance with this Section 12.

16. *Governing Law*. This Warrant shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed and attested to as of the date first written above.

1st DETECT CORPORATION

By: ______________________________________

Name: Thomas B. Pickens, III
Title: Chairman of the Board

Address: 401 Congress Ave, Suite 1650
Austin, TX 78701

ACCEPTED AND AGREED:

HOLDER

____
(Employee Name)

Address:

[Signature Page To Warrant]

Exhibit A

NOTICE OF EXERCISE

Dated: __________, ____

To: 1ST DETECT CORPORATION

The undersigned hereby irrevocably elects and agrees to purchase __________ shares of the Company's Common Stock covered by the Warrant, dated __________ __, 20__, and makes payment herewith in full therefor of the total exercise price of $__________.

The undersigned hereby represents that the undersigned is exercising such Warrant for its own account or the account of an affiliate and will not sell or otherwise dispose of the underlying Warrant Shares in violation of applicable securities laws. If said number of shares is less than all of the shares purchasable hereunder the undersigned requests that a new Warrant evidencing the right to purchase the remaining Warrant Shares (which new Warrant shall in all other respects be identical to the Warrant exercised hereby) be registered in the name of ____________________ whose address is:

Printed Name of Warrant Holder: ____

Signature: ____

Printed Name of Signing Party: ____

Title of Signing Party: ____

Address of Warrant Holder: ____

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "Agreement") is by and between 1st Detect Corporation, a Delaware corporation (the "Company") and **(Employee Name)** (the "Recipient") as of **(Date)** (the "Grant Date").

W I T N E S S E T H

WHEREAS, the Recipient is performing services (the "Services") for the Company as **(Title)** thereof;

WHEREAS, the Special Committee of the Board of Directors of the Company (the "Special Committee") has determined that it is in the best interests of the Company and its stockholders to grant shares of Restricted Stock (as defined below) to the Recipient as set forth below in order to recognize and reward his performance and his individual contributions to the Company in connection with the Services; and

WHEREAS, pursuant to the recommendation of the Special Committee, the Board of Directors of the Company has authorized and approved the grant of Restricted Stock to the Recipient by the Company, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereafter set forth and for other good and valuable consideration, the Company and the Recipient agree as follows:

1. *Restricted Stock*. In order to reward the performance and to encourage the continuing contribution by Recipient to the successful performance of the Company, and in consideration of the covenants and promises of the Recipient herein contained, the Company hereby grants to the Recipient as of the Grant Date, **(Number of Shares)** shares of the Company's Common Stock, par value $0.001 per share (the "Restricted Stock"), subject to the conditions and restrictions set forth below.

2. Vesting Provisions.

(a) The shares of Restricted Stock shall vest as follows: 50% of the Restricted Stock shall vest on the first anniversary of the Grant Date and 50% of the Restricted Stock shall vest on the second anniversary of the Grant Date; *provided*, that no shares of Restricted Stock shall vest unless on such vesting date the Recipient has, since the Grant Date, continuously provided Services to the Company.

(b) The Restricted Stock will be transferred of record to the Recipient and a certificate or certificates representing such Restricted Stock will be issued in the name of the Recipient immediately upon the execution of this Agreement. The Restricted Stock certificate(s) will bear a legend as provided by the Company, conspicuously referring to the terms, conditions and restrictions of this Agreement. Subject to Section 10, the Company may deliver such Restricted Stock certificate(s) to the Recipient, retain custody of such Restricted Stock certificate(s) prior to vesting or require the Recipient to enter into an escrow arrangement under which such Restricted Stock certificate(s) will be held by an escrow agent.

3. Effect of Termination of Employment or Services.

(a) The Restricted Stock granted pursuant to this Agreement shall vest in accordance with Section 2(a) above, as long as the Recipient continues to provide Services to the Company. If, however, prior to the date on which the Restricted Stock vests pursuant to Section 2(a), either:

(i) the Company terminates the Recipient's Services, or

(ii) the Recipient voluntarily ceases to perform Services for the Company,

in each case, without the Recipient's immediate rehire by the Company, then the Recipient shall retain the portion of all Restricted Stock vested immediately prior to the date of termination and the shares of Restricted Stock that have not previously vested in accordance with Section 2(a) above shall, as of the date of such termination or cessation of Services, be forfeited by the Recipient to the Company.

4. *Effect of Change of Control*. All of the shares of Restricted Stock awarded pursuant to this Agreement shall immediately and automatically vest upon the occurrence of a "Change of Control" of the Company, defined herein as the consummation of

(a) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;

(b) a merger, reorganization or consolidation in which the outstanding shares of capital stock of the Company are converted into or exchanged for securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction;

(c) the sale of all or a majority of the capital stock of the Company to an unrelated person or entity; or

(d) any other transaction in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or a successor entity immediately upon completion of the transaction;

provided, however, that neither of the following shall be deemed a "Change of Control" of the Company: (i) the transfer of the capital stock of the Company to an affiliate of the transferor or (ii) the issuance of a dividend in the form of the capital stock of the Company or the capital stock of any affiliate of the Company.

5. *Restrictions on Transfer.* Absent prior written consent of the Board of Directors of the Company, the shares of Restricted Stock granted hereunder to the Recipient may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise, during the period beginning on the Grant Date and ending on the second anniversary of the date such shares of Restricted Stock shall have become vested pursuant to Section 2. Consistent with the foregoing, no right or benefit under this Agreement shall be subject to transfer, sale, assignment, pledge, encumbrance or charge, whether voluntary, involuntary, by operation of law or otherwise (other than by will or the laws of descent and distribution), and any attempt to transfer, sell, assign, pledge, encumber or charge the same shall be void. If the Recipient shall become bankrupt or attempt to transfer, assign, sell, pledge, encumber or charge any right or benefit hereunder, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration or any other form of process or involuntary lien or seizure, then such right or benefit shall cease and terminate.

6. *Limitation of Rights*. Nothing in this Agreement shall be construed to:

(a) give the Recipient any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;

(b) give the Recipient or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or

(c) confer upon the Recipient the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Recipient at any time or for any reason.

7. *Drag Along Rights*. If at any time the Company or the owners of a majority of the Company approves a sale of (i) all of the stock of the Company to one or more independent third parties through one or more related transactions, (ii) all or substantially all of the assets of the Company to one or more independent third parties through one or more related transactions, or (iii) any other transaction where control of the Company is transferred to one or more independent third parties, in each case including if structured as a merger, consolidation, joint venture or other similar transaction (each, an "Approved Sale"), the Recipient will consent to and raise no objections against the Approved Sale and shall waive any dissenters' rights, appraisal rights or similar rights in connection with such Approved Sale. If the Approved Sale is structured as a sale of stock, then the Recipient will, if requested by the Company, sell or otherwise transfer its Restricted Stock awarded hereunder (or any portion thereof if requested), on the terms and conditions approved by the Company. The Recipient will promptly take all reasonable actions deemed necessary or desirable, in the reasonable judgment of the Company, in connection with and to facilitate the consummation of the Approved Sale, including the execution of all agreements and instruments reasonably requested by the Company. The Company will use reasonable efforts to notify the Recipient in writing not less than ten (10) business days before the proposed consummation of an Approved Sale; provided, however, that the Recipient agrees not to, directly or indirectly, without the prior written consent of the Company, disclose to any other person any information related to such potential Approved Sale, other than disclosures to legal counsel in confidence or as otherwise necessary to protect the Recipient's rights under this Agreement or applicable law, or as otherwise required by law.

8. *Prerequisites to Benefits*. Neither the Recipient nor any person claiming through the Recipient shall have any right or interest in the Restricted Stock awarded hereunder, unless and until all the terms, conditions and provisions of this Agreement that affect the Recipient or such other person shall have been complied with as specified herein.

9. *Rights as a Stockholder*. Subject to the limitations and restrictions contained herein, the Recipient shall have all rights as a stockholder of the Company with respect to the shares of Restricted Stock, including the right to vote and receive dividends and distributions.

10. *Securities Act*. The Recipient understands that the shares of Restricted Stock have not been issued in a transaction registered under the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder, the "Securities Act") or any state securities law, and agrees that the Company will not be required to deliver any shares of Restricted Stock pursuant to this Agreement if, in the opinion of counsel for the Company, such issuance would violate the Securities Act, or any other applicable federal or state securities laws or regulations.

11. *Federal and State Taxes*. The Recipient hereby acknowledges and understands that the Recipient will be required, for income tax purposes, to include the fair market value of the Restricted Stock as of the applicable vesting date as ordinary income for the year in which the Restricted Stock becomes vested unless an election is filed by the Recipient with the Internal Revenue Service (and, if necessary, the proper state taxing authorities) within 30 days of the Grant Date, electing pursuant to Section 83(b) of the Internal Revenue Code (and similar state tax provisions, if applicable) to be taxed currently on the fair market value of the Restricted Stock as of the Grant Date. The Recipient represents that the Recipient has consulted any tax advisors the Recipient deems advisable in connection with the Restricted Stock and the filing of an election under Section 83(b) and similar tax provisions. The Recipient hereby assumes all responsibility for filing such election and paying any taxes resulting from such election or from the failure to file such election. If the Recipient makes an election under Section 83(b) with respect to the Restricted Stock, the Recipient agrees to deliver a copy of such election to the Company concurrently with the filing of such election with the Internal Revenue Service. In such event, the Recipient shall make arrangements satisfactory to the Company to pay in the current year any federal, state or local taxes required to be withheld with respect to such Restricted Stock. If the Recipient fails to make such payments, then any provision of this Agreement to the contrary notwithstanding, the Company (or its subsidiaries, if any) shall, to the extent permitted by law, have the right to deduct from any payments of any kind otherwise due from the Company or its subsidiaries to or with respect to the Recipient, whether or not pursuant to this Agreement and regardless of the form of payment, any federal, state or local taxes of any kind required by law to be withheld with respect to such Restricted Stock.

12. *Entire Agreement*. This Agreement constitutes the entire agreement of the Company and the Recipient with respect to the subject matter hereof and supersedes in its entirety all prior undertakings and agreements of the parties with respect to the subject matter hereof.

13. *Notice*. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other party at its address as shown beneath its signature in this Agreement, or to such other address as such party may designate in writing from time to time by notice to the other party in accordance with this Section 13.

14. *Amendment*. This Agreement cannot be modified, altered or amended except by an agreement in writing signed by both the Company and the Recipient.

15. *Severability; Counterparts*. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

16. *Consent of Spouse*. The Recipient's spouse, if any, shall execute and deliver to the Company a consent of spouse substantially in the form of Exhibit A hereto, effective on the date hereof. Notwithstanding the execution and delivery thereof, such consent shall not be deemed to confer or convey to the spouse any rights in the Recipient's Restricted Stock that do not otherwise exist by operation of law or pursuant to this Agreement.

17. *Successors and Assigns*. This Agreement shall bind and inure to the benefit of and be enforceable by the Recipient, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Recipient may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

18. *Governing Law*. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

19. [Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officers thereunto duly authorized, and the Recipient has hereunto set his hand as of the day and year first above written.

1st DETECT CORPORATION

By: ______________________________________
Name: Thomas B. Pickens, III
Title: Chairman of the Board

Address: 401 Congress Ave, Suite 1650
Austin, TX 78701

RECIPIENT

____
(Employee Name)

Address:

Signature Page to Restricted Stock Agreement

EXHIBIT A

CONSENT OF SPOUSE

I, __________, spouse of __________, acknowledge that I have read the Restricted Stock Agreement, dated as of __________ _____, 2010, to which this Consent is attached as Exhibit A (the "Agreement"), and that I know the contents of the Agreement. I am aware that the Agreement contains provisions regarding certain rights of the Company in shares of capital stock of the Company which my spouse may own, including any interest I might have therein.

I hereby agree that my interest, if any, in any shares of capital stock of the Company subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in such shares of capital stock of the Company shall be similarly bound by the Agreement.

I am aware that the legal, financing and related matters contained in the Agreement are complex and that I am free to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or have determined after reviewing the Agreement carefully that I will waive such right.

Dated: __________

____
Signature of Stockholder's Spouse

____
Print Name

THE SECURITIES REPRESENTED BY THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, OR OTHERWISE TRANSFERRED, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OF 1933 OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT, THE AVAILABILITY OF WHICH EXEMPTION MUST BE ESTABLISHED TO THE REASONABLE SATISFACTION OF THE COMPANY. THE TRANSFER OF THIS INSTRUMENT IS RESTRICTED AS DESCRIBED HEREIN.

Issue Date: January 19, 2010

STOCK PURCHASE WARRANT
ASTROGENETIX, INC.

For value received, including performance of services (the "Services") for the Company as **(Title)** thereof, subject to the terms and conditions herein, Astrogenetix, Inc., a Delaware corporation (the "Company"), hereby grants to **(Employee Name)** (the "Holder") the right to purchase from the Company **(Number of Shares)** shares (the "Shares") of the Company's Common Stock, par value $0.001 per share ("Common Stock"). The number of Shares shall be subject to adjustment pursuant to Section 6 hereof.

1. *Exercise Price*. The purchase price for each Share shall be **(Price)** per share, as adjusted from time to time pursuant to Section 6 hereof (the "Exercise Price"), and shall be payable upon exercise pursuant to Section 4 hereof.

2. *Vesting*.

(a) This stock purchase warrant (this "Warrant") shall vest and become exercisable as follows: 50% of the Shares shall vest and become exercisable on the first anniversary of the Issue Date and 50% of the Shares shall vest and become exercisable on the second anniversary of the Issue Date; provided, that no Shares shall vest unless on such vesting date the Holder has, since the Issue Date, continuously provided Services to the Company. Upon vesting, the Shares will remain exercisable until 5:00 p.m., Central time on the seventh anniversary of the Issue Date.

(b) Notwithstanding the foregoing, all of the Shares shall immediately and automatically vest and become exercisable upon the occurrence of a "Change of Control" of the Company, defined herein as the consummation of

(i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;

(ii) a merger, reorganization or consolidation in which the outstanding shares of capital stock of the Company are converted into or exchanged for securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction;

(iii) the sale of all or a majority of the capital stock of the Company to an unrelated person or entity; or

(iv) any other transaction in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or a successor entity immediately upon completion of the transaction;

provided, however, that neither of the following shall be deemed a "Change of Control" of the Company: (x) the transfer of the capital stock of the Company to an affiliate of the transferor or (y) the issuance of a dividend in the form of the capital stock of the Company or the capital stock of any affiliate of the Company.

3. *Effect of Termination of Employment or Services*.

(a) The Shares granted pursuant to this Warrant shall vest in accordance with Section 2(a) above, as long as the Holder continues to perform Services for the Company. If, however, prior to the date on which the Shares vest pursuant to Section 2(a), either:

(i) the Company terminates the Holder's Services, or

(ii) the Holder voluntarily ceases to perform Services for the Company,

in each case, without the Holder's immediate rehire by the Company, then the portion of the right to purchase all of the Shares vested immediately prior to the date of termination shall remain vested and shall be exercisable by the Holder and the right to purchase the Shares that have not previously vested in accordance with Section 2(a) above shall, as of the date of such termination or cessation of Services, be forfeited by the Holder to the Company.

4. *Method of Exercise; Expenses*.

(a) While the Shares remain exercisable in accordance with Section 2, the Holder may exercise, in whole or in part, and from time to time, the purchase rights evidenced hereby. Such exercise will be effected by the Holder:

(i) surrendering this Warrant to the Company at the address shown beneath the Company's signature in this Warrant, together with a duly executed notice of exercise in the form of <u>Exhibit A</u> attached hereto (the "<u>Notice of Exercise</u>"); and

(ii) delivering cash, a check payable to, or a wire transfer to the account of, the Company in an amount equal to the product of (x) the Exercise Price multiplied by (y) the number of Shares being purchased.

(b) Each exercise of this Warrant will be deemed to have been effected immediately prior to the close of business on the day on which the Holder will have exercised the purchase rights as provided in Section 4(a). Upon such exercise, the Company shall issue as soon as practicable a stock certificate in proper form representing the number of Shares so purchased.

(c) If this Warrant is exercised in part only, the Company shall execute and deliver a new Warrant of the same tenor evidencing the right of the Holder to purchase the balance of the Shares purchasable hereunder upon the same terms and conditions as herein set forth.

(d) The Company will pay all expenses, taxes (other than transfer taxes) and other charges payable in connection with the preparation, issuance and delivery of this Warrant and the Shares.

5. *Valid Issuance of Shares*. The Company covenants that: (i) it will at all times keep reserved for issuance upon exercise hereof such number of Shares as will be issuable upon such exercise, and (ii) the Shares, when issued pursuant to the exercise of this Warrant, will be duly and validly issued, fully paid and nonassessable.

6. *Adjustments*. The number of and kind of securities purchasable upon exercise of this Warrant shall be subject to adjustment from time to time as follows:

(a) *Subdivisions, Combinations and Other Issuances*. If the Company shall at any time prior to the expiration of this Warrant subdivide its Common Stock, by stock split or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend with respect to any shares of its Common Stock, the number of Shares issuable on the exercise of this Warrant shall forthwith be proportionately increased in the case of a subdivision or stock dividend, or proportionately decreased in the case of a combination. In such event, the Exercise Price shall be adjusted to equal (i) the Exercise Price in effect immediately prior to such adjustment multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (ii) the number of shares for which this Warrant is exercisable immediately after such adjustment. Any adjustment under this Section 6(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

(b) *Reclassification, Reorganization and Consolidation*. In case of any reclassification, capital reorganization, or change in the Common Stock of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 6(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to Holder, so that Holder shall have the right at any time prior to the expiration of this Warrant to purchase the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, or change by a holder of the same number of shares of Common Stock as were purchasable by Holder immediately prior to such reclassification, reorganization, or change, and the exercise price therefor shall be appropriately adjusted. In any such case appropriate provisions shall be made with respect to the rights and interest of Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof.

(c) *Limitation on Adjustments*. Notwithstanding the foregoing, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one cent ($.01) in such price; provided, however, that any adjustments which by reason of this Section 6 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. Notwithstanding anything in this Section 6 to the contrary, the Exercise Price shall not be reduced to less than the then existing par value of the Common Stock as a result of any adjustment made hereunder.

7. *No Fractional Shares or Scrip*. No fractional shares or scrip representing fractional shares will be issued upon the exercise of this Warrant. The Company shall make any adjustment therefor by rounding the number of shares obtainable upon exercise to the next highest whole number of shares.

8. *Stockholder Rights*. Subject to the limitations and restrictions contained herein, upon exercise of this Warrant in accordance with Section 2 hereof, the Holder shall have all rights as a stockholder of the Company with respect to the purchased Shares, including the right to vote and receive dividends and distributions.

9. *Restrictions on Transfer*. Absent prior written consent of the Board of Directors of the Company, this Warrant may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise, during the period beginning on the Issue Date and ending on the second anniversary of the date such Shares shall have become vested and exercisable pursuant to Section 2. Consistent with the foregoing, no right or benefit under this Warrant shall be subject to transfer, sale, assignment, pledge, encumbrance or charge, whether voluntary, involuntary, by operation of law or otherwise (other than by will or the laws of descent and distribution), and any attempt to transfer, sell, assign, pledge, encumber or charge the same shall be void. If the Holder shall become bankrupt or attempt to transfer, assign, sell, pledge, encumber or charge any right or benefit hereunder, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration or any other form of process or involuntary lien or seizure, then such right or benefit shall cease and terminate.

10. *Limitation of Rights*. Nothing in this Warrant shall be construed to:

(a) give the Holder any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;

(b) give the Holder or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or

(c) confer upon the Holder the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Holder at any time or for any reason.

11. *Drag Along Rights*. If at any time the Company or the owners of a majority of the Company approves a sale of (i) all of the stock of the Company to one or more independent third parties through one or more related transactions, (ii) all or substantially all of the assets of the Company to one or more independent third parties through one or more related transactions, or (iii) any other transaction where control of the Company is transferred to one or more independent third parties, in each case including if structured as a merger, consolidation, joint venture or other similar transaction (each, an "Approved Sale"), the Holder will consent to and raise no objections against the Approved Sale and shall waive any dissenters' rights, appraisal rights or similar rights in connection with such Approved Sale. If the Approved Sale is structured as a sale of stock, then the Holder will, if requested by the Company, sell or otherwise transfer its any and all Shares purchased hereunder (or any portion thereof if requested), on the terms and conditions approved by the Company. The Holder will promptly take all reasonable actions deemed necessary or desirable, in the reasonable judgment of the Company, in connection with and to facilitate the consummation of the Approved Sale, including the execution of all agreements and instruments reasonably requested by the Company. The Company will use reasonable efforts to notify the Holder in writing not less than ten (10) business days before the proposed consummation of an Approved Sale; provided, however, that the Holder agrees not to, directly or indirectly, without the prior written consent of the Company, disclose to any other person any information related to such potential Approved Sale, other than disclosures to legal counsel in confidence or as otherwise necessary to protect the Holder's rights under this Warrant or applicable law, or as otherwise required by law.

12. *Successors and Assigns*. This Warrant shall bind and inure to the benefit of and be enforceable by the Holder, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Holder may not assign any rights or obligations under this Warrant except to the extent and in the manner expressly permitted herein.

13. *Amendments*. This Warrant cannot be modified, altered or amended except by an agreement in writing signed by both the Company and the Holder.

14. *Severability; Counterparts*. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. This Warrant may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. *Notices*. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other party at its address as shown beneath its signature in this Warrant, or to such other address as such party may designate in writing from time to time by notice to the other party in accordance with this Section 12.

16. *Governing Law*. This Warrant shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed and attested to as of the date first written above.

ASTROGENETIX, INC.

By: ______________________________

Name: Thomas B. Pickens, III
Title: Chairman of the Board

Address: 401 Congress Ave, Suite 1650
Austin TX, 78746

ACCEPTED AND AGREED:

HOLDER

____
(Employee Name)

Address:

[Signature Page To Warrant]

Exhibit A

NOTICE OF EXERCISE

Dated: __________, ___

To: ASTROGENETIX, INC.

The undersigned hereby irrevocably elects and agrees to purchase __________ shares of the Company's Common Stock covered by the Warrant, dated __________ _____, 20____, and makes payment herewith in full therefor of the total exercise price of $__________.

The undersigned hereby represents that the undersigned is exercising such Warrant for its own account or the account of an affiliate and will not sell or otherwise dispose of the underlying Warrant Shares in violation of applicable securities laws. If said number of shares is less than all of the shares purchasable hereunder the undersigned requests that a new Warrant evidencing the right to purchase the remaining Warrant Shares (which new Warrant shall in all other respects be identical to the Warrant exercised hereby) be registered in the name of ____________________ whose address is:

Printed Name of Warrant Holder: ________________________________

Signature: ____

Printed Name of Signing Party: ________________________________

Title of Signing Party: ____________________________________

Address of Warrant Holder: __________________________________

Exhibit 10.59

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "Agreement") is by and between Astrogenetix, Inc., a Delaware corporation (the "Company") and **(Employee Name)** (the "Recipient") as of **(Date)** (the "Grant Date").

W I T N E S S E T H

WHEREAS, the Recipient is performing services (the "Services") for the Company as **(Title)** thereof;

WHEREAS, the Special Committee of the Board of Directors of the Company (the "Special Committee") has determined that it is in the best interests of the Company and its stockholders to grant shares of Restricted Stock (as defined below) to the Recipient as set forth below in order to recognize and reward his performance and his individual contributions to the Company in connection with the Services; and

WHEREAS, pursuant to the recommendation of the Special Committee, the Board of Directors of the Company has authorized and approved the grant of Restricted Stock to the Recipient by the Company, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereafter set forth and for other good and valuable consideration, the Company and the Recipient agree as follows:

1. *Restricted Stock*. In order to reward the performance and to encourage the continuing contribution by Recipient to the successful performance of the Company, and in consideration of the covenants and promises of the Recipient herein contained, the Company hereby grants to the Recipient as of the Grant Date, **(Number of Shares)** shares of the Company's Common Stock, par value $0.001 per share (the "Restricted Stock"), subject to the conditions and restrictions set forth below.

2. *Vesting Provisions*.

(a) The shares of Restricted Stock shall vest as follows: 50% of the Restricted Stock shall vest on the first anniversary of the Grant Date and 50% of the Restricted Stock shall vest on the second anniversary of the Grant Date; *provided*, that no shares of Restricted Stock shall vest unless on such vesting date the Recipient has, since the Grant Date, continuously provided Services to the Company.

(b) The Restricted Stock will be transferred of record to the Recipient and a certificate or certificates representing such Restricted Stock will be issued in the name of the Recipient immediately upon the execution of this Agreement. The Restricted Stock certificate(s) will bear a legend as provided by the Company, conspicuously referring to the terms, conditions and restrictions of this Agreement. Subject to Section 10, the Company may deliver such Restricted Stock certificate(s) to the Recipient, retain custody of such Restricted Stock certificate(s) prior to vesting or require the Recipient to enter into an escrow arrangement under which such Restricted Stock certificate(s) will be held by an escrow agent.

3. *Effect of Termination of Employment or Services*.

(a) The Restricted Stock granted pursuant to this Agreement shall vest in accordance with Section 2(a) above, as long as the Recipient continues to provide Services to the Company. If, however, prior to the date on which the Restricted Stock vests pursuant to Section 2(a), either:

(i) the Company terminates the Recipient's Services, or

(ii) the Recipient voluntarily ceases to perform Services for the Company,

in each case, without the Recipient's immediate rehire by the Company, then the Recipient shall retain the portion of all Restricted Stock vested immediately prior to the date of termination and the shares of Restricted Stock that have not previously vested in accordance with Section 2(a) above shall, as of the date of such termination or cessation of Services, be forfeited by the Recipient to the Company.

4. *Effect of Change of Control*. All of the shares of Restricted Stock awarded pursuant to this Agreement shall immediately and automatically vest upon the occurrence of a "Change of Control" of the Company, defined herein as the consummation of

(a) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;

(b) a merger, reorganization or consolidation in which the outstanding shares of capital stock of the Company are converted into or exchanged for securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction;

(c) the sale of all or a majority of the capital stock of the Company to an unrelated person or entity; or

(d) any other transaction in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or a successor entity immediately upon completion of the transaction;

provided, however, that neither of the following shall be deemed a "Change of Control" of the Company: (i) the transfer of the capital stock of the Company to an affiliate of the transferor or (ii) the issuance of a dividend in the form of the capital stock of the Company or the capital stock of any affiliate of the Company.

5. *Restrictions on Transfer.* Absent prior written consent of the Board of Directors of the Company, the shares of Restricted Stock granted hereunder to the Recipient may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise, during the period beginning on the Grant Date and ending on the second anniversary of the date such shares of Restricted Stock shall have become vested pursuant to Section 2. Consistent with the foregoing, no right or benefit under this Agreement shall be subject to transfer, sale, assignment, pledge, encumbrance or charge, whether voluntary, involuntary, by operation of law or otherwise (other than by will or the laws of descent and distribution), and any attempt to transfer, sell, assign, pledge, encumber or charge the same shall be void. If the Recipient shall become bankrupt or attempt to transfer, assign, sell, pledge, encumber or charge any right or benefit hereunder, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration or any other form of process or involuntary lien or seizure, then such right or benefit shall cease and terminate.

6. *Limitation of Rights*. Nothing in this Agreement shall be construed to:

(a) give the Recipient any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;

(b) give the Recipient or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or

(c) confer upon the Recipient the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Recipient at any time or for any reason.

7. *Drag Along Rights*. If at any time the Company or the owners of a majority of the Company approves a sale of (i) all of the stock of the Company to one or more independent third parties through one or more related transactions, (ii) all or substantially all of the assets of the Company to one or more independent third parties through one or more related transactions, or (iii) any other transaction where control of the Company is transferred to one or more independent third parties, in each case including if structured as a merger, consolidation, joint venture or other similar transaction (each, an "Approved Sale"), the Recipient will consent to and raise no objections against the Approved Sale and shall waive any dissenters' rights, appraisal rights or similar rights in connection with such Approved Sale. If the Approved Sale is structured as a sale of stock, then the Recipient will, if requested by the Company, sell or otherwise transfer its Restricted Stock awarded hereunder (or any portion thereof if requested), on the terms and conditions approved by the Company. The Recipient will promptly take all reasonable actions deemed necessary or desirable, in the reasonable judgment of the Company, in connection with and to facilitate the consummation of the Approved Sale, including the execution of all agreements and instruments reasonably requested by the Company. The Company will use reasonable efforts to notify the Recipient in writing not less than ten (10) business days before the proposed consummation of an Approved Sale; provided, however, that the Recipient agrees not to, directly or indirectly, without the prior written consent of the Company, disclose to any other person any information related to such potential Approved Sale, other than disclosures to legal counsel in confidence or as otherwise necessary to protect the Recipient's rights under this Agreement or applicable law, or as otherwise required by law.

8. *Prerequisites to Benefits*. Neither the Recipient nor any person claiming through the Recipient shall have any right or interest in the Restricted Stock awarded hereunder, unless and until all the terms, conditions and provisions of this Agreement that affect the Recipient or such other person shall have been complied with as specified herein.

9. *Rights as a Stockholder*. Subject to the limitations and restrictions contained herein, the Recipient shall have all rights as a stockholder of the Company with respect to the shares of Restricted Stock, including the right to vote and receive dividends and distributions.

10. *Securities Act*. The Recipient understands that the shares of Restricted Stock have not been issued in a transaction registered under the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder, the "Securities Act") or any state securities law, and agrees that the Company will not be required to deliver any shares of Restricted Stock pursuant to this Agreement if, in the opinion of counsel for the Company, such issuance would violate the Securities Act, or any other applicable federal or state securities laws or regulations.

11. *Federal and State Taxes*. The Recipient hereby acknowledges and understands that the Recipient will be required, for income tax purposes, to include the fair market value of the Restricted Stock as of the applicable vesting date as ordinary income for the year in which the Restricted Stock becomes vested unless an election is filed by the Recipient with the Internal Revenue Service (and, if necessary, the proper state taxing authorities) within 30 days of the Grant Date, electing pursuant to Section 83(b) of the Internal Revenue Code (and similar state tax provisions, if applicable) to be taxed currently on the fair market value of the Restricted Stock as of the Grant Date. The Recipient represents that the Recipient has consulted any tax advisors the Recipient deems advisable in connection with the Restricted Stock and the filing of an election under Section 83(b) and similar tax provisions. The Recipient hereby assumes all responsibility for filing such election and paying any taxes resulting from such election or from the failure to file such election. If the Recipient makes an election under Section 83(b) with respect to the Restricted Stock, the Recipient agrees to deliver a copy of such election to the Company concurrently with the filing of such election with the Internal Revenue Service. In such event, the Recipient shall make arrangements satisfactory to the Company to pay in the current year any federal, state or local taxes required to be withheld with respect to such Restricted Stock. If the Recipient fails to make such payments, then any provision of this Agreement to the contrary notwithstanding, the Company (or its subsidiaries, if any) shall, to the extent permitted by law, have the right to deduct from any payments of any kind otherwise due from the Company or its subsidiaries to or with respect to the Recipient, whether or not pursuant to this Agreement and regardless of the form of payment, any federal, state or local taxes of any kind required by law to be withheld with respect to such Restricted Stock.

12. *Entire Agreement*. This Agreement constitutes the entire agreement of the Company and the Recipient with respect to the subject matter hereof and supersedes in its entirety all prior undertakings and agreements of the parties with respect to the subject matter hereof.

13. *Notice*. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other party at its address as shown beneath its signature in this Agreement, or to such other address as such party may designate in writing from time to time by notice to the other party in accordance with this Section 13.

14. *Amendment*. This Agreement cannot be modified, altered or amended except by an agreement in writing signed by both the Company and the Recipient.

15. *Severability; Counterparts*. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

16. *Consent of Spouse*. The Recipient's spouse, if any, shall execute and deliver to the Company a consent of spouse substantially in the form of Exhibit A hereto, effective on the date hereof. Notwithstanding the execution and delivery thereof, such consent shall not be deemed to confer or convey to the spouse any rights in the Recipient's Restricted Stock that do not otherwise exist by operation of law or pursuant to this Agreement.

17. *Successors and Assigns*. This Agreement shall bind and inure to the benefit of and be enforceable by the Recipient, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Recipient may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

18. *Governing Law*. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officers thereunto duly authorized, and the Recipient has hereunto set his hand as of the day and year first above written.

ASTROGENETIX, INC.

By: ___________________________________
Name: Thomas B. Pickens, III
Title: Chairman of the Board

Address: 401 Congress Ave, Suite 1650
Austin, TX 78746

RECIPIENT

____
Address:

Signature Page to Restricted Stock Agreement

EXHIBIT A

CONSENT OF SPOUSE

I, __________, spouse of __________, acknowledge that I have read the Restricted Stock Agreement, dated as of __________ _____, 2010, to which this Consent is attached as Exhibit A (the "Agreement"), and that I know the contents of the Agreement. I am aware that the Agreement contains provisions regarding certain rights of the Company in shares of capital stock of the Company which my spouse may own, including any interest I might have therein.

I hereby agree that my interest, if any, in any shares of capital stock of the Company subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in such shares of capital stock of the Company shall be similarly bound by the Agreement.

I am aware that the legal, financing and related matters contained in the Agreement are complex and that I am free to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or have determined after reviewing the Agreement carefully that I will waive such right.

Dated: __________

____
Signature of Stockholder's Spouse

____
Print Name

Exhibit 10.60

Execution Copy

TEXAS EMERGING TECHNOLOGY FUND

AWARD AND SECURITY AGREEMENT

BETWEEN THE STATE OF TEXAS

AND

1ST DETECT CORPORATION

THIS TEXAS EMERGING TECHNOLOGY FUND AWARD AND SECURITY AGREEMENT (this "Agreement") shall be effective as of the last date of execution hereof by the parties hereto, as reflected on the signature page hereto (the "Effective Date"), and is by and between the State of Texas, acting by and through the Office of the Governor Economic Development and Tourism (the "OOGEDT") and 1st Detect Corporation, a Delaware corporation (the "Company").

RECITALS

A. Pursuant to Texas Government Code Chapter 490, the State of Texas has allocated $300 million, to be used with the express written approval of the Governor, Lieutenant Governor, and Speaker of the House of Representatives to develop and diversify the economy of the State of Texas by expediting innovation and commercialization of research; attracting, creating, or expanding private sector entities that will promote a substantial increase in high-quality jobs; and increasing higher education applied technology research capabilities.

B. Article III, Section 52-a of the Texas Constitution expressly authorizes the State of Texas to use public funds for the public purposes of development and diversification of the economy of the State of Texas, the elimination of unemployment or underemployment in the State of Texas, or the development of commerce in the State of Texas.

C. The Governor, Lieutenant Governor, and Speaker have each approved the Award (as defined below) from the Emerging Technology Fund to the Company, as evidenced in the letter attached as Exhibit A hereto.

D. To ensure that the benefits the OOGEDT provides under this Agreement are utilized in a manner consistent with Article III, Section 52-a of the Texas Constitution, and other applicable laws, the Company has agreed to comply with certain conditions and deliver certain performance, in exchange for receiving the benefits associated with the Award to the Company.

E. The Company and the OOGEDT desire to set forth herein the provisions relating to the awarding of such monies and the disbursement thereof to the Company.

IN CONSIDERATION of the Award and the premises, covenants, agreements and provisions contained in this Agreement, the parties to this Agreement, intending to be legally bound, agree as follows:

Article I
DEFINITIONS

Section 1.01 **Defined Terms.** As used in this Agreement, the following terms shall have the meanings set out respectively after each such term (the meanings to be equally applicable to both the singular and plural forms of the terms defined), unless the context specifically indicates otherwise:

A. "Additional Amount" — has the meaning set forth in Section 3.03.

B. "Agreement" — has the meaning set forth in the preamble.

C. "Application" — has the meaning set forth in Section 2.02.

D. "Award" — means an award of monies from the OOGEDT to the Company in an amount equal to the sum of the Initial Amount plus the Additional Amount that may be disbursed pursuant to the terms and conditions of this Agreement.

E. "Collateral" — has the meaning set forth in Section 4.01.

F. "Common Stock" — has the meaning set forth in the Unit.

G. "Company" — has the meaning set forth in the preamble.

H. "Company Affiliate" means a person who or that directly, or indirectly through one or more intermediaries, controls the Company or is controlled by, or is under common control with, such a person.

I. "Company Associate" means, as of any particular date, a current shareholder of the Company (including a holder of common stock, preferred stock or other capital stock of the Company), a current debtholder of the Company, and a current holder of convertible securities or holder of any right to purchase or acquire any capital stock of the Company.

J. "Compliance Verification" — has the meaning set forth in Section 5.05.

K. "Effective Date" — has the meaning set forth in the preamble.

L. "Event of Default" — has the meaning set forth in Section 2.07.

M. "GAAP" — has the meaning set forth in Section 1.01(U)(vi).

N. "Initial Amount" — has the meaning set forth in Section 3.02.

O. "Lien" — means, with respect to any asset, any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest or other security arrangement relating to such asset and any other preference, priority or preferential arrangement of any kind or nature whatsoever relating to such asset.

P. "Note" — has the meaning set forth in Section 3.04(B).

Q. "Office of the Governor Economic Development and Tourism" — means the Economic Development and Tourism Division within the Office of the Governor, and any designated representatives thereof.

R. "OOGEDT" — has the meaning set forth in the preamble.

S. "Opinion Letter" — has the meaning set forth in Section 3.04(C).

T. "Permitted Liens" — means, with respect to any Person, any of the following:

(i) Liens (1) with respect to the payment of taxes, fees, assessments or other governmental charges or levies or (2) of suppliers, carriers, materialmen, warehousemen, workmen or mechanics and other similar Liens, in each case imposed by law or arising in the ordinary course of business, and, for each of the Liens in clauses (1) and (2) above for amounts that are not yet due or that are being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves or other appropriate provisions are maintained on the books of such Person;

(ii) Liens of a collection bank on items in the course of collection arising under Section 4.208 of the Texas UCC or any similar section under the Uniform Commercial Code of any other applicable state;

(iii) Liens, pledges or cash deposits made in the ordinary course of business (1) in connection with workers' compensation, unemployment insurance or other types of social security benefits (other than any Lien imposed by ERISA), (2) to secure the performance of bids, tenders, leases, sales or other trade contracts (other than for the repayment of borrowed money) or (3) made in lieu of, or to secure the performance of, surety, customs, reclamation or performance bonds (in each case not related to judgments or litigation);

(iv) judgment liens (not including those for the payment of taxes, assessments or other governmental charges covered in (i) above) securing judgments and other proceedings not greater than $25,000 and pledges or cash deposits made in lieu of, or to secure the performance of, judgment or appeal bonds in respect of such judgments and proceedings;

(v) Liens (1) arising by reason of zoning restrictions, easements, licenses, reservations, restrictions, covenants, rights-of-way, encroachments, minor defects or irregularities in title (including leasehold title) and other similar encumbrances, restrictions or limitations on the use of real property or (2) consisting of leases, licenses or subleases granted by a lessor, licensor, sublessor or sublicensor on its property (in each case other than capital leases) otherwise permitted hereunder that, for each of the Liens in clauses (1) and (2) above, do not, in the aggregate, materially (x) impair the value or marketability of such real property or (y) interfere with the ordinary conduct of the business conducted and proposed to be conducted at such real property;

(vi) Liens of landlords and mortgagees of landlords (1) arising by statute or under any lease or related contractual obligation entered into in the ordinary course of business, (2) on fixtures and movable tangible property located on the real property leased or subleased from such landlord, (3) for amounts not yet due or that are being contested in good faith by appropriate proceedings diligently conducted and (4) for which adequate reserves or other appropriate provisions are maintained on the books of such Person to the extent required by generally accepted accounting principals ("GAAP");

(vii) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution; and

(viii) the title and interest of a lessor, sublessor, licensor or sublicensor in and to personal property leased, subleased, licensed or sublicensed, in each case extending only to such personal property and any Liens arising from UCC Financing Statements filed in connection therewith.

U. "Person" — means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or governmental agency or body.

V. "Qualifying Liquidation Event" means (a) the sale, conveyance, or other disposition of all or substantially all of the assets of the Company and its subsidiaries (taken as a whole) to persons who are not then Company Associates (as hereinafter defined) or Company Affiliates (as hereinafter defined), or (b) the sale of the Company's then-outstanding equity securities by the Company's stockholders or the Company's merger into or consolidation with any other entity, in each such case, in which more than fifty percent (50%) of the voting power of the Company is transferred to persons who are not then Company Associates or Company Affiliates.

W. "Right to Purchase" — has the meaning set forth in Section 3.04(B).

X. "SEC" — means the United States Securities and Exchange Commission.

Y. "Secured Obligations" — means all obligations of the Company and its successors and assigns now or hereafter existing under this Agreement and the Unit (including the Note), whether (i) for the prompt payment when due, whether at stated maturity or otherwise) of principal, interest, costs, fees, expenses or otherwise (including the payment of amounts which would become due but for the operation of the automatic stay under Section 362 of the United States Bankruptcy Code, 11 U.S.C. § 362), and/or (ii) for the prompt performance or payment when due of any other obligation of the Company and its successors and assigns to the OOGEDT, now or hereafter owing, whether direct or indirect, primary or secondary, fixed or contingent, joint or several, regardless of how created, evidenced or arising.

Z. "Security Term" — means the period commencing on the date of the disbursement of the Initial Amount and ending on the earliest of the date on which (i) the Company has paid all principal and interest due under the Note pursuant to the terms of this Agreement and the Unit; (ii) the OOGEDT has fully exercised the Right to Purchase under the Unit; and (iii) the OOGEDT's Right to Purchase expires pursuant to the terms of the Unit.

AA. "Texas Emerging Technology Fund" — means the "fund" as defined under the Chapter 490 of the Texas Government Code.

BB. "Texas UCC" — means the Uniform Commercial Code as from time to time in effect in the State of Texas.

CC. "Unit" — has the meaning set forth in Section 3.04(B).

DD. "Unit Amendment" — has the meaning set forth in Section 3.02.

EE. The following terms have the meanings given to them in the Texas UCC and terms used herein without definition that are defined in the Texas UCC have the meanings given to them in the Texas UCC (such meanings to be equally applicable to both the singular and plural forms of the terms defined): "account", "account debtor", "as-extracted collateral", "certificated security", "chattel paper", "commercial tort claim", "commodity contract", "deposit account", "electronic chattel paper", "equipment", "farm products", "fixture", "general intangible", "goods", "health-care-insurance receivable", "instruments", "inventory", "investment property", "letter-of-credit right", "proceeds", "record", "securities account", "security", "supporting obligation" and "tangible chattel paper".

Article II
AWARD

Section 2.01 **Award of Monies.** The OOGEDT shall issue the Award to the Company and disburse the proceeds in accordance with the conditions subsequent to its retention contained herein and the other provisions of this Agreement.

Section 2.02 **Use of Award Proceeds.** The Company shall use the Award to expedite commercialization that is intended to lead to an increase in high-quality jobs in the State of Texas by adding the Award to its working capital and using the Award in the development of its business, through acquisition of capital assets and/or reasonable and appropriate business expenses only in furtherance of the commercialization of miniaturized chemical detectors as described in the application previously submitted by the Company the OOGEDT (the "Application"). Notwithstanding the foregoing, the Award shall not be used for repayment of debt, in any form, including but not limited to (i) repayment to any members of the Company's board of directors, its officers, its investors, its shareholders or any other affiliates of the Company, (ii) any restructuring of any existing debt (other than repayment of the Note pursuant to the terms of this Agreement and the terms of the Unit, and other than accounts payable (excluding capital leases) incurred in the ordinary course of business upon customary industry terms) or (iii) payment on any capital leases.

Section 2.03 **Commercialization Milestones**. The Company commits to using all of its reasonable efforts to meet the commercialization milestones attached as Exhibit C hereto as promptly as practicable. Promptly following the attainment of any such milestone, the Company shall provide the OOGEDT with sufficient evidence, to the satisfaction of the OOGEDT, that the milestones have been met by the date listed for each milestone.

Section 2.04 **Guarantee of Commercialization or Manufacturing/Principal Place of Business.** The Company agrees that a substantial percentage of any new or expanded commercialization or manufacturing of any real or intellectual product by the Company resulting from the Award shall be established in the State of Texas. New or expanded commercialization may include, but shall not be limited to, the occurrence of the following in the State of Texas: employment, capital investment, intellectual property development, manufacturing production, business expansion, and university collaboration. Further, the Company agrees that it shall maintain its principal place of business and its principal executive offices headquartered in the State of Texas throughout the term of this Agreement.

Section 2.05 **Use and Retention of Texas Suppliers.** The Company shall use reasonable efforts to use qualified Texas-based suppliers to provide products and services under this Agreement; provided, however, that the Company may in its sole discretion select suppliers and contractors based on program needs, scientific criteria, and industry standards.

Section 2.06 **Company Representations, Warranties and Covenants.** Without limiting the covenants, representations and warranties provided in other sections of this Agreement, including without limitation those provided under Article IV hereof, the Company further covenants with, and represents and warrants to the OOGEDT as of the Effective Date as follows:

A. The Company has all necessary corporate and legal authority to enter into, execute, and deliver this Agreement, the Unit and all other documents referred to herein, and it has taken all actions necessary to duly execute and deliver all such agreements, instruments and documents.

B. The Company shall comply with all of the terms, conditions, provisions, covenants, requirements, and warranties in this Agreement and all other documents referred to herein.

C. The Company has made no material false statement or misstatement of fact in connection with its receipt of the Award, and all of the information it previously submitted to the OOGEDT or which it shall submit to the OOGEDT in the future relating to the Award or the disbursement of any of the Award is and shall be true and correct as of the date such information is submitted to the OOGEDT.

D. The Company is not in violation of any provisions of its certificate of formation or bylaws (or other charter documents) or of the laws of the State of Texas, the laws of the state in which it was formed or any other federal, state or local statutes, laws, ordinances and regulations applicable to the Company and its business, and there are no actions, suits, or proceedings pending, or to its knowledge threatened, before any judicial body or governmental authority against or affecting it, other than those specifically disclosed in the Application, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Agreement, execute and issue the Unit, or perform any of its obligations hereunder or thereunder or as required by the transactions contemplated hereby.

E. Neither the execution and delivery of this Agreement, or any document referred to herein, nor compliance with any of the terms, conditions, requirements, or provisions contained in this Agreement or any documents referred to herein is prevented by, constitutes a breach of, or shall result in a breach of, any term, condition, or provision of any agreement or document to which the Company is now a party or by which it is bound.

F. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and any other jurisdiction in which it is qualified to transact business as a foreign corporation, and has provided the OOGEDT sufficient evidence of such, and certifies that it owes no delinquent taxes to any taxing entity of the State of Texas as of the Effective Date.

G. Except as set forth on Schedule 2.06(G), the Company, directly or indirectly, owns and has good title to or, in the case of leased or licensed property and assets, has valid leasehold or license interests in, all property and assets necessary for the conduct of the Company's business, in each case free and clear of all Liens and other encumbrances other than Permitted Liens.

H. Except as set forth on Schedule 2.06(H), there are no existing or contemplated transactions of a material nature involving the Company by and between the members of the Company's board of directors, its officers, and/or its investors, shareholders or other affiliates of the Company.

I. The Company is not reasonably susceptible, and shall not in the future be reasonably susceptible, of being substantively consolidated with another Person in the context of bankruptcy or insolvency proceedings.

J. The Company has no subsidiaries as of the Effective Date and the Company hereby covenants and agrees that it shall not, without the prior written consent of the OOGEDT (such consent to be granted or withheld in the sole discretion of the OOGEDT), create or acquire any subsidiary during the Security Term. If the OOGEDT shall consent to the formation or acquisition of a subsidiary (in its sole discretion), the Company shall provide the OOGEDT with a written supplement to Schedule 2.06(J) to this Agreement providing in reasonable detail the following information regarding such subsidiary: (i) its name, (ii) its jurisdiction of formation and (iii) the shares of capital stock (number of shares and percentage) of such subsidiary that are beneficially owned, directly or indirectly, by the Company. The Company shall promptly provide the OOGEDT with an amended Schedule 2.06(J) to reflect any change with respect to any such subsidiary that occurs during the Security Term.

K. The Company's jurisdiction of formation, legal name and organizational identification number, if any, and the location of the Company's chief executive office or sole place of business, in each case as of the Effective Date, are specified on Schedule 2.06(K), and such Schedule 2.06(K) also lists any jurisdictions of incorporation, legal names and locations of the Company's chief executive office or sole place of business for the five (5) years preceding the Effective Date. The Company hereby covenants and agrees that it shall not change its jurisdiction of formation, legal name, organizational identification number (if any) or the location of the Company's chief executive office or sole place of business without first providing the OOGEDT with thirty (30) days prior written notice of the same, and then only in accordance with the other terms and conditions of this Agreement.

L. The Company shall furnish a certificate executed by the Chief Executive Officer or Chief Financial Officer of the Company on behalf of the Company certifying that the representations and warranties made by Company in this Section 2.06 (as modified by the disclosure in any schedule or exhibit hereto) shall be true and correct in all material respects as of the Effective Date.

Section 2.07 **Event(s) of Default.** The following events shall, unless waived in writing by the OOGEDT, constitute an event of default (each, an "Event of Default") under this Agreement upon the OOGEDT giving the Company thirty (30) days written notice of such event, and the Company's failure to cure such event during such thirty (30) day time period for those Events of Default that can be cured within thirty (30) days or within whatever time period is needed to cure those Events of Default that cannot be cured within thirty (30) days as long as the Company is using its best efforts to cure and is making reasonable progress in curing such Events of Default; provided, however, that in no event shall the time period to cure any Event of Default exceed three (3) months; provided, further, that notwithstanding the foregoing, any of the following events that cannot be cured shall, unless waived in writing by the OOGEDT, constitute an Event of Default under this Agreement immediately upon the OOGEDT giving the Company written notice of such event:

A. The Company's failure, for any reason, to commercialize miniaturized chemical detectors as described in the Application, including but not limited to an inability to continue business operations for any reason.

B. The Company's failure to maintain its principal place of business or its principal executive offices headquartered in the State of Texas throughout the term of this Agreement (other than in connection with the consummation of a bona fide Qualifying Liquidation Event).

C. The Company or any business, branch, division, or department of the Company being convicted of a violation under Section 1324a(f) of the Immigrant and Nationality Act, 8 U.S.C. § 1324a(f).

D. Except for the Company's failure to maintain its principal place of business or its principal executive offices headquartered in the State of Texas throughout the term of this Agreement (other than in connection with the consummation of a bona fide Qualifying Liquidation Event), which shall solely be governed by Section 2.07(B), the Company's failure to fully comply with any provision, term, condition or covenant contained in this Agreement, the Unit, the Application, or any other document referred to herein.

E. Except for the Company's failure to maintain its principal place of business or its principal executive offices headquartered in the State of Texas throughout the term of this Agreement (other than in connection with the consummation of a bona fide Qualifying Liquidation Event), which shall solely be governed by Section 2.07(B), if any representation, covenant, or warranty made by the Company herein, or in the Application for funding, in any other document furnished by Company pursuant to this Agreement, or in order to induce the OOGEDT to disburse any of the Award, shall prove to have been untrue or incorrect in any material respect or materially misleading as of the time such representation, covenant or warranty was made.

Section 2.08 **Remedies.** Subject to the notice and cure provisions in Section 2.07 hereof, upon the occurrence of an Event of Default and at any time thereafter until such Event of Default is cured to the satisfaction of the OOGEDT, the OOGEDT may enforce any or all of the following remedies (such rights and remedies being in addition to and not in lieu of any rights or remedies set forth in Section 4.10 below).

A. Notwithstanding anything in the Fund Agreement or the Unit to the contrary, the OOGEDT, in its sole discretion, may, as its sole remedy with respect to an Event of Default under Section 2.07(b), require repayment of the full outstanding amount of the Award disbursed to the Company at such time of such Event of Default be repaid with interest pursuant to the terms of the Note, but in no event shall the OOGEDT have the right to exercise such remedy (or otherwise make a claim for damages based upon the outstanding amount of the Award rather than on the amount of the damages themselves) with respect to any other Event of Default under Section 2.07.

B. If the Company fails to repay the full amount under the Note as specified in Section 2.08(A) hereof within thirty (30) days of demand by the OOGEDT, then such amount may, unless precluded by law, be taken from or off-set against any aids or other monies that the Company is otherwise entitled to receive from the State of Texas.

C. Unless otherwise limited herein, the OOGEDT may enforce any additional remedies it has in law or equity.

D. Unless otherwise limited herein, the rights and remedies herein specified are cumulative and not exclusive of any rights or remedies that the OOGEDT would otherwise possess.

Section 2.09 **Notification of Event of Default.** The Company shall notify the OOGEDT in writing, as soon as possible and in any event within five (5) days after its executive officers have obtained knowledge of the occurrence of each Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default. The Company shall include a statement setting forth details of each Event of Default or condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default, and the action which the Company proposes to take with respect thereto.

Section 2.10 **Termination/Modification of Award.** If the Company does not meet all conditions precedent in Section 3.04 below to the satisfaction of the OOGEDT, and does not request in writing the first disbursement in Section 3.02 by the date that is three (3) months after the Effective Date, then the OOGEDT's obligation to disburse any of the Award shall terminate as of such day, and this Agreement shall become null and void. If the Company does not request in writing the second disbursement in Section 3.03 by the date that is nine (9) months after the Effective Date, then the OOGEDT's obligation to disburse any portion of the Additional Amount shall terminate as of such date and the OOGEDT shall have no further obligations to provide any additional funding of the Award and, if the OOGEDT does not terminate this Agreement, this Agreement shall remain in full force and effect but shall be modified and amended to reflect the amount of the Award that was actually disbursed as of such date.

Section 2.11 **Effect of Event of Default/Termination.** If an Event of Default occurs and the Company is required to and does repay the amount specified in Section 2.08(A) to the OOGEDT under the Note, then this Agreement shall automatically terminate as of the date full repayment of the Note is received by the OOGEDT. Further, in any event OOGEDT may terminate this Agreement at any time following an Event of Default following the opportunity to cure as provided by Section 2.07.

Section 2.12 **Right to Notice of Intellectual Property and/or Business Status.** Upon any business dissolution, sale, merger, liquidation of assets, bankruptcy of the Company or the occurrence of any material adverse effect regarding the Company or its business (or the existence of facts that would reasonably be expected to result in a material adverse effect regarding the Company or its business), the Company shall provide the OOGEDT with full business information as necessary to fully inform the OOGEDT, and provide an opportunity to participate in assisting the Company in finding other avenues for fully developing and using the Company's intellectual property if appropriate. However, the Company shall not be obligated to provide any information that it reasonably considers in good faith to constitute a trade secret or other confidential information under this Section 2.12.

Section 2.13 **Right to Terminate upon Repayment.** Unless terminated earlier pursuant to Section 5.01(B), the Company may at any time following eighteen (18) months after the Effective Date, terminate this Agreement and be released from its obligations hereunder by paying the OOGEDT an amount equal to the full amount of the principal and interest (and any other amounts) due under the Note pursuant to the terms of the Unit.

Section 2.14 **Survival of Right to Purchase.** Anything herein to the contrary notwithstanding, the Unit and the Right to Purchase under the Unit shall survive any termination of this Agreement and any repayment of the Note in accordance with the terms of the Unit.

Article III
DISBURSEMENT OF AWARD PROCEEDS

Section 3.01 **Disbursement of Award.** OOGEDT shall disburse the Award to the Company in accordance with Sections 3.02 and 3.03 below, and only after all conditions precedent have been complied with to the satisfaction of the OOGEDT in Section 3.04 below. Under no circumstance shall the OOGEDT be required to disburse funds in excess of the amount requested by the Company under the provisions contained in Sections 3.02 and 3.03 below, and the Company may not request less than the full amount of each disbursement outlined in Sections 3.02 and 3.03 below.

Section 3.02 **Initial Disbursement.** The OOGEDT shall disburse to the Company the initial disbursement of the Award in the amount of Nine Hundred Thousand Dollars ($900,000) (the "Initial Amount") as soon as practicable following the Effective Date provided that all other requirements prior to receiving any disbursements pursuant to this Agreement have been satisfied.

Section 3.03 **Second Disbursement.** Provided that all other requirements prior to receiving any disbursements pursuant to this Agreement have been satisfied, the OOGEDT shall disburse to the Company the second half of Award disbursement in the amount of Nine Hundred Thousand Dollars ($900,000) (the "Additional Amount") seven (7) months after the Effective Date, unless the Company demonstrates to the OOGEDT's satisfaction that the disbursement of the Additional Amount should occur sooner based on significant completion of the commercialization milestones set forth on Exhibit C hereto. However, in no event shall the disbursement of the Additional Amount occur sooner than four (4) months after the Effective Date.

Section 3.04 **Conditions Precedent to Disbursement of Award.** All of the following conditions precedent shall be met to the reasonable satisfaction of the OOGEDT prior to any disbursement of the Award:

A. Prior to the Company receiving a disbursement outlined in Sections 3.02 or 3.03 above, the OOGEDT shall have received a written request for disbursement of the Award.

B. Prior to the disbursement of the Initial Amount, the OOGEDT shall have received evidence, in form and substance acceptable to the OOGEDT, showing that the Company has issued the OOGEDT a duly executed Investment Unit in the form attached hereto as Exhibit B (the "Unit") providing OOGEDT with (i) a promissory note pursuant to which the Company promises to repay the OOGEDT, in accordance with the terms of this Agreement and the Unit, the full amount of the Award disbursed prior to the "First Qualifying Financing Transaction" (as defined in the Unit) with interest (the "Note") and (ii) a right to acquire (the "Right to Purchase") shares of the Company's capital stock that shall as of the date of the disbursement of the Initial Amount represent 64.29% of the Common Stock as determined on a fully diluted basis (for purposes of this clause (ii) only, such percentage assumes that the total number of shares of capital stock represented by the Right to Purchase under the Unit as of the date of the disbursement of the Initial Amount equals 18,000 shares of Common Stock). Notwithstanding the preceding clause (ii), the number and type of shares represented by the Right to Purchase under the Unit at any given time is determined pursuant to the terms of the Unit.

C. Prior to the disbursement of the Initial Amount, the OOGEDT shall have received an outside counsel opinion letter provided by Company's counsel (the "Opinion Letter"). The Opinion Letter shall provide that the Company is in compliance with the following:

1. The Company is a corporation validly existing and in good standing under the laws of its state of incorporation.

2. The Company has the requisite corporate power and authority to own, operate and lease its properties and to carry on its business as presently conducted.

3. The Company is duly qualified to transact business (as either a domestic corporation or a foreign corporation) in the State of Texas.

4. The Company has the corporate power to enter into this Agreement and to issue the Unit and the securities issuable upon exercise of the Right to Purchase under the Unit.

5. All issued and outstanding equity securities of the Company have been duly authorized and validly issued and are fully-paid and non-assessable.

6. The execution and delivery of the Award and Security Agreement and the Investment Unit does not violate the Company's certificate of formation and bylaws (or other similar governing documents) or any of the material agreements specifically identified in the opinion as "Reviewed Agreements."

7. Assuming timely filing of all relevant federal and state securities filings necessary to perfect any relevant registration exemptions, the issuance of the Unit and the equity securities issuable upon exercise of the Right to Purchase under the Unit do not require registration under applicable state and federal securities laws and regulations.

D. No Event of Default under this Agreement or event which would constitute an Event of Default but for the requirement that notice be given or that a period of grace or time elapse shall have occurred and be continuing.

E. The Company has supplied to the OOGEDT all other documentation that the OOGEDT may reasonably require.

F. If the "First Qualifying Financing Transaction" (as defined in the Unit) occurs prior to the disbursement of the Additional Amount, then prior to the disbursement of the Additional Amount, the Company shall:

(i) Prepare for execution by the parties an amendment to the Unit in the form attached hereto as Exhibit D (the "Unit Amendment") reflecting the Additional Amount;

(ii) furnish the OOGEDT with a statement containing the information required in Section 3.04(B)(ii) above with respect to the percentage as of the date of the disbursement of the Additional Amount of the Common Stock that the amended Right to Purchase represents as determined on a fully diluted basis; and

(iii) furnish the OOGEDT with a certificate executed by the Chief Executive Officer or Chief Financial Officer of the Company on behalf of the Company certifying, as of the date of the disbursement of the Additional Amount, that (1) the percentage set forth in the statement provided pursuant to Section 3.04(F)(ii) above is true and correct and (2) the representations and warranties made by the Company in Section 2.06 (as modified in any schedule or exhibit hereto) are true and correct in all material respects.

Except as context requires otherwise in this Section 3.04, after the issuance of any Additional Unit, each reference in this Agreement to the "Unit" shall be deemed to include the Unit (as amended by any Unit Amendments), each reference to the "Note" shall be deemed to include the Note (as amended by any Unit Amendments), and each reference to the "Right to Purchase" shall be deemed to include the Right to Purchase (as amended by any Unit Amendments). Prior to any disbursement of any Additional Amount for which the execution of a Unit Amendment is required, the Company agrees to execute and deliver such further instruments and take such further actions as the OOGEDT may reasonably request in order to carry out the intent of this Section 3.04(F).

Article IV
MISCELLANEOUS

Section 5.01 **Term of Agreement.** Unless terminated earlier pursuant to the terms of this Agreement, except for Section 5.18 hereof and the Unit which shall survive any termination of this Agreement, this Agreement shall terminate on the earlier of (A) the date ten (10) years after the Effective Date and (B) the date of consummation of a bona fide Qualifying Liquidation Event.

Section 5.02 **Record Keeping and Reporting.** The Company shall maintain or cause to be maintained books, records, documents and other evidence pertaining to compliance with the requirements contained in this Agreement, and upon request shall allow the OOGEDT, or auditors for the OOGEDT, including the State Auditor for the State of Texas, to inspect, audit, copy, or abstract, all of its books, records, papers, or other documents relevant to the Award. The Company shall use GAAP in the maintenance of such books and records, and shall retain or cause to be retained all of such books, records, documents and other evidence for a period of seven (7) years from and after the later of (A) the date that this Agreement is terminated or this Agreement's term expires and (B) unless the Right to Purchase under the Unit (as it may be amended hereunder) expires without having been exercised, the date on which the OOGEDT fully divested all rights and ownership of all stock that was issued upon the OOGEDT's exercise of its Right to Purchase under the Unit.

Section 5.03 **Unit Records/Information.** If at any point following the execution and issuance of the Unit the OOGEDT becomes obligated to file disclosure reports with the SEC pursuant to Section 13 or Section 16 of the Securities Exchange Act of 1934, as amended, by virtue of the OOGEDT holding the Unit or securities issuable upon exercise of the Right to Purchase under the Unit, the Company agrees to provide any and all information reasonably necessary to assist the OOGEDT in making any such timely filings with the SEC.

Section 5.04 **Certification Relating to Undocumented Workers**. By execution of this Agreement, the Company, including any business, branch, division, and department of the Company, certifies that it does not currently employ any undocumented worker (as defined in Texas Government Code Section 2264.001(4)) and that the Company shall not knowingly employ an undocumented worker hereafter.

Section 5.05 **Compliance Verification Reporting**. Each year throughout the term of this Agreement, on each anniversary of the Effective Date, the Company shall deliver to the OOGEDT a compliance verification report signed by a duly authorized representative of the Company that shall verify the Company's compliance with each of the Company's agreements, covenants and obligations under this Agreement (each, a "Compliance Verification"). Further, the Company shall provide the OOGEDT reasonable access to the Company's annual financial reports. In addition to each annual Compliance Verification, the Company shall also provide the OOGEDT a Compliance Verification on the earlier of (i) six (6) months after the Effective Date and (ii) the date on which the Company makes a request to the OOGEDT for disbursement of an Additional Amount. Each Compliance Verification that has become due shall be submitted prior to the Company receiving any Additional Amounts. All Compliance Verifications shall be in a form reasonably satisfactory to the OOGEDT and shall include appropriate back-up data.

Section 5.06 **Liability.** In no event shall either party be liable to the other party for any indirect, special, punitive, exemplary, incidental or consequential damages. This limitation shall apply regardless of whether or not the other party has been advised of the possibility of such damages.

Section 5.07 **Indemnification by the Company and Hold Harmless.** The Company agrees to indemnify and hold the OOGEDT, the maker of the Award, and its agents, officers, employees and assigns harmless for any and all losses, claims, suits, actions, and liability, including any litigation costs, that arise from any act or omission of the Company or any of its officers, and employees, agents, contractors, assignees, and affiliates relating to the project for which the Award is made regardless of whether the act or omission is related to job creation or other stated purpose of the Award.

Section 5.08 **EXPRESS NEGLIGENCE. THE INDEMNITY SET FORTH IN THIS AGREEMENT IS INTENDED TO BE ENFORCEABLE AGAINST THE COMPANY AND ITS SUCCESSORS AND ASSIGNS IN ACCORDANCE WITH THE EXPRESS TERMS AND SCOPE HEREOF NOTWITHSTANDING TEXAS' EXPRESS NEGLIGENCE RULE OR ANY SIMILAR DIRECTIVE THAT WOULD PROHIBIT OR OTHERWISE LIMIT INDEMNITIES BECAUSE OF THE NEGLIGENCE (WHETHER SOLE, CONCURRENT, ACTIVE OR PASSIVE) OR OTHER FAULT OR STRICT LIABILITY OF THE OOGEDT AND/OR ITS AGENTS, OFFICERS, EMPLOYEES AND ASSIGNS.**

Section 5.09 **Relationship of the Parties.** The parties shall perform their respective obligations under this Agreement as independent contractors and not as agents, employees, partners, joint venturers, or representatives of the other party. Neither party shall be permitted or empowered to make representations or commitments that bind the other party. The Company is not a "governmental body" by virtue of this Agreement or the use of the Award under the Texas Emerging Technology Fund, any other funding, the issuance of the Unit or the issuance of capital stock upon exercise of the Right to Purchase under the Unit.

Section 5.10 **Binding Effect and Assignment.** The Company may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the OOGEDT. The OOGEDT may assign this Agreement and any of its rights or obligations hereunder without the consent of the Company. Subject to the foregoing, this Agreement and all terms, provisions and obligations set forth herein shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns and all other state agencies and any other agencies, departments, divisions, governmental entities, public corporations and other entities that shall be successors to each of the parties or that shall succeed to or become obligated to perform or become bound by any of the covenants, agreements or obligations hereunder of each of the parties hereto.

Section 5.11 **Waiver.** Neither the failure by the Company or the OOGEDT, in any one or more instances to insist upon the complete and total observance or performance of any term or provision hereof, nor the failure of the Company or the OOGEDT to exercise any right, privilege, or remedy conferred hereunder or afforded by law shall be construed as waiving any breach of such term, provision, or the right to exercise such right, privilege, or remedy thereafter. In addition, no delay on the part of either the Company or the OOGEDT, in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

Section 5.12 **Entire Agreement.** This Agreement, the Unit and the other documents referred to and incorporated herein by reference embody the entire agreement between the Company and the OOGEDT, and there are no other agreements, either oral or written, between the Company and the OOGEDT on the subject matter hereof. This Agreement may be amended, modified and supplemented only by written agreement between the parties hereto.

Section 5.13 **Applicable Law and Venue.** This Agreement is made and entered into in the State of Texas, and this Agreement and all disputes arising out of or relating thereto shall be governed by the laws of the State of Texas, without regard to any otherwise applicable conflict of law rules or requirements.

The Company agrees that any action, suit, litigation or other proceeding (collectively "litigation") arising out of or in any way relating to this Agreement, or the matters referred to therein, shall be commenced exclusively in the Travis County District Court or the United States District Court for the Western District of Texas, Austin Division, and hereby irrevocably and unconditionally consents to the exclusive jurisdiction of those courts for the purpose of prosecuting and/or defending such litigation. The Company hereby waives and agrees not to assert by way of motion, as a defense, or otherwise, in any suit, action or proceeding, any claim that (A) the Company is not personally subject to the jurisdiction of the above-named courts, (B) the suit, action or proceeding is brought in an inconvenient forum or (C) the venue of the suit, action or proceeding is improper.

Section 5.14 **Dispute Resolution.**

A. Informal Meetings. The parties' representatives shall meet as needed to implement the terms of this Agreement and shall make a good faith attempt to informally resolve any disputes.

B. Non-binding Mediation. Except to prevent irreparable harm for which there is no adequate remedy at law, neither party shall file suit to enforce this Agreement without first submitting the dispute to confidential, non-binding mediation before a mediator mutually agreed upon by the parties.

Section 5.15 **Publicity.** The parties agree to cooperate fully to coordinate with each other in connection with all press releases and publications regarding this Agreement. The Company shall not issue any press releases or other publicity regarding this Agreement or the Award without the prior written consent of OOGEDT.

Section 5.16 **No Waiver of Sovereign Immunity.** Nothing in this Agreement may be construed to be a waiver of the sovereign immunity of the OOGEDT to suit.

Section 5.17 **Severability.** If any provision of this Agreement is finally judged by any court to be invalid, then the remaining provisions shall remain in full force and effect and they shall be interpreted, performed, and enforced as if the invalid provision did not appear herein.

Section 5.18 **Survival of Promises.** Notwithstanding any expiration, termination or cancellation of this Agreement, the rights and obligations pertaining to payment or repayment of funds confidentiality, disclaimers and limitation of liability, indemnification, and any other provision implying survivability shall remain in effect after this Agreement ends.

Section 5.19 **Force Majeure.** Except for the obligation to make payments under this Agreement and the Unit when due and indemnification obligations arising hereunder, neither party shall be required to perform any obligation under this Agreement or be liable or responsible for any loss or damage resulting from its failure to perform so long as performance is delayed by force majeure or acts of God, including but not limited to strikes, lockouts or labor shortages, embargo, riot, war, revolution, terrorism, rebellion, insurrection, flood, natural disaster, or interruption of utilities from external causes.

Section 5.20 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 5.21 **Notices.** All notices, requests, demands and other communications shall be in writing and shall be deemed given and received (A) on the date of delivery when delivered by hand, (B) on the following business day when sent by confirmed simultaneous telecopy, (C) on the following business day when sent by receipted overnight courier or (D) three (3) business days after deposit in the United States Mail when mailed by registered or certified mail, return receipt requested, first class postage prepaid, as follows:

If to the OOGEDT to:

Financial Services
ETF Compliance
PO Box 12878
Austin, TX 78711-2878
Email: ETF.Compliance@governor.state.tx.us

with a concurrent copy to:

ATTN: Emerging Technology Fund Award Program
General Counsel
Office of the Governor
P.O Box 12428
Austin, Texas 78711
Phone: 512-463-1788
Fax: 512-463-1932

If to Company to:

John Porter
Chief Executive Officer
First Detect
401 Congress Avenue, Suite 1650
Austin, Texas 78701
Phone: (512) 485-9530
Fax: (512) 485-9531

provided, however, that if any party shall have designated a different address by written notice to the other party, then to the last address so designated.

Section 5.22 **Construction**. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning. The parties acknowledge that each party and its counsel have reviewed this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Whenever used herein, the terms "include," "includes" and "including" shall be deemed to be followed by the phrase, "without limitation,".

Section 5.23 **Headings**. The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof.

Section 5.24 **Schedules and Exhibits.** The schedules and exhibits referred to herein and required to be delivered pursuant to the terms hereof are hereby incorporated fully herein by this reference.

Section 5.25 **Saturdays, Sundays, Holidays, etc.** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday in the State of Texas, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday in the State of Texas.

Section 5.26 **Additional Requirements.** The Company and the OOGEDT agree to comply with the following additional requirements.

(If there are no additional requirements then insert the word "NONE".)
NONE.

(THE REMAINING PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK)

IN TESTIMONY HEREOF, the Company and the OOGEDT have executed this Texas Emerging Technology Fund Award and Security Agreement on the day and date indicated immediately below their respective signatures.

The State of Texas	**1st Detect Corporation**
___________________________________	___________________________________
Raymond C. Sullivan **Chief of Staff** **Office of the Governor**	**John Porter** **Chief Executive Officer**
___________________________________	___________________________________
Date	**Date**

Exhibits and Schedules

Exhibits

Exhibit A	—	Approval Letter from Governor, Lieutenant Governor and Speaker
Exhibit B	—	Investment Unit
Exhibit C	—	Milestones
Exhibit D	—	Form of Unit Amendment

Schedules

Schedule 2.06(G)	—	Title to Assets
Schedule 2.06(H)	—	Related Party Transaction
Schedule 2.06(J)	—	Subsidiaries
Schedule 2.06(K)	—	Organizational Information
Schedule 4.09	—	Financing Statements

Exhibit A
Letter from Governor, Lieutenant Governor and Speaker Approving Award to the Company from the Texas Emerging Technology Fund

See attached.

Exhibit B
Investment Unit

See attached.

Exhibit C
Milestones

1. Optimize ion trap architecture.
   - Show that the mass range is greater than 50 — 400 Atomic Mass Units (“amu”).
   - Show that the resolution (Full Width Half Mass) is less than 1 amu.
2. Demonstrate prototype microntroller board.
   - Show that on-board microcontroller can control Mass Spectrometer (“MS”).
   - MS can operate independent of laptop and generate spectra.
3. Demonstrate device control software.
   - Show that user can input all parameters to control mass specifications.
     - Voltages (trap, detector).
     - Timing points.
     - End cap tickle frequency.
   - Show that instrument responds to user inputs.
4. Demonstrate detector amplifier.
   - Show spectrum with S/N of greater than 10 using internal amplifier.
5. Build and demonstrate prototype ion trap.
   - Demonstrate instrument in portable enclosure that meets specs above.
6. Demonstrate calibration hardware.
   - Show that when instrument is calibrated (startup or user controlled) a spectra for PFTBA (or given calibrant gas) is shown on instrument.

Exhibit D
Form of Unit Amendment

Texas Emerging Technology Fund Award and Security Agreement

Schedule 2.06(G)
Title to Property

None.

Schedule 2.06(H)
Related Party Transactions

None

Texas Emerging Technology Fund Award and Security Agreement

Schedule 2.06(J)
Subsidiaries

[If applicable, this schedule shall be added after the Effective Date as a supplemental schedule pursuant to Section 2.06(J).]

Schedule 2.06(K)
Organizational Information

State of Incorporation: Delaware
Legal Name: 1st Detect Corporation
State of Executive Offices: Texas

Texas Emerging Technology Fund Award and Security Agreement

Schedule 4.09
Financing Statements

None

Texas Emerging Technology Fund Award and Security Agreement

Exhibit 10.61

Execution Copy

NEITHER THIS INVESTMENT UNIT NOR THE PROMISSORY NOTE UNDER ARTICLE I OF THIS INVESTMENT UNIT OR THE EQUITY SECURITIES ISSUABLE UPON EXERCISE OF THE RIGHT TO PURCHASE UNDER ARTICLE II OF THIS INVESTMENT UNIT (COLLECTIVELY, THE "SECURITIES REPRESENTED HEREBY") HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SECURITIES REPRESENTED HEREBY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, TOGETHER WITH QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAW, OR AN OPINION OF COUNSEL OR OTHER EVIDENCE SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED.

1st DETECT CORPORATION
INVESTMENT UNIT

__________ _____, 2010

This Investment Unit (this "Unit") has been issued by the undersigned, __________, Inc., a Delaware corporation (the "Company"), in connection with that certain Texas Emerging Technology Fund Award and Security Agreement (the "Fund Agreement"), effective as of the date hereof (the "Effective Date"), by and between the Company and the State of Texas, acting by and through the Office of Governor Economic Development and Tourism, together with its nominees or assigns (the "OOGEDT"), pursuant to which the Company is receiving from the OOGEDT an award of funding under the Emerging Technology Fund subject to conditions which could, upon satisfaction, require repayment. This Unit is subject to all of the terms and provisions of the Fund Agreement.

This Unit consists of a promissory note (the "Note") and a right to purchase equity securities (the "Right to Purchase").

ARTICLE I

NOTE

Section 1.1 Promissory Note. This Article I consists of the Note.

Section 1.2 Promise to Pay. FOR VALUE RECEIVED, the Company hereby promises to pay to the order of the OOGEDT the principal sum equal to the full amount of all disbursements of the Award (as defined in the Fund Agreement) that are made prior to the First Qualifying Financing Transaction (as hereinafter defined) from time to time under the Fund Agreement (collectively, the "Principal") together with interest thereon at a rate of eight percent (8%) simple interest per annum accruing daily from the date such amounts are disbursed under the Fund Agreement and calculated on the basis of a 365 or 366 day year, as the case may be ("Interest"), as hereinafter set forth in this Article I.

Section 1.3 General Payment Terms. Principal and Interest due hereunder shall be paid in the lawful currency of the United States of America at such address as the OOGEDT may designate.

Section 1.4 Mandatory Repayment. The Principal, together with all accrued and unpaid Interest on the Principal balance, shall be due and payable upon demand by the OOGEDT upon the occurrence of an Event of Default (as hereinafter defined) in accordance with the terms hereinafter set forth and the terms of the Fund Agreement. In the event of any conflict between the terms hereof and the terms of the Fund Agreement with respect to mandatory repayment, the terms of the Fund Agreement shall control.

Section 1.5 Optional Prepayment. The Company may pay, at its option, all sums of unpaid Principal and accrued but unpaid Interest at any time on or after eighteen (18) months following the Effective Date if the Company elects to terminate the Fund Agreement in accordance with Section 2.13 of the Fund Agreement.

Section 1.6 Cancellation of Note. This Note shall be canceled, the Principal and Interest evidenced hereby shall be forgiven in its entirety and the Company shall be released of all covenants, liabilities and obligations under this Article I on and after the earlier of (a) the date ten (10) years after the Effective Date and (b) the consummation of a Qualifying Liquidation Event (as hereinafter defined).

Section 1.7 Qualifying Liquidation Event. "Qualifying Liquidation Event" means (a) the sale, conveyance, or other disposition of all or substantially all of the assets of the Company and its subsidiaries (taken as a whole) to persons who are not then Company Associates (as hereinafter defined) or Company Affiliates, or (b) the sale of the Company's then-outstanding equity securities by the Company's stockholders or the Company's merger into or consolidation with any other entity, in each such case, in which more than fifty percent (50%) of the voting power of the Company is transferred to persons who are not then Company Associates or Company Affiliates. "Company Affiliate" means a person who or that directly, or indirectly through one or more intermediaries, controls the Company or is controlled by, or is under Common control with, such a person.

Section 1.8 Events of Default.

(a) The occurrence or existence of any "Event of Default" under Section 2.07(B) of the Fund Agreement shall constitute an "Event of Default" hereunder.

(b) Upon the occurrence of any Event of Default, the OOGEDT shall have the right to (i) declare all sums of unpaid Principal and accrued but unpaid Interest and all other amounts properly payable under the Note immediately due and payable and (ii) unless otherwise limited hereunder or under the Fund Agreement, exercise any and all other rights available to it hereunder or under the Fund Agreement or at law or in equity, all of which rights and powers may be exercised cumulatively and not alternatively. Notwithstanding the foregoing, in the event that the OOGEDT shall receive any amounts of compensatory damages as a result of a claim of an event of default under the Fund Agreement, such amounts ("Damage Payments") shall be

deemed to reduce the amount of Principal then outstanding under the Note on a dollar for dollar basis. In the event that, following any Event of Default hereunder, the OOGEDT receives a Damage Payment or payment of any sum of then unpaid Principal and accrued but unpaid Interest on the Note, the OOGEDT hereby irrevocably elects to convert that number of shares of Series B Preferred Stock then held by the OOGEDT into shares of Common Stock of the Company in an amount equal to (1) the total number of the shares of Series B Preferred Stock then held by the OOGEDT multiplied by (2) the quotient obtained by dividing the amount of (A) any such Damage Payment or (B) any such repayment by the Company of Principal and interest on the Note, as the case may be, by the aggregate amount of Principal and interest outstanding and unpaid under the Note immediately prior to the receipt by the OOGEDT of such Damage Payment or Principal and interest repayment, as the case may be.

Section 1.9 Usury. Notwithstanding any provision to the contrary contained herein, the Fund Agreement or any other agreement entered into in connection with this Note or as security therefor or otherwise, it is expressly provided that in no case or event shall the aggregate of (a) all Interest on the unpaid balance of Principal, accrued or paid from the date hereof and (b) the aggregate of any other amounts accrued or paid pursuant hereto, which under applicable laws are or may be deemed to constitute interest upon the indebtedness evidenced hereby from the date hereof, ever exceed the Ceiling Rate (as hereinafter defined). In this connection, the Company and the OOGEDT stipulate and agree that it is their common and overriding intent to contract in strict compliance with applicable usury laws. In furtherance thereof, none of the terms hereof shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the Ceiling Rate. The Company or other parties now or hereafter becoming liable for payment of the indebtedness evidenced by the Note shall never be liable for interest in excess of the Ceiling Rate. If, for any reason whatever, the interest paid or received on the Note during its full term produces a rate which exceeds the Ceiling Rate, the OOGEDT shall credit against the principal of this Note (or, if such indebtedness shall have been paid in full, shall refund to the payor of such interest) such portion of said interest as shall be necessary to cause the interest paid on this Note to produce a rate equal to the Ceiling Rate. All sums contracted for, charged or received by the OOGEDT or the holder of this Note for the use, forbearance or detention of the indebtedness evidenced hereby shall, to the extent required to avoid or minimize usury and to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full stated term of this Note so that the interest rate does not exceed the Ceiling Rate. The provisions of this Section 1.9 shall control all agreements, whether now or hereafter existing and whether written or oral, between the Company and any holder of this Note. As used herein, the term "Ceiling Rate" means, on any day, the maximum nonusurious rate of interest permitted for that day by whichever of applicable federal or Texas laws permits the higher interest rate, stated as a rate per annum.

Section 1.10 Cost of Collection. If the OOGEDT retains an attorney in connection with any Event of Default or to collect, enforce or defend this Note or any papers intended to secure or guarantee it in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if the Company sues the OOGEDT in connection herewith or any such papers and does not prevail, then the Company agrees to pay to the OOGEDT, in addition to the Principal and Interest, all reasonable costs and expenses incurred by the OOGEDT in trying to collect this Note or in any such suit or proceeding, including reasonable attorneys' fees.

Section 1.11 Waivers. Except for any notices that are specifically required by another provision hereof, the Company and any and all endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and re-extended from time to time without notice to any of them. Each such person agrees that his, her or its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after the term hereof.

Section 1.12 Federal Tax Classification. It is expressly provided that the promise to pay to the order of the OOGEDT that is evidenced by this Note is not intended to be classified as indebtedness for U.S. federal income purposes unless and until an Event of Default occurs and the OOGEDT declares payable all sums of unpaid Principal. The Company and any and all endorsers, guarantors and sureties agree to report the Note consistent with this Section 1.12 for all U.S. federal income tax purposes except as otherwise required by law.

ARTICLE II

RIGHT TO PURCHASE

Section 2.1 Right to Purchase. This Article II consists of the Right to Purchase, which certifies that, for the value received, the OOGEDT is entitled to purchase from the Company up to the number of shares set forth in Section 2.3 below (subject to adjustment in accordance with the provisions hereof) of either (a) shares of common stock of the Company, $0.001 par value per share ("Common Stock"), or (b) shares ("Next Financing Shares") of the same class of capital stock or series of preferred stock as shall be issued in the First Qualifying Financing Transaction (as hereinafter defined).

Section 2.2 Purchase Price. The price per share (the "Purchase Price") of Common Stock or Next Financing Shares, as the case may be, purchased hereunder shall be $0.001 per share.

Section 2.3 Number of Shares.

(a) The number of shares of Common Stock or Next Financing Shares (in the case of Sections 2.3(a)(ii)(A) and (B) below) to be issued upon the OOGEDT's exercise of this Right to Purchase shall be equal to the quotient obtained by dividing:

(i) The total amount of the Award disbursed as of the date of the exercise, by

(ii) Either:

(A) if the First Qualifying Financing Transaction is closed and consummated on or before ninety (90) days after the Effective Date, then the Stock Price (as hereinafter defined) of such First Qualifying Financing Transaction; or

(B) if the First Qualifying Financing Transaction is closed and consummated after ninety (90) days following the Effective Date and on or prior to the date eighteen (18) months after the Effective Date, then eight-tenths (0.80) multiplied by the Stock Price of such First Qualifying Financing Transaction; or

(C) if no First Qualifying Financing Transaction is closed and consummated on or before the date eighteen (18) months after the Effective Date or the OOGEDT exercises its Right to Purchase prior to the closing and consummation of a First Qualifying Financing Transaction, then $100.00.

(b) No fractional shares shall be issued upon the exercise of this Right to Purchase. Instead of any fractional share that would otherwise be issuable upon a conversion hereunder, the Company shall pay the OOGEDT a cash amount in respect of such fractional share based upon the applicable Stock Price of the whole shares of Common Stock or Next Financing Shares, as the case may be, issuable to the OOGEDT upon such exercise.

(c) The Company shall (i) notify the OOGEDT in writing of the terms of the First Qualifying Financing Transaction as soon as practicable prior to the anticipated closing of such transaction; (ii) deliver all material closing documentation regarding the First Qualifying Financing Transaction to the OOGEDT so that the OOGEDT actually receives such documentation within three (3) business days of the closing of the First Qualifying Financing Transaction; and (iii) and provide promptly such additional information to the OOGEDT as the OOGEDT may reasonably request.

(d) "Stock Price" means, as applicable:

(i) With respect to Common Stock, (A) if Common Stock is sold in the First Qualifying Financing Transaction, the price per share at which such Common Stock is sold in the First Qualifying Financing Transaction; (B) if Common Stock is not sold in the First Qualifying Financing Transaction, the price per share of capital stock that is sold in the First Qualifying Financing Transaction as determined by dividing (1) the total amount received by the Company as consideration for the sale of such capital stock, plus the minimum aggregate amount of additional consideration payable to the Company upon the conversion or exchange of all such capital stock into Common Stock, if any, by (2) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of such capital stock; or (C) if there has been no First Qualifying Financing Transactions, then $100.00 per share; and

(ii) With respect to Next Financing Shares, the lesser of (i) the average price per share of Next Financing Shares, if any, that are sold to Company Associates and/or Company Affiliates in the First Qualifying Financing Transaction and (ii) the average price per share of Next Financing Shares that are sold to investors other than Company Associates and/or Company Affiliates in the First Qualifying Financing Transaction.

(e) "Company Associates" means, as of any particular date, the shareholders of the Company (including the holders of Common Stock, preferred stock, or other capital stock of the Company), debtholders of the Company, and holders of convertible securities or holders of any right to purchase or acquire any capital stock of the Company.

(f) "Company Affiliate" means a person who or that directly, or indirectly through one or more intermediaries, controls the Company or is controlled by, or is under common control with, such a person.

(g) "Associate Debt" means debt of the Company outstanding on the date of the First Qualifying Financing Transaction (regardless of whether such debt is evidenced by a promissory note, a convertible promissory note or any other form or instrument) that is owed to any Company Affiliate or any person (or any affiliate of such person) that is purchasing capital stock from the Company in the First Qualifying Financing Transaction.

(h) "Stock Acquisition" means the sale by the Company's shareholders of all of the issued and outstanding shares of capital stock of the Company to an acquiring person or entity.

(i) "First Qualifying Financing Transaction" means the earlier of (i) a Qualifying Liquidation Event and (ii) the first issuance and sale of Common Stock of the Company or other classes or series of authorized capital stock of the Company (excluding, however, (A) any securities of the Company, other than capital stock, that are convertible into or exchangeable or exercisable for capital stock of the Company, such as warrants, options, or convertible debt, and (B) any capital stock issued in exchange for the retirement or partial retirement of any Associate Debt, including without limitation any capital stock issued in exchange for any future promise to retire or partially retire any Associate Debt) to occur following the Effective Date in a public offering or private placement, for an aggregate amount of cash consideration received by the Company from persons other than Company Associates or Company Affiliates equal to or greater than Five Hundred Thousand Dollars ($500,000); provided, however, that, with respect to clause (ii) above, the cash proceeds received as consideration by the Company in the First Qualifying Financing Transaction shall not be directly used in any single transaction or any series of related transactions to make payments on any Associate Debt (unless the Company receives cash proceeds in the First Qualifying Financing Transaction in excess of Five Hundred Thousand Dollars ($500,000), in which case such excess amount may be used to make payments on Associate Debt).

Section 2.4 Purchase Procedure.

(a) The purchase rights represented by this Right to Purchase are exercisable by the OOGEDT or its assignee, in whole or in part, at any time on or after the Vesting Date (as hereinafter defined) and on or before the earlier of ninety (90) days after (a) the First Qualifying Financing Transaction and (b) the date thirty (30) months after the Effective Date, by delivering to the principal office of the Company, or at such other office or agency as the Company may designate by notice in writing to the OOGEDT, a duly executed Notice of Purchase in the form attached hereto as Exhibit A and, upon payment of the per share Purchase Price multiplied by the total number of shares thereby purchased (the "Aggregate Purchase Price") (at the sole option of the OOGEDT, to be paid by cash or by check or bank draft payable to the order of the Company, by cashless exercise as described below or by cancellation of indebtedness of the Company to the OOGEDT), whereupon the OOGEDT shall be entitled to receive a certificate for the number of shares of Common Stock or Next Financing Shares, as the case may be, so purchased. The OOGEDT, in its sole discretion, shall elect whether to purchase Common Stock or Next Financing Shares upon its exercise of the purchase rights hereunder.

(b) "Vesting Date" means the earlier of (i) the date eighteen (18) months after the Effective Date; (ii) the date on which the First Qualifying Financing Transaction is closed and consummated; or (iii) the date on which any of the following events occur: (A) any capital reorganization or any reclassification of the capital stock of the Company; (B) any consolidation or merger of the Company; (C) the disposition or transfer of assets of the Company other than in the ordinary course of the Company's business; (D) any dividend or other distribution to the holders of capital stock of the Company in the form of any asset, including without limitation securities of the Company; or (E) the dissolution, liquidation or winding up of the Company; or (iv) the date of a Stock Acquisition.

Section 2.5 Cashless Exercise. In lieu of paying the Purchase Price, the OOGEDT may exercise its purchase rights hereunder by cashless exercise, which shall be effected by converting the Right to Purchase (the "Conversion Right") into shares of Common Stock or Next Financing Shares, as the case may be, as follows. Upon exercise of the Conversion Right with respect to a particular number of shares of Common Stock or Next Financing Shares, as the case may be (the "Converted Right"), the Company shall deliver to the OOGEDT (without payment by the OOGEDT of any cash, cancellation of indebtedness or delivery of any other consideration) that number of shares of Common Stock or Next Financing Shares, as the case may be, equal to the quotient obtained by dividing (a) the difference between (i) the product of the Stock Price of a share of Common Stock or Next Financing Shares, as the case may be, and the number of such shares into which the Converted Right could have been exercised hereunder and (ii) the Aggregate Purchase Price that would have been payable upon such exercise of the Converted Right, by (b) the applicable Stock Price.

Section 2.6 Issuance of Shares. The issuance of Next Financing Shares upon exercise of the purchase rights under this Right to Purchase shall be upon and subject to the same terms and conditions (other than price and timing) applicable to the First Qualifying Financing Transaction and, subject to Section 3.4 below, the OOGEDT shall be entitled to all the same rights and preferences with respect to each share of Next Financing Shares held by the OOGEDT to which all other holders of shares of the same class and series of stock are entitled. All shares of Common Stock or Next Financing Shares, as the case may be, issued to the OOGEDT upon a purchase hereunder shall be validly issued, fully paid, non-assessable and free from all taxes, liens and charges. In case the OOGEDT shall exercise this Right to Purchase with respect to less than all of the shares that may be purchased hereunder, or if future disbursements of the Award are made under the Fund Agreement following any exercise hereof, this Right to Purchase shall thereafter represent the right to purchase the balance of such shares and any additional shares represented by such additional Award disbursement. The issuance of certificates for shares upon exercise of this Right to Purchase shall be made without charge to the holder thereof for any issuance tax in respect thereof or other cost incurred by the Company in connection with such exercise and the related issuance of the shares. Notwithstanding anything to the contrary provided herein, the OOGEDT shall not be required to execute, join or become a party to any other agreement, including any shareholders agreement, in connection with the issuance to the OOGEDT of Next Financing Shares or Common Stock.

Section 2.7 Reservation of Shares. The Company shall at all times reserve and keep available out of its authorized but unissued Common Stock, and once designated, Next Financing Shares, solely for the purpose of issuance upon the exercise of this Right to Purchase, the maximum number of shares issuable upon the exercise of this Right to Purchase. If at any time the number of authorized but unissued shares shall not be sufficient to permit exercise of this Right to Purchase, the Company shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock and Next Financing Shares to such number of shares as shall be sufficient for such purpose.

Section 2.8 Certain Adjustments. The number of shares of Common Stock or Next Financing Shares, as the case may be, purchasable hereunder and the Purchase Price shall be subject to adjustment from time to time as hereinafter provided.

(a) In case of (i) any capital reorganization or any reclassification of the capital stock of the Company, (ii) any consolidation or merger of the Company, (iii) the disposition or transfer of assets of the Company other than in the ordinary course of the Company's business, (iv) any dividend or other distribution to the holders of capital stock of the Company in the form of additional shares of capital stock of the Company or its subsidiaries, property of the Company or its subsidiaries (other than cash) or rights, options or warrants to purchase or otherwise acquire shares of capital stock of the Company or its subsidiaries, or (v) the dissolution, liquidation or winding up of the Company, this Right to Purchase shall thereafter be exercisable for and the OOGEDT shall thereafter be entitled to purchase (and it shall be a condition to the consummation of any such transaction or event that appropriate provision shall be made so that the OOGEDT shall thereafter be entitled to purchase) the kind and amount of shares of stock and other securities and property receivable in such transaction by a holder of the number of shares of Common Stock or Next Financing Shares, as the case may be, for which this Right to Purchase entitled the OOGEDT to purchase immediately prior to such capital reorganization, reclassification of capital stock, non-surviving combination or disposition or other transaction; and in any such case appropriate adjustments shall be made in the application of the provisions of this paragraph with respect to rights and interests thereafter purchasable upon the exercise of this Right to Purchase and the Purchase Price. In the case of a capital reorganization or reclassification, the number of shares that the OOGEDT is entitled to purchase hereunder shall be proportionately increased in the case of a split or subdivision or proportionately decreased in the case of a combination and the Purchase Price shall be proportionately decreased in the case of a split or subdivision or proportionately increased in the case of a combination.

(b) In the case of any cash dividends declared or paid on the Common Stock or the Next Financing Shares, as the case may be, of the Company prior to the exercise of this Right to Purchase, the OOGEDT shall be entitled, upon exercise of this Right to Purchase, to receive the value of any such dividends to the full extent as if the OOGEDT had exercised this Right to Purchase as of the date of declaration or payment of any such dividend. The OOGEDT, in its sole discretion, shall elect one of the two following methods for the Company to pay the value of such dividends to the OOGEDT: (i) in cash or (ii) by adjusting this Right to Purchase to represent the right to acquire, in addition to the number of shares receivable upon exercise hereof, and without payment of any additional consideration therefor, the amount of such other shares of Common Stock or the Next Financing Shares, as the case may be, of the Company that such holder could have purchased with such cash dividend at the Stock Price on the date of such exercise had it received such cash dividends on the date of their distribution and had thereafter retained such shares and/or all other additional stock available by it as aforesaid during such period, giving effect to all adjustments called for during such period by the provisions hereof.

(c) Notice of Adjustments or Dividends. Upon any event that has the effect of causing an adjustment of shares of securities purchasable (or payment of dividends) upon exercise of this Right to Purchase, a certificate, signed by (i) an authorized officer of the Company or (ii) an independent firm of certified public accountants selected by the Company at its own expense, setting forth in reasonable detail the events requiring the adjustment and the method by which such adjustment was calculated, shall promptly be mailed to the OOGEDT and shall specify the adjusted Purchase Price and the number of shares of securities (and payment of dividends) purchasable upon exercise of this Right to Purchase after giving effect to the adjustment.

Section 2.9 Stock Certificate Legend. Each certificate representing shares of Common Stock or Next Financing Shares issued pursuant to this Right to Purchase shall be imprinted with a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS AND UNTIL REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR UNLESS SUCH OFFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION IS EXEMPT FROM REGISTRATION OR IS OTHERWISE IN COMPLIANCE WITH THE ACT AND SUCH LAWS, AS THE SAME MAY BE AMENDED FROM TIME TO TIME.

THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF AN INVESTMENT UNIT AND AN EMERGING TECHNOLOGY FUND SECURITY AND AWARD AGREEMENT, EACH DATED AS OF __________, _____, BY AND BETWEEN THE COMPANY AND THE STATE OF TEXAS, ACTING BY AND THROUGH THE OFFICE OF GOVERNOR ECONOMIC DEVELOPMENT AND TOURISM, WHICH INVESTMENT UNIT AND AGREEMENT CONTAIN, AMONG OTHER PROVISIONS, RESTRICTIONS ON THE TRANSFER, SALE, OR OTHER DISPOSITION OF THE SHARES EVIDENCED BY THIS CERTIFICATE. A COPY OF SUCH INVESTMENT UNIT AND AGREEMENT HAS BEEN FILED, AND IS AVAILABLE FOR REVIEW BY THE RECORD HOLDER OF THIS CERTIFICATE, AT THE PRINCIPAL OFFICE OF THE COMPANY.

Section 2.10 No Impairment. So long as this Right to Purchase is outstanding and unexercised, the Company shall not, by amendment of its certificate of formation (or other formation document) or bylaws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in the carrying out of all the provisions of this section and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the OOGEDT hereunder against impairment.

ARTICLE III

MISCELLANEOUS

Section 3.1 Representations and Covenants of the Company.

(a) The Company shall comply with the Act, all applicable state securities laws, and all other applicable laws and regulations in respect of the issuance of this Unit and the issuance of any securities issued or issuable under Article II hereof, and shall timely make all required filings and reports under such laws and regulations.

(b) The Company represents that it has the power to issue this Unit and to carry out the obligations hereunder, and the execution, delivery and performance by the Company of this Unit has been duly authorized by all necessary corporate action.

(c) The Company shall maintain or cause to be maintained books, records, documents and other evidence pertaining to compliance with the requirements contained in this Unit, and during all such time when the OOGEDT is holding this Unit or any securities issued upon the exercise of the Right to Purchase under Article II hereof, upon request shall allow or cause the entity which is maintaining such items to allow the OOGEDT, or auditors for the OOGEDT, including the State Auditor for the State of Texas, to inspect, audit, copy, or abstract, all of its books, records, papers, or other documents relevant to this Unit and the securities issued or issuable upon exercise of the Right to Purchase under Article II hereof. The Company shall use or cause the entity that is maintaining such books and records to use generally accepted accounting principles in the maintenance of such books and records, and shall retain or cause to be retained all of such books, records, documents and other evidence for a period of seven (7) years from and after the later of (i) the date that the Fund Agreement is terminated or the Fund Agreement’s term expires and (ii) unless the Right to Purchase hereunder expires without having been exercised, the date on which the OOGEDT fully divested all rights and ownership of all stock that was issued upon the OOGEDT’s exercise of its Right to Purchase under Article II hereof.

Section 3.2 Representations and Covenants of the OOGEDT. The OOGEDT, by acceptance of this Right to Purchase, agrees that the right to purchase shares of Common Stock, Next Financing Shares or other securities to be issued upon exercise hereof are being acquired for the OOGEDT's own account to be held on behalf of the State of Texas pursuant to the provisions of Chapter 490 of the Texas Government Code and that the OOGEDT shall not offer, sell or otherwise dispose of this Right to Purchase or any shares issuable hereunder except under circumstances that will not result in a violation of the Act or any securities laws of any state. Otherwise, the OOGEDT is permitted at any time and without limitation to offer, sell or otherwise dispose of this Right to Purchase and any securities issued hereunder in a manner that is in compliance with the Act and any applicable state securities laws of, including making such offers, sales or dispositions under Rule 144 of the Act. Prior to any offer, sale, or other disposition of this Right to Purchase and any securities issued hereunder, the OOGEDT shall provide the Company with fifteen (15) days written notice thereof.

Section 3.3 Notices. Any notice, request or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or mailed by registered or certified mail, postage prepaid, or by recognized overnight courier or personal delivery at the respective addresses of the parties as set forth herein or on the register maintained by Company. The Company and the OOGEDT may by notice so given change the OOGEDT's and Company's respective address for future notice hereunder. Notice shall conclusively be deemed to have been given when received. The current addresses for notice are as follows:

To OOGEDT: Financial Services
ETF Compliance
PO Box 12878
Austin, TX 78711-2878
Email: ETF.Compliance@governor.state.tx.us

with a concurrent copy to:

ATTN: Emerging Technology Fund Award Program
General Counsel
Office of the Governor
P.O Box 12428
Austin, Texas 78711
Phone: 512-463-1788
Fax: 512-463-1932

To Company: John Porter
Chief Executive Officer
First Detect
401 Congress Avenue, Suite 1650
Austin, Texas 78701
Phone: (512) 485-9530
Fax: (512) 485-9531

Section 3.4 No Rights as Shareholder. Nothing in the Unit shall be construed as conferring on the OOGEDT or any other person any voting rights or other rights as a shareholder of the Company. Further, from and after any exercise of the Right to Purchase under Article II hereof, so long as the OOGEDT holds such capital stock, the OOGEDT shall grant a revocable proxy (the "Proxy") of all its voting rights to the then-current Chief Executive Officer (or, if no Chief Executive Officer is then serving, President) of the Company with respect to each matter that is presented for a vote to holders of capital stock held by the OOGEDT, substantially in the form attached hereto as Exhibit B (which form shall provide, among other things, that such Proxy shall be voted in proportionate accordance to the votes of such other holders (holding shares of the same class and series of stock as the OOGEDT) on the matter). It is the general intent of the OOGEDT not to revoke the Proxy unless the OOGEDT's rights and interests would be adversely and disproportionately effected in connection with a matter on which the OOGEDT otherwise would have the right to vote, and any such determination regarding whether any such matter has or would have an adverse or disproportionate effect on the OOGEDT's rights and interests shall be made in the sole discretion of the OOGEDT. Notwithstanding anything to the contrary herein, in the Fund Agreement or in connection with the OOGEDT's grant of the Proxy, upon exercise of the Right to Purchase hereunder, the OOGEDT shall become the record holder of the Common Stock or Next Financing Shares, as the case may be, and shall have all legal and beneficial ownership rights thereto at all times (except as is specifically set forth in the Proxy). In addition, notwithstanding the OOGEDT's grant of the Proxy, the Company shall provide the OOGEDT with all notices to which holders of Common Stock or Next Financing Shares, as the case may be, are entitled, including without limitation all notices of shareholders' meetings and all notices of any votes upon any matters submitted for a vote of the holders of Common Stock or the Next Financing Shares, as the case may be, which notices shall be delivered by the Company to the OOGEDT on or before such date as shall provide the OOGEDT with adequate time to revoke the Proxy prior to such meeting or vote if the OOGEDT so chooses.

Section 3.5 Right of First Offer. If the OOGEDT shall decide at any time that it wants to sell, transfer or assign all or any portion of its Common Stock or Next Financing Shares (as the case may be, the "Offered Shares") to any person or entity that is not another Texas state agency, the OOGEDT shall first provide the Company with a written offer to sell the Offered Shares to the Company at a specified price per share. The Company shall then have thirty (30) days to accept or reject such offer with respect to all but not less than all of the Offered Shares. If the Company irrevocably accepts the offer within the applicable time period, the Company shall have an additional thirty (30) days to complete the purchase of the Offered Shares. The Company shall be permitted to assign its purchase right under this Section 3.5 to one or more of its directors or executive officers, but this right shall be otherwise non-assignable by the Company. If the Company rejects the offer or fails to accept the offer within the applicable time period with respect to all of the Offered Shares, then the OOGEDT may sell all or a portion of the Offered Shares that have been offered but not accepted for purchase by the Company within one hundred eighty (180) days of such rejection or expiration of the time period for response to any person or entity; provided, that the OOGEDT does not sell any of the Offered Shares for less than one hundred percent (100%) of the per share price the OOGEDT offered to the Company. If the OOGEDT does not sell the Offered Shares within the time period and for the price indicated above, it must comply again with the provisions of this Section 3.5 before selling all or any portion of the Offered Shares.

Section 3.6 Unit Register. The Company shall maintain at its principal executive office books for the registration and the registration of transfer of the Unit. The Company may deem and treat the OOGEDT as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone) for all purposes, and neither the Company nor the OOGEDT shall be affected by any notice to the contrary.

Section 3.7 Transfers. The Company shall not close its books against the transfer of this Unit or of any shares issued or issuable upon the exercise of the Right to Purchase under Article II hereof in any manner which interferes with the timely exercise of the Right to Purchase.

Section 3.8 Assignment. Except as specifically set forth in Section 3.5. the Company shall not assign this Unit or any of its rights or obligations hereunder without the prior written consent of the OOGEDT. Except as otherwise required by Section 3.5 above, the OOGEDT may assign this Unit and any of its rights or obligations hereunder without the consent of the Company but must first provide the Company with fifteen (15) days written notice of such assignment. Subject to the foregoing, this Unit and all terms, provisions and obligations set forth herein shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns and all other state agencies and any other agencies, departments, divisions, governmental entities, public corporations and other entities that shall be successors to any of the parties or that shall succeed to or become obligated to perform or become bound by any of the covenants, agreements or obligations hereunder of any of the parties hereto.

Section 3.9 Governing Law and Venue. This Unit shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America from time to time in effect, without regard to any otherwise applicable conflict of law rules or requirements. The Company and all endorsers, guarantors and sureties irrevocably agree that any action, claim, suit, litigation or other proceeding (collectively, "Litigation") arising out of or in any way relating to this Unit, or the matters referred to therein, shall be commenced exclusively in the Travis County District Court or the United States District Court for the Western District of Texas, Austin Division, and hereby irrevocably and unconditionally consents to the exclusive jurisdiction of those courts for the purpose of prosecuting and/or defending such Litigation. The Company and all endorsers, guarantors and sureties hereby waive and agree not to assert by way of motion, as a defense, or otherwise, in any Litigation that (a) the Company is not personally subject to the jurisdiction of the above-named courts, (b) the Litigation is brought in an inconvenient forum or (c) the venue of the Litigation is improper.

Section 3.10 Replacement. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Unit and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory to the Company, or in the case of any such mutilation, upon surrender and cancellation of the mutilated Unit, the Company shall execute and deliver, in lieu thereof, a new Unit of like date and tenor.

Section 3.11 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

Section 3.12 Proceeds. This Unit, the securities issuable upon exercise of the Right to Purchase under Article II hereof, and all amounts of cash or other benefits earned or received by the OOGEDT hereunder or by sale hereof, are held for and on behalf of the State of Texas. Any and all cash received by the OOGEDT under or by sale of this Unit or the securities issuable under the Right to Purchase shall be deposited into the Emerging Technology Fund in accordance with Chapter 490 of the Texas Government Code.

Section 3.13 Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

Section 3.14 Further Assurances. The Company and the OOGEDT shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other person, and otherwise fulfilling, or causing the fulfillment of, the various obligations made herein), as may be reasonably required or desirable to carry out or to perform the provisions of this Unit and to consummate and make effective as promptly as possible the transactions contemplated by this Unit.

Section 3.15 Agreement by OOGEDT. Receipt of this Unit by the OOGEDT shall constitute acceptance of and agreement to the foregoing terms and conditions.

Section 3.16 Amendment. Any term of this Unit may be amended and the observance of any term of this Unit may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the OOGEDT.

Section 3.17 Headings. The section headings in this Unit are inserted for purposes of convenience only and shall have no substantive effect.

Section 3.18 Survival. The warranties, representations and covenants contained in or made pursuant to this Unit shall survive the execution and delivery of this Unit and shall survive any breach, expiration or termination of the Fund Agreement. Notwithstanding anything herein to the contrary, this Unit, including without limitation the Right to Purchase under Article II hereof, shall survive the repayment of the Note.

Section 3.19 Exhibits. The exhibits referred to herein are hereby incorporated fully herein by this reference.

[*Remainder of page intentionally left blank.*]

IN WITNESS WHEREOF, the Company has caused this Investment Unit to be signed by its duly authorized officers in Austin, Texas as of the date and year first written above.

1st Detect Corporation

____

John Porter
Chief Executive Officer

EXHIBIT A

Notice of Purchase

The undersigned, representing the State of Texas, acting by and through the Office of Governor Economic Development and Tourism, together with its nominees or assigns (the "OOGEDT"), pursuant to the provisions of the Investment Unit, dated [__________] (the "Unit"), issued to the OOGEDT by 1st Detect Corporation, a Delaware corporation (the "Company"), hereby agrees to subscribe for and purchase __________ shares of [Common Stock / Series _____ Preferred Stock], par value $0.001 per share, of the Company covered by the Right to Purchase (as defined in the Unit), and makes such payment therefor in full at the Purchase Price (as defined in the Unit) either in cash, by cashless exercise or by other method as provided by the Unit.

Signature: ______________________________

Name: ______________________________

Title: ______________________________

Dated: ______________________________

INSTRUCTIONS FOR REGISTRATION OF STOCK:

Name ____

(please type or print in block letters)

Address ____

Address ____

Exhibit B

Form of Revocable Proxy

CONTINUING REVOCABLE PROXY

The State of Texas, acting by and through the Office of the Governor Economic Development and Tourism (the "undersigned"), hereby grants to the then-current Chief Executive Officer (or, if no Chief Executive Officer is serving, President), of 1st Detect Corporation, a Delaware corporation (the "Company"), a proxy with full power of substitution to vote, or execute and deliver written consents or otherwise act with respect to the [INSERT NUMBER] shares of Stock the undersigned owns, beneficially or of record, that were issued to the undersigned by the Company on __________ ___, 2___, in proportionate accordance to the votes on the applicable matter of such other holders of the Company's Stock who hold shares of the same class and series as held by the undersigned, as fully, to the same extent and with the same effect as the undersigned might or could do under any applicable laws or regulations governing the rights and powers of shareholders of a Texas corporation, and in connection therewith to execute any documents which are necessary or appropriate in order to effectuate the foregoing, on any matter requiring the vote of the holders of the Stock, or by written consent in lieu of a meeting, or otherwise, or whether such vote is to be cast in person, or by proxy, or as otherwise permitted by law. The proxy granted herein (x) shall be revocable at any time by the undersigned upon notice by the undersigned to the Company and, (y) notwithstanding Section 21.368 of the Texas Business Organizations Code, Article 2.29(C) of the Texas Business Corporation Act, or any similar or successor statute, shall remain valid and in effect from the date hereof until the date it is revoked as described in clause(x) preceding.

Date: __________, ___ 2___

THE STATE OF TEXAS

____

By:
Title: Chief of Staff
Office of the Governor

Exhibit 10.63

SEPARATION AGREEMENT

This Separation Agreement (the "Agreement") is made between (1) James D. Royston ("Royston") and (2) Astrotech Corporation, f/k/a SPACEHAB Incorporated (the "Company"). Royston and the Company are sometimes collectively referred to as the "Parties." This Agreement is effective eight (8) days after the date of Royston's signature below so long as Royston has not exercised his right to revoke this Agreement prior to such time (the "Effective Date").

WHEREAS, the Company employed Royston pursuant to an Employment Agreement, dated October 6, 2008 (the "Employment Agreement"), which is attached as Exhibit A;

WHEREAS, the Company terminated Royston from all positions with the Company or any of its affiliates effective July 13, 2010 ("Date of Termination"); and

WHEREAS, the Parties desire to have no further obligations to each other, except as specifically provided herein.

NOW, THEREFORE, in consideration of the promises, covenants and undertakings set forth herein, and in full compromise, release and settlement, accord and satisfaction and discharge of all claims or causes of action, known or unknown, the Parties agree as follows:

1. Termination.

Royston's employment with the Company and any its affiliates ended, effective July 13, 2010, and Royston ceased to perform services for the Company as of such date.

2. Severance/Tax Obligation.

In exchange for the agreements made by Royston as set forth below, and for other valuable consideration, the receipt and sufficiency of which Royston and the Company acknowledge, the parties have agreed that certain severance payments are owed to Royston. The parties also acknowledge and agree that Royston owes the Company certain payments to fulfill Royston's tax obligations. After comparing the payments both parties owe to each other, the parties agree that the net result is that Royston owes the Company $3,312.53 and that he will issue a check in that amount of $3,312.53 made out to Astrotech Corporation on the Effective Date of this Agreement. The Company will not make any payments to Royston under this Agreement, except as set forth in Section 3 and 4. For accounting purposes, the parties' obligations to each other are set forth below.

(a) The Company has previously paid Royston $18,714.23, less usual withholdings, as payment for Royston's unused paid time off ("PTO") of 185.36 hours. Royston acknowledges receipt of this payment and agrees that this payment is in satisfaction of all unused PTO owed to Royston and that no further amounts of PTO are due.

(b) To the extent permitted under the applicable plans, programs or policies, if any maintained by the Company, including any pension, disability and life insurance plans, policies or programs (collectively the "Plans"), the Company will pay Royston (or direct that payment be made to Royston) all previously earned, accrued, vested and unpaid benefits from the Plans, which benefits, if any, will be payable as provided pursuant to the terms of the applicable Plans and any applicable benefit election forms or related documentation. The parties agree and acknowledge that Royston is owed $18,000.00, less usual withholdings, under the Company's Long Term Incentive Compensation program.

(c) The parties acknowledge and agree that the Company owes to Royston as severance $157,500.00, less usual withholdings (the "Severance Payment"). If Royston is a "specified employee," as defined in section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), except to the extent that any amounts payable to Royston as a Severance Payment are not treated as deferred compensation under Code section 409A, the Severance Payment will not be made until the earlier of (i) the expiration of the six (6) month period measured from the Termination Date and (ii) the date of Royston's death.

(d) The parties acknowledge and agree that the Company owes Royston $6,461.53, less usual withholdings, as payment for the continuation of Royston's base salary during the payroll period containing the Date of Termination.

(e) The parties acknowledge and agree that the Company is entitled to withhold $123,329.54 from the amounts due to Royston under this Agreement in satisfaction of Royston's obligation pursuant to the restricted stock agreements entered into between Royston and the Company on July 18, 2008 and November 13, 2009 to remit to the Company the amount necessary for the Company to meet its tax withholding obligations with respect to the fifty thousand (50,000) shares of restricted stock that vested on January 15, 2010 and the one hundred, fifty thousand (150,000) shares of restricted stock that vested as of July 13, 2010.

(f) The Parties agree that the severance obligations referenced in this Paragraph 2 are in full and complete satisfaction of any obligations on the part of the Company. The Parties agree that no additional amounts are due under the Employment Agreement.

3. Expense Payments.

The Company will reimburse Royston for any reasonable and customary business expenses incurred by him before the Date of Termination, which will be paid in accordance with Company policy, provided that such expenses are submitted on an expense report within ten (10) days of the Effective Date of this Agreement. Payment for such expenses will be made within fifteen (15) business days after the Company's receipt of such expense report.

4. Additional Severance Obligation (COBRA Payments).

During the twelve-month period after Royston's employee insurance coverage ends ("Severance Period"), the Company shall pay for the premium costs for Royston and Royston's enrolled dependants' at the time of the Date of Termination to continue group health insurance coverage, including medical, dental and vision coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), provided that (i) Royston makes a timely election to continue such coverage under COBRA and timely completes all necessary paperwork and (ii) Royston reimburses the Company $154.48 per month for the employee-paid portion of Royston's and his dependents' insurance premiums as of the Date of Termination; such reimbursement will be made in the form of a check payable to Astrotech Corporation and shall be mailed to the attention of Barbara Cory, Astrotech Corporation, 907 Gemini, Houston, TX 77058 on or before the fifth day of each month (such premium payment is referred to as the "Subsidized Continued Coverage"). The Subsidized Continued Coverage will be treated as and counted against Royston's and his dependents' statutorily mandated period of continuation coverage under COBRA. In the event that Royston secures other employment providing health insurance coverage during the Severance Period, the Company's obligations under this Section 4 will cease as of the date on which Royston's new health insurance coverage becomes effective, and Royston hereby agrees promptly to notify the Company of such coverage. Upon completion of the Severance Period, a breach of this Agreement, or Royston's acquisition of new health insurance coverage, whichever occurs first, Royston and/or his dependents may, at his/their option, be eligible to elect to continue to receive continuation coverage under COBRA at his/their sole expense for the remainder of the applicable COBRA continuation coverage period in accordance with the eligibility requirements of COBRA. The amount of any such premium expenses paid in one year will not affect the premium expenses eligible for payment in any subsequent year, and Royston's right to such payment will not be subject to liquidation or exchange for any other benefit. The payment of premium expenses pursuant to this Section 4 will also satisfy all other requirements of the regulations under Code section 409A with respect to any such reimbursements.

5. Vesting of Restricted Stock.

Effective as of his Date of Termination, the Company shall grant to Royston 150,000 shares of restricted stock in accordance with the terms and conditions set forth in the restricted stock agreements entered into between Royston and the Company on July 18, 2008 and November 13, 2009.

6. Release.

Royston settles, releases and waives all claims, counter claims, liens, demands, causes of action, obligations, damages and liabilities, expenses, costs, attorneys' fees, damages, indemnities, obligations and/or liabilities of any nature whatsoever, whether known or unknown, that Royston ever had, now has or may hereafter claim to have against the Company and their stockholders, investors, officers, agents, directors, employees, affiliates, parents, subsidiaries, divisions, predecessors, successors or assigns thereof, including, but not limited to, all claims of unlawful discrimination, harassment or retaliation under state, local or federal law (including but not limited to, Title I of the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, Older Workers' Benefit Protection Act, the Age Discrimination in Employment Act, the Texas Labor Code, or 42 U.S.C. § 1981); any claim for stock options, equity awards, stock repurchases, unpaid wages, bonuses, severance, vacation, expenses, relocation expenses or commissions; any claim for breach of the Employment Agreement or any employment contract or other agreement; any claims for any violation of any other federal, state or local statute, ordinance or regulation, or the Constitution of the United States or the State of Texas; any claims of personal injury or other tort; any and every other claim arising under federal or state common law; and all claims for attorneys' fees.

This release, however, does not waive any rights or claims that may arise after the date Royston signs this agreement and this release will not operate to extinguish any rights of Royston to receive workers' compensation benefits or benefits under the Company's employee benefits plans, which shall be due and payable in accordance with the terms and conditions of such plans.

7. Covenant Not to Sue.

Royston warrants and covenants that he shall never institute, maintain or prosecute, or induce or assist in the instigation, commencement, maintenance or prosecution of any action, suit, proceeding or administrative charge in any forum that has or could have been asserted as of the Effective Date of this Agreement against the Company or any of its owners, officers, agents, directors, employees, affiliates, parents, subsidiaries, divisions, predecessors, successors or assigns thereof.

Royston further agrees and covenants that he will not seek or accept any personal, equitable or monetary relief in any action, suit, proceeding or administrative charge filed by one party on his behalf by any person, organization or other entity against the Company.

8. Company Property.

Royston agrees to return all property belonging to the Company as of the date Royston signs this Agreement. Royston acknowledges and agrees that he will perform a complete search of Royston's home(s), office(s), automobile(s), computers, electronic devices, and cellular and other phones for any property, including trade secrets and confidential information, that may belong to the Company. Royston acknowledge and agrees that he will search for, amongst other things, hard copy documents, email, telephone numbers, contact information, equipment, devices and computer files, and that Royston will return all such property to the Company, and will no longer retain any such property.

9. Confidentiality.

The Parties agree that the existence and terms of this Agreement are strictly confidential. Unless otherwise required by law or as may be required to be reflected in financial statements by generally accepted accounting principles, the Parties shall limit disclosure of this Agreement to legal counsel, immediate family, accountants, financial and tax advisors and officials with responsibility for determining tax liability or corporate valuation. With the exception noted in Section 10, Royston further agrees that he will keep confidential all aspects of his employment and other involvement with the Company, such that if any third party asks about the Company, Royston's employment with the Company, or Royston's departure from the Company, Royston will state that "all matters have been resolved amicably" and "no further comment is permitted."

10. <u>Non-disparagement and Non-acquisition</u>.

Royston agrees that he will not make any statements, written or verbal, or cause, participate or encourage others to make any statements, written or verbal, that defame or disparage the personal or business reputation, practices or conduct of the Company, its employees, directors and stockholders. Royston also agrees not to contact, communicate with, cooperate with or assist any person or entity (or their counsel) making or threatening to make any legal claim against the Company; provided however, nothing herein shall prohibit Royston from providing truthful testimony pursuant to any validly issued subpoena or court order. Royston agrees to provide the Company a copy of such subpoena or court order within three business days of receipt of any such subpoena or court order. Royston shall not speak with Company employees or any third party about the Company unless specifically in writing directed by the Company's Board of Directors; provided however, that Royston may communicate with potential employers about duties, responsibilities, and achievements during his employment with the Company, subject to this Section 10 and his confidentiality obligations to the Company.

The Company, through its directors and executive officers, acting within the scope of their duties and authority, agrees not to, directly or indirectly, disclose, communicate, or publish any non-factual information concerning or related to Royston.

Royston agrees that he and his affiliates (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) will not (and he and they will not assist, provide or arrange financing to or for others or encourage others to), directly or indirectly, acting alone or in concert with others, unless specifically requested in writing in advance by the Company's Board of Directors:

(a) acquire or agree, offer, seek or propose to acquire (or request permission to do so), ownership (including, but not limited to, beneficial ownership as defined in Rule 13d-3 under the Exchange Act) of any of the assets or businesses of the Company or any securities, bank debt or trade debt issued by the Company, or any rights or options to acquire such ownership (including from a third party), other than the acquisition or holding of an interest in a mutual fund registered as an open-end management investment company under the Investment Company Act of 1940 with assets under management of at least $500 million, that holds not more than 2% of the outstanding common stock of the Company.

(b) seek or propose to influence or control the management or the policies of the Company or to obtain representation on the Company's Board of Directors, or solicit, or participate in the solicitation of, any proxies, consents or votes with respect to any securities of the Company or with respect to any plan of reorganization filed by the Company or any other person in connection with a bankruptcy or similar proceeding under state or federal law involving the Company or any of its subsidiaries,

(c) enter into any discussions, negotiations, arrangements or understandings with any third party with respect to any of the foregoing, or

(d) seek or request permission to do any of the foregoing or make or seek permission to make any public announcement with respect to any of the foregoing.

If at any time during such period Royston is approached by any third party concerning his or their participation in a transaction involving the assets or businesses of the Company or securities issued by the Company, Royston will promptly inform the Company of the nature of such contact and the parties thereto.

11. Remedies for Violation of Certain Covenants.

In the event Royston breaches Sections 9 or 10 of this Agreement or Sections 11, 12, 15, 16 or 17 of his Employment Agreement (together, the "Covenants"), all payments due pursuant this Agreement shall cease and no further payments shall be due. In addition, any payments made by the Company pursuant to this Agreement while Royston was in breach of any of the Covenants shall be returned to the Company plus interest at the prime rate as quoted from time to time during the relevant period in the Southwest Edition of The Wall Street Journal.

The Company will be entitled to bring suit to recover any and all damages, both direct and consequential, that may be sustained as a result of Royston's breach or threatened breach of the Covenants. In addition, the Company will be entitled to specific performance and/or a temporary or permanent injunction prohibiting and enjoining Royston from violating the Covenants. For purposes of obtaining equitable relief, the Company need not prove, and Royston hereby admits, that irreparable harm or injury will have occurred as a result of any breach of the Covenants. The Company retains all its rights under the Employment Agreement to enforce Sections 11, 12, 15, 16 or 17 of the Employment Agreement.

12. Future Cooperation.

In the event that the Company becomes involved in any civil or criminal litigation, administrative proceeding or governmental investigation, Executive shall, upon request, provide reasonable cooperation and assistance to the Company, including without limitation, furnishing relevant information, attending meetings and providing statements and testimony. The Company will reimburse Executive for all reasonable and necessary expenses Executive incurs in complying with this Section 12.

13. Denial of Liability.

No provision contained herein shall be construed as an admission by Royston or the Company of improper conduct, omissions or liability.

14. Adequacy of Consideration.

The Parties agree that the consideration given by the other pursuant to this Agreement is adequate and sufficient to make their respective obligations under this Agreement final and binding.

15. No Right to Future Employment.

Royston hereby waives all rights to recall, reinstatement, employment, reemployment, and past or future wages from the Company or any the Company Affiliate. Royston further agrees not to apply for employment with the Company or any the Company Affiliate.

16. Miscellaneous.

A. Entire Agreement.

With the exceptions of Royston's surviving obligations in the Employment Agreement, including Sections 11, 12, 15, 16, 17, 18, 19, 22, and 29 the Parties agree that this Agreement sets forth the entire agreement of the Parties on this subject matter and supersedes and extinguishes any and all prior statements, agreements, representations (including any oral representations) or understandings by or among the Parties, and may not be modified or amended except in writing, executed by all of the Parties. The Parties also agree and acknowledge that all obligations under the Employment Agreement have been satisfied.

B. Validity of Remaining Terms.

Should any provision of this Agreement be determined to be illegal, invalid, or otherwise unenforceable, the validity of the remaining terms and provisions hereof will not be affected thereby but such will remain valid and enforceable, and the illegal or invalid terms or provisions shall be deemed not to be a part of this Agreement.

C. Choice of Law/Interpretation.

This Agreement is entered into in the State of Texas, and shall in all respects be interpreted, enforced, and governed by the laws of the State of Texas, without regard to its principles governing the conflicts of laws. The language of this Agreement shall be construed as a whole, according to its fair meaning, and shall not be construed strictly for or against either of the Parties. The headings used herein are used for reference only and shall not affect the construction of this Agreement.

D. Advice to Consult Attorney.

Royston represents that he has been advised to consult with an attorney before signing this Agreement and that he is relying solely on his own judgment and the advice of his own counsel in making this Agreement.

E. Revocation Period.

For a period of seven (7) days following Royston's signing this Agreement, Royston may revoke this Agreement ("Revocation Period") by ensuring receipt of written notice of revocation by John M. Porter, Senior Vice President & Chief Financial Officer, 401 Congress Ave., Suite 1650, Austin, TX 78701 by 5:00 pm, Central Standard Time on the seventh day after Royston signs this Agreement. This Agreement shall not become effective or enforceable until the Revocation Period has expired. Any obligations on the part of the Company are contingent upon Royston not exercising his right to revoke.

F. No Waiver.

One or more waivers of a breach of any covenant, term or provision of this Agreement by any party shall not operate or be construed as a waiver of any subsequent breach of the same covenant, term or provision, nor shall it be considered a waiver of any other then existing or subsequent breach of a different covenant, term or provision.

G. 21 Days to Review.

Royston warrants and represents that he has had at least twenty-one (21) days to review this Agreement to decide whether to sign this Agreement and be bound by its terms.

AGREED:

Date: ______________________ ______________________

James D. Royston

Astrotech Corporation

Date: ______________________ ______________________

By: ______________________

Title: ______________________

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated August 30, 2010, accompanying the consolidated financial statements of Astrotech Corporation included in this Form 10-K for the year ended June 30, 2010. We hereby consent to the incorporation by reference of said reports in the Registration Statements of SPACEHAB, Incorporated on Forms S-8 (File No. 333-36779, effective November 3, 1997, File No. 333-43159, effective December 24, 1997, and File No. 333-43181, effective December 24, 1997) and Form S-4 (File No. No. 333-126772, effective September 6, 2005).

PMB HELIN DONOVAN, LLP

/s/ PMB Helin Donovan, LLP

Austin, Texas
August 30, 2010

EXHIBIT 31.1

Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934

I, Thomas B. Pickens, III, certify that:

(1) I have reviewed this annual report on Form 10-K of Astrotech Corporation, a Washington corporation (the "registrant");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2010

by: /s/ Thomas B. Pickens, III
Thomas B. Pickens, III
Chief Executive Officer

EXHIBIT 31.2

Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934

I, John M. Porter, certify that:

(1) I have reviewed this annual report on Form 10-K of Astrotech Corporation, a Washington corporation (the "registrant");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2010

by: /s/ John M. Porter
John M. Porter
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OLXLEY ACT OF 2002

In connection with the annual report on Form 10-K of Astrotech Corporation (the "Company") for the fiscal year ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, Thomas B. Pickens, III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas B. Pickens, III

Thomas B. Pickens, III, Chief Executive Officer
August 30, 2010

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, as is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OLXLEY ACT OF 2002

In connection with the annual report on Form 10-K of Astrotech Corporation (the "Company") for the fiscal year ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, John M. Porter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John M. Porter

John M. Porter, Chief Financial Officer
August 30, 2010

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, as is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.