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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2014

OR

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

For the transition period from _____ to _____

Commission File Number: 001-34426

Astrotech Corporation

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-1273737
(I.R.S. Employer
Identification No.)

**401 Congress Avenue, Suite 1650
Austin, Texas 78701**
(Address of principal executive offices and zip code)

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

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 its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

As of February 10, 2015, the number of shares of the registrant's common stock outstanding was: 20,013,787

ASTROTECH CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
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PART I: FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

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

	December 31, 2014	June 30, 2014
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	\$ 6,790	\$ 3,831
Short-term investments	35,580	—
Accounts receivable, net of allowance	55	59
Prepaid expenses and other current assets	993	389
Discontinued operations – current assets	—	1,405
Total current assets	43,418	5,684
Property and equipment, net	1,154	1,211
Indemnity receivable	6,100	—
Discontinued operations – net of current assets	—	33,887
Total assets	\$ 50,672	\$ 40,782
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 300	\$ 996
Accrued liabilities and other	1,201	1,753
Income tax payable	448	—
Discontinued operations – current liabilities	—	7,344
Total current liabilities	1,949	10,093
Other liabilities	127	152
Discontinued operations – net of current liabilities	—	237
Total liabilities	2,076	10,482
Stockholders' equity		
Preferred stock, no par value, convertible, 2,500,000 authorized shares, no issued and outstanding shares, at December 31, 2014 and June 30, 2014	—	—
Common stock, no par value, 75,000,000 shares authorized; 20,013,787 and 19,856,454 shares issued at December 31, 2014 and June 30, 2014	184,089	183,866
Treasury stock, 470,460 shares at cost	(641)	(237)
Additional paid-in capital	1,088	1,671
Accumulated deficit	(135,940)	(156,800)
Noncontrolling interest	—	1,800
Total stockholders' equity	48,596	30,300
Total liabilities and stockholders' equity	\$ 50,672	\$ 40,782

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Revenue	\$ 4	\$ 82	\$ 324	\$ 82
Cost of revenue	4	—	281	—
Gross profit	—	82	43	82
Operating expenses:				
Selling, general and administrative	2,012	2,023	3,972	3,575
Research and development	984	350	1,676	1,156
Total operating expenses	2,996	2,373	5,648	4,731
Loss from operations	(2,996)	(2,291)	(5,605)	(4,649)
Other income (expense), net	24	(1)	36	11
Loss from continuing operations before income taxes	(2,972)	(2,292)	(5,569)	(4,638)
Income tax benefit	734	557	2,059	1,730
Loss from continuing operations	(2,238)	(1,735)	(3,510)	(2,908)
Discontinued operations (Note 3)				
Income (loss) from operations of ASO business (including gain from sale of \$25.6 million)	—	(475)	26,933	2,877
Income tax expense	(184)	(564)	(2,562)	(1,736)
Income (loss) on discontinued operations	(184)	(1,039)	24,371	1,141
Net (loss) income	(2,422)	(2,774)	20,861	(1,767)
Less: Net loss attributable to noncontrolling interest	—	(220)	—	(466)
Net (loss) income attributable to Astrotech Corporation	\$ (2,422)	\$ (2,554)	\$ 20,861	\$ (1,301)
Amounts attributable to Astrotech Corporation:				
Loss from continuing operations, net of tax	\$ (2,238)	\$ (1,515)	\$ (3,510)	\$ (2,442)
Income (loss) from discontinued operations, net of tax	(184)	(1,039)	24,371	1,141
Net (loss) income attributable to Astrotech Corporation	\$ (2,422)	\$ (2,554)	\$ 20,861	\$ (1,301)
Weighted average common shares outstanding:				
Basic and diluted	19,637	19,479	19,593	19,476
Basic and diluted net income (loss) per common share:				
Net loss attributable to Astrotech Corporation from continuing operations	\$ (0.11)	\$ (0.08)	\$ (0.20)	\$ (0.13)
Net income (loss) from discontinued operations	(0.01)	(0.05)	1.24	0.06
Net (loss) income attributable to Astrotech Corporation	\$ (0.12)	\$ (0.13)	\$ 1.04	\$ (0.07)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended December 31,	
	2014	2013
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 20,861	\$ (1,767)
Less: Income from discontinued operations	(24,371)	(1,141)
Net loss from continuing operations	(3,510)	(2,908)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Stock-based compensation	4	605
Depreciation and amortization	150	151
Changes in assets and liabilities:		
Accounts receivable	4	132
Accounts payable	(696)	(101)
Other assets and liabilities	(558)	(295)
Income tax	448	—
Net cash used in operating activities-continuing operations	(4,158)	(2,416)
Net cash (used in) provided by operating activities-discontinued operations	(1,553)	3,384
Net cash (used in) provided by operating activities	(5,711)	968
Cash flows from investing activities:		
Purchases of short-term investments	(35,580)	—
Purchases of property and equipment, net	(118)	(94)
Net cash used in investing activities-continuing operations	(35,698)	(94)
Net cash provided by investing activities-discontinued operations	52,591	880
Net cash provided by investing activities	16,893	786
Cash flows from financing activities:		
Repayment of State of Texas funding, including deemed dividend	(2,331)	—
Payments for share buyback program	(404)	—
Proceeds from common stock issuance	167	—
Net cash used in financing activities-continuing operations	(2,568)	—
Net cash used in financing activities-discontinued operations	(5,655)	(191)
Net cash used in financing activities	(8,223)	(191)
Net change in cash and cash equivalents	2,959	1,563
Cash and cash equivalents at beginning of period	3,831	5,096
Cash and cash equivalents at end of period	\$ 6,790	\$ 6,659

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

(1) General Information

Description of the Company – Astrotech Corporation (Nasdaq: ASTC) (“Astrotech,” “the Company,” “we,” “us” or “our”), a Washington corporation, is a company that was formed in 1984 to leverage the environment of space for commercial purposes. For 30 years, the Company remained a crucial player in space commerce activities which supported the launch of 23 shuttle missions and more than 300 spacecraft. We currently prepare and process scientific research in microgravity and develop and manufacture sophisticated, next generation chemical sensor equipment. We are also evaluating potential investment opportunities where we can leverage our significant operating experience to add considerable value.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared by Astrotech Corporation in accordance with United States generally accepted accounting principles (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring entries) considered necessary for a fair presentation have been included. Operating results for the six months ended December 31, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2015. These financial statements should be read in conjunction with the financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2014.

Discontinued Operations – On August 22, 2014, the Company completed the previously announced sale (“Asset Sale”) of substantially all of its assets used in the Company’s former Astrotech Space Operations (“ASO”) business unit (the “ASO business”) to Lockheed Martin Corporation (the “Buyer”) for an agreed upon purchase price of \$61.0 million, less a working capital adjustment. As of December 31, 2014, the Company has received cash of \$52.6 million and has recorded receivables of \$0.6 million for the working capital holdback and \$6.1 million for the indemnity holdback. In connection with the sale of our former ASO business unit, the outstanding debt of ASO was repaid with a portion of the proceeds. The Company has no other debt outstanding as of December 31, 2014. The condensed consolidated financial statements separately report discontinued operations, reflecting the former ASO business, and the results of continuing operations. The condensed consolidated financial statements as of June 30, 2014 and for the three and six month periods ended December 31, 2013 have been reclassified to present the operations of the Company’s former ASO business unit as discontinued operations. Disclosures included herein pertain to the Company’s continuing operations unless noted otherwise (see Note 3 for more information).

Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” This ASU provides a single comprehensive revenue recognition model for all contracts with customers. The principle for recognizing revenue is clarified as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU provides a five-step analysis to determine how revenue is recognized. The provisions of the ASU are effective for interim and annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of the pending adoption of this ASU on its financial statements as well as which method of adoption the Company will utilize.

In April 2014, the FASB issued ASU No. 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” which changes the criteria for disposals to qualify as discontinued operations and requires new disclosures about disposals of both discontinued operations and certain other disposals that do not meet the new definition. Early adoption of this ASU is permitted and is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company is currently evaluating the impact of the pending adoption of this ASU on its financial statements but will adopt this standard in fiscal 2016.

Segment Information – With the sale of the ASO business, the Company now operates a single reportable business unit, Spacotech. Since the Company operates in one segment, all financial segment information required by FASB ASC 280 can be found in the condensed consolidated financial statements.

Spacotech is a technology incubator designed to commercialize space-industry technologies. This business unit is currently pursuing two distinct opportunities:

1st Detect

1st Detect develops, manufactures and sells ultra-small mass spectrometers and related equipment. Mass spectrometers, in general, measure the mass and relative abundance of ions in a sample to create a “mass spectrum”. This resulting mass spectrum is a unique fingerprint that can be compared to a reference library of mass spectra to verify the identity of a sample. Mass spectrometers can identify chemicals with more accuracy and precision than competing instruments given their extreme sensitivity and specificity and they are a staple of almost all analytical laboratories. By leveraging technology initiated by an engagement with the National Aeronautics and Space Administration (“NASA”) to develop a mass spectrometer for the International Space Station (“ISS”), the Company has developed a series of instruments that are significantly smaller, lighter, faster and less expensive than competing mass spectrometers, and significantly more sensitive and accurate than other competing chemical detectors at a lower price point. Our efforts have resulted in a technology that has been or will be deployed in the following areas:

- Explosive device detection in airports – our device has at least 100 times the specificity of the current generation of screening devices, meaning fewer false alarms and a higher probability of threat detection. Our solution also has better resolution, translating into detection of a broader range of compounds, which allows us to see not only traditional explosives, but also homemade and improvised explosives, an area where the current technology lags.
- Military – our technology is extremely sensitive, so we can detect chemical warfare agents in much lower concentrations than incumbent technologies. The high level of specificity of our instrumentation not only improves detection of traditional threats, but also detects next generation chemical agents not easily detectable by current instrumentation. We expect that our products will be used to verify decontamination of previously contaminated sites and to positively identify a suspect compound following an alarm on a less sophisticated instrument.
- Industrial process control – we are enabling cost effective real-time in situ mass spectrometer analysis for the first time. While competing technologies can alarm when there is an anomaly in a process, our technology can provide insights about those deviations where other instrumentation is limited.
- Food & beverage – we are also enabling cost effective real-time in situ mass spectrometer analysis for the first time in the food and beverage industry. Not only does our instrumentation provide a full set of information to more thoroughly analyze results when there is a deviation in quality, but we provide objectivity that human taste testers cannot.
- Semiconductor – our products are able to detect excursion events. Most incumbent technologies are tuned to look for a particular contaminant, but our instrument can warn of virtually any potential contaminant, making ours a much more robust solution.
- Oil & gas – given the sensitivity and speed of our technology, we can detect smaller leaks sooner than the competition as well as more completely characterize production and potential production.
- Laboratory research – our products are significantly less expensive than the competition and have a minimal footprint, making our products a great solution for entities with limited funding and counter space.
- Petrochemical & refining – our products are able to provide real time information upon which automatic and/or humans may make consequential decisions regarding product quality, efficiency of production, and feedstock performance.

Our product portfolio currently consists of the following products:

- MMS-1000™ - the MMS-1000™ is a small, low power desktop mass spectrometer designed for the laboratory market. The unique design of this unit enables fast, mass spectrometric quality chemical analysis but requires minimal benchtop space (about the size of a shoebox), requires less power than a typical light bulb, and unlike traditional instruments, requires no consumables or special infrastructure. It has been particularly well-received by the laboratory research marketplace.
- OEM-1000 - the OEM-1000 is a mass spectrometer component that is designed to be integrated into customers specific packaging and enclosures, and is well-suited to be integrated with application specific sampling or separation technology. A variant, the OEM-1000PI has recently been integrated into a Thermogravimetric Analyzer (“TGA”) manufactured by RIGAKU Corp. of Tokyo, Japan, one of the leading instrumentation companies in Asia. The integrated instrument named Thermo iMS2 is the world’s first integrated TGA with MS/MS capabilities and is expected to be well-received by the international research and development markets. A further variant of the OEM-1000 has been selected by Battelle, a leading supplier of military chemical detection equipment, for integration into the Next Generation Chemical Detector, a program under development by the DOD’s Joint Program Executive for Chemical and Biological Defense.
- iONTRAC – the iONTRAC is a process analyzer utilizing the same mass spectrometer technology as the MMS-1000™. The iONTRAC provides near real-time monitoring of industrial processes such as petrochemical processing, food & beverage manufacturing, and semiconductor cleanroom environmental monitoring. The instrument is

designed to autonomously monitor processes and report conditions over industry standard factory management system (“FMS”) infrastructure.

Astrogenetix

Astrogenetix is a biotechnology company formed to commercialize products processed in the unique environment of microgravity. Astrogenetix pursued an aggressive space access strategy to take advantage of the NASA space shuttle program prior to its retirement in 2011. This strategy gave Astrogenetix unprecedented access to research in microgravity, as we flew experiments twelve times over a three year period. In collaboration with NASA, NASA has engaged leading vaccine development experts through a premier educational institution to independently evaluate Astrogenetix’s platform with specific direction to aid in the filing of an Investigational New Drug (“IND”) application for Salmonella. Given that NASA is providing much of the necessary funding for this research, additional investment in Astrogenetix has been scaled back considerably as efforts are concentrated on filing this IND. The team is also evaluating a vaccine target for Methicillin-Resistant Staphylococcus Aureus (“MRSA”) based on early discoveries made in microgravity. We have negotiated a Space Act Agreement with NASA for a minimum of twenty-eight additional space flights following the successful filing of the IND for Salmonella.

(2) Short-term Investments

The following tables summarize gains and losses related to our short-term investments designated as available-for-sale:

(In thousands)	December 31, 2014				
	Adjusted Cost	Gross Gain	Gross Loss	Service Fee	Fair Value
Mutual Funds	\$ 35,580	\$ *	\$ —	\$ *	\$ 35,580
Total	\$ 35,580	\$ *	\$ —	\$ *	\$ 35,580

Items denoted with * are less than one thousand.

(3) Discontinued Operations & Gain on the Sale of the ASO Business Unit

On August 22, 2014, the Company completed the previously announced sale of substantially all of its assets used in the Company’s former ASO business unit to Lockheed Martin Corporation (the “Buyer”) for an agreed upon sales price of \$61.0 million, less a working capital adjustment. As of December 31, 2014, the estimated sales price is \$59.3 million, which includes a working capital adjustment of \$1.7 million. As of December 31, 2014, the Company has received cash of \$52.6 million and has recorded receivables of \$0.6 million for the working capital holdback, which is classified in other current assets, and \$6.1 million for the indemnity holdback. The working capital holdback will most likely be settled during the Company’s third quarter, once both sides agree on the final net working capital amount as of the date of the transaction. The indemnity holdback is being held in escrow under the terms of an escrow agreement until February 2016 (the 18-month anniversary of the consummation of the transaction). The Company believes it will fully realize the indemnity holdback in February 2016. The ASO business consisted of (i) ownership, operation and maintenance of spacecraft processing facilities in Titusville, Florida and Vandenberg Air Force Base, California (“VAFB”), (ii) supporting government and commercial customers processing complex communication, earth observation and deep space satellite launches, (iii) designing and building spacecraft processing equipment and facilities and (iv) providing propellant services including designing, building and testing propellant service equipment for fueling spacecraft.

Additionally, as part of the Asset Sale, the Company used a portion of the proceeds to pay off the outstanding balance of its term loan of \$5.7 million, which was secured by assets of the ASO business. As such, 100% of interest expense on the debt was allocated to discontinued operations in the amount of \$62 thousand and \$127 thousand for the six months ended December 31, 2014 and 2013, respectively.

The sale of our former ASO business, which was previously reported within our former ASO business unit segment, resulted in a pre-tax gain of \$25.6 million (\$23.7 million after-tax) for the six months ended December 31, 2014. The pre-tax gain on this sale reflects the excess of the sum of the cash proceeds received over the net book value of the net assets of the Company’s former ASO business. The total pre-tax gain on the sale for the six months ended December 31, 2014, includes the following (in thousands):

Cash proceeds from the sale of the ASO business	\$ 52,591
Receivable for working capital holdback	598
Receivable for indemnity holdback	6,100
Liabilities assumed by the Buyer	2,478
Net book value of assets sold	(36,175)
Other	38
Gain on sale of our former ASO business	\$ 25,630

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The Company and the Buyer entered into a transition services agreement to which the Company and the Buyer agreed to provide the other party with certain services, including, among others, services related to benefits, human resources and payroll administration, cash management, financial statements and compliance, each of a type currently provided by or for the Company or our former ASO business unit prior to the Asset Sale. Pursuant to the transition services agreement, the Company agreed to provide services to the Buyer for a period of up to one year and the Buyer agreed to provide services to the Company for a period of up to six months. Each party has the option to extend the term of the services provided by the other party for a period of one year. The services provided may be terminated by the party receiving such services on an individual basis upon 30 days' notice to the providing party. The party receiving services shall pay the providing party, as consideration for such services, on a time and materials basis, fees based upon an agreed upon set fringe rate and fee rate and the salary of the employee of the providing party who is providing such services.

While we are a party to the transition services agreement, we have determined that the continuing cash flows generated by this agreement did not constitute significant continuing involvement in the operations of our former ASO business. As such, the net assets, operating results and cash flows related to our former ASO business have been separately reflected as discontinued operations for the three and six months ended December 31, 2014 and 2013.

The following table provides a reconciliation of the major assets and liabilities of our former ASO business to the amounts reported in the previously reported condensed consolidated balance sheet:

	June 30, 2014
Carrying amounts of major classes of assets included as part of discontinued operations	
Accounts receivable, net	\$ 1,220
Prepaid expenses and other current assets	185
Property and equipment, net	33,858
Other assets, net	29
Total assets of discontinued operations	\$ 35,292
Carrying amounts of major classes of liabilities included as part of discontinued operations	
Accounts payable	\$ 184
Accrued liabilities and other	632
Deferred revenue	873
Term note payable	5,655
Deferred revenue	237
Total liabilities of discontinued operations	\$ 7,581

The following table provides a reconciliation of the major components of income of our former ASO business to the amounts reported in the consolidated statements of operations:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Major line items constituting income of discontinued operations				
Revenue	\$ —	\$ 2,457	\$ 2,807	\$ 9,145
Cost of revenue	—	(2,682)	(1,313)	(5,767)
Selling, general and administrative	—	(187)	(128)	(374)
Other income (expense), net	—	(63)	(63)	(127)
Gain on sale of discontinued operations	—	—	25,630	—
Income tax expense	(184)	(564)	(2,562)	(1,736)
Income on discontinued operations	\$ (184)	\$ (1,039)	\$ 24,371	\$ 1,141

Revenue generated by our former ASO business unit payload processing facilities was recognized ratably over the occupancy period of the satellite while in those facilities from arrival through launch. Those contracts were firm fixed price

mission specific contracts. The percentage-of-completion method was used for all contracts where incurred costs could be reasonably estimated and successful completion could be reasonably assured at inception. Changes in estimated costs to complete and provisions for contract losses were recognized in the period they become known. Below is a summary of revenue recognition methods under our former ASO business unit:

<u>Services/Products Provided</u>	<u>Contract Type</u>	<u>Method of Revenue Recognition</u>
Payload Processing Facilities	Firm Fixed Price — Mission Specific	Ratably, over the occupancy period of a satellite within the facility from arrival through launch
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

(4) Receivables – Working Capital and Indemnity Holdback Related to the Asset Sale

On August 22, 2014, the Company completed the Asset Sale. As of December 31, 2014, the estimated purchase price is \$59.3 million, which includes a working capital adjustment of \$1.7 million. As of December 31, 2014, the Company has received cash of \$52.6 million and has recorded receivables of \$0.6 million for the working capital holdback, which is classified in other current assets, and \$6.1 million for the indemnity holdback.

The working capital holdback will be settled during the Company’s third quarter, once both sides agree on the final net working capital amount as of the date of the Asset Sale. If the final net working capital amount is greater than the estimated net working capital amount, the difference shall be paid to the Company by the Buyer with simple interest thereon from the closing date to the date of payment at a floating rate per annum equal to the Interest Rate and such payment shall include the adjustment holdback amount and interest from the closing date in the manner calculated for the difference. If the final net working capital amount is less than the estimated net working capital amount, the difference shall be paid to the Buyer by the Company with simple interest thereon from the closing date to the date of payment at a floating rate per annum equal to the Interest Rate first, out of the adjustment holdback amount, and if there are insufficient funds in the adjusted holdback amount, directly by the Company. Any such payment shall be made in immediately available funds not later than five business days after the determination of the final net working capital amount by wire transfer to a bank account designated in writing by the party entitled to receive the payment.

The indemnity holdback of \$6.1 million is being held in escrow under the terms of an escrow agreement until February 2016 (the 18-month anniversary of the consummation of the Asset Sale). Within three business days after the 18-month anniversary of the closing of the Asset Sale, the then-available indemnity escrow holdback (less any pending Buyer claims), will be released and paid to the Company. The Company is currently not aware of any pending Buyer claims.

(5) 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 the subsidiaries. The Company applied noncontrolling interest accounting from January 2010 through June 2014, which required us to clearly identify the noncontrolling interest in the condensed consolidated balance sheets and condensed consolidated statements of operations. We disclose three measures of net income (loss): net income (loss), net income (loss) attributable to noncontrolling interest, and net loss attributable to Astrotech Corporation. Our operating cash flows in our condensed consolidated statements of cash flows reflect net income (loss); while our basic and diluted net income (loss) per share calculations reflect net income (loss) attributable to Astrotech Corporation.

During June 2014, the Company completed an internal reorganization involving both 1st Detect and Astrogenetix which resulted in the two entities becoming wholly-owned subsidiaries of the Company, and which was effected through the relinquishment by certain employees of equity grants previously issued to them in 1st Detect and Astrogenetix. The noncontrolling interest balance of \$1.8 million at June 30, 2014 represented an interest held by the State of Texas Emerging Technology Fund and was settled on August 28, 2014 for \$2.3 million (see Note 11 for more information).

(6) Net Income (Loss) 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 based on the weighted average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method and the if-converted method. Dilutive potential common shares include outstanding stock

options and share-based awards. The following table reconciles the numerators and denominators used in the computations of both basic and diluted net income per share (in thousands, except per share data):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Numerator:				
Amounts attributable to Astrotech Corporation, basic and diluted:				
Loss from continuing operations, net of tax	\$ (2,238)	\$ (1,515)	\$ (3,510)	\$ (2,442)
Income (loss) from discontinued operations, net of tax	(184)	(1,039)	24,371	1,141
Net (loss) income attributable to Astrotech Corporation	(2,422)	(2,554)	20,861	(1,301)
State of Texas deemed dividend (Note 11)	—	—	(531)	—
Net (loss) income attributable to Astrotech Corporation applicable to common shareholders	\$ (2,422)	\$ (2,554)	\$ 20,330	\$ (1,301)
Denominator:				
Denominator for basic net income (loss) per share attributable to Astrotech Corporation — weighted average common stock outstanding				
	19,637	19,479	19,593	19,476
Dilutive common stock equivalents — common stock options and share-based awards				
	—	—	—	—
Denominator for diluted net income (loss) per share attributable to Astrotech Corporation — weighted average common stock outstanding and dilutive common stock equivalents				
	19,637	19,479	19,593	19,476
Basic and diluted net income (loss) per common share:				
Net loss attributable to Astrotech Corporation from continuing operations	\$ (0.11)	\$ (0.08)	\$ (0.20)	\$ (0.13)
Net (loss) income from discontinued operations	(0.01)	(0.05)	1.24	0.06
Net (loss) income attributable to Astrotech Corporation applicable to common shareholders	\$ (0.12)	\$ (0.13)	\$ 1.04	\$ (0.07)

Options to purchase 1,018,750 shares of common stock at exercise prices ranging from \$0.32 to \$2.60 per share outstanding for the three and six months ended December 31, 2014 were not included in diluted net loss per share, as the inclusion of the potential common shares would have had an anti-dilutive effect on the loss from continuing operations.

(7) Revenue Recognition

Astrotech recognizes revenue employing several generally accepted revenue recognition methodologies. The methodology used is based on contract type and the manner in which products and services are provided.

Revenue is recognized when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when pervasive evidence of an arrangement exists, delivery has occurred or services have been provided, and collectability is reasonably assured.

(8) Debt

In October 2010, our former ASO business entered into a financing facility with a commercial bank providing a \$7.0 million term loan and a \$3.0 million revolving credit facility. The \$7.0 million term loan was to terminate in October 2015, and the \$3.0 million revolving credit facility expired in October 2012. The bank financing facilities were secured by the assets of our former ASO business, including accounts receivable, and required us to comply with designated covenants. On August 22, 2014, the Company used a portion of the proceeds from the Asset Sale to pay off the outstanding balance of its term loan of \$5.7 million, which is reported in the statement of cash flows as discontinued operations. The Company has no outstanding debt as of December 31, 2014.

(9) Fair Value Measurement

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

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

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

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

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

The following table presents the carrying amounts, estimated fair values and valuation input levels of certain Company's financial instruments as of December 31, 2014 and June 30, 2014 (in thousands):

	December 31, 2014		June 30, 2014		Valuation Inputs
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Mutual Funds	\$ 35,580	\$ 35,580	\$ —	\$ —	Level 1
Note Payable	\$ —	\$ —	\$ 5,655	\$ 5,655	Level 2

The value of our available-for-sale short-term investments based on pricing from third party pricing vendors, who may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value.

(10) Credit Risk Concentration Involving Cash

The Company maintains funds in bank accounts that may exceed the limit insured by the Federal Deposit Insurance Corporation ("FDIC") of \$250,000 per depositor. 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.

(11) 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 provide mass spectrometry analytics in real-time for explosive device detection in airports and the battlefield, industrial quality and process control, environmental field applications and laboratory research. In exchange for the award, 1st Detect granted a common stock purchase right and a note payable to the State of Texas. The economic substance of the transaction was that the State of Texas had purchased shares of 1st Detect in exchange for the granted award. The note, which was treated economically as purchased shares and reflected in the equity section of the condensed consolidated balance sheet, equaled the disbursements to 1st Detect to date and accrued interest at 8% per year. On August 28, 2014, 1st Detect settled the funding and common stock repurchase right with a payment of \$2.3 million. The Company has accounted for the difference between the \$2.3 million paid and the \$1.8 million received as a deemed dividend in its calculation of earnings per share.

(12) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of December 31, 2014, the Company has established a full valuation allowance against all of its net deferred tax assets to the extent they will not be utilized to offset the gain and income from discontinued operations.

To the extent that a loss from continuing operations can be utilized to offset the income otherwise resulting from discontinued operations, it has been recognized as a tax benefit from continuing operations. To the extent that a loss or credit carryover can be utilized to offset the income from discontinued operations, it has been recognized as a tax benefit from discontinued operations.

During the second quarter, the Company identified a reclassification in its intraperiod tax allocations between continuing and discontinued operations reported in the first quarter. During the first quarter, a portion of the valuation allowance benefit was included in continuing operations rather than in discontinued operations. As a result of the reclassification, the continuing operations tax benefit generated in the second quarter has been reduced by \$352 thousand, the amount of additional benefit included in continuing operations in the first quarter. The total effective tax rate for continuing operations is approximately 37.0% fiscal year to date. This reclassification had no impact on total tax expense in either first or second quarter.

The disposition of the ASO business resulted in the recognition of a taxable gain of approximately \$27.0 million. The Company will utilize losses generated during its current fiscal year ending June 30, 2015, as well as loss carryovers and credits that are unrestricted by IRC Section 382 (which limits the utilization of loss carryovers). As of December 31, 2014, the Company expects that it will be able to offset all but \$2.2 million of the gain. Any additional losses incurred during the current fiscal year ending June 30, 2015, will reduce the taxable gain and the taxes associated with that gain. The Company is currently unable to reasonably estimate the impact of any additional losses that may occur during the remainder of its fiscal year ending June 30, 2015. As of December 31, 2014, the net federal and state tax impact of the disposition gain (net of the losses incurred during the six months ended December 31, 2014, and the tax attribute carryovers from prior years) is \$0.5 million.

FASB ASC 740, Income Taxes ("FASB ASC 740") addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company has an unrecognized tax benefit of \$0.1 million for the six months ended December 31, 2014 and 2013.

For the six months ended December 31, 2014 and 2013, the Company's effective tax rate differed from the federal statutory rate of 35%, primarily due to recording changes to the valuation allowance placed against its net deferred tax assets.

Loss carryovers are generally subject to modification by tax authorities until 3 years after they have been utilized; as such, the Company is subject to examination for the fiscal years ended 2000 through present for federal purposes and fiscal years ended 2006 through present for state purposes.

(13) Commitments and Contingencies

The Company is subject to various lawsuits and other claims in the normal course of business. In addition, from time to time, the Company receives communications from government or regulatory agencies concerning investigations or allegations of noncompliance with laws or regulations in jurisdictions in which the Company operates.

The Company establishes reserves for the estimated losses on specific contingent liabilities, for regulatory and legal actions where the Company deems a loss to be probable and the amount of the loss can be reasonably estimated. In other instances, the Company is not able to make a reasonable estimate of liability because of the uncertainties related to the outcome or the amount or range of potential loss.

Litigation, Investigations and Audits – We are not party to, nor are our properties the subject of, any material pending legal proceedings, other than as set forth below:

Astrotech was named as a party to a suit filed in the Circuit Court of the Eighteenth Judicial Circuit for Brevard County, Florida. This is an action for foreclosure of certain real estate and for debt. The Company was named as a party because it held an inferior lien against the property at issue and had to be named in the foreclosure action. No monetary relief was requested from Astrotech at the time. During the six months ended December 31, 2014, the Company received a lump sum payment of \$50 thousand, less legal fees, along with a release of liability in exchange for a release of its inferior mortgage. In October 2014, the underlying lawsuit was voluntarily dismissed and the case was closed.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 nations that could impact our ability to sell our products and services 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 and execute our strategy;
- Whether we will fully realize the economic benefits under our customer contracts;
- 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 governmental or commercial customers;
- Uncertainty in government funding and support for key programs, grant opportunities or procurements;
- The impact of competition on our ability to win new contracts;
- Uncertainty in securing reliable and consistent access to space, including the International Space Station (“ISS”);
- Delays in the timing of performance under our contracts; and
- Our ability to meet technological development milestones and overcome development challenges.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, therefore we cannot assure you that the forward-looking statements included in this Quarterly Report on Form 10-Q 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 our 2014 Annual Report on Form 10-K, elsewhere in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q and in prior or subsequent communications.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Report.

Business Overview

Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," "the Company," "we," "us" or "our"), a Washington corporation, is a company that was formed in 1984 to leverage the environment of space for commercial purposes. For 30 years, the Company remained a crucial player in space commerce activities, which supported the launch of 23 shuttle missions and more than 300 spacecraft. We currently prepare and process scientific research in microgravity and develop and manufacture sophisticated, next generation chemical sensor equipment. We are also evaluating potential investment opportunities where we can leverage our significant operating experience to add considerable value.

On August 22, 2014, the Company completed the previously announced sale ("Asset Sale") of substantially all of its assets used in the Company's former Astrotech Space Operations ("ASO") business unit ("the ASO business") to Lockheed Martin Corporation for an agreed upon purchase price of \$61.0 million, less a working capital adjustment. As of December 31, 2014, the estimated purchase price is \$59.3 million, which includes a working capital adjustment of \$1.7 million. As of December 31, 2014, the Company has received cash of \$52.6 million and has recorded receivables of \$0.6 million for the working capital holdback, which is classified in other current assets, and \$6.1 million for the indemnity holdback. The working capital holdback will be settled during the Company's third quarter, once both sides agree on the final net working capital amount as of the date of the transaction. The indemnity holdback is being held in escrow under the terms of an escrow agreement until February 2016 (the 18-month anniversary of the consummation of the transaction). The Company believes it will fully realize the indemnity holdback in February 2016. Our former ASO business consists of (i) ownership, operation and maintenance of spacecraft processing facilities in Titusville, Florida and Vandenberg Air Force Base, California ("VAFB"); (ii) supporting government and commercial customers processing complex communication, earth observation and deep space satellite launches; (iii) designing and building spacecraft processing equipment and facilities; and (iv) providing propellant services including designing, building and testing propellant service equipment for fueling spacecraft.

With the sale of the Company's former ASO business, the Company now operates a single reportable business unit, Spacotech, and its efforts are focused on the following:

- Working with development partners to build industry specific applications using our chemical detection mass spectrometry technology;
- Enhancing and extending the capabilities and fields of use of our mass spectrometry technology;
- Commercializing unique space and defense related technologies; and
- Developing next generation vaccines using the unique environment of microgravity.

Spacotech

Spacotech is a technology incubator designed to commercialize space-industry technologies. Spacotech is currently pursuing two distinct opportunities:

1st Detect

1st Detect develops, manufactures and sells ultra-small mass spectrometers and related equipment. Mass spectrometers, in general, measure the mass and relative abundance of ions in a sample to create a "mass spectrum". This resulting mass spectrum is a unique fingerprint that can be compared to a reference library of mass spectra to verify the identity of a sample. Mass spectrometers can identify chemicals with more accuracy and precision than competing instruments given their extreme sensitivity and specificity and they are a staple of almost all analytical laboratories. By leveraging technology initiated by an engagement with the National Aeronautics and Space Administration ("NASA") to develop a mass spectrometer for the International Space Station ("ISS"), the Company has developed a series of instruments that are significantly smaller, lighter, faster and less expensive than competing mass spectrometers, and significantly more sensitive and accurate than other competing chemical detectors at a lower price point. Our efforts have resulted in a technology that has been or will be deployed in the following areas:

- Explosive device detection in airports – our device has at least 100 times the specificity of the current generation of screening devices, meaning fewer false alarms and a higher probability of threat detection. Our solution also has better resolution, translating into detection of a broader range of compounds, which allows us to see not only traditional explosives, but also homemade and improvised explosives, an area where the current technology lags.

- Military – our technology is extremely sensitive, so we can detect chemical warfare agents in much lower concentrations than incumbent technologies. The high level of specificity of our instrumentation not only improves detection of traditional threats, but also detects next generation chemical agents not easily detectable by current instrumentation. We expect that our products will be used to verify decontamination of previously contaminated sites and to positively identify a suspect compound following an alarm on a less sophisticated instrument.
- Industrial process control – we are enabling cost effective real-time in situ mass spectrometer analysis for the first time. While competing technologies can alarm when there is an anomaly in a process, our technology can provide insights about those deviations where other instrumentation is limited.
- Food & beverage – we are also enabling cost effective real-time in situ mass spectrometer analysis for the first time in the food and beverage industry. Not only does our instrumentation provide a full set of information to more thoroughly analyze results when there is a deviation in quality, but we provide objectivity that human taste testers cannot.
- Semiconductor – our products are able to detect excursion events. Most incumbent technologies are tuned to look for a particular contaminant, but our instrument can warn of virtually any potential contaminant, making ours a much more robust solution.
- Oil & gas – given the sensitivity and speed of our technology, we can detect smaller leaks sooner than the competition as well as more completely characterize production and potential production.
- Laboratory research – our products are significantly less expensive than the competition and have a minimal footprint, making our products a great solution for entities with limited funding and counter space.
- Petrochemical & refining – our products are able to provide real time information upon which automatic and/or humans may make consequential decisions regarding product quality, efficiency of production, and feedstock performance.

Our product portfolio currently consists of the following products:

- MMS-1000™ - the MMS-1000™ is a small, low power desktop mass spectrometer designed for the laboratory market. The unique design of this unit enables fast, mass spectrometric quality chemical analysis but requires minimal benchtop space (about the size of a shoebox), requires less power than a typical light bulb, and unlike traditional instruments, requires no consumables or special infrastructure. It has been particularly well-received by the laboratory research marketplace.
- OEM-1000 - the OEM-1000 is a mass spectrometer component that is designed to be integrated into customers specific packaging and enclosures, and is well-suited to be integrated with application specific sampling or separation technology. A variant, the OEM-1000PI has recently been integrated into a Thermogravimetric Analyzer (“TGA”) manufactured by RIGAKU Corp. of Tokyo, Japan, one of the leading instrumentation companies in Asia. The integrated instrument named Thermo iMS2 is the world’s first integrated TGA with MS/MS capabilities and is expected to be well-received by the international research and development markets. A further variant of the OEM-1000 has been selected by Battelle, a leading supplier of military chemical detection equipment, for integration into the Next Generation Chemical Detector, a program under development by the DOD’s Joint Program Executive for Chemical and Biological Defense.
- iONTRAC – the iONTRAC is a process analyzer utilizing the same mass spectrometer technology as the MMS-1000™. The iONTRAC provides near real-time monitoring of industrial processes such as petrochemical processing, food & beverage manufacturing, and semiconductor cleanroom environmental monitoring. The instrument is designed to autonomously monitor processes and report conditions over industry standard factory management system (“FMS”) infrastructure.

Astrogenetix

Astrogenetix is a biotechnology company formed to commercialize products processed in the unique environment of microgravity. Astrogenetix pursued an aggressive space access strategy to take advantage of the NASA space shuttle program prior to its retirement in 2011. This strategy gave Astrogenetix unprecedented access to research in microgravity, as we flew experiments twelve times over a three year period. In collaboration with NASA, NASA has engaged leading vaccine development experts through a premier educational institution to independently evaluate Astrogenetix’s platform with specific direction to aid in the filing of an Investigational New Drug (“IND”) application for Salmonella. Given that NASA is providing much of the necessary funding for this research, additional investment in Astrogenetix has been scaled back considerably as efforts are concentrated on filing this IND. The team is also evaluating a vaccine target for Methicillin-Resistant Staphylococcus Aureus (“MRSA”) based on early discoveries made in microgravity. We have negotiated a Space

Act Agreement with NASA for a minimum of twenty-eight additional space flights following the successful filing of the IND for Salmonella.

Business Developments

Sale of Astrotech Space Operations business (“Asset Sale”)

On August 22, 2014, the Company completed the Asset Sale. As of December 31, 2014, the estimated purchase price is \$59.3 million, which includes a working capital adjustment of \$1.7 million. As of December 31, 2014, the Company has received cash of \$52.6 million and has recorded receivables of \$0.6 million for the working capital holdback, which is classified in other current assets, and \$6.1 million for the indemnity holdback. The working capital holdback will most likely be settled in the next quarter, once both sides agree on the final net working capital amount as of the date of the transaction. The indemnity holdback is being held in escrow under the terms of an escrow agreement until February 2016 (the 18-month anniversary of the consummation of the transaction). The Company expects to fully realize the indemnity holdback in February 2016. Our former ASO business consists of (i) ownership, operation and maintenance of spacecraft processing facilities in Titusville, Florida and Vandenberg Air Force Base, California (“VAFB”); (ii) supporting government and commercial customers processing complex communication, earth observation and deep space satellite launches; (iii) designing and building spacecraft processing equipment and facilities; and (iv) providing propellant services including designing, building and testing propellant service equipment for fueling spacecraft.

During the first quarter of fiscal 2015, we recorded a pre-tax gain of \$25.6 million (\$23.7 million, after tax) on the Asset Sale. All of the operations of our former ASO business, which were previously reported within our former ASO business unit segment, have been reclassified as discontinued operations in our unaudited condensed consolidated financial statements for the quarter ended September 30, 2014, and as of June 30, 2014. See Note 3 to our unaudited condensed consolidated financial statements for more information regarding the Asset Sale and the use of related proceeds.

Payoff of Term Loan

On August 22, 2014, the Company used a portion of the proceeds from the Asset Sale to pay off the outstanding balance of its term loan of \$5.7 million. The Company has no outstanding debt as of December 31, 2014.

Payoff of Texas Emerging Technology Fund Award

On August 28, 2014, the Company used a portion of the proceeds from the Asset Sale to settle its funding from the State of Texas Emerging Technology Fund for \$2.3 million.

Critical Accounting Policies

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

With the sale of our former ASO business unit, several of our critical accounting policies will no longer be applicable in subsequent fiscal years. Management will update its disclosure of our critical accounting policies and estimates in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2015 Annual Report on Form 10-K.

Results of Operations

Quarter ended December 31, 2014 compared to Quarter ended December 31, 2013:

Selected consolidated financial data for the quarter ended December 31, 2014 and 2013 is as follows (dollars in thousands):

	Quarter Ended December 31,	
	2014	2013
Revenue	\$ 4	\$ 82
Cost of revenue	4	—
Gross profit	—	82
Gross margin	—%	100%
Selling, general and administrative	2,012	2,023
Research and development	984	350
Operating expenses	2,996	2,373
Loss from operations	(2,996)	(2,291)
Other income (expense), net	24	(1)
Income tax benefit	734	557
Loss from continuing operations	(2,238)	(1,735)
Discontinued operations		
Loss from operations of former ASO business	—	(475)
Income tax expense	(184)	(564)
Loss from discontinued operations	(184)	(1,039)
Net loss	(2,422)	(2,774)
Less: Net loss attributable to noncontrolling interest	—	(220)
Net loss attributable to Astrotech Corporation	\$ (2,422)	\$ (2,554)

Revenue – Total revenue decreased \$78 thousand during the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014. During the second quarter of fiscal 2014 we had revenue associated with a legacy handrail project of \$82 thousand. During the second quarter of fiscal 2015 we finished the first phase of the new subcontract agreement with a third party on the Next Generation Chemical Detector (“NGCD”) program.

Gross Profit – Gross profit decreased \$82 thousand during the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014 due to our decrease in revenue as described above. Also, we had no cost of revenues during the second quarter of fiscal 2014 compared to \$4 thousand of cost of revenues in the second quarter of fiscal 2015.

Operating Expenses – Our operating expenses increased \$623 thousand, or 26% during the second quarter of fiscal 2015 compared to the same period in the prior fiscal year. Significant changes to operating expenses included the following:

- Selling, general and administrative expense decreased by \$11 thousand primarily driven by a decrease in compensation of \$350 thousand offset by an increase in legal expenses of \$354 thousand and consulting and audit fees aggregating \$28 thousand.
- Research and development expense increased by \$634 thousand primarily driven by R&D expense reductions in the quarter ending December 31, 2014 compared to the quarter ending December 31, 2013 along with an increase in materials ordered and additional positions hired during the December 31, 2014 quarter.

Income Taxes on Continuing Operations – Our income tax benefit increased \$0.2 million due to higher losses on continuing operations during the second quarter of fiscal 2015, compared to the same period in the prior fiscal year.

Discontinued Operations – Discontinued operations includes the reclassification of operations of the Company’s former ASO business unit for the three months ended December 31, 2013. The loss from discontinued operations decreased \$855 thousand during the second quarter of fiscal 2015, compared to the same period in the prior year. Significant changes included the following:

- Operating income from discontinued operations decreased by \$2.5 million as our former ASO business unit’s operating results were only included through August 21, 2014; therefore, there was no income recognition for the three months ending December 31, 2014.
- Cost of revenues from discontinued operations decreased by \$2.7 million due to our decreases in operating income as described above.

Six months ended December 31, 2014 compared to six months ended December 31, 2013:

Selected consolidated financial data for the six months ended December 31, 2014 and 2013 is as follows (dollars in thousands):

	Six Months Ended December 31,	
	2014	2013
Revenue	\$ 324	\$ 82
Cost of revenue	281	—
Gross profit	43	82
Gross margin	13%	100%
Selling, general and administrative	3,972	3,575
Research and development	1,676	1,156
Operating expenses	5,648	4,731
Loss from operations	(5,605)	(4,649)
Other income	36	11
Income tax benefit	2,059	1,730
Loss from continuing operations	(3,510)	(2,908)
Discontinued operations		
Income from operations of former ASO business	26,933	2,877
Income tax expense	(2,562)	(1,736)
Income from discontinued operations	24,371	1,141
Net income (loss)	20,861	(1,767)
Less: Net loss attributable to noncontrolling interest	—	(466)
Net income (loss) attributable to Astrotech Corporation	\$ 20,861	\$ (1,301)

Revenue – Total revenue increased \$242 thousand for the six months ended December 31, 2014, compared to the six months ended December 31, 2013 due to the first phase of a new subcontract agreement with a third-party on the NGCD program.

Gross Profit – Gross profit decreased \$39 thousand during the six months ended December 31, 2014 compared to the six months ended December 31, 2013 due to no cost of revenues being recorded during the six months ended December 31, 2013.

Operating Expenses – Our operating expenses increased \$917 thousand, or 19%, during the six months ended December 31, 2014, compared to the same period in the prior fiscal year. Significant changes to operating expenses included the following:

- Selling, general and administrative expense increased by \$397 thousand primarily driven by transaction-related costs within Corporate operations, most notably a significant increase in legal expense, as well as higher employee-related costs due to additional headcount within our 1st Detect business unit.
- Research and development expense increased by \$520 thousand primarily driven by R&D expense reductions in the quarter ending December 31, 2014 compared to the quarter ending December 31, 2013 along with an increase in materials ordered and additional positions hired during the December 31, 2014 quarter.

Income Taxes on Continuing Operations – Our income tax benefit increased \$0.3 million due to higher losses on continuing operations during the six months ended December 31, 2014, compared to the same period in the prior fiscal year.

Discontinued Operations – Discontinued operations includes the reclassification of operations of the Company's former ASO business unit for the six months ended December 31, 2013. Income from discontinued operations increased \$23.2 million during the six months ended December 31, 2014 compared to the same period in the prior year. Significant changes included the following:

- Gain on the Asset Sale of \$25.6 million (\$23.7 million after-tax) which reflects the excess of the sum of the cash proceeds received over the net book value of the net assets of the Company's former ASO business unit.
- Operating income from discontinued operations decreased by \$6.3 million as our former ASO business unit's operating results were only included through August 21, 2014 in the six months ended December 31, 2014, compared to a full six months in the six months ended December 31, 2013.
- Income tax expense increased \$0.8 million due to the gain on the ASO transaction, offset by net operating loss carryforwards allocated to discontinued operations.

Liquidity and Capital Resources

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

	Six Months Ended December 31,		
	2014	2013	change
Cash flows from continuing operations:			
Net cash used in operating activities	\$ (4,158)	\$ (2,416)	\$ (1,742)
Net cash used in investing activities	(35,698)	(94)	(35,604)
Net cash used in financing activities	(2,568)	—	(2,568)
Net cash used in continuing operations	(42,424)	(2,510)	(39,914)
Cash flows from discontinued operations:			
Net cash provided by (used in) operating activities	(1,553)	3,384	(4,937)
Net cash provided by investing activities	52,591	880	51,711
Net cash used in financing activities	(5,655)	(191)	(5,464)
Net cash provided by discontinued operations	45,383	4,073	41,310
Net change in cash and cash equivalents	\$ 2,959	\$ 1,563	\$ 1,396

Cash and Cash Equivalents and Short-Term Investments

As of December 31, 2014, we had cash and cash equivalents and short-term investments of \$42.4 million, and our working capital was approximately \$41.5 million. As of December 31, 2013, we had cash and cash equivalents and short-term investments of \$6.7 million and our working capital was approximately \$3.8 million. Cash and cash equivalents and short-term investments increased by approximately \$35.7 million as of December 31, 2014, as compared to December 31, 2013 due to proceeds received from the sale of our former ASO business unit.

Operating Activities

Net cash used in operating activities from continuing operations increased to \$4.2 million for the six months ended December 31, 2014, compared to \$2.4 million for the six months ended December 31, 2013, which was primarily the result of a net income tax liability of \$0.6 million associated with both the losses on our current operations and the gain on the sale of our former ASO business unit offset by larger decreases in accrued expenses compared to the same period in the prior fiscal year.

Net cash provided by operating activities from discontinued operations was (\$1.6) million for the six months ended December 31, 2014, compared to net cash provided by operating activities from discontinued operations of \$3.4 million for the six months ended December 31, 2013. The change was related to the sale of our former ASO business unit prior to the end of the six months ended December 31, 2014.

Investing Activities

Cash used in investing activities from continuing operations for the six months ended December 31, 2014 increased \$35.6 million compared to the six months ended December 31, 2013. The proceeds from the sale of the ASO business were used to purchase short-term investments.

Cash provided by investing activities from discontinued operations increased to \$52.6 million for the six months ended December 31, 2014, compared to \$0.9 million for the six months ended December 31, 2013, which was due to the sale of our former ASO business.

Financing Activities

Cash used in financing activities from continuing operations increased \$2.6 million for the six months ended December 31, 2014, compared to the six months ended December 31, 2013. The increase was due to the payoff of funding from the State of Texas Emerging Technology Fund for \$2.3 million. There was also \$0.4 million used for shares bought back during this period.

Cash used in financing activities from discontinued operations increased to \$5.7 million for the six months ended December 31, 2014, compared to \$0.2 million for the six months ended December 31, 2013. This increase was related to the payoff of our term loan that was secured by the assets of our former ASO business unit.

Debt

Credit Facilities

In October 2010, our former ASO business entered into a financing facility with a commercial bank providing a \$7.0 million term loan note and a \$3.0 million revolving credit facility. The \$7.0 million term loan was to terminate in October 2015, and the \$3.0 million revolving credit facility expired in October 2012. On August 22, 2014, the Company used a portion of the proceeds from the sale of its former ASO business to pay off the outstanding balance of its term loan of \$5.7 million.

Liquidity

As of December 31, 2014, we had cash and cash equivalents and short-term investments of \$42.4 million and our working capital was approximately \$41.5 million, which excludes an indemnity cash holdback receivable of \$6.1 million being held in escrow as part of the sale of our ASO business. The indemnity cash holdback may be received no later than February 2016 subject to certain conditions in the asset purchase agreement entered into in connection with the Asset Sale.

Our future capital requirements will depend on a number of factors, including our success in developing and expanding markets for our products, payments under possible future strategic arrangements, continued progress of our research and development of potential products, the need to acquire licenses to new technology, costs associated with increasing our manufacturing and development facilities, costs associated with strategic acquisitions including integration costs and assumed liabilities, litigation expense and the status of competitive products and potential cost associated with both protecting and defending our intellectual property. In addition, actions taken as a result of the ongoing internal evaluation of our business could result in expenditures not currently contemplated in our estimates for 2015. We believe, however, that our existing cash and cash equivalents are sufficient to fund our operating expenses, capital equipment requirements and other expected liquidity requirements for the coming year. Factors that could affect our capital requirements, in addition to those listed above, include continued collections of accounts receivable consistent with our historical experience and our ability to manage product development efforts.

On August 22, 2014, we completed the Asset Sale. As of December 31, 2014, the estimated purchase price is \$59.3 million, which includes a working capital adjustment of \$1.7 million. As of December 31, 2014, the Company has received cash of \$52.6 million and has recorded receivables of \$0.6 million for the working capital holdback and \$6.1 million for the indemnity holdback. The working capital holdback will be settled in the third quarter, once both sides agree on the final net working capital amount as of the date of the transaction. The indemnity holdback is being held in escrow under the terms of an escrow agreement until February 2016 (the 18-month anniversary of the consummation of the transaction). A portion of the proceeds from the sale were used to pay off the term loan of \$5.7 million and to settle our funding from the State of Texas Emerging Technology Fund for \$2.3 million. The remaining funds will fund current operations and support strategies for our remaining business unit, Spacetech.

We believe we have sufficient liquidity to continue to fund our operating expenses, capital requirements and other expected liquidity requirements over the next fiscal year.

Income Taxes

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of December 31, 2014, the Company has established a full valuation allowance against all of its net deferred tax assets to the extent they will not be utilized to offset the gain and income from discontinued operations.

To the extent that a loss from continuing operations can be utilized to offset the income otherwise resulting from discontinued operations, it has been recognized as a tax benefit from continuing operations. To the extent that a loss or credit carryover can be utilized to offset the income from discontinued operations, it has been recognized as a tax benefit from discontinued operations.

During the second quarter, the Company identified a reclassification in its intraperiod tax allocations between continuing and discontinued operations reported in the first quarter. During the first quarter, a portion of the valuation allowance benefit was included in continuing operations rather than in discontinued operations. As a result of the reclassification, the continuing operations tax benefit generated in the second quarter has been reduced by \$352 thousand, the amount of additional benefit included in continuing operations in the first quarter. The total effective tax rate for continuing operations is approximately 37.0% fiscal year to date. This reclassification had no impact on total tax expense in either first or second quarter.

The disposition of the ASO business resulted in the recognition of a taxable gain of approximately \$27.0 million. The Company will utilize losses generated during its current fiscal year ending June 30, 2015, as well as loss carryovers and credits that are unrestricted by IRC Section 382 (which limits the utilization of loss carryovers). As of December 31, 2014, the Company expects that it will be able to offset all but \$2.2 million of the gain. Any additional losses incurred during the current fiscal year ending June 30, 2015, will reduce the taxable gain and the taxes associated with that gain. The Company is currently unable to reasonably estimate the impact of any additional losses that may occur during the remainder of its fiscal year ending June 30, 2015. As of December 31, 2014, the net federal and state tax impact of the disposition gain (net of the losses incurred during the six months ended December 31, 2014, and the tax attribute carryovers from prior years) is \$0.5 million.

FASB ASC 740, Income Taxes ("FASB ASC 740") addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company has an unrecognized tax benefit of \$0.1 million for the six months ended December 31, 2014 and 2013.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (“Exchange Act”), which 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 and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this Quarterly Report. Based on the evaluation and criteria of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rule 13a-15(d) during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party from time to time to certain claims, litigation, audits and investigations. Potential liabilities associated with these types of proceedings could have a material impact on our financial position, results of operations or cash flows.

Astrotech was named as a party to a suit filed in the Circuit Court of the Eighteenth Judicial Circuit for Brevard County, Florida. This was an action for foreclosure of certain real estate and for debt. The Company was named as a party because it held an inferior lien against the property at issue and had to be named in the foreclosure action. No monetary relief was requested from Astrotech at the time. During the six months ended December 31, 2014, the Company received a lump sum payment of \$50 thousand, less legal fees, along with a release of liability in exchange for a release of its inferior mortgage. In October 2014, the underlying lawsuit was voluntarily dismissed and the case was closed.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In November 2014, we discovered that we had inadvertently failed to file a Registration Statement on Form S-8 (the “Form S-8”) with the SEC relating to our 2011 Stock Incentive Plan (the “Plan”). On October 6, 2014, 50 thousand shares of our common stock (the “Shares”) were issued under the Plan to a former officer of the Company pursuant to the exercise of vested options that were granted on August 21, 2012 for an aggregate exercise price of \$60 thousand. As a result of the failure to file the Form S-8, the Shares were unregistered at the time of issuance. On December 3, 2014, we filed a Form S-8 with the SEC to register any further issuances under the Plan. Nonetheless, we may be subject to civil and other penalties by regulatory authorities as a result of the failure to register, and the previously outstanding unregistered Shares may be subject to rescission rights. We have implemented monitoring and reporting procedures to ensure that in the future we timely meet our registration obligations with respect to our employee incentive plans.

We have treated the previously unregistered Shares issued under the Plan as outstanding for financial reporting purposes. Consequently, the previously unregistered transaction does not represent any additional dilution. We believe that at all relevant times the participant in the Plan was provided with the same information he would have received had the Form S-8 been filed.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers (amounts in thousands of dollars, except share data and per share amounts).

On December 16, 2014, we announced a share repurchase program pursuant to which our Board of Directors authorized the repurchase of up to \$5 million of our outstanding shares. As of December 31, 2014, we had repurchased approximately \$148 thousand worth of Astrotech Corporation stock.

The following table provides information with respect to purchases under our share repurchase program during the second quarter of 2015.

Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2014 through October 31, 2014	—	\$ —	—	\$ —
November 1, 2014 through November 30, 2014	100,000 ⁽¹⁾	2.56	—	—
December 1, 2014 through December 31, 2014	58,800	2.52	58,800	4,852,059
Total	158,800	\$ 2.55	58,800	\$ 4,852,059

(1) – These shares were purchased back from an individual and were not part of the repurchase plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

On July 2, 2014, our Board approved Amended and Restated By-laws of the Company (the “Amended and Restated By-laws”), which became effective immediately. Pursuant to the Amended and Restated By-laws, the prior by-laws of the Company were amended to align the scope of the director and officer indemnification provisions set forth in Article 9 of the Amended and Restated By-laws more closely with Washington law. In addition, changes were made in the Amended and Restated By-laws to reflect, among other things, the current corporate governance structure of the Company, including the existence of a Chief Executive Officer and Senior Vice Presidents. The foregoing description of the Amended and Restated By-laws does not purport to be complete, and is qualified in its entirety by reference to the Amended and Restated By-laws of the Company, a copy of which is attached as Exhibit 3.1 hereto and is incorporated herein by reference.

In connection with the Amended and Restated By-laws, we have entered into indemnification agreements with each of our directors and executive officers, which provides for contractual indemnification and expense reimbursement to directors and executive officers, subject to the limitations described in the agreement. A form of the indemnification agreement is attached as Exhibit 10.1 hereto and is incorporated herein by reference.

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

Exhibit No.	Description
3.1	Astrotech Corporation Amended and Restated By-laws (as amended on July 2, 2014).
10.1	Form of Indemnification Agreement.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32	Certification pursuant to Rule 13a-14(b) of the Securities and Exchange Act of 1934.
101	The following financial information from the Company’s Quarterly Report on Form 10-Q, for the period ended December 31, 2014, formatted in eXtensible Business Reporting Language: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Cash Flows, (iv) Notes to Unaudited Condensed Consolidated Financial Statements. ⁽¹⁾

(1) Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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Pursuant to the requirements 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

Date: February 17, 2015

/s/ Eric Stober

Eric Stober

Chief Financial Officer

ASTROTECH CORPORATION

**Incorporated under the laws
of the State of Washington**

AMENDED AND RESTATED BY-LAWS

Originally adopted on: _____, 1995, and
amended on _____, 2014

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BY-LAWS
of
ASTROTECH CORPORATION

PREAMBLE

These By-laws are subject to, and governed by, the Washington Business Corporation Act (the "WBCA") of the State of Washington and the Amended and Restated Articles of Incorporation of Astrotech Corporation, a Washington corporation (the "Corporation") then in effect (the "Articles"). In the event of a direct conflict between the provisions of these By-laws and (i) the mandatory provisions of the WBCA or the provisions of the Articles, such provisions of the WBCA or the Articles, as the case may be, will be controlling.

ARTICLE 1
Offices

SECTION 1.1 Office

The registered office of the Corporation in the State of Washington shall be at the location determined from time-to-time by Corporation's Board of Directors (the "Board"), and the registered agent in charge thereof shall be as determined by the Board.

SECTION 1.2 Other Offices

The Corporation may also have an office or offices at any other place or places within or outside the State of Washington.

ARTICLE 2
Meetings of Shareholders

SECTION 2.1 Annual Meetings

The annual meeting of the shareholders for the election of directors, and for the transaction of such other business as may properly come before the meeting, shall be held at such place, date and hour as shall be fixed by the Board, within or without the State of Washington, and designated in the notice or waiver of notice thereof.

SECTION 2.2 Special Meetings

Except as otherwise required by law, special meetings of the shareholders may be called only in accordance with the provisions of the Articles.

SECTION 2.3 Notice of Meetings

Except as otherwise required by law or by the Articles or these By-laws, notice of each annual or special meeting of the shareholders shall be given to each shareholder of record entitled to vote at such meeting and, if and to the extent required by law, to each shareholder of

the corporation, not less than ten (10) nor more than sixty (60) days before the day on which the meeting is to be held, except that notice of a meeting to act on an amendment to the Articles of Incorporation, a plan of merger or share exchange, a proposed sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation other than in the usual or regular course of business, or the dissolution of the Corporation shall be given no fewer than twenty (20) days nor more than sixty (60) days before the meeting date. Written notice may be transmitted by mail (postage prepaid), private carrier, or personal delivery; telegraph or teletype; cable or other telephonic transmission to the shareholder at his address as it appears in the records of the Corporation. If these forms of written notice are impracticable in the view of the Board, the Chairman of the Board, the President or the Secretary, written notice may be transmitted by an advertisement in a newspaper of general circulation in the area where published. If mailed, such notice shall be deemed effective when deposited in the United States mail, first class postage prepaid, properly addressed to the shareholder at his address as it appears in the Corporation's records. Notice dispatched by telegraph, teletype, or facsimile equipment shall be deemed effective when dispatched to the shareholder's address, telephone number or other number appearing on the records of the corporation. Any notice given by publication as herein provided shall be deemed effective five (5) days after first publication. Every such notice shall state the place, the date and hour of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise required by law, notice of any meeting of shareholders shall not be required to be given to any shareholder who shall attend such meeting in person or by proxy, or who shall, in person or by attorney thereunto authorized, waive such notice in writing to be delivered to the Corporation (for inclusion in the minutes or the corporate records), either before or after such meeting. Except as otherwise provided in these By-laws, neither the business to be transacted at, nor the purpose of, any meeting of the shareholders need be specified in any such notice or waiver of notice. Notice of any adjourned meeting of shareholders shall not be required to be given, except when expressly required by law.

SECTION 2.4 Quorum

At each meeting of the shareholders, except where otherwise provided by the Articles or these By-laws, the holders of at least one-third of the issued and outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business, except as otherwise required by law, these By-laws or the Articles. In the absence of a quorum a majority in interest of the shareholders present in person or represented by proxy and entitled to vote, or, in the absence of all the shareholders entitled to vote, any officer entitled to preside at, or act as secretary of, such meeting, shall have the power to adjourn the meeting to another time and/or place, without notice other than announcement at the meeting, until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than one hundred and twenty (120) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. Once a share is represented for any purpose at a meeting other than solely to object to holding the meeting or transacting business thereat, it is deemed present for quorum purposes for the remainder of the meeting and

any adjournment thereof (unless a new record date is or must be set for the adjourned meeting) notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

SECTION 2.5 Organization

At each meeting of the shareholders, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

- (a) the Chairman;
- (b) the President;
- (c) any Vice-President;
- (d) any officer of the Corporation designated by the Board to act as chairman of such meeting and to preside thereat; or
- (e) a shareholder of record who shall be chosen chairman of such meeting by a majority in voting interest of the shareholders present in person or by proxy and entitled to vote thereat.

The Secretary or, if he shall be presiding over such meeting in accordance with the provisions of this Section 5 or if he shall be absent from such meeting, the person (who shall be an Assistant Secretary, if an Assistant Secretary has been appointed and is present) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 2.6 Order of Business

The order of business at each meeting of the shareholders shall be determined by the chairman of such meeting, but such order of business may be changed by a majority in voting interest of those present in person or by proxy at such meeting and entitled to vote thereat.

SECTION 2.7 Voting

Except as may otherwise be required by law or these By-laws, shareholders shall have the voting rights specified in the Articles.

SECTION 2.8 Informal Action by Shareholders

Any action required or permitted to be taken by the shareholders must be effected at a duly called annual or special meeting of such shareholders and may not be effected by a consent in writing by any such shareholders.

SECTION 2.9 Voting Procedures and Inspection of Elections

(a) The Corporation shall, in advance of any meeting of shareholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If

no inspector or alternate is able to act at a meeting of shareholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

(b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

(c) The date and time of the opening and the closing of the polls for each matter upon which the shareholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless a state court in Washington, upon application by a shareholder, shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the shareholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted in this Section 9, the inspectors at the time they make their certification pursuant to subsection (b)(v) of this Section 9 shall specify the precise information considered by them including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that such information is accurate and reliable.

SECTION 2.10 Advance Notification of Proposals at Shareholders' Meetings

If a shareholder desires to submit a proposal for consideration at an annual or special shareholders' meeting, or to nominate persons for election as directors at any shareholders' meeting duly called for the election of directors, written notice of such shareholders' intent to make such a proposal or nomination must be given and received by the Secretary of the Corporation at the principal executive offices of the Corporation either by personal delivery or by United States mail not later than (i) with respect to an annual meeting of shareholders, 60 days prior to the anniversary date of the immediately preceding annual meeting, and (ii) with respect to a special meeting of shareholders, the close of business on the tenth day following the date on which notice of such meeting is first sent or given to shareholders. Each notice shall describe the proposal or nomination in sufficient detail for the proposal or nomination to be summarized on the agenda for the meeting and shall set forth: (i) the name and address, as it appears on the books of the Corporation, of the shareholder who intends to make the proposal or nomination; (ii) a representation that the shareholder is a holder of record of stock of the

Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such proposal or nomination; and (iii) the class and number of shares of the Corporation which are beneficially owned by the shareholder. In addition, in the case of a shareholder proposal, the notice shall set forth the reasons for conducting such proposed business at the meeting and any material interest of the shareholder in such business. In the case of a nomination of any person for election as a director, the notice shall set forth: (i) the name and address of any person to be nominated; (ii) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (iii) such other information regarding such nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (iv) the consent of each nominee to serve as a director of the Corporation if so elected. The presiding officer of the annual or special meeting shall, if the facts warrant, refuse to acknowledge a proposal or nomination not made in compliance with the foregoing procedure, and any such proposal or nomination not properly brought before the meeting shall not be considered.

SECTION 2.11 Advisory Shareholder Votes

In order for the shareholders to adopt or approve any precatory proposal submitted to them for the purpose of requesting the Board to take certain actions, a majority of the outstanding stock of the Corporation entitled to vote thereon must be voted in favor of the proposal in accordance with Section 7 of this Article II.

SECTION 2.12 List of Shareholders

It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, at least 10 days before every meeting of the shareholders, a complete list of the shareholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such list shall be open to the examination of any shareholder, shareholder's agent, or shareholder's attorney, for any purpose germane to any such meeting, during ordinary business hours, for a period of at least 10 days prior to such meeting, either at the Corporation's principal office, at a place within the city where such meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. Such list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder, shareholder's agent or shareholder's attorney during the meeting or adjournment.

**ARTICLE 3
Board of Directors**

SECTION 3.1 General Powers

The business, property and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the Corporation and do all such

lawful acts and things as are not by law or by the Articles directed or required to be exercised or done by the shareholders.

SECTION 3.2 Number and Term of Office

The number of directors shall be fixed in accordance with the Articles. Directors need not be shareholders. Each director shall hold office until his successor is elected and qualified, or until his earlier death, resignation, retirement, disqualification or removal in the manner hereinafter provided. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

SECTION 3.3 Election of Directors

At each meeting of the shareholders for the election of directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of directors to be elected, of the shareholders present in person or by proxy and entitled to vote thereon, shall be the directors; provided that for purposes of such vote no shareholder shall be allowed to cumulate his votes.

SECTION 3.4 Resignation and Vacancies

Any director may resign at any time by giving written notice to the Board, the Chairman, the President or the Secretary. Such resignation shall take effect at the time specified therein (which may be upon the happening of an event or events specified therein) or, if the time be not specified, upon delivery thereof; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Except as otherwise required by law, vacancies on the Board and newly created directorships will be filled in accordance with the Articles.

SECTION 3.5 Meetings

(a) **Regular Meetings.** As soon as practicable after each annual election of directors, the Board shall meet for the purpose of organization and the transaction of other business, unless it shall have transacted all such business by written consent pursuant to Section 6 of this Article III.

(b) **Special Meetings.** Other meetings of the Board shall be held at such times and places as the Board, the Chairman, the President or any two directors shall from time to time determine.

(c) **Notice of Meetings.** Notice shall be given to each director for each regular and special meeting, including the time, place and purpose of such meeting. Notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, at least two days before the date on which such meeting is to be held, or shall be sent to him at such place by telegraph, cable, wireless or other form of recorded communication, or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held, but notice need not be given to any director who shall attend such meeting. A

written waiver of notice, signed by the person entitled thereto and delivered to the Corporation, whether before or after the time of the meeting stated therein, shall be deemed equivalent to notice.

(d) **Place of Meetings.** The Board may hold its meetings at such place or places within or outside the State of Washington as the Board may from time to time determine, or as shall be designated in the respective notices or waivers of notice thereof.

(e) **Quorum and Manner of Acting.** A majority of the total number of directors then in office shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law, the Articles or these By-laws. In the absence of a quorum for any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present and no further notice thereof need be given. A director who is in attendance at a meeting of the Board but who abstains from the vote on any matter by announcing his abstention to the person acting as secretary of the meeting for inclusion in the minutes and not voting on such matter shall not be deemed present at such meeting for purposes of the preceding sentence with respect to such vote, but shall be deemed present at such meeting for all other purposes.

(f) **Organization.** At each meeting of the Board, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

- (1) the Chairman;
- (2) the President (if a director); or
- (3) a person designated by the Board.

The Secretary or, in the case of his absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary has been appointed and is present) whom the chairman of the meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 3.6 Directors' Consent in Lieu of Meeting

Unless otherwise restricted by the Articles or these By-laws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, without prior notice and without a vote, if one or more written consents, setting forth the action so taken, are given by all the members of the Board or committee, either before or after the action taken, and such consent is filed with the minutes of proceedings of the Board or committee. Action taken by written consent of Directors without a meeting is effective when the last Director gives the consent, unless the consent specifies a later effective date.

SECTION 3.7 Action by Means of Conference Telephone or Similar Communications Equipment

Any one or more members of the Board or any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

SECTION 3.8 Committees

The Board, by resolution adopted by the greater of a majority of the Directors then in office when the action is taken or the number of directors required to take action in accordance with WBCA and these By-laws, may designate one or more committees, each such committee to consist of two or more directors. The Board, by resolution adopted by the same vote required herein, at any time may change the membership of any committee or amend or rescind the resolution designating the committee. Each committee shall keep a record of proceedings and report the same to the Board to such extent and in such form as the Board may require. Unless otherwise provided in the resolution designating a committee, a majority of all of the members of any such committee may select its Chairman, fix its rules or procedure, fix the time and place of its meetings and specify what notice of meetings, if any, shall be given. Each committee shall have and may exercise all of the authority of the Board to the extent provided in the resolution of the Board creating the committee and any subsequent resolutions pertaining thereto and adopted in like manner, except that no such committee shall have the authority to: (1) authorize or approve a distribution except according to a general formula or method prescribed by the Board, (2) approve or propose to shareholders actions or proposals required by the WBCA to be approved by shareholders, (3) fill vacancies on the Board or any committee thereof, (4) adopt, amend or repeal By-laws, (5) amend the Articles of Incorporation pursuant to RCW 23B.10.020, (6) approve a plan of merger, (7) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board may authorize a committee or a senior executive officer of the Corporation to do so within limits specifically prescribed by the Board, or (8) engage in any act or activity otherwise prohibited by Section 23B.08.250 of the WBCA.

SECTION 3.9 Compensation

The Board of Directors shall have the authority to fix the compensation of directors, which may include their expenses, if any, of attendance at each meeting of the Board of Directors or of a committee.

SECTION 3.10 Preferred Stock Directors

Notwithstanding the foregoing, whenever the holders of one or more classes or series of Preferred Stock shall have the right, voting separately as a class or series; to elect directors, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the resolution or resolutions adopted by the Board of Directors

pursuant to ARTICLE FOURTH of the Articles applicable thereto, and each director so elected shall not be subject to the provisions of this ARTICLE III unless otherwise provided therein.

ARTICLE 4 Officers

SECTION 4.1 Executive Officers

The executive officers of the Corporation shall be determined by the Board and may include a Chairman, a Chief Executive Officer, a President, Senior Vice-Presidents, Vice-Presidents, a Secretary and a Treasurer, and also may include such other officers as the Board may appoint pursuant to Section 3 of this Article IV. Any two or more offices may be held by the same person.

SECTION 4.2 Authority and Duties

All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-laws or, to the extent so provided, by the Board.

SECTION 4.3 Other Officers

The Corporation may have such other officers, agents and employees as the Board may deem necessary, including one or more Assistant Secretaries, one or more Assistant Treasurers and one or more Vice-presidents, each of whom shall hold office for such period, have such authority, and perform such duties as the Board, the Chairman, or the President may from time to time determine. The Board may delegate to any principal officer the power to appoint and define the authority and duties of, or remove, any such officers, agents or employees.

SECTION 4.4 Term of Office, Resignation and Removal

All executive officers shall be elected or appointed by the Board and shall hold office for such term as may be prescribed by the Board. Each executive officer shall hold office until his successor has been elected or appointed and qualified or until his earlier death or resignation or removal in the manner hereinafter provided. The Board may require any executive officer to give security for the faithful performance of his duties.

Any officer may resign at any time by delivering written notice to the Board, the Chairman, the President or the Secretary. Such resignation shall take effect at the time specified therein or, if the time be not specified, at the time notice is given. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

All officers and agents elected or appointed by the Board shall be subject to removal at any time by the Board with or without cause, subject to any agreements to the contrary.

SECTION 4.5 Vacancies

If the office of Chairman, President, Secretary or Treasurer becomes vacant for any reason, the Board shall fill such vacancy, and if any other office becomes vacant, the Board may fill such vacancy. Except as otherwise provided in these By-laws, any officer so appointed or elected by the Board shall serve only until such time as the unexpired term of his predecessor shall have expired and until his successor shall have been duly elected and qualified, unless reelected or reappointed by the Board.

SECTION 4.6 The Chairman

The Chairman of the Board shall perform such duties as shall be assigned to him by the Board from time to time and shall preside over meetings of the Board and shareholders unless another officer is appointed or designated by the Board as Chairman of such meeting.

SECTION 4.7 The President

The President, if any, shall be the chief executive officer and, in the event that the office of Chairman is or becomes vacant, the chief executive officer of the Corporation shall act as Chairman. The President shall have general charge and supervision of the operation of the business and affairs of the Corporation. The President may sign certificates for shares of the corporation, deeds, mortgages, bonds, contracts, or other instruments, except when the signing and execution thereof have been expressly delegated by the Board or by these By-laws to some other officer or agent of the corporation or are required by law to be otherwise signed or executed by some other officer or in some other manner. He shall from time to time make such reports of the affairs of the Corporation as the Board may require and shall perform such other duties as may from time to time be assigned to him by the Board or the Chairman. In the absence of a President, the Chief Executive Officer will have the responsibilities of the President.

SECTION 4.8 Senior Vice President or Vice President

In the event of the death of the President or his or her inability to act, the Senior Vice President or Vice President, if any (or if there is more than one Senior Vice President or Vice President, the Senior Vice President or Vice President who was designated by the Board as the successor to the President, or if no Senior Vice President or Vice President is so designated, the Senior Vice President first elected to such office or if there is no Senior Vice President, the Vice President first elected to such office) shall perform the duties of the President, except as may be limited by resolution of the Board, with all the powers of and subject to all the restrictions upon the President. Any Senior Vice President or Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the corporation. Senior Vice President or Vice Presidents shall have, to the extent authorized by the President or the Board, the same powers as the President to sign deeds, mortgages, bonds, contracts, or other instruments. Senior Vice President or Vice Presidents shall perform such other duties as from time to time may be assigned to them by the President or by the Board. The Board may name any Senior Vice President or Vice President as the Chief Operating Officer, Chief Financial Officer or similar title.

SECTION 4.9 The Secretary

The Secretary shall, to the extent practicable, attend all meetings of the Board and all meetings of the shareholders and shall record the minutes of all proceedings in a book to be kept for that purpose. He may give, or cause to be given, notice of all meetings of the shareholders and of the Board, and shall perform such other duties as may be prescribed by the Board, the Chairman or the President, under whose supervision he shall act. He shall keep in safe custody the seal of the Corporation and affix the same to any duly authorized instrument requiring it and, when so affixed, it may be attested by his signature or by the signature of the Treasurer or, if appointed, an Assistant Secretary or an Assistant Treasurer. The Board may give general authority to any other officer to affix the seal of the Corporation and to attest such affixing of the seal. He shall keep in safe custody the certificate books and shareholder records, including registers of the post office address of each shareholder and director, and such other books and records as the Board may direct, and shall perform all other duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board, the Chairman or the President.

SECTION 4.10 The Treasurer

The Treasurer shall have the care and custody of the corporate funds and other valuable effects, including securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Chairman, President and directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation, and shall perform all other duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board, the Chairman or the President.

**ARTICLE 5
Contracts, Checks, Drafts, Bank Accounts, Etc.**

SECTION 5.1 Execution of Documents

The Board shall designate, by either specific or general resolution, the officers, employees and agents of the Corporation who shall have the power to execute and deliver deeds, contracts, mortgages, bonds, debentures, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation, and may authorize such officers, employees and agents to delegate such power (including authority to redelegate) by written instrument to other officers, employees or agents of the Corporation; and, unless so designated or expressly authorized by these By-laws, no officer, employee or agent shall have any power or authority to bind the Corporation by any contract or engagement, to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

SECTION 5.2 Deposits

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board or Treasurer, or any other officer of the Corporation to whom power in this respect shall have been given by the Board, shall select.

SECTION 5.3 Proxies in Respect of Stock or Other Securities of Other Corporations

The Board shall designate the officers of the Corporation who shall have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of stock or other securities in any other corporation, and to vote or consent in respect of such stock or securities. Such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights, and such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise its said powers and rights.

**ARTICLE 6
Shares and Their Transfer; Fixing Record Date**

SECTION 6.1 Certificates for Shares

Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number and class of shares owned by him in the Corporation, which shall be in such form as shall be prescribed by the Board. The Board may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Each certificate for shares shall be numbered and issued in consecutive order. Certificates of stock in the Corporation, if any, shall be signed, either manually or in facsimile by two of the following officers in the name of the Corporation: the Chairman, or the President, or any Vice President and by the Treasurer (or an Assistant Treasurer, if appointed) or the Secretary (or an Assistant Secretary, if appointed). Where a certificate is countersigned by a transfer agent, other than the Corporation or an employee of the Corporation, or by a registrar, the signatures of the Chairman or the President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were such officer, transfer agent or registrar at the date of its issue. All certificates shall include written notice of any restrictions which may be imposed on the transferability of shares.

SECTION 6.2 Shares without Certificates

The Board may authorize the issue of some or all of the shares of any or all of its classes or series without certificates. Within a reasonable time after the issue or transfer of shares without certificates, the Corporation shall send the shareholder a written statement of the information required by law on the certificates. The written statement shall include written notice of any restrictions which may be imposed on the transferability of such shares.

SECTION 6.3 Transfer of Stock

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate of stock or uncertificated shares in place of any certificate therefor issued by the Corporation to the person entitled thereto, cancel the old certificate and record the transaction in its stock transfer books.

SECTION 6.4 Addresses of Shareholders

Each shareholder shall designate to the Secretary an address at which notices of meetings and all other corporate notices may be served or mailed to him, and, if any shareholder shall fail to designate such address, corporate notices may be served upon him by mail directed to him at his post office address, if any, as the same appears on the share record books of the Corporation or at his last known post office address.

SECTION 6.5 Replacement

In case of the loss, destruction, mutilation or theft of a certificate for any stock of the Corporation, a new certificate of stock or uncertificated shares in place of any certificate therefor issued by the Corporation may be issued upon satisfactory proof of such loss, destruction, mutilation or theft and upon such terms as the Corporation may prescribe. The Corporation may in its discretion require the owner of the lost, destroyed, mutilated or stolen certificate, or his legal representative, to give the Corporation a bond, in such sum and in such form and with such surety or sureties as it may direct, to indemnify the Corporation against any claim that may be made against it with respect to the certificate alleged to have been lost, destroyed, mutilated or stolen.

SECTION 6.6 Regulations

The Board may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates for stock of the Corporation.

SECTION 6.7 Fixing Date for Determination of Shareholders of Record

The Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, in order that the Corporation may determine which shareholders are entitled to (i) notice of or to vote at any meeting of shareholders or any adjournment thereof, (ii) receive payment of any dividend, or (iii) notice for any other purpose. Such record date shall be not more than seventy (70) days, and in the case of a meeting of shareholders not less than ten (10) days prior to the date on which the particular action requiring such determination is to be taken. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting, the record date shall be the day immediately preceding the date on which notice of the meeting is first given to shareholders. Such a determination shall apply to any adjournment of the meeting unless the Board fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. If no record date is set for the

determination of shareholders entitled to receive payment of any stock dividend or distribution (other than one involving a purchase, redemption, or other acquisition of the corporation's shares) the record date shall be the date the Board authorizes the stock dividend or distribution.

ARTICLE 7
Seal

The corporate seal shall be in such form as may be approved from time to time by the Board. The seal may be used by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

ARTICLE 8
Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the Board.

ARTICLE 9
Indemnification and Insurance

SECTION 9.1 Right to Indemnification

Each person who was, is or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit, claim or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (a "**proceeding**"), by reason of the fact that he or she is or was a director or officer of the Corporation or, that being or having been a director or officer of the Corporation, he or she is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise (an "**indemnitee**"), whether the basis of a proceeding is alleged action in an official capacity or in any other capacity while serving as a director, officer, partner, trustee, employee or agent, shall be indemnified and held harmless by the Corporation against all losses, claims, damages (compensatory, exemplary, punitive or otherwise), liabilities and expenses (including attorneys' fees, costs, judgments, fines, ERISA excise taxes or penalties, amounts to be paid in settlement and any other expenses) actually and reasonably incurred or suffered by the indemnitee in connection with the proceeding, and the indemnification shall continue as to an indemnitee who has ceased to be a director or officer of the Corporation or a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Except as provided in Section 4 of this Article IX with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify the indemnitee in connection with a proceeding (or part of a proceeding) initiated by the indemnitee only if a proceeding (or part of a proceeding) was authorized or ratified by the Board. The right to indemnification conferred in this Article IX shall be a contract right. The intent of this Article IX is to grant each indemnitee the maximum indemnification and advancement of expenses as allowed by law.

SECTION 9.2 Restrictions on Indemnification

No indemnification shall be provided to any indemnitee for acts or omissions of the indemnitee finally adjudged to be intentional misconduct or a knowing violation of law, for conduct of the indemnitee finally adjudged to be in violation of RCW 23B.08.310, for any transaction with respect to which it was finally adjudged that the indemnitee personally received a benefit in money, property or services to which the indemnitee was not legally entitled or if the Corporation is otherwise prohibited by applicable law from paying indemnification. Notwithstanding the foregoing, if RCW 23B.08.560 is amended, the restrictions on indemnification set forth in this Section 2 of this Article IX shall be as set forth in the amended statutory provision.

SECTION 9.3 Advancement of Expenses

The right to indemnification conferred in this Article IX shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition (an "*advancement of expenses*"). An advancement of expenses shall be made upon delivery to the Corporation of an undertaking (an "*undertaking*"), by or on behalf of the indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the indemnitee is not entitled to be indemnified.

SECTION 9.4 Right of Indemnitee to Bring Suit

If a claim under Sections 1 and 3 of this Article IX is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part, in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of litigating the suit. The indemnitee shall be presumed to be entitled to indemnification under this Section 4 of this Article IX upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, when the required undertaking has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled.

SECTION 9.5 Procedures

The procedures for indemnification and the advancement of expenses required by RCW 23B.08.510 to RCW 23B.08.550 or any successor provision will apply to indemnification and advancement of expenses under this Article IX, unless these Bylaws are approved by the shareholders of the Corporation, in which case the procedures set forth in this Article IX will be the exclusive procedures for indemnification and the advancement of expenses.

SECTION 9.6 Nonexclusivity of Rights

Except as set forth in Section 5 of this Article IX, the right to indemnification and the advancement of expenses conferred in this Article IX shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of, the Articles of Incorporation or Bylaws of the Corporation, general or specific action of the Board or shareholders, contract or otherwise. Notwithstanding any amendment or repeal of this Article IX, or of any amendment or repeal of any of the procedures that may be established by the Board pursuant to this Article IX, any indemnitee shall be entitled to indemnification in accordance with the provisions of these Bylaws and those procedures with respect to any acts or omissions of the indemnitee occurring prior to the amendment or repeal.

SECTION 9.7 Insurance, Contracts and Funding

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, partner, trustee, employee or agent of the Corporation or another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss, whether or not the Corporation would have the authority or right to indemnify the person against the expense, liability or loss under the Washington Business Corporation Act or other law. The Corporation may enter into contracts with any director, officer, partner, trustee, employee or agent of the Corporation in furtherance of the provisions of this Article IX and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of the amounts as may be necessary to effect indemnification as provided in this Article IX.

SECTION 9.8 Indemnification of Employees and Agents of the Corporation

In addition to the rights of indemnification set forth in Section 1 of this Article IX, the Corporation may, by action of the Board, grant rights to indemnification and advancement of expenses to employees and agents or any class or group of employees and agents of the Corporation (a) with the same scope and effect as the provisions of this Article IX with respect to indemnification and the advancement of expenses of directors and officers of the Corporation, (b) pursuant to rights granted or provided by the Washington Business Corporation Act, or (c) as are otherwise consistent with law.

SECTION 9.9 Persons Serving Other Entities

Any person who, while a director or officer of the Corporation, is or was serving (a) as a director, officer, employee or agent of another corporation of which a majority of the shares entitled to vote in the election of its directors is held by the Corporation or (b) as a partner, trustee or otherwise in an executive or management capacity in a partnership, joint venture, trust, employee benefit plan or other enterprise of which the Corporation or a majority owned subsidiary of the Corporation is a general partner or has a majority ownership, shall conclusively be deemed to be so serving at the request of the Corporation and entitled to indemnification and the advancement of expenses under Section 1 or 3 of this Article IX, respectively.

SECTION 9.10 Effect of Amendment or Repeal; Survival.

No repeal or modification of this Article IX shall adversely affect any right or protection afforded hereunder to any person in respect of an act or omission occurring prior to the time of such repeal or modification. The right to indemnification and advancement of expenses under this Article IX shall be construed as a contractual right of the indemnitees, shall continue as a vested contractual right, even if a person ceases to be a director or officer of the corporation, and shall inure to the benefit of an indemnitee's heirs, executors and administrators.

**ARTICLE 10
Amendment**

These By-laws may be altered, amended or repealed or new By-laws may be adopted by the Board, subject to the provisions of these By-laws and the Articles. The fact that the power to amend, alter, repeal or adopt the By-laws has been conferred upon the Board shall not divest the shareholders of the same powers.

* * * * *

The foregoing Amended and Restated Bylaws were adopted by the Board of Directors of the Corporation on _____, 2014.

_____, Secretary

ASTROTECH CORPORATION
INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "**Agreement**"), dated as of _____, 2014, is entered into by and between Astrotech Corporation, a Washington corporation (the "**Company**"), and _____ ("**Indemnitee**").

RECITALS

- A. Indemnitee performs a valuable service for the Company.
- B. The Company's Restated Articles of Incorporation, as amended (the "**Articles**"), contain certain provisions for indemnification of the Company's directors and/or officers and provide that those provisions are not exclusive and the Company may, by action of its Board of Directors, provide additional indemnification to such extent and to such effect as the Board of Directors determines appropriate.

The Company's [Amended and Restated Bylaws] (the "**Bylaws**") contain certain provisions for indemnification of the Company's directors and/or officers to the full extent permitted by the Washington Business Corporation Act (the "**Statute**").
- C. The Indemnitee has indicated a desire to supplement the indemnification provisions in the Articles and Bylaws to provide additional protections against the risks associated with Indemnitee's service to the Company and further clarify Indemnitee's rights with respect to indemnification in certain circumstances.
- D. To induce Indemnitee to accept and continue Indemnitee's service as a director and/or officer of the Company, the Company and the Indemnitee now agree that they should enter into this Indemnification Agreement.

AGREEMENT

1. Indemnification of Indemnitee

1.1 Scope

Subject to Section 4.1 and all other terms and conditions of this Agreement, the Company agrees to indemnify and hold harmless Indemnitee, to the full extent permitted by law, whether or not specifically authorized or otherwise limited by this Agreement, the Articles, the Bylaws, the Statute or otherwise, for any Indemnifiable Losses (as defined below) which the Indemnitee is or becomes legally obligated to pay in connection with any Proceeding. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule regarding the right of a Washington corporation to indemnify a director and/or officer, such changes, to the extent that they would expand Indemnitee's

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indemnification rights, shall be within the purview of Indemnitee's rights and the Company's obligations under this Agreement, and, to the extent that such changes would narrow Indemnitee's indemnification rights, shall not affect or limit the scope of this Agreement; provided, however, that any change that is required by applicable laws, statutes or rules to be applied to this Agreement shall be so applied regardless of whether the effect of such change is to narrow Indemnitee's rights hereunder.

1.2 Nonexclusivity

The indemnification provided by this Agreement is not exclusive of any rights to which Indemnitee may be entitled under the Articles, the Bylaws, any other agreement, any vote of shareholders or disinterested directors, the Statute, or otherwise, whether as to action in Indemnitee's official capacity or otherwise.

1.3 Definition of Indemnifiable Losses

For purposes of this Agreement, the term "**Indemnifiable Losses**" shall include (without limitation) any and all damages (compensatory, exemplary, punitive or otherwise), judgments, fines, penalties, settlements, and expenses (including but not limited to costs, attorneys' and expert fees and disbursements, costs of attachment or similar bonds, investigations, and expenses of establishing a right to indemnification under this Agreement ("Expenses")), and any other losses, claims, liabilities or other expenses incurred in connection with a Proceeding, subject to the limitations set forth in Section 4.1 below.

1.4 Definition of Proceeding

For purposes of this Agreement, the term "**Proceeding**" shall include (without limitation) any threatened, pending or completed claim, action, suit or proceeding, whether brought by or in the right of the Company or otherwise, and whether of a civil, criminal, administrative or investigative nature, in which the Indemnitee may be or may have been involved as a party or otherwise (including without limitation as a witness) (a) by reason of the fact that Indemnitee is or was, or has agreed to become, a director and/or officer of the Company, (b) by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, trustee, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise (including without limitation employee benefit plans and administrative committees thereof) (an "Enterprise") (which request will be conclusively presumed in the case of any of the foregoing that are "affiliates" of the Company as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended), (c) by reason of any actual or alleged error or misstatement or misleading statement made or suffered by the Indemnitee while acting as a director and/or officer of the Company or while serving at the request of the Company and acting as a director, trustee, officer, employee or agent of an Enterprise, or (d) by reason of any action taken by Indemnitee or of any inaction on Indemnitee's part while acting as a director and/or officer of the Company or while serving at the request of the Company and acting as a director, trustee, officer, employee or agent of an Enterprise; provided, however, that, except with respect to

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an action to enforce the provisions of this Agreement or to enforce insurance rights under policies of insurance purchased by the Company or an Enterprise on Indemnitee's behalf, the term "Proceeding" shall not include any action, suit, claim or proceeding instituted by or at the direction of Indemnitee unless such action, suit, claim or proceeding is or was authorized or ratified by the Company's Board of Directors.

1.5 Determination of Entitlement

In the event that a determination of Indemnitee's entitlement to indemnification is required pursuant to Section 23B.08.550 of the Statute or its successor or pursuant to other applicable law, the party specified therein as the determining party shall make such determination; provided, however, (a) that Indemnitee shall initially be presumed in all cases to be entitled to indemnification, (b) that Indemnitee may establish a conclusive presumption of any fact necessary to such a determination by delivering to the Company a declaration made under penalty of perjury that such fact is true and (c) that, unless the Company shall deliver to Indemnitee written notice of a determination that Indemnitee is not entitled to indemnification within twenty (20) days of the Company's receipt of Indemnitee's initial written request for indemnification, such determination shall conclusively be deemed to have been made in favor of the Company's provision of indemnification and Company agrees not to assert otherwise.

1.6 Survival

The indemnification provided under this Agreement shall apply to any and all Proceedings, notwithstanding that Indemnitee has ceased to serve in a capacity referred to in Section 1.4(a)-(d).

2. Expense Advances

2.1 Generally

The Company shall pay Indemnitee's expenses in any Proceeding as such expenses are incurred and in advance of such Proceeding's final disposition (such right is referred to hereinafter as an "*Expense Advance*"), subject to Sections 2.2, 4 and 5 and all other terms and conditions of this Agreement.

2.2 Conditions to Expense Advance

The Company's obligation to provide an Expense Advance is only subject to (a) Indemnitee or Indemnitee's representative having first executed and delivered to the Company an undertaking, which need not be secured and shall be accepted without reference to Indemnitee's financial ability to make repayment, by or on behalf of Indemnitee to repay all Expense Advances if and to the extent that it shall ultimately be determined by a final, unappealable decision rendered by a court having jurisdiction over the parties and the subject matter of the dispute that Indemnitee is not entitled to be indemnified under this Agreement or otherwise; and (b) Indemnitee furnishing, upon request by the Company and if required

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under applicable law, a written affirmation of Indemnitee's good faith belief that Indemnitee has met any applicable standards of conduct.

2.3 Subrogation

In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

3. Procedures for Enforcement

3.1 Enforcement

In the event that a claim for indemnification hereunder is made and is not paid in full within twenty days after written notice of such claim is delivered to the Company, Indemnitee may, but need not, at any time bring suit against the Company to recover the unpaid amount of the claim (an "**Enforcement Action**"), subject to all other terms, conditions and limitations of this Agreement.

3.2 Presumptions in Enforcement Action

In any Enforcement Action the following presumptions (and limitation on presumptions) shall apply:

(a) The Company shall conclusively be presumed to have entered into this Agreement and assumed the obligations imposed on it to induce Indemnitee to accept the position of, or to continue as director and/or officer of the Company; and

(b) Neither (i) the failure of the Company (including its Board of Directors, independent or special legal counsel or the Company's shareholders) to have made a determination prior to the commencement of the Enforcement Action that indemnification of Indemnitee is proper in the circumstances nor (ii) an actual determination by the Company, its Board of Directors, independent or special legal counsel or the shareholders that Indemnitee is not entitled to indemnification shall be a defense to the Enforcement Action or create a presumption that Indemnitee is not entitled to indemnification. An Enforcement Action shall be conducted in all respects as a *de novo* trial on the merits and Indemnitee shall not be prejudiced by reason of a previous adverse determination by the Company. In any Enforcement Action, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or Expense Advances, as the case may be.

3.3 Attorneys' Fees and Expenses for Enforcement Action

The Company shall indemnify and hold harmless Indemnitee against all of Indemnitee's reasonable fees and expenses in bringing and pursuing any Enforcement Action

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(including reasonable attorneys' fees at any stage, including on appeal); provided, however, that the Company shall not be required to provide such indemnity (a) if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such Enforcement Action was not made in good faith or was frivolous or (b) to the extent limited under Section 4.1 below.

4. Limitations

4.1 Limitation on Indemnity

Notwithstanding any other provision of this Agreement, the Company shall not be obligated to provide indemnification (other than Expense Advances) pursuant to this Agreement:

(a) on account of any suit in which a final, unappealable decision is rendered by a court having jurisdiction over the parties and the subject matter of the dispute for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto;

(b) for Indemnifiable Losses that actually have been paid directly to Indemnitee by an insurance carrier under a policy of insurance maintained by the Company;

(c) to the extent that the Indemnitee is actually indemnified and actually paid otherwise than pursuant to this Agreement;

(d) if a final, unappealable decision is rendered by a court having jurisdiction over the parties and the subject matter of the dispute finding that paying such indemnification is prohibited by applicable law;

(e) to the extent that attorneys' fees, costs and disbursements, or similar expenses, that otherwise would constitute Indemnifiable Losses hereunder are determined to be unreasonable by a final, unappealable decision rendered by a court having jurisdiction over the parties and the subject matter of the dispute, provided that the burden of proof that any Indemnifiable Losses are unreasonable shall be on the Company; or

(f) for any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the securities laws of the United States, including but not limited to the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

4.2 Partial Indemnification and Contribution

If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Indemnifiable Losses in connection with a

INDEMNIFICATION AGREEMENT

Proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Indemnifiable Losses to which Indemnitee is entitled.

To the fullest extent permissible under applicable law, if, for any reason whatsoever, the indemnification provided for in this Agreement is unavailable to Indemnitee with respect to a Proceeding or a particular claim in a Proceeding but the Company is able to indemnify the Indemnitee with respect to another claim in the Proceeding or indemnify or pay the Expenses or liabilities of another person or entity that is a party to the Proceeding, then, in lieu of indemnifying Indemnitee with respect to the matter for which indemnification is unavailable, the Company shall contribute to the amount actually and reasonably incurred by Indemnitee, whether for Expenses, judgments, fines or amounts paid or to be paid in settlement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the events and transactions giving cause to such Proceeding and (ii) the relative fault of the Company (and its directors, officers, employees and agents), on the one hand, and Indemnitee, on the other hand, in connection with such events and transactions. The Company hereby agrees to indemnify and hold harmless Indemnitee from any claims for contribution which may be brought by directors, officers or employees of the Company (other than Indemnitee) who may be jointly liable with Indemnitee for matters for which Indemnitee would be entitled to indemnification or contribution by the Company under this Agreement.

4.3 Mutual Acknowledgment

The Company and Indemnitee acknowledge that, in certain instances, federal law or public policy may override applicable state law and prohibit the Company from indemnifying Indemnitee under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Furthermore, Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

5. Notification and Defense of Claim

5.1 Notification

Promptly after receipt by Indemnitee of notice of the commencement of any Proceeding, Indemnitee will, if a claim is to be made against the Company under this Agreement, notify an executive officer of the Company in writing of the nature and status of the Proceeding; provided, however, that the omission so to notify an executive officer of the Company will not relieve the Company from any obligation which it may have to Indemnitee

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under this Agreement or otherwise unless and only to the extent that such omission can be shown to have prejudiced the Company.

If, at the time of the receipt of a notice of a claim pursuant to this Section 5.1, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies (unless there is no basis for asserting coverage). The Company shall take all necessary action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

5.2 Defense of Claim

With respect to any such Proceeding as to which Indemnitee notifies the Company of the commencement thereof or otherwise seeks indemnification hereunder:

(a) The Company may participate at its own expense in such Proceeding;

(b) The Company, jointly with any other indemnifying party similarly notified, may assume the defense of the Proceeding with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense, the Company shall not be liable to Indemnitee under this Agreement or otherwise for any legal or other expenses of counsel (other than reasonable costs of investigation) subsequently incurred by Indemnitee in connection with the defense of such Proceeding, unless (i) the employment of counsel by Indemnitee has been authorized in advance by the Company in writing, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action and notified the Company in writing to that effect in advance of the expense, (iii) the Company shall not in fact have employed counsel to assume the defense of such action, or (iv) the Company is not financially or legally able to perform its indemnification obligations, in each of which cases the fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in (ii) or (iv) above;

(c) The Company shall not without Indemnitee's written consent settle any action or claim in any manner which would impose any penalty or limitation on Indemnitee that would not be an Indemnifiable Loss hereunder for which indemnification would be provided by the Company.

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6. Miscellaneous

6.1 Entire Agreement

This Agreement is the entire agreement of the parties regarding its subject matter and supersedes all prior written or oral communications or agreements regarding the subject matter covered by this Agreement.

6.2 Severability

Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable. If this Agreement or any portion shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any portion of this Agreement not invalidated, and the balance of this Agreement shall be enforceable in accordance with its terms.

6.3 Notices

Notices given pursuant to this Agreement shall be deemed duly given on the date of personal delivery, on the date sent by fax or three days after mailing if mailed by certified or registered mail, return receipt requested, postage prepaid, to the party at its address below or such other address of which the addressee may subsequently notify the other parties in writing.

6.4 Governing Law

This Agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of the state of Washington, without giving effect to principles of conflicts of law.

6.5 Counterparts

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 instrument.

6.6 Amendments; Waivers

Neither this Agreement nor any provision may be amended except by written agreement signed by the parties. No waiver of any breach or default shall be considered valid unless in writing, and no such waiver shall be deemed a waiver of any subsequent breach or default.

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6.7 Duration

This Agreement shall continue for the duration of Indemnitee's service as a director of the Company or as a director, trustee, partner, management member, officer, employee, agent, fiduciary, stockholder or controlling person of the Company or any other Enterprise and thereafter for so long as Indemnitee may be subject to any pending or possible claim due for Indemnifiable Losses.

6.8 Successors and Assigns

This Agreement shall be binding upon the Company and its successors and assigns, and inure to the benefit of Indemnitee and Indemnitee's heirs, legal representatives and assigns. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(Signature page follows)

INDEMNIFICATION AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the date first above written.

ASTROTECH CORPORATION

By: _____
Name: _____
Its: _____

INDEMNITEE:

Name: _____
Address: _____

Fax: _____

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Certification of Chief Executive Officer
Section 302 Certification

I, Thomas B. Pickens III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astrotech Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 quarterly report is being prepared; and
 - 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 three months (the registrant's fourth fiscal three months 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.
5. The registrant's other certifying officer 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 function):
 - 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: February 17, 2015

/s/ Thomas B. Pickens III

Thomas B. Pickens III
Chief Executive Officer

**Certification of Chief Financial Officer
Section 302 Certification**

I, Eric Stober, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astrotech Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 quarterly report is being prepared; and
 - 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 three months (the registrant's fourth fiscal three months 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.
5. The registrant's other certifying officer 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 function):
 - 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: February 17, 2015

/s/ Eric Stober

Eric Stober
Chief Financial Officer

**Certification Pursuant to 18 U.S. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes- Oxley Act of 2002**

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, in his capacity as an officer of Astrotech Corporation ("Astrotech"), that, to the best of his knowledge, the Quarterly Report of Astrotech on Form 10-Q for the period ended December 31, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operation of Astrotech.

Date: February 17, 2015

/s/ Thomas B. Pickens III

Thomas B. Pickens III
Chief Executive Officer

/s/ Eric Stober

Eric Stober
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Astrotech and will be retained by Astrotech and furnished to the Securities and Exchange Commission or its staff upon request.
