
**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 March 31, 2010

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: 0-27206

Astrotech Corporation

(Exact name of registrant as specified in this 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 definition 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 May 11, 2010 there were 19,137,406 shares of the registrant's common stock outstanding.

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)

	March 31, 2010 <u>(unaudited)</u>	June 30, 2009 <u></u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,253	\$ 4,730
Accounts receivable, net	8,270	12,279
Short-term note receivable, net	675	—
Prepaid expenses and other current assets	955	591
Total current assets	<u>16,153</u>	<u>17,600</u>
Property & equipment, net	39,972	40,226
Other assets, net	34	402
Long-term note receivable, net	—	691
Total assets	<u>\$ 56,159</u>	<u>\$ 58,919</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 650	\$ 2,965
Accrued liabilities and other	2,161	2,356
Deferred revenue	1,271	3,594
Term note payable	3,415	267
Senior convertible notes payable- 5.5%	5,111	—
Other	72	—
Total current liabilities	<u>12,680</u>	<u>9,182</u>
Deferred revenue	598	649
Term note payable, net of current portion	—	3,324
Senior convertible notes payable- 5.5%	—	5,111
Other	—	105
Total liabilities	<u>13,278</u>	<u>18,371</u>
Stockholders' Equity		
Preferred stock, no par value, convertible, 2,500,000 authorized shares, 0 issued and outstanding shares, at March 31, 2010 and June 30, 2009	—	—
Common stock, no par value, 75,000,000 shares authorized 16,953,511 and 16,754,378 shares issued at March 31, 2010 and June 30, 2009, respectively	183,459	183,341
Treasury stock, 311,660 shares at cost	(237)	(237)
Additional paid-in capital	934	1,663
Retained deficit	(142,388)	(144,219)
Noncontrolling Interest	1,113	—
Total stockholders' equity	<u>42,881</u>	<u>40,548</u>
Total liabilities and stockholders' equity	<u>\$ 56,159</u>	<u>\$ 58,919</u>

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		Nine Months Ended	
	March 31,		March 31,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Revenue	\$ 6,647	\$ 11,849	\$ 22,489	\$ 21,608
Costs of revenue	3,360	4,825	8,962	11,593
Gross profit	3,287	7,024	13,527	10,015
Operating expenses:				
Selling, general and administrative	3,170	2,671	9,515	6,520
Research and development	1,117	553	2,119	1,636
Total operating expenses	4,287	3,224	11,634	8,156
Income (loss) from operations	(1,000)	3,800	1,893	1,859
Gain on notes repurchased	—	—	—	665
Interest and other expense, net	(26)	(105)	(366)	(329)
Income (loss) before income taxes	(1,026)	3,695	1,527	2,195
Income tax expense	53	(93)	(22)	(93)
Net income (loss)	(973)	3,602	1,505	2,102
Less: Net loss attributable to noncontrolling interest	(326)	—	(326)	—
Net income (loss) attributable to Astrotech Corporation	\$ (647)	\$ 3,602	\$ 1,831	\$ 2,102
Net income (loss) per share-basic	\$ (0.04)	\$ 0.22	\$ 0.11	\$ 0.13
Weighted average common shares outstanding, basic	16,610	16,547	16,531	16,444
Net income (loss) per share, diluted	\$ (0.04)	\$ 0.21	\$ 0.10	\$ 0.12
Weighted average common shares outstanding, diluted	16,610	17,316	18,278	16,867

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended	
	March 31,	
	<u>2010</u>	<u>2009</u>
	(unaudited)	
Cash flows from operating activities		
Net income	\$ 1,505	\$ 2,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	753	251
Depreciation and amortization	1,601	1,687
Gain on note repurchase	—	(665)
Other	—	27
Changes in assets and liabilities:		
Accounts receivable	4,009	(5,530)
Deferred revenue	(2,374)	1,673
Accounts payable	(2,315)	(859)
Advances for construction contract	—	(4,568)
Restricted cash	—	5,162
Other assets and liabilities	(184)	723
Net cash provided by operating activities	<u>2,995</u>	<u>3</u>
Cash flows from investing activities		
Purchases of property, equipment and leasehold improvements	(1,347)	(538)
Net cash used in investing activities	<u>(1,347)</u>	<u>(538)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	75	—
Proceeds received from revolving credit facility, net of prepayments	—	550
Repurchase of Treasury Stock	—	(120)
Term loan payment	(200)	(200)
Repurchase of notes	—	(1,085)
Net cash used in financing activities	<u>(125)</u>	<u>(855)</u>
Net change in cash and cash equivalents	1,523	(1,390)
Cash and cash equivalents at beginning of period	4,730	2,640
Cash and cash equivalents at end of period	<u>\$ 6,253</u>	<u>\$ 1,250</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 278	\$ 388
Cash paid for income taxes	—	—

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

1. Description of the Company and Operating Environment

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

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

Our Business Units

Astrotech Space Operations, Inc. (“ASO”) — ASO is the leading commercial supplier of satellite launch processing services in the United States. ASO provides processing support for government and commercial customers for their complex communication, Earth observation and deep space satellites. ASO’s spacecraft processing facilities are among the elite in the industry, with more than 300,000 square feet of space that can support the largest, five-meter class satellites. ASO has provided launch processing support for government and commercial customers for nearly a quarter century, successfully processing more than 280 spacecraft. ASO’s turn-key approach to the total satellite life cycle leverages the Company’s legacy in ground processing operations, and engineering and support services. By offering the satellite customer mission design and planning, ground and launch operations, and mission operations and end-user enhancement, ASO provides End-to-End Mission Assurance for its customers. This includes assistance with mission design, regulatory planning, preliminary engineering and more detailed systems, mechanical, software, electrical, and optical engineering services.

Spacetech — Our other business unit is an incubator intended to develop space-industry technologies into commercial applications to be sold to consumers and industry. Spacetech has developed three business initiatives to date: 1st Detect Corporation (“1st Detect”), Astrogenetix Inc. (“Astrogenetix”) and AirWard Corporation (“Airward”). 1st Detect Corporation’s business began under a Space Act Agreement with the National Aeronautics and Space Administration (“NASA”) for a chemical detection unit to be used on the International Space Station. 1st Detect engineers have developed a Miniature Chemical Detector, a device in the mass spectrometer market that we believe will fill a niche by being highly accurate, lightweight, battery-powered, durable and inexpensive. Astrogenetix is a development-stage biotechnology company created to use the unique environment of space to develop novel therapeutic products. A natural extension of the many years of experience preparing, launching, and operating over 1,500 science payloads in space, Astrogenetix is in the process of developing products from microgravity discoveries. AirWard designed and manufactured shipping containers to transport oxygen bottles and oxygen generators for commercial aircraft. Further investment in Airward was suspended in the period ended March 31, 2010, as the initiative has not yielded the anticipated return for shareholders.

2. Basis of Presentation

In the opinion of Astrotech management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the Company’s interim financial statements.

The results of operations for the three and nine months ended March 31, 2010 are not necessarily indicative of full year results. Our results of operations typically fluctuate significantly from quarter to quarter. The interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our 2009 Annual Report on Form 10-K, as amended (the “2009 10-K”).

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

3. 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 non-controlling interest accounting for the period ended March 31, 2010, which requires us to clearly identify the non-controlling interest in the balance sheets and income statements. We disclose three measures of net income: net income, net income attributable to noncontrolling interest, and net income attributable to Astrotech Corporation. Our operating cash flows in our consolidated statements of cash flows reflect net income, while our basic and diluted earnings per share calculations reflect net income attributable to Astrotech Corporation.

Noncontrolling Interest

Beginning balance at July 1, 2009	\$	—
Net loss attributable to noncontrolling interest		(326)
Distributions of restricted stock		1,439
Ending balance at March 31, 2010	\$	<u>1,113</u>

As of March 31, 2010 the Company's share of income and losses is 86% for 1st Detect and 79% for Astrogenetix.

4. Net Income (loss) per Share

Basic net income (loss) per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method and the if-converted method. Dilutive potential common shares include outstanding stock options, convertible debt, and shared-based awards. The reconciliation and the components of basic and diluted net income (loss) per share are as follows (in thousands, except per share data):

	<u>Three Months Ended</u> <u>March 31,</u>		<u>Nine Months Ended</u> <u>March 31,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Numerator:				
Net income (loss), basic and diluted	\$ (647)	\$ 3,602	\$ 1,831	\$ 2,102
Denominator:				
Denominator for basic net income (loss) per share — weighted average common stock outstanding	16,610	16,547	16,531	16,444
Dilutive common stock equivalents — common stock options and share-based awards	—	769	1,747	423
Denominator for diluted net income (loss) per share — weighted average common stock outstanding and dilutive common stock equivalents	16,610	17,316	18,278	16,867
Basic net income (loss) per share	\$ (0.04)	\$ 0.22	\$ 0.11	\$ 0.13
Diluted net income (loss) per share	<u>\$ (0.04)</u>	<u>\$ 0.21</u>	<u>\$ 0.10</u>	<u>\$ 0.12</u>

The senior convertible notes payable outstanding for the three and nine months ended March 31, 2010 and 2009, which are convertible into 340,904 shares of common stock at \$15.00 per share, have not been included in the computation of diluted net income (loss) per share as the impact to net income (loss) per share is anti-dilutive.

Options to purchase 40,900 shares of common stock at exercise prices ranging from \$4.40 to \$48.75 per share outstanding for the three and nine months ended March 31, 2010, were not included in diluted net income (loss) per share, as the impact to net income (loss) per share is anti-dilutive. Options to purchase 1,217,891 and 1,182,891 shares of common stock at exercise prices ranging from \$0.30 to \$51.25 per share outstanding for the three and nine months ended March 31, 2009, respectively, were not included in diluted net income (loss) per share, as the impact to net income (loss) per share is anti-dilutive.

5. Revenue Recognition

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

Revenue generated by Astrotech's payload processing facilities is recognized ratably over the occupancy period of the satellite while in the Astrotech facilities. For the multi-year guaranteed-mission contract with United Launch Alliance, revenue is billed and recognized on a quarterly basis. The percentage-of-completion method is used for all contracts where incurred costs can be reasonably estimated and successful completion can be reasonably assured at inception. Changes in estimated costs to complete and provisions for contract losses are recognized in the period they become known. Revenue for the sale of commercial products is recognized at shipment.

A Summary of Revenue Recognition Methods

<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
	Firm Fixed Price — Guaranteed Number of Missions	For multi-year contract payments recognized ratably over the contract period
Commercial Space Habitat Modules, Integration & Operations Support Services and Construction contracts	Firm Fixed Price	Percentage-of-completion based on costs incurred
Configuration Management, Engineering Services	Cost Reimbursable Award/Fixed Fee	Reimbursable costs incurred plus award/fixed fee
Commercial Products	Specific Purchase Order Based	At shipment

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

6. Debt

Credit Facilities

In February 2008, we entered into a financing facility with a bank providing a \$4.0 million term loan maturing February 2011. In March 2010, the Company secured a \$2.0 million revolving credit facility, terminating in February 2011, by completing the third amendment to the original loan agreement dated February 6, 2008. The term loan requires monthly payments of principal plus interest at the rate of prime plus 1.75%, and the revolving credit facility incurs interest at the rate of prime plus 0.75%, but not less than 5.0%. The bank financing facilities are secured by the assets of ASO, including accounts receivable, and require us to comply with designated covenants. The balance of the \$4.0 million term loan at March 31, 2010 was \$3.4 million. There was no outstanding balance on the revolving credit facility at March 31, 2010.

Senior Convertible Notes

At March 31, 2010, Astrotech had \$5.1 million of senior convertible notes outstanding which mature on October 15, 2010 and pay interest semi-annually on April 15 and October 15.

7. Fair Value Measurement

In general, fair values utilize quoted prices in active (when available) markets for identical assets or liabilities. The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments as of March 31, 2010 and June 30, 2009, (in thousands):

	<u>March 31, 2010</u>		<u>June 30, 2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Term loan payable	\$ 3,415	\$ 3,415	\$ 3,591	\$ 3,591
Senior convertible notes payable — 5.5%	\$ 5,111	\$ 2,658	\$ 5,111	\$ 2,650

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

In April 2009, the FASB issued guidance changing fair value accounting. This pronouncement requires disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and requires those disclosures in summarized financial information in interim financial statements. We adopted this guidance on July 1, 2009 and the adoption of these changes had no impact on the consolidated financial statements.

8. Business and Credit Risk Concentration

A substantial portion of our revenue has been generated under contracts with the U.S. Government. During the nine months ended March 31, 2010 and 2009, approximately 53% and 57%, respectively, of our revenues were generated under U.S. Government contracts. Accounts receivable totaled \$8.3 million at March 31, 2010, of which, 50% is attributed to the U.S. Government.

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

9. Segment Information

Management's primary financial and operating reviews focus on ASO, the core business unit. All intercompany transactions between business units have been eliminated in consolidation.

Key financial metrics for the three months ended March 31, 2010 are as follows:

	<u>Three Months Ended March 31, 2010</u>		<u>Three Months Ended March 31, 2009</u>	
	<u>Revenue</u>	<u>Income (loss) before income taxes</u>	<u>Revenue</u>	<u>Income (loss) before income taxes</u>
Revenue and Income (loss) (in thousands)				
ASO	\$ 6,647	\$ 867	\$ 11,604	\$ 6,706
Spacetech	—	(1,893)	245	(3,011)
	<u>\$ 6,647</u>	<u>\$ (1,026)</u>	<u>\$ 11,849</u>	<u>\$ 3,695</u>

Key financial metrics for the nine months ended March 31, 2010 are as follows:

Revenue and Income (loss) (in thousands)	Nine Months Ended March 31, 2010		Nine Months Ended March 31, 2009	
	Revenue	Income (loss) before	Revenue	Income (loss) before
		income taxes		income taxes
ASO	\$ 22,489	\$ 6,546	\$ 21,003	\$ 9,671
Spacetech	—	(5,019)	605	(7,476)
	<u>\$ 22,489</u>	<u>\$ 1,527</u>	<u>\$ 21,608</u>	<u>\$ 2,195</u>

Assets (in thousands)	March 31, 2010		June 30, 2009	
	Fixed Assets, net	Total Assets	Fixed Assets, net	Total Assets
ASO	\$ 39,749	\$ 51,496	\$ 39,815	\$ 52,595
Spacetech	223	4,663	411	6,324
	<u>\$ 39,972</u>	<u>\$ 56,159</u>	<u>\$ 40,226</u>	<u>\$ 58,919</u>

10. Equity and Other Long Term Incentive Plans

As of March 31, 2010, 61,785 shares of Common Stock were reserved for future grants under the 2008 Stock Incentive Plan. In the nine months ended March 31, 2010 and 2009, we recognized compensation expense of \$0.6 million and \$0.2 million, respectively, for restricted stock and stock options outstanding.

On January 19, 2010, an independent committee of the board of directors of 1st Detect, a subsidiary of the Company, approved a grant of 1,180 restricted stock shares and 1,820 stock purchase warrants to certain officers, directors and employees of 1st Detect. The awards vest 50% a year over a 2 year period. We recognized compensation expense of \$25,000 for restricted stock and warrants outstanding in 2010. The Company utilized the Black-Scholes methodology in determining the fair market value of the warrants of \$7,000 of which \$1,000 was recognized in 2010.

The foregoing description is a summary and is qualified in its entirety by reference to the form of the Restricted Stock Agreement, which is filed as Exhibit 10.1 hereto and is incorporated by reference, and the form of the Stock Purchase Warrant, which is filed as Exhibit 10.2 hereto and is incorporated by reference.

On January 19, 2010, an independent committee of the board of directors of Astrogenetix, a subsidiary of the Company, approved a grant of 1,550 restricted stock shares and 2,050 stock purchase warrants to certain officers, directors and employees of Astrogenetix. The awards vest 50% a year over a 2 year period. We recognized compensation expense of \$32,000 for restricted stock and warrants outstanding in 2010. The Company utilized the Black-Scholes methodology in determining the fair market value of the warrants of \$6,000 of which \$1,000 was recognized in 2010.

The foregoing description is a summary and is qualified in its entirety by reference to the form of the Restricted Stock Agreement, which is filed as Exhibit 10.3 hereto and is incorporated by reference, and the form of the Stock Purchase Warrant, which is filed as Exhibit 10.4 hereto and is incorporated by reference.

Equity Grants

In the first and second quarters of fiscal 2010, the Compensation Committee of the Board of Directors granted directors, named executive officers and employees 1,995,559 and 410,000, respectively, of restricted shares in recognition of the positive fiscal 2009 financial and operating performance. The shares were issued from the 2008 Stock Incentive Plan, vest 33.33% a year over a three year period and expire upon employee termination.

Stock Options

There were no options granted in the nine months ended March 31, 2010. Compensation costs recognized related to vested stock option awards during this time was \$1,000. At March 31, 2010 and 2009, there was \$0.1 million and \$0.2 million, respectively, of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted average period of 2.5 years.

The Company's stock options activity for the three months ended March 31, 2010 was as follows:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at December 31, 2009	971	\$ 1.25
Granted	—	—
Exercised	(63)	0.45
Cancelled or expired	(26)	1.40
Outstanding at March 31, 2010	882	\$ 1.30

The Company's stock options activity for the nine months ended March 31, 2010 was as follows:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at December 31, 2009	1,125	\$ 2.27
Granted	—	—
Exercised	(174)	0.43
Cancelled or expired	(69)	19.42
Outstanding at March 31, 2010	882	\$ 1.30

Restricted Stock

At March 31, 2010 and 2009, there was \$2.6 million and \$0.2 million of unrecognized compensation costs related to restricted stock, respectively, which is expected to be recognized over a weighted average period of 2.4 years.

The Company's restricted stock activity for the three months ended March 31, 2010 was as follows:

	Shares (in thousands)	Weighted Average Grant-Date Fair Value
Non-vested at December 31, 2009	2,629	\$ 1.20
Granted	—	—
Vested	(12)	0.45
Cancelled or expired	—	—
Non-vested at March 31, 2010	2,617	\$ 1.20

The Company's restricted stock activity for the nine months ended March 31, 2010 was as follows:

	Shares (in thousands)	Weighted Average Grant-Date Fair Value
Non-vested at June 30, 2009	243	\$ 0.52
Granted	2,406	1.27
Vested	(12)	0.45
Cancelled or expired	(20)	0.70
Non-vested at March 31, 2010	2,617	\$ 1.20

Restricted Stock 1st Detect

At March 31, 2010, there was \$0.2 million of unrecognized compensation costs related to restricted stock and warrants, which is expected to be recognized over a weighted average period of 1.8 years.

1st Detect restricted stock activity for the three months ended March 31, 2010 was as follows:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at December 31, 2009	—	\$ —
Granted	1,180	212.00
Vested	—	—
Cancelled or expired	—	—
Non-vested at March 31, 2010	1,180	\$ 212.00

Restricted Stock Astrogenetix

At March 31, 2010, there was \$0.3 million of unrecognized compensation costs related to restricted stock and warrants, which is expected to be recognized over a weighted average period of 1.8 years.

Astrogenetix restricted stock activity for the three months ended March 31, 2010 was as follows:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at December 31, 2009	—	\$ —
Granted	1,950	167.00
Vested	—	—
Cancelled or expired	—	—
Non-vested at March 31, 2010	1,950	\$ 167.00

11. Early Termination of Cost Plus Award Fee Contract

In May 2008, the Company received a letter from ARES Corporation (“ARES”) notifying us of ARES’s intent to terminate the Cost Plus Award Fee Subcontract No. SGS-0311403.00. The provision referred to in ARES’s correspondence provides for termination for “convenience.” The Company has consistently received excellent reviews for its performance under the Subcontract and has earned near maximum award fees. Previously, 45 employees of the Company were engaged under the Subcontract, which resulted in no revenue for the current fiscal quarter.

The Company and ARES have not resolved certain issues relative to the early termination of the Subcontract, including, but not limited to, a receivable from ARES under this contract totaling \$1.5 million. The Company is evaluating its contractual rights and other options with respect to ARES’s claimed termination of the Subcontract, including ARES’s obligations with respect to such claimed termination.

12. Purchase of Common Stock and Convertible Notes

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

In March 2009, the Company repurchased 300,000 shares of Common Stock at a price of \$0.40 per share, pursuant to the securities repurchase program. As of March 31, 2010, we had repurchased 311,660 shares of common stock at a cost of \$0.2 million, which represents an average cost of \$0.76 per share, and \$1.1 million of senior convertible notes payable. As a result, the Company is authorized to repurchase an additional \$5.7 million of securities under this program.

Repurchase of Outstanding Notes

On October 31, 2008, the Company purchased \$1,750,000 principal amount of its outstanding 5.5% convertible notes due October 2010 from Curtiswood Capital LLC. Mr. R. Scott Nieboer, a director of the Company until his resignation on September 30, 2009, was a beneficial owner of the repurchased securities. The repurchased notes were acquired at an established market price on the day of trade and will be retired by the Company. The Company recognized a gain of \$0.7 million on the transaction in the three months ended December 31, 2008.

13. Strategic Financial and Business Alternatives

In September 2009, the Company announced that the Board of Directors has engaged investment banking firm Lazard Ltd. to advise the Company in exploring strategic financial and business alternatives to enhance shareholder value. The range of alternatives which may be considered could include strategic acquisitions, a sale of some or all of the company’s assets or a variety of other possible transactions. There can be no assurance regarding the timing of or whether the Company will elect to pursue any of the strategic alternatives it may consider, that shareholders will favor any proposed transaction, or that any such alternatives will result in changes to the Company’s plans or will be consummated.

14. Board of Director Resignation

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

15. Related Party Transactions

James D. Royston

In December 2008, the Company entered into a seven month, renewable lease agreement with Mr. Royston, President of Astrotech, to lease a house located in Melbourne, Florida to be used by employees of the Company while conducting business on behalf of the Company. The lease provides for monthly rental payments of \$2,900 to Mr. Royston with expenses of utilities and consumables to be paid by the Company. The lease was terminated by the Company in September 2009 and subsequently, reinstated during October 2009.

Director Compensation

In August 2009, the Board of Directors granted 525,000 total restricted shares valued at \$0.6 million to directors from the 2008 Stock Incentive Plan. The restricted shares vest 33.33% a year for three years and expire upon termination. Compensation expense of \$0.1 million was recorded in the nine months ended March 31, 2010 for these awards.

Executive Compensation

On January 19, 2010, an independent committee of the Board of Directors of 1st Detect, a subsidiary of the Astrotech Corporation (the "Company"), approved a grant of restricted stock and warrants to certain officers, directors and employees of 1st Detect pursuant to restricted stock agreements and stock purchase warrants between 1st Detect and each such individual.

The awards will vest as follows, subject to earlier vesting upon the grantee's death or disability or in the event of a change of control of the Company: 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date. The restricted stock agreements and stock purchase warrants provide for forfeiture of unvested stock if the recipient is terminated or voluntarily ceases to perform services for 1st Detect, immediate vesting upon a change of control, and restrictions on and requirements as to transfer. The stock purchase warrants have an exercise price equal to the fair market value of 1st Detect's common stock on the date of grant as determined by an independent valuation firm.

The number of shares and warrants underlying each award to a named executive officer is as follows: Thomas B. Pickens III: 300 shares, 680 warrants; John Porter: 200 shares, 180 warrants. If all of the shares issued pursuant to the restricted stock agreements vest and all of the stock purchase warrants are exercised, then Thomas B. Pickens III would hold 9.8%, John Porter would hold 3.8% and the Company would hold 70% of the outstanding shares of 1st Detect based on the number of fully-diluted shares as of the date of the grants.

On January 19, 2010, an independent committee of the Board of Directors of Astrogenetix, a subsidiary of the Company, approved a grant of restricted stock and warrants to certain officers, directors and employees of Astrogenetix pursuant to restricted stock agreements and stock purchase warrants between Astrogenetix and each such individual.

The awards will vest as follows, subject to earlier vesting upon the grantee's death or disability or in the event of a change of control of the Company: 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date. The restricted stock agreements and stock purchase warrants provide for forfeiture of unvested stock if the recipient is terminated or voluntarily ceases to perform services for Astrogenetix, immediate vesting upon a change of control, and restrictions on and requirements as to transfer. The stock purchase warrants have an exercise price equal to the fair market value of Astrogenetix's common stock on the date of grant as determined by an independent valuation firm.

The number of shares and warrants underlying each award to a named executive officer is as follows: Thomas B. Pickens III: 500 shares, 1,000 warrants; John Porter: 400 shares, 800 warrants; James D. Royston: 300 shares. If all of the shares issued pursuant to the restricted stock agreements vest and all of the stock purchase warrants are exercised, then Thomas B. Pickens III would hold 16%, John Porter would hold 13%, James D. Royston would hold 3% and the Company would hold 62% of the outstanding shares of Astrogenetix based on the number of fully-diluted shares as of the date of the grants.

The restricted stock issuances to certain officers and directors described above are a component of the noncontrolling interest, as described in Note 3.

16. Subsequent Events

In March 2010, 1st Detect received notification that it was the recipient of a \$1.8 million investment from the Texas Emerging Technology Fund ("TETF"). In April 2010, the first half of the investment, \$0.9 million, was received by 1st Detect. The investment is being used to fund the development and marketing of the Miniature Chemical Detector, a portable mass spectrometer which is designed to serve the security, healthcare and industrial markets.

FORWARD-LOOKING STATEMENTS

This 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 U.S. or other space faring nations that could impact our ability to access space and support or gain customers;
- Uncertainty about, and our ability to raise sufficient capital to meet our long and short-term liquidity requirements;
- Our ability to successfully pursue our business plan;
- Whether we will fully realize the economic benefits under our NASA and other customer contracts;
- Continued availability and use of the U.S. Space Shuttle and the International Space Station;
- Technological difficulties and potential legal claims arising from any technological difficulties;
- Product demand and market acceptance risks, including our ability to develop and sell products and services to be used by the manned and unmanned space programs that replace the Space Shuttle Program;
- Uncertainty in government funding and support for key space programs;
- The impact of competition on our ability to win new contracts;
- Uncertainty in securing reliable and consistent access to space;
- Delays in the timing of performance of other contracts; and
- Risks described in the “Risk Factors” section of our 2009 Form 10-K (as amended) and this Form 10-Q.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this Form 10-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 the Risk Factors included in Part II Item 1A of this Report and Part I, Item 1A of our 2009 10-K (as amended) and elsewhere in this 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 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.

OVERVIEW

Astrotech was formed in 1984 to leverage the environment of space for commercial purposes. For the last 25 years, the Company has remained a crucial player in space commerce activities. We have supported the launch of 23 shuttle missions and more than 280 spacecraft, building space hardware and processing facilities, and preparing and processing scientific research for microgravity.

We offer products and services in the following areas:

- Facilities and support services necessary for the preparation of satellites and payloads for launch.
- End-to-End Mission Assurance: a turn-key approach to the total satellite lifecycle.
- Commercialization of space-based technologies into real-world applications.
- Expertise in qualifying hardware for spaceflight and the habitability and occupational challenges of space.

Our Business Units

Astrotech Space Operations (ASO)

ASO provides support for its government and commercial customers to successfully process complex communication, Earth observation and deep space satellites in preparation for their launch on a variety of launch vehicles. Processing activities include satellite ground transportation; pre-launch hardware integration and testing; satellite encapsulation, fueling, launch pad delivery; and communication linked launch control. Our ASO facilities can accommodate five meter class satellites encompassing the majority of U.S. based satellite preparation services. In addition to satellite processing, ASO offers engineering services capabilities that encompass the entire life cycle of a satellite. ASO accounted for 100% of our consolidated revenues for the three and nine months ended March 31, 2010. Revenue for our ASO business unit is generated from various fixed-priced contracts with launch service providers in both the commercial and government markets. The services and facilities we provide to our customers support the final assembly, checkout, and countdown functions associated with preparing a spacecraft for launch. The revenue and cash flows generated from our ASO operations are related to the number of spacecraft launches, which reflects the growth in the satellite-based communications industries and the requirement to replace aging satellites. Other factors that have impacted, and are expected to continue to impact earnings and cash flows for this business include:

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

Spacetech

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 United States generally accepted accounting principles 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.

Management believes there have been no significant changes during the nine months ended March 31, 2010 to the items that we disclosed as our critical accounting policies and estimates in Management’s Discussion and Analysis of Financial Condition and Results of Operations in the 2009 10-K (as amended).

RESULTS OF OPERATIONS

Three months ended March 31, 2010 compared to three months ended March 31, 2009:

Selected consolidated financial data for the three months ended March 31, 2010 and 2009 is as follows (dollars in thousands):

	Three Months Ended March 31,	
	2010	2009
Revenue	\$ 6,647	\$ 11,849
Gross profit	3,287	7,024
Gross margin	49%	59%
Selling, general and administrative	3,170	2,671
Research and development	1,117	553
Operating expenses	4,287	3,224
Interest and other expense, net	(26)	(105)
Income tax expense	53	(93)
Consolidated net income (loss)	(973)	3,602
Less: Net loss attributable to noncontrolling interest	(326)	—
Net income (loss) attributable to Astrotech Corporation	\$ (647)	\$ 3,602

Revenue. Total revenue decreased to \$6.6 million for the three months ended March 31, 2010, from \$11.8 million for the comparable period in fiscal 2009. The decrease was primarily attributable to a decreased launch schedule at ASO. Additionally, the three months ended March 31, 2009 includes revenue earned constructing our newest 5-meter high bay at Vandenberg Air Force Base. That project was complete in first quarter of fiscal year 2010.

Gross Profit. Gross profit decreased to \$3.3 million for the three months ended March 31, 2010, from \$7.0 million for the comparable period in fiscal 2009. The gross margin decreased to 49% for the three months ended March 31, 2010 as compared with 59% for the comparable period in fiscal 2009. The decrease in gross profit was attributable to a decrease in satellite payload processing at ASO and the completion of the payload processing facility at Vandenberg Air Force Base during the first quarter of fiscal year 2010.

Selling, General and Administrative Expense. Selling, general and administrative expense increased to \$3.2 million for the three months ended March 31, 2010 from \$2.7 million for the comparable period in fiscal 2009. The increase was primarily attributable to increased employee incentive compensation expense, an increase in business development personnel and higher outside consulting fees. As a percentage of revenue, selling, general and administrative expenses increased to 48% for the three months ended March 31, 2010, on lower revenue, as compared to 23% for the comparable period in fiscal 2009.

Research and Development Expense. Research and development expense increased to \$1.1 million for the three months ended March 31, 2010 from \$0.6 million for the comparable period in fiscal 2009. As a percentage of revenue, research and development expense increased to 17% for the three months ended March 31, 2010 as compared with 5% for the comparable period in fiscal 2009. The increase in expense was the result of our investments in the development of the 1st Detect mini-mass spectrometer and the Astrogenetix microgravity processing platform.

Interest and Other Expense, net. Interest and other expense, net, decreased to \$0.03 million for the three months ended March 31, 2010, as compared with \$0.1 million for the comparable period in fiscal 2009. Interest expense on the term loan and senior convertible notes was offset by higher interest income from our short-term cash investment in the period ended March 31, 2010 due to the larger cash balance available for investment.

Nine months ended March 31, 2010 compared to nine months ended March 31, 2009:

Selected consolidated financial data for the nine months ended March 31, 2010 and 2009 is as follows (dollars in thousands):

	Nine Months Ended March,	
	2010	2009
Revenue	\$ 22,489	\$ 21,608
Gross profit	13,527	10,015
Gross margin	60%	46%
Selling, general and administrative	9,515	6,520
Research and development	2,119	1,636
Operating expenses	11,634	8,156
Gain on notes repurchased	—	665
Interest and other expense, net	(366)	(329)
Income tax expense	(22)	(93)
Consolidated net income	1,505	2,102
Less: Net loss attributable to noncontrolling interest	(326)	—
Net income attributable to Astrotech Corporation	\$ 1,831	\$ 2,102

Revenue. Total revenue increased to \$22.5 million for the nine months ended March 31, 2010, from \$21.6 million for the comparable period in fiscal 2009. The increase was primarily attributable to an increased launch schedule during the first two quarters at ASO and additional revenue associated with the completion of the construction for our payload processing facility at Vandenberg Air Force Base.

Gross Profit. Gross profit increased to \$13.5 million for the nine months ended March 31, 2010, from \$10.0 million for the comparable period in fiscal 2009. The gross margin increased to 60% the nine months ended March 31, 2010, up from 46% for the comparable period in fiscal 2009. The increase in gross profit was primarily attributable to an increase in overall payload processing volume.

Selling, General and Administrative Expense. Selling, general and administrative expense increased to \$9.5 million for the nine months ended March 31, 2010, up from \$6.5 million for the comparable period in fiscal 2009. The increase was primarily attributable to increased employee incentive compensation expense, for the hiring of additional business development personnel, increased outside fees, additional legal expenses and an increase in insurance premiums. As a percentage of revenue, selling, general and administrative expenses increased to 42% the nine months ended March 31, 2010 as compared to 30% for the comparable period in fiscal 2009.

Research and Development Expense. Research and development expense increased to \$2.1 million for the nine months ended March 31, 2010, from \$1.6 million for the comparable period in fiscal 2009. As a percentage of revenue, research and development expense increased to 9% the nine months ended March 31, 2010 as compared with 8% for the comparable period in fiscal 2009. The increase in expense was the result of our investments in the development of the 1st Detect mini-mass spectrometer and the Astrogenetix microgravity processing platform.

Gain on Notes Repurchased. In the nine months ended March 31, 2009, there was a gain of \$0.7 million on the repurchase of \$1.8 million of our senior convertible notes.

Interest and Other Expense, net. Interest and other expense, net, increased to \$0.4 million for the nine months ended March 31, 2010 as compared to \$0.3 million for the comparable period in fiscal 2009. Interest expense relates to interest on the senior convertible notes and the term loan, offset by interest income primarily from our money market. Also included in other expense for the nine months ended March 31, 2010 is the write-off of \$0.2 million of aerospace metals.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2010, we had cash and cash equivalents of \$6.3 million and our working capital was approximately \$3.5 million. As of March 31, 2009, we had cash and restricted cash-on-hand of \$4.5 million and our working capital was approximately \$3.3 million.

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

	Nine Months Ended	
	March 31,	
	2010	2009
Net cash provided by (used in) operating activities	\$ 2,995	\$ 3
Net cash used in investing activities	(1,347)	(538)
Net cash used in financing activities	(125)	(855)
Net change in cash and cash equivalents	<u>\$ 1,523</u>	<u>\$ (1,390)</u>

Operating Activities

During the nine months ended March 31, 2010, net cash provided by operations was \$3.0 million and included net income of \$2.3 million. During the nine months ended March 31, 2009, net cash provided by operations was \$3,000 and included net income of \$2.1 million.

Changes in assets and liabilities affecting our operating cash flows for the nine months ended March 31, 2010 are as follows:

Assets. Accounts receivable decreased \$4.0 million during the nine months ended March 31, 2010. This was a result of the timing of payments received by the Company, including the collection of amounts due on the facility construction at Vandenberg Air Force Base.

Liabilities. Cash provided by operating activities was used primarily to reduce accounts payable, which decreased \$2.3 million in the nine months ended March 31, 2010. Deferred revenue decreased \$2.4 million in the nine months ended March 31, 2010. Deferred revenue represents amounts collected from customers for projects, products, or services expected to be provided at a future date. The change is a result of a timing difference between cash collections on payload processing customer contracts and amounts earned as revenue.

Investing Activities

In the nine months ended March 31, 2010, cash used in investing activities was \$1.3 million, up from \$0.5 million cash used in the comparable period in fiscal 2009. The \$1.3 million use of cash in the nine months ended March 31, 2010, was attributable to the completion of construction on our administrative building at Vandenberg Air Force Base.

Financing Activities

Cash used in financing activities for the nine months ended March 31, 2010, was \$0.1 million, down from \$0.9 million for the comparable period in fiscal 2009. During the nine months ended March 31, 2010, the Company made interest payment on our term loan of \$0.2 million. During the nine months ended March 31, 2009, the Company purchased \$1.8 million in principal amount of its outstanding senior convertible notes offset by a gain of \$0.7 million, made interest payments on our term loan of \$0.2 million, repurchased treasury stock of \$0.1 million and had proceeds of \$0.6 million from our revolving credit facility.

	March 31, 2010		June 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan payable	\$ 3,415	\$ 3,415	\$ 3,591	\$ 3,591
Senior convertible notes payable - 5.5%	\$ 5,111	\$ 2,658	\$ 5,111	\$ 2,650

Maturity of Outstanding Debt

Over the next year, the \$5.1 million of senior convertible notes and the \$3.4 million term loan will become due. The Company believes that we will have sufficient working capital to repay the senior convertible notes at maturity in October 2010. The term loan is expected to be replaced with a new debt facility. There can be no assurance that additional or replacement debt financing will be available in the future or that we will have sufficient cash flow in order to make these repayments.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no material changes to the disclosure made on this matter in our 2009 10-K (as amended).

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 (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 March 31, 2010, 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

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

ITEM 1A. RISK FACTORS

Material risks relating to our business and the ownership of our securities, which are in addition to those described in Item 1-A of our 2009 10-K (as amended), include the following:

The review of strategic alternatives may not enhance shareholder value

In September 2009, the Company announced that the Board of Directors has engaged investment banking firm Lazard Ltd. to advise the Company in exploring strategic financial and business alternatives to enhance shareholder value. The range of alternatives which may be considered could include strategic acquisitions, a sale of some or all of the company's assets or a variety of other possible transactions. There can be no assurance regarding the timing of or whether the Company will elect to pursue any of the strategic alternatives it may consider, that shareholders will favor any proposed transaction, or that any such alternatives will result in changes to the Company's plans or will be consummated. In addition, in 2010, we have incurred significant costs in order to evaluate these strategic alternatives. There can be no assurance that the costs incurred will result in a transaction.

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

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

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

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

The commercial success of the Spacotech business unit is expected to depend, in part, on obtaining patent and other intellectual property protection for the technologies contained in any products it develops. In addition, the Spacotech business unit may need to license intellectual property to commercialize future products or avoid infringement of the intellectual property rights of others. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all. The Spacotech business unit may suffer if any licenses terminate, if the licensors fail to abide by the terms of the license or fail to prevent infringement by third parties, if the licensed patents or other rights are found to be invalid or if the Spacotech business unit is unable to enter into necessary licenses on acceptable terms. If the Spacotech business unit, or the third parties from whom it licenses intellectual property, fail to obtain adequate patent or other intellectual property protection for intellectual property covering its products, or if any protection is reduced or eliminated, others could use the intellectual property covering the products, resulting in harm to the competitive business position of the Spacotech business unit. In addition, patent and other intellectual property protection may not provide the Spacotech business unit with a competitive advantage against competitors that devise ways of making competitive products without infringing any patents that the Spacotech business unit owns or has rights to. Such competition could adversely affect the prices for any products or the market share of the Spacotech business unit and could have a material adverse effect upon its results of operations and financial condition.

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

During the quarter ended March 31, 2010, we did not issue any unregistered securities or repurchase any of our securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

During the quarter ended March 31, 2010, we did not have any defaults upon our senior securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Astrotech Corporation (the “Company”) held its Annual Meeting of Shareholders (the “Annual Meeting”) on March 5, 2010, at the Company’s headquarters located in Austin, Texas. Shareholders representing 14,751,876 shares or 77.6% of the Company’s outstanding shares of common stock were present in person or by proxy at the Annual Meeting. The proposals below are described in detail in the Company’s proxy statement dated January 26, 2010.

Three proposals were included for voting:

- 1) *Election of six directors to the Company’s Board of Directors;*

Director Nominee:

Thomas B. Pickens III
Mark Adams
Lance W. Lord
John A. Olivia
William F. Readdy
Sha-Chelle Manning

- 2) *Ratification of the appointment of PMB Helin Donovan, LLP as independent registered public accountants for the Company;*
- 3) *Approval of the Company’s 2010 Stock Incentive Plan.*

Proposals 1 and 2 were approved; proposal 3 did not receive the necessary votes for approval.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Restricted Stock Agreement — 1st Detect Corporation
10.2	Form of Stock Purchase Warrant — 1st Detect Corporation
10.3	Form of Restricted Stock Agreement — Astrogenetix, Inc.
10.4	Form of Stock Purchase Warrant — Astrogenetix, Inc.
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.

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: May 17, 2010

/s/ Thomas B. Pickens, III

Thomas B. Pickens, III
Chief Executive Officer

/s/ John M. Porter

John M. Porter
Senior Vice President and Chief Financial Officer

EXHIBIT 10.1

FORM OF RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "Agreement") is by and between 1st Detect Corporation, a Delaware corporation (the "Company") and [Recipient Name] (the "Recipient") as of _____, 2010 (the "Grant Date").

WITNESSETH

WHEREAS, the Recipient is performing services (the "Services") for the Company as a [insert employment position or relationship to Company] thereof;

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

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

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

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

2. *Vesting Provisions.*

- (a) The shares of Restricted Stock shall vest as follows: 50% of the Restricted Stock shall vest on the first anniversary of the Grant Date and 50% of the Restricted Stock shall vest on the second anniversary of the Grant Date; *provided*, that no shares of Restricted Stock shall vest unless on such vesting date the Recipient has, since the Grant Date, continuously provided Services to the Company.
- (b) The Restricted Stock will be transferred of record to the Recipient and a certificate or certificates representing such Restricted Stock will be issued in the name of the Recipient immediately upon the execution of this Agreement. The Restricted Stock certificate(s) will bear a legend as provided by the Company, conspicuously referring to the terms, conditions and restrictions of this Agreement. Subject to Section 10, the Company may deliver such Restricted Stock certificate(s) to the Recipient, retain custody of such Restricted Stock certificate(s) prior to vesting or require the Recipient to enter into an escrow arrangement under which such Restricted Stock certificate(s) will be held by an escrow agent.

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

- (a) The Restricted Stock granted pursuant to this Agreement shall vest in accordance with Section 2(a) above, as long as the Recipient continues to provide Services to the Company. If, however, prior to the date on which the Restricted Stock vests pursuant to Section 2(a), either:
 - (i) the Company terminates the Recipient's Services, or
 - (ii) the Recipient voluntarily ceases to perform Services for the Company,

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

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

- (a) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;
- (b) a merger, reorganization or consolidation in which the outstanding shares of capital stock of the Company are converted into or exchanged for securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction;
- (c) the sale of all or a majority of the capital stock of the Company to an unrelated person or entity; or

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

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

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

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

- (a) give the Recipient any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;
- (b) give the Recipient or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or
- (c) confer upon the Recipient the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Recipient at any time or for any reason.

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

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

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

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

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

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

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

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

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

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

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

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

[Signature Page Follows]

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

1st DETECT CORPORATION

By: _____

Name:

Title:

Address:

RECIPIENT

Address:

Signature Page to Restricted Stock Agreement

EXHIBIT A

CONSENT OF SPOUSE

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

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

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

Dated: _____

Signature of Stockholder's Spouse

Print Name

EXHIBIT 10.2

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

Issue Date: _____, 2010

FORM OF STOCK PURCHASE WARRANT 1st DETECT CORPORATION

For value received, including performance of services (the "Services") for the Company as a [insert employment position or relationship to Company] thereof, subject to the terms and conditions herein, 1st Detect Corporation, a Delaware corporation (the "Company"), hereby grants to [insert grantee name] (the "Holder") the right to purchase from the Company [_____] (_____) shares (the "Shares") of the Company's Common Stock, par value \$0.001 per share ("Common Stock"). The number of Shares shall be subject to adjustment pursuant to Section 6 hereof.

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

2. *Vesting.*

- (a) This stock purchase warrant (this "Warrant") shall vest and become exercisable as follows: 50% of the Shares shall vest and become exercisable on the first anniversary of the Issue Date and 50% of the Shares shall vest and become exercisable on the second anniversary of the Issue Date; provided, that no Shares shall vest unless on such vesting date the Holder has, since the Issue Date, continuously provided Services to the Company. Upon vesting, the Shares will remain exercisable until 5:00 p.m., Central time on the seventh anniversary of the Issue Date.
- (b) Notwithstanding the foregoing, all of the Shares shall immediately and automatically vest and become exercisable upon the occurrence of a "Change of Control" of the Company, defined herein as the consummation of
 - (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;

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

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

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

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

3. Effect of Termination of Employment or Services.

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

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

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

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

4. Method of Exercise; Expenses.

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

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

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

- (b) Each exercise of this Warrant will be deemed to have been effected immediately prior to the close of business on the day on which the Holder will have exercised the purchase rights as provided in Section 4(a). Upon such exercise, the Company shall issue as soon as practicable a stock certificate in proper form representing the number of Shares so purchased.
- (c) If this Warrant is exercised in part only, the Company shall execute and deliver a new Warrant of the same tenor evidencing the right of the Holder to purchase the balance of the Shares purchasable hereunder upon the same terms and conditions as herein set forth.
- (d) The Company will pay all expenses, taxes (other than transfer taxes) and other charges payable in connection with the preparation, issuance and delivery of this Warrant and the Shares.

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

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

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

- (b) *Reclassification, Reorganization and Consolidation.* In case of any reclassification, capital reorganization, or change in the Common Stock of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 6(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to Holder, so that Holder shall have the right at any time prior to the expiration of this Warrant to purchase the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, or change by a holder of the same number of shares of Common Stock as were purchasable by Holder immediately prior to such reclassification, reorganization, or change, and the exercise price therefor shall be appropriately adjusted. In any such case appropriate provisions shall be made with respect to the rights and interest of Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof.
- (c) *Limitation on Adjustments.* Notwithstanding the foregoing, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one cent (\$.01) in such price; provided, however, that any adjustments which by reason of this Section 6 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. Notwithstanding anything in this Section 6 to the contrary, the Exercise Price shall not be reduced to less than the then existing par value of the Common Stock as a result of any adjustment made hereunder.

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

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

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

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

- (a) give the Holder any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;
- (b) give the Holder or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or
- (c) confer upon the Holder the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Holder at any time or for any reason.

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

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

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

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

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

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

[Signature Page Follows]

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

1st DETECT CORPORATION

By: _____

Name:

Title:

Address:

ACCEPTED AND AGREED:

HOLDER

Address:

[Signature Page To Warrant]

Exhibit A

NOTICE OF EXERCISE

Dated: _____, ____

To: 1ST DETECT CORPORATION

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

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

Printed Name of Warrant Holder: _____

Signature: _____

Printed Name of Signing Party: _____

Title of Signing Party: _____

Address of Warrant Holder: _____

EXHIBIT 10.3

FORM OF RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "Agreement") is by and between Astrogenetix, Inc., a Delaware corporation (the "Company") and [Recipient Name] (the "Recipient") as of _____, 2010 (the "Grant Date").

WITNESSETH

WHEREAS, the Recipient is performing services (the "Services") for the Company as a [insert employment position or relationship to Company] thereof;

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

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

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

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

2. *Vesting Provisions.*

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

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

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

- (a) The Restricted Stock granted pursuant to this Agreement shall vest in accordance with Section 2(a) above, as long as the Recipient continues to provide Services to the Company. If, however, prior to the date on which the Restricted Stock vests pursuant to Section 2(a), either:
 - (i) the Company terminates the Recipient's Services, or
 - (ii) the Recipient voluntarily ceases to perform Services for the Company,

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

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

- (a) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;
- (b) a merger, reorganization or consolidation in which the outstanding shares of capital stock of the Company are converted into or exchanged for securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction;
- (c) the sale of all or a majority of the capital stock of the Company to an unrelated person or entity; or

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

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

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

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

- (a) give the Recipient any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;
- (b) give the Recipient or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or
- (c) confer upon the Recipient the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Recipient at any time or for any reason.

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

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

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

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

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

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

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

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

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

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

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

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

[Signature Page Follows]

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

ASTROGENETIX, INC.

By: _____

Name:

Title:

Address:

RECIPIENT

Address:

Signature Page to Restricted Stock Agreement

EXHIBIT A

CONSENT OF SPOUSE

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

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

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

Dated: _____

Signature of Stockholder's Spouse

Print Name

EXHIBIT 10.4

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

Issue Date: _____, 2010

FORM OF STOCK PURCHASE WARRANT ASTROGENETIX, INC.

For value received, including performance of services (the "Services") for the Company as a [insert employment position or relationship to Company] thereof, subject to the terms and conditions herein, Astrogenetix, Inc., a Delaware corporation (the "Company"), hereby grants to [insert grantee name] (the "Holder") the right to purchase from the Company [_____] (_____) shares (the "Shares") of the Company's Common Stock, par value \$0.001 per share ("Common Stock"). The number of Shares shall be subject to adjustment pursuant to Section 6 hereof.

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

2. *Vesting.*

- (a) This stock purchase warrant (this "Warrant") shall vest and become exercisable as follows: 50% of the Shares shall vest and become exercisable on the first anniversary of the Issue Date and 50% of the Shares shall vest and become exercisable on the second anniversary of the Issue Date; provided, that no Shares shall vest unless on such vesting date the Holder has, since the Issue Date, continuously provided Services to the Company. Upon vesting, the Shares will remain exercisable until 5:00 p.m., Central time on the seventh anniversary of the Issue Date.
- (b) Notwithstanding the foregoing, all of the Shares shall immediately and automatically vest and become exercisable upon the occurrence of a "Change of Control" of the Company, defined herein as the consummation of
 - (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity;

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

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

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

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

3. Effect of Termination of Employment or Services.

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

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

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

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

4. Method of Exercise; Expenses.

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

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

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

- (b) Each exercise of this Warrant will be deemed to have been effected immediately prior to the close of business on the day on which the Holder will have exercised the purchase rights as provided in Section 4(a). Upon such exercise, the Company shall issue as soon as practicable a stock certificate in proper form representing the number of Shares so purchased.
- (c) If this Warrant is exercised in part only, the Company shall execute and deliver a new Warrant of the same tenor evidencing the right of the Holder to purchase the balance of the Shares purchasable hereunder upon the same terms and conditions as herein set forth.
- (d) The Company will pay all expenses, taxes (other than transfer taxes) and other charges payable in connection with the preparation, issuance and delivery of this Warrant and the Shares.

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

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

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

- (b) *Reclassification, Reorganization and Consolidation.* In case of any reclassification, capital reorganization, or change in the Common Stock of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 6(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to Holder, so that Holder shall have the right at any time prior to the expiration of this Warrant to purchase the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, or change by a holder of the same number of shares of Common Stock as were purchasable by Holder immediately prior to such reclassification, reorganization, or change, and the exercise price therefor shall be appropriately adjusted. In any such case appropriate provisions shall be made with respect to the rights and interest of Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof.
- (c) *Limitation on Adjustments.* Notwithstanding the foregoing, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one cent (\$.01) in such price; provided, however, that any adjustments which by reason of this Section 6 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. Notwithstanding anything in this Section 6 to the contrary, the Exercise Price shall not be reduced to less than the then existing par value of the Common Stock as a result of any adjustment made hereunder.

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

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

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

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

- (a) give the Holder any right to be awarded any further Restricted Stock or any other equity in the Company in the future, even if Restricted Stock or other equity awards are granted on a regular or repeated basis;
- (b) give the Holder or any other person any interest in any specified asset or assets of the Company or any subsidiary of the Company; or
- (c) confer upon the Holder the right to continue in the service of the Company, or affect the right of the Company to terminate the service of the Holder at any time or for any reason.

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

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

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

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

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

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

[Signature Page Follows]

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

ASTROGENETIX, INC.

By: _____

Name:

Title:

Address:

ACCEPTED AND AGREED:

HOLDER

Address:

[Signature Page To Warrant]

Exhibit A

NOTICE OF EXERCISE

Dated: _____, ____

To: ASTROGENETIX, INC.

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

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

Printed Name of Warrant Holder: _____

Signature: _____

Printed Name of Signing Party: _____

Title of Signing Party: _____

Address of Warrant Holder: _____

**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: May 17, 2010

/s/ Thomas B. Pickens, III
Thomas B. Pickens, III
Chief Executive Officer

Certification of Chief Financial Officer
Section 302 Certification

I, John M. Porter, 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: May 17, 2010

/s/ John M. Porter
John M. Porter
Senior Vice President and
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 September 30, 2009, 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: May 17, 2010

/s/ Thomas B. Pickens, III
Thomas B. Pickens, III
Chief Executive Officer

/s/ John M. Porter
John M. Porter
Senior Vice President and 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.