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, 2022

or

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

For the transition period from ___________ to ___________

Commission file number 001-34426

Astrotech Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	91-1273737
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
2105 Donley Drive, Suite 100, Austin, Texas	**78758**
Address of Principal Executive Offices	Zip Code

(512) 485-9530
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	ASTC	NASDAQ Stock Market, LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

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

As of May 9, 2022, the number of shares of the registrant's common stock outstanding was: 50,517,864.

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 and per share data)

	March 31, 2022 (Unaudited)	June 30, 2021 (Note)
Assets		
Current assets		
Cash and cash equivalents	$ 28,346	$ 35,936
Short-term investments	26,580	27,351
Accounts receivable	140	5
Inventory, net:		
Raw materials	1,140	1,056
Work-in-process	17	147
Finished goods	341	297
Prepaid expenses and other current assets	579	318
Total current assets	**57,143**	**65,110**
Property and equipment, net	917	263
Operating leases, right-of-use assets, net	184	249
Other assets	11	11
Total assets	**$ 58,255**	**$ 65,633**
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	107	396
Payroll related accruals	899	344
Accrued expenses and other liabilities	859	888
Income tax payable	2	2
Term note payable - related party	500	2,500
Lease liabilities, current	231	81
Total current liabilities	**2,598**	**4,211**
Lease liabilities, net of current portion	362	215
Total liabilities	**2,960**	**4,426**
Commitments and contingencies (Note 13)		
Stockholders' equity		
Convertible preferred stock, $0.001 par value, 2,500,000 shares authorized; 280,898 shares of Series D issued and outstanding at March 31, 2022 and June 30, 2021	—	—
Common stock, $0.001 par value, 250,000,000 and 50,000,000 shares authorized at March 31, 2022 and June 30, 2021, respectively; 49,569,113 and 49,450,558 shares issued and outstanding at March 31, 2022 and June 30, 2021, respectively	190,641	190,641
Additional paid-in capital	79,137	77,971
Accumulated deficit	(213,691)	(207,382)
Accumulated other comprehensive loss	(792)	(23)
Total stockholders' equity	**55,295**	**61,207**
Total liabilities and stockholders' equity	**$ 58,255**	**$ 65,633**

Note: The balance sheet at June 30, 2021, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by the United States generally accepted accounting principles for complete financial statements.

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Revenue	$ 97	$ 54	$ 845	$ 324
Cost of revenue	46	46	662	287
Gross profit	**51**	**8**	**183**	**37**
Operating expenses:				
Selling, general and administrative	1,476	1,679	4,630	3,408
Research and development	722	669	2,013	2,036
Disposal of corporate lease	—	—	—	544
Total operating expenses	2,198	2,348	6,643	5,988
Loss from operations	**(2,147)**	**(2,340)**	**(6,460)**	**(5,951)**
Other income and (expense), net	47	(63)	151	(185)
Loss from operations before income taxes	**(2,100)**	**(2,403)**	**(6,309)**	**(6,136)**
Income tax benefit	—	—	—	—
Net loss	**$ (2,100)**	**$ (2,403)**	**$ (6,309)**	**$ (6,136)**
Weighted average common shares outstanding:				
Basic and diluted	47,611	18,171	47,506	14,649
Basic and diluted net loss per common share:				
Net loss	$ (0.04)	$ (0.13)	$ (0.13)	$ (0.42)
Other comprehensive loss, net of tax:				
Net loss	$ (2,100)	$ (2,403)	$ (6,309)	$ (6,136)
Available-for-sale securities:				
Net unrealized loss	(524)	—	(769)	—
Total comprehensive loss	**$ (2,624)**	**$ (2,403)**	**$ (7,078)**	**$ (6,136)**

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Preferred Stock Series D		Common Stock						
	Number of Shares Outstanding	Amount	Number of Shares Outstanding	Amount	Treasury Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at June 30, 2021	**281**	$ **—**	**49,451**	$ **190,641**	$ **—**	$ **77,971**	$ **(207,382)**	$ **(23)**	$ **61,207**
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	(48)	(48)
Stock-based compensation	—	—	—	—	—	359	—	—	359
Net loss	—	—	—	—	—	—	(2,029)	—	(2,029)
Balance at September 30, 2021	**281**	$ **—**	**49,451**	$ **190,641**	$ **—**	$ **78,330**	$ **(209,411)**	$ **(71)**	$ **59,489**
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	(197)	(197)
Stock-based compensation	—	—	63	—	—	439	—	—	439
Net loss	—	—	—	—	—	—	(2,180)	—	(2,180)
Balance at December 31, 2021	**281**	$ **—**	**49,514**	$ **190,641**	$ **—**	$ **78,769**	$ **(211,591)**	$ **(268)**	$ **57,551**
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	(524)	(524)
Stock-based compensation	—	—	55	—	—	368	—	—	368
Net loss	—	—	—	—	—	—	(2,100)	—	(2,100)
Balance at March 31, 2022	**281**	$ **—**	**49,569**	$ **190,641**	$ **—**	$ **79,137**	$ **(213,691)**	$ **(792)**	$ **55,295**

	Preferred Stock Series D		Common Stock						
	Number of Shares Outstanding	Amount	Number of Shares Outstanding	Amount	Treasury Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at June 30, 2020	**281**	**$ —**	**7,850**	**$ 190,599**	**$ (4,129)**	**$ 13,934**	**$ (199,779)**	**$ —**	**$ 625**
Stock offering costs	—	—	—	—	—	(2)	—	—	(2)
Stock-based compensation	—	—	—	—	—	49	—	—	49
Restricted stock cancellation	—	—	(6)	—	—	(5)	—	—	(5)
Net loss	—	—	—	—	—	—	(2,111)	—	(2,111)
Balance at September 30, 2020	**281**	**$ —**	**7,844**	**$ 190,599**	**$ (4,129)**	**$ 13,976**	**$ (201,890)**	**$ —**	**$ (1,444)**
Issuance of stock, net of offering costs	—	—	10,714	11	—	21,819	—	—	21,830
Stock-based compensation	—	—	—	—	—	47	—	—	47
Restricted stock cancellation	—	—	(17)	—	—	(1)	—	—	(1)
Net loss	—	—	—	—	—	—	(1,622)	—	(1,622)
Balance at December 31, 2020	**281**	**$ —**	**18,541**	**$ 190,610**	**$ (4,129)**	**$ 35,841**	**$ (203,512)**	**$ —**	**$ 18,810**
Issuance of stock, net of offering costs	—	—	3,985	4	—	11,723	—	—	11,727
Stock-based compensation	—	—	2,087	2	—	192	—	—	194
Net loss	—	—	—	—	—	—	(2,403)	—	(2,403)
Balance at March 31, 2021	**281**	**$ —**	**24,613**	**$ 190,616**	**$ (4,129)**	**$ 47,756**	**$ (205,915)**	**$ —**	**$ 28,328**

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$ (6,309)	$ (6,136)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation, net of forfeitures	1,166	284
Depreciation and amortization	169	197
Loss on disposal of assets	—	173
Changes in assets and liabilities:		
Accounts receivable	(135)	(11)
Inventory, net	2	(472)
Income tax receivable	—	429
Accounts payable	(289)	131
Other assets and liabilities	232	550
Net cash used in operating activities	**(5,164)**	**(4,855)**
Cash flows from investing activities:		
Purchases of property and equipment	(370)	(24)
Net cash used in investing activities	**(370)**	**(24)**
Cash flows from financing activities:		
Repayment of related party debt	(2,000)	—
Payments on lease financing	(56)	(9)
Proceeds from issuance of stock, net of offering issuance costs	—	33,555
Net cash (used in) provided by financing activities	**(2,056)**	**33,546**
Net change in cash and cash equivalents	**(7,590)**	**28,667**
Cash and cash equivalents at beginning of period	35,936	3,349
Cash and cash equivalents at end of period	**$ 28,346**	**$ 32,016**
Reconciliation of cash and cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	$ 28,346	$ 31,474
Restricted cash	—	542
Total	**$ 28,346**	**$ 32,016**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 8	$ 2
Income taxes paid	$ —	$ —
Acquisition of equipment through financing lease	$ 394	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

(1) General Information

Description of the Company – Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," the "Company," "we," "us," or "our"), a Delaware corporation organized in 1984, is a mass spectrometry company that launches, manages, and commercializes scalable companies based on its innovative core technology.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending June 30, 2022. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2021. Certain prior year amounts have been reclassified to conform to the current year presentation and have had no impact on net income or stockholders' equity.

Accounting Pronouncements – In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-10, "Government Assistance (Topic 832)" ("ASU 2021-10"), which enhances disclosure of transactions with governments that are accounted for by applying a grant or contribution model. The new pronouncement requires entities to provide information about the nature of the transaction, terms and conditions associated with the transaction, and financial statement line items affected by the transaction. ASU 2021-10 is effective for fiscal years beginning after December 15, 2021. The Company does not expect the adoption of ASU 2021-10 to have a material impact on its financial statements.

Our Business Units

Astrotech Technologies, Inc.

Astrotech Technologies, Inc. ("ATI") owns and licenses the Astrotech Mass Spectrometer Technology™ (the "AMS Technology"), the platform mass spectrometry technology originally developed by 1st Detect Corporation ("1st Detect"). The AMS Technology has been designed to be inexpensive, small, and easy to use. Unlike other technologies, the AMS Technology works under ultra-high vacuum, which eliminates competing molecules, yielding higher resolution and fewer false alarms. The intellectual property includes 24 patents granted with two additional patents in process along with extensive trade secrets. With a number of diverse market opportunities for the core technology, ATI is structured to license the intellectual property for different fields of use. ATI currently licenses the AMS Technology to three wholly-owned subsidiaries of Astrotech on an exclusive basis, including to 1st Detect for use in the security and detection market, to AgLAB Inc. ("AgLAB") for use in the agriculture market, and to BreathTech Corporation ("BreathTech") for use in breath analysis.

1st Detect Corporation

1st Detect, a licensee of ATI for the security and detection market, has developed the TRACER 1000™, the world's first mass spectrometry ("MS") based explosives trace detector ("ETD") certified by the European Civil Aviation Conference ("ECAC"), designed to replace the ETDs used at airports, cargo and other secured facilities, and borders worldwide. The Company believes that ETD customers are unsatisfied with the currently deployed ETD technology, which is driven by ion mobility spectrometry ("IMS"). The Company believes that IMS-based ETDs are fraught with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing facility shutdowns, unnecessary delays, frustration, and significant wasted security resources. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those several explosives of largest concern. Adding additional compounds to the detection library of an IMS-based ETD fundamentally reduces the instrument's performance, further increasing the likelihood of false alarms. In contrast, adding additional compounds to the TRACER 1000's detection library does not degrade its detection capabilities, as it has a virtually unlimited and easily expandable threat library.

In order to sell the TRACER 1000 to airport and cargo security customers in the European Union and certain other countries, ECAC certification is required. We are currently selling the TRACER 1000 to customers who accept ECAC certification.

In the United States, the Company is working with the U.S. Transportation Security Administration ("TSA") towards air cargo certification. On March 27, 2018, the Company announced that the TRACER 1000 was accepted into TSA's Air Cargo Screening Technology Qualification Test ("ACSQT") and, on April 4, 2018, the Company announced that the TRACER 1000 was beginning testing with TSA for passenger screening at airports. On November 14, 2019, the Company announced that the TRACER 1000 had been selected by the TSA's Innovation Task Force to conduct live checkpoint screening at Miami International Airport. With similar protocols as ECAC testing, the Company has received valuable feedback from all programs. Following ECAC certification and the Company's early traction within the cargo market, testing for cargo security continued with the TSA. With the COVID-19 pandemic, all testing within the TSA was put on hold; however, the Company resumed cargo testing during the summer of 2020, and the Company subsequently announced on September 9, 2020 that the TRACER 1000 passed the non-detection testing portion of the TSA's ACSQT. Due to continued delays caused by COVID-19, TSA cargo detection testing is ongoing but proceeding much more slowly than anticipated. As a result, efforts are primarily focused on the Company's other opportunities. TSA cargo detection testing is the final step to be listed on the Air Cargo Screening Technology List ("ACSTL") as an "approved" device. If approved, the TRACER 1000 will be approved for cargo sales in the United States.

On August 25, 2021, 1st Detect announced that it secured an important landmark purchase order for the TRACER 1000, representing the first units to be deployed at an airport security checkpoint. These systems were delivered to the customer during the second quarter of fiscal year 2022.

AgLAB Inc.

AgLAB, an exclusive licensee of ATI for the agriculture market, has developed the AgLAB-1000™ series of mass spectrometers for use in the hemp and cannabis market with initial focus on optimizing yields in the extraction and distillation process. The AgLAB product line is a derivative of the Company's core AMS Technology. The AMS Technology provides a significant competitive advantage due to its small size, rugged design, quick analysis, and ease of use. The Company plans to launch a family of "process control" instruments, methods, and solutions that we believe could be valuable additions to many nutraceutical extraction and distillation laboratories.

BreathTech Corporation

BreathTech, an exclusive licensee of ATI for use in breath analysis, is developing the BreathTest-1000™, a breath analysis tool to screen for volatile organic compound ("VOC") metabolites found in a person's breath that could indicate they may have an infection, including COVID-19 or pneumonia. While vaccines have been deployed to prevent the transmission of COVID-19, many people remain unvaccinated and new variants continue to pose a significant and evolving threat. New tools to aid in the battle against COVID-19 remain of the utmost importance to help defeat the disease, and BreathTech, in conjunction with Cleveland Clinic, are developing a quick and easy to use device to help aid in preventing the further spread of the disease.

Development of the BreathTest-1000 follows the Company's results in pre-clinical trials for the BreathDetect-1000™, a rapid self-serve breathalyzer that was designed to detect bacterial infections in the respiratory tract, including pneumonia. The pre-clinical trials were conducted in collaboration with UT Health San Antonio in 2017.

(2) Investments

The following tables summarize gains and losses related to the Company's investments as of March 31, 2022 and June 30, 2021:

	March 31, 2022			
Available-for-Sale (In thousands)	**Adjusted Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Mutual Funds - Corporate & Government Debt	$ 19,997	$ —	$ (510)	$ 19,487
ETFs - Corporate & Government Debt	7,375	—	(282)	7,093
Total	$ **27,372**	$ **—**	$ **(792)**	$ **26,580**

	June 30, 2021			
Available-for-Sale (In thousands)	**Adjusted Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Mutual Funds - Corporate & Government Debt	$ 19,998	$ —	$ (13)	$ 19,985
ETFs - Corporate & Government Debt	7,376	—	(10)	7,366
Total	**$ 27,374**	**$ —**	**$ (23)**	**$ 27,351**

(3) Leases

On April 27, 2021, Astrotech entered into a new lease for a research and development facility of approximately 5,960 square feet in Austin, Texas that includes a laboratory, a small production shop, and offices for staff, although many of the Company's employees continue to work remotely. The lease commenced on June 1, 2021 and has a lease term of 36 months.

On August 3, 2020, the Company terminated its office lease of 5,219 square feet in Austin, Texas that housed executive management, finance and accounting, sales, and marketing and communications. The lease began in November 2016 and was originally set to expire in December 2023. Upon lease termination, the Company recognized a decrease in the related operating right-of-use ("ROU") asset and operating lease liability of approximately $539 thousand and $506 thousand, respectively.

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate in determining the present value of lease payments. Significant judgement is required when determining the Company's incremental borrowing rate. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The balance sheet presentation of the Company's operating and finance leases is as follows:

(In thousands)	**Classification on the Condensed Consolidated Balance Sheet**	**March 31, 2022**
Assets:		
Operating lease assets	Operating leases, right-of-use assets, net	$ 184
Financing lease assets	Property and equipment, net	491
Total lease assets		**$ 675**
Liabilities:		
Current:		
Operating lease obligations	Lease liabilities, current	$ 94
Financing lease obligations	Lease liabilities, current	137
Non-current:		
Operating lease obligations	Lease liabilities, non-current	114
Financing lease obligations	Lease liabilities, non-current	248
Total lease liabilities		**$ 593**

Future minimum lease payments under non-cancellable leases are as follows:

(In thousands)

For the Year Ended June 30,	**Operating Leases**	**Financing Leases**	**Total**
2022	$ 26	$ 38	$ 64
2023	104	154	258
2024	93	154	247
2025	—	67	67
2026	—	—	—
Thereafter	—	—	—
Total lease obligations	**223**	**413**	**636**
Less: imputed interest	15	28	43
Present value of net minimum lease obligations	**208**	**385**	**593**
Less: lease liabilities - current	94	137	231
Lease liabilities - non-current	**$ 114**	**$ 248**	**$ 362**

Other information as of March 31, 2022 is as follows:

Weighted-average remaining lease term (years):	
Operating leases	2.1
Financing leases	2.7
Weighted-average discount rate:	
Operating leases	6.4%
Financing leases	5.3%

Cash payments for operating leases for the three months ended March 31, 2022 and 2021 totaled $25 thousand and $53 thousand, respectively. Cash payments for operating leases for the nine months ended March 31, 2022 and 2021 totaled $60 thousand and $176 thousand, respectively.

Cash payments for financing leases for the three months ended March 31, 2022 and 2021 totaled $38 thousand and $3 thousand, respectively. Cash payments for financing leases for the nine months ended March 31, 2022 and 2021 totaled $56 thousand and $9 thousand, respectively.

(4) Property and Equipment

As of March 31, 2022 and June 30, 2021, property and equipment, net consisted of the following:

(In thousands)	**March 31, 2022**	**June 30, 2021**
Furniture, fixtures, equipment & leasehold improvements	$ 1,302	$ 535
Software	264	315
Capital improvements in progress	86	187
Gross property and equipment	**1,652**	**1,037**
Accumulated depreciation and amortization	(735)	(774)
Property and equipment, net	**$ 917**	**$ 263**

Depreciation and amortization expense of property and equipment for the three months ended March 31, 2022 and 2021 was $53 thousand and $12 thousand, respectively. Depreciation and amortization expense of property and equipment for the nine months ended March 31, 2022 and 2021 was $104 thousand and $48 thousand, respectively.

On August 3, 2020, the Company terminated its corporate office lease in Austin, Texas and wrote-off the remaining net book value of the related leasehold improvement assets in the amount of $229 thousand.

(5) Stockholders' Equity

Preferred Stock

The Company has issued 280,898 shares of Series D convertible preferred stock ("Series D Preferred Shares"), all of which are issued and outstanding. Series D Preferred Shares are convertible to common stock on a one-to-one basis. Series D Preferred Shares are not callable by the Company. The holder of the preferred stock is entitled to receive, and we shall pay, dividends on shares equal to and in the same form as dividends actually paid on shares of common stock when, and if, such dividends are paid on shares of common stock. No other dividends are paid on the preferred shares. Preferred shares have no voting rights. Upon liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the preferred shares have preference over common stock. The holder of Series D Preferred Shares has the option to convert said shares to common stock at the holder's discretion.

The holder of the preferred stock previously agreed with the Company that they would not convert the preferred stock until such time as the amendment to the Certificate of Incorporation (the "2020 Certificate Amendment") was accepted for filing with the state of Delaware, which occurred in October 2021.

Warrants

A summary of the common stock warrant activity for the nine months ended March 31, 2022 is presented below:

	Number of Shares Underlying Warrants (In thousands)	Weighted Average Exercise Price	Aggregate Fair Market Value at Issuance (In thousands)	Weighted Average Remaining Contractual Term (Years)
Outstanding June 30, 2021	**2,393**	**$ 2.40**	**$ 3,747**	**4.63**
Warrants issued	—	—	—	—
Warrants exercised	—	—	—	—
Warrants expired	—	—	—	—
Outstanding March 31, 2022	**2,393**	**$ 2.40**	**$ 3,747**	**3.85**

The Company has made an immaterial error correction to the table above to reflect the correct weighted average exercise price and weighted average remaining contractual term reported as of June 30, 2021. Management evaluated the materiality of the error, both quantitatively and qualitatively, and concluded that it was not material to the financial statements of any period presented.

The following represents a summary of the warrants outstanding at each of the dates identified:

				Number of Shares Underlying Warrants (In thousands)	
Issue Date	**Classification**	**Exercise Price**	**Expiration Date**	**March 31, 2022**	**June 30, 2021**
March 26, 2020	Equity	$ 6.25	March 25, 2025	25	25
March 30, 2020	Equity	$ 4.69	March 27, 2025	61	61
October 23, 2020	Equity	$ 2.88	October 21, 2025	470	470
October 28, 2020	Equity	$ 2.69	October 28, 2025	173	173
February 16, 2021	Equity	$ 4.06	February 11, 2026	171	171
April 12, 2021	Equity	$ 1.88	April 7, 2026	1,493	1,493
Total Outstanding				**2,393**	**2,393**

Nasdaq Compliance

On December 21, 2021, the Company received a deficiency letter from the Nasdaq Listing Qualifications Department of the Nasdaq Stock Market LLC ("Nasdaq") notifying the Company of its failure to maintain compliance with the $1.00 per share of common stock minimum closing bid price requirement over the preceding 30 consecutive business days as required by Marketplace Rule 5550(a)(2). The letter stated that the Company has 180 calendar days, or until June 20, 2022, to regain compliance. If at any time during this 180-day period the closing bid price of the Company's common stock is at least $1.00 per share for a minimum of ten consecutive business days, the Company's compliance will be regained.

In the event the Company does not regain compliance in that period, it may be eligible to apply for an additional 180 calendar days to regain compliance. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement. The Company will also need to provide written notice of its intention to cure the deficiency during the second compliance period. However, if it appears to the Nasdaq staff that the Company will neither be able nor otherwise eligible to cure the deficiency, it may be subject to delisting by Nasdaq.

The Company has not yet determined what action, if any, it will take in response to this letter, although the Company intends to monitor the closing bid price of its common stock between now and June 19, 2022, and to consider available options if its common stock does not trade at a level likely to result in the Company regaining compliance with The Nasdaq Capital Market minimum closing bid price requirement.

(6) Net Loss per Share

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

The following table reconciles the numerators and denominators used in the computations of both basic and diluted net loss per share:

(In thousands, except per share data)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Numerator:				
Net loss	$ (2,100)	$ (2,403)	$ (6,309)	$ (6,136)
Denominator:				
Denominator for basic and diluted net loss per share — weighted average common stock outstanding	47,611	18,171	47,506	14,649
Basic and diluted net loss per common share:				
Net loss	$ (0.04)	$ (0.13)	$ (0.13)	$ (0.42)

All unvested restricted stock awards for the nine months ended March 31, 2022 are not included in diluted net loss per share, as the impact to net loss per share would be anti-dilutive. Options to purchase 152,532 shares of common stock at exercise prices ranging from $1.85 to $6.00 per share outstanding as of March 31, 2022 were not included in diluted net loss per share, as the impact to net loss per share would be anti-dilutive.

(7) Revenue Recognition

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

An additional factor is reasonable assurance of collectability. This necessitates deferral of all or a portion of revenue recognition until collection. During the nine months ended March 31, 2022, the Company had three revenue sources that comprised all of its revenue. Revenue was recognized at a point in time consistent with the guidelines in Topic 606.

Contract Assets and Liabilities. The Company enters into contracts to sell products and provide services, and it recognizes contract assets and liabilities that arise from these transactions. The Company recognizes revenue and corresponding accounts receivable according to Topic 606 and, at times, recognizes revenue in advance of the time when contracts give us the right to invoice a customer. The Company may also receive consideration, per the terms of a contract, from customers prior to transferring goods to the customer. The Company records customer deposits as deferred revenue. Additionally, the Company may receive payments, most typically for service and warranty contracts, at the onset of the contract and before services have been performed. In such instances, the Company records a deferred revenue liability. The Company recognizes these contract liabilities as sales after all revenue recognition criteria are met.

Practical Expedients. In cases where the Company is responsible for shipping after the customer has obtained control of the goods, the Company has elected to treat the shipping activities as fulfillment activities rather than as a separate performance obligation. Additionally, the Company has elected to capitalize the cost to obtain a contract only if the period of amortization would be longer than one year. The Company only gives consideration to whether a customer agreement has a financing component if the period of time between transfer of goods and services and customer payment is greater than one year.

Product Sales. The Company recognizes revenue from sales of products upon shipment or delivery when control of the product transfers to the customer, depending on the terms of each sale, and when collection is probable. In the circumstance where terms of a product sale include subjective customer acceptance criteria, revenue is deferred until the Company has achieved the acceptance criteria unless the customer acceptance criteria are perfunctory or inconsequential. The Company generally offers customers payment terms of 60 days or less.

Freight. The Company records shipping and handling fees that it charges to its customers as revenue and related costs as cost of revenue.

Multiple Performance Obligations. Certain agreements with customers include the sale of equipment involving multiple elements in cases where obligations in a contract are distinct and thus require separation into multiple performance obligations, revenue recognition guidance requires that contract consideration be allocated to each distinct performance obligation based on its relative standalone selling price. The value allocated to each performance obligation is then recognized as revenue when the revenue recognition criteria for each distinct promise or bundle of promises has been met.

The standalone selling price for each performance obligation is an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the good or service. When there is only one performance obligation associated with a contract, the entire amount of consideration is attributed to that obligation. When a contract contains multiple performance obligations, the standalone selling price is first estimated using the observable price, which is generally a list price net of applicable discount or the price used to sell the good or service in similar circumstances. In circumstances when a selling price is not directly observable, the Company will estimate the standalone selling price using information available to it including its market assessment and expected cost, plus margin.

The timetable for fulfilment of each of the distinct performance obligations can range from completion in a short amount of time and entirely within a single reporting period to completion over several reporting periods. The timing of revenue recognition for each performance obligation may be dependent upon several milestones, including physical delivery of equipment, completion of site acceptance test, and in the case of after-market consumables and service deliverables, the passage of time.

(8) Fair Value Measurement

ASC Topic 820 "Fair Value Measurement" ("Topic 820") defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. Topic 820 is applicable whenever assets and liabilities are measured and included in the financial statements at fair value.

The fair value hierarchy established in Topic 820 prioritizes the inputs used in valuation techniques into three levels as follows:

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

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

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

The following tables present the carrying amounts, estimated fair values, and valuation input levels of certain financial instruments as of March 31, 2022 and June 30, 2021:

	March 31, 2022				
	Carrying	Fair Value Measured Using			Fair
(In thousands)	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Value**
Available-for-Sale Securities					
Mutual Funds - Corporate & Government Debt	$ 19,487	$ 19,487	$ —	$ —	$ 19,487
ETFs - Corporate & Government Debt	7,093	7,093	—	—	7,093
Total	$ **26,580**	$ **26,580**	$ **—**	$ **—**	$ **26,580**

	June 30, 2021				
	Carrying	Fair Value Measured Using			Fair
(In thousands)	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Value**
Available-for-Sale Securities					
Mutual Funds - Corporate & Government Debt	$ 19,985	$ 19,985	$ —	$ —	$ 19,985
ETFs - Corporate & Government Debt	7,366	7,366	—	—	7,366
Total	**$ 27,351**	**$ 27,351**	**$ —**	**$ —**	**$ 27,351**

The value of available-for-sale investments is based on pricing from third-party pricing vendors, who use quoted prices in active markets for identical assets (Level 1 inputs).

(9) Debt

On September 5, 2019, the Company entered into a private placement transaction with Thomas B. Pickens III, the Chief Executive Officer and Chairman of the Board of Directors of the Company for the issuance and sale of a secured promissory note to Mr. Pickens with a principal amount of $1.5 million (the “2019 Note”), and on February 13, 2020, the Company entered into a second private placement transaction with Mr. Pickens for the issuance and sale of a second secured promissory note to Mr. Pickens with a principal amount of $1.0 million (the “2020 Note” and, collectively with the 2019 Note, the “Original Notes”). Interest on the Original Notes accrued at 11% per annum. The principal amount and accrued interest on the Original Notes originally were to become due and payable on September 5, 2020; however, on August 24, 2020, the Company and Mr. Pickens agreed to extend the date of maturity of the Original Notes and payment of accrued interest to September 5, 2021 (the “Original Maturity Date”). The Company had the option to prepay the principal amount and all accrued interest on the Original Notes at any time prior to the Original Maturity Date.

In connection with the issuance of the Original Notes, the Company, along with 1st Detect Corporation and Astrotech Technologies, Inc. (the “Subsidiaries”), entered into two security agreements, dated as of September 5, 2019 and February 13, 2020 (collectively, the “Original Security Agreements”), with Mr. Pickens, pursuant to which the Company and the Subsidiaries granted to Mr. Pickens a security interest in all of the Company’s and the Subsidiaries’ Collateral, as such term is defined in the Original Security Agreements. In addition, the Subsidiaries jointly and severally agreed to guarantee and act as surety for the Company’s obligation to repay the Original Notes pursuant to a subsidiary guarantee.

On September 3, 2021, the Company entered into (1) the Omnibus Amendment to the Secured Promissory Notes (the “Amended Notes”) with Mr. Pickens, in connection with the Original Notes, and (2) the Omnibus Amendment to the Security Agreements (the “Amended Security Agreements”, and together with the Amended Notes, the “Amendments”) with the Subsidiaries, in connection with the Original Security Agreements. Pursuant to the Amendments, (a) the principal amount of $1.0 million and accrued interest of $172 thousand on the 2020 Note was paid in full and the 2020 Note was cancelled, and (b) $1.0 million of the principal amount and $330 thousand of accrued interest on the 2019 Note was paid and the maturity date on the remaining balance of $500 thousand of the 2019 Note was extended to September 5, 2022 (the “Amended Maturity Date”).

In addition, the Subsidiaries jointly and severally agreed to guarantee and act as surety for the Company’s obligation to repay the remaining balance on the 2019 Note pursuant to subsidiary guarantees, dated September 5, 2019 and February 13, 2020, respectively, as amended by the Omnibus Amendments to Subsidiary Guarantees, dated August 24, 2020 and September 3, 2021, respectively (the Omnibus Amendment to Subsidiary Guarantees dated September 3, 2021, the “Amended Subsidiary Guarantee”). The Subsidiary Guaranty with respect to the 2020 Note was also cancelled by the Amended Subsidiary Guarantee due to the 2020 Note being repaid in full.

(10) Business Risk and Credit Risk Concentration Involving Cash

For the three months ended March 31, 2022, the Company had two customers that comprised all of the Company’s revenue. For the nine months ended March 31, 2022, the Company had three customers that comprised all of the Company’s revenue.

The Company maintains funds in bank accounts that may exceed the limit insured by the Federal Deposit Insurance Corporation of $250 thousand per depositor. The risk of loss attributable to these uninsured balances is mitigated by depositing funds in what we believe to be high credit quality financial institutions. The Company has not experienced any losses in such accounts.

(11) Stock-Based Compensation

Stock Option Activity Summary

The Company’s stock option activity for the nine months ended March 31, 2022 is as follows:

	Shares (In thousands)	Weighted Average Exercise Price
Outstanding at June 30, 2021	**275**	$ **5.25**
Granted	—	—
Exercised	—	—
Canceled or expired	(122)	4.96
Outstanding at March 31, 2022	**153**	$ **5.41**

The aggregate intrinsic value of options exercisable at March 31, 2022 was $0, as the fair value of the Company’s common stock is less than the exercise prices of these options. The remaining stock-based compensation expense of $0.5 thousand related to stock options will be recognized over a weighted-average period of 0.53 years.

The table below details the Company’s stock options outstanding as of March 31, 2022:

Range of exercise prices	Number Outstanding (In thousands)	Options Outstanding Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable (In thousands)	Options Exercisable Weighted-Average Exercise Price
$1.85 – 2.83	13	6.50	$ 2.08	10	$ 2.15
$5.00 – 5.85	88	5.11	5.55	88	5.55
$6.00 – 6.00	52	0.39	6.00	52	6.00
$1.85 – 6.00	**153**	**3.62**	**$ 5.41**	**150**	**$ 5.49**

Compensation costs recognized related to stock option awards were $0 for each of the three months ended March 31, 2022, and 2021 and $1 thousand for each of the nine months ended March 31, 2022 and 2021.

Restricted Stock

The Company's restricted stock activity for the nine months ended March 31, 2022, is as follows:

	Shares (In thousands)	Weighted Average Grant-Date Fair Value
Outstanding at June 30, 2021	**$ 2,023**	**$ 2.05**
Granted	—	—
Vested	(693)	2.08
Canceled or expired	(1)	2.33
Outstanding at March 31, 2022	**$ 1,329**	**$ 2.04**

Stock compensation expenses related to restricted stock were $368 thousand and $194 thousand for the three months ended March 31, 2022, and 2021, respectively, and $1.2 million and $284 thousand for the nine months ended March 31, 2022 and 2021, respectively. The remaining stock-based compensation expense of $2.7 million related to restricted stock awards granted will be recognized over a weighted-average period of 1.99 years.

(12) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of March 31, 2022, the Company established a valuation allowance against all of its net deferred tax assets.

For the three months ended March 31, 2022 and 2021, the Company incurred pre-tax losses in the amount of $2.1 million and $2.4 million, respectively. For the nine months ended March 31, 2022 and 2021, the Company incurred pre-tax losses in the amount of $6.3 million and $6.1 million, respectively. The total effective tax rate was approximately 0% for the each of the three and nine months ended March 31, 2022 and 2021.

For each of the nine months ended March 31, 2022 and 2021, the Company's effective tax rate differed from the federal statutory rate of 21%, primarily due to the valuation allowance placed against its net deferred tax assets.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act provided certain tax relief measures including the acceleration of the alternative minimum tax ("AMT") credit previously paid. The CARES Act allows for the acceleration of the refundable AMT credit up to 100% of the AMT credit. In response to the impact of the CARES Act, the Company received the remaining AMT credit of $429 thousand for AMT previously paid during the three months ended September 30, 2020.

FASB ASC 740, "Income Taxes" addresses the accounting for uncertainty in income tax recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken

or expected to be taken on a tax return. The Company currently has approximately $300 thousand of uncertain tax positions as of March 31, 2022, all of which are accounted as contra-deferred tax assets. The Company does not expect any significant changes to its uncertain tax positions in the coming 12 months.

Loss carryovers are generally subject to modification by tax authorities until three years after they have been utilized; as such, the Company is subject to examination for the fiscal years ended 2001 through present for federal purposes and fiscal years ended 2006 through present for state purposes.

(13) Commitments and Contingencies

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

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

Litigation, Investigations, and Audits

On April 15, 2021, a putative stockholder of the Company commenced a class action and derivative lawsuit in the Delaware Court of Chancery, Stein v. Pickens, et al., C.A. No. 2021-0322-JRS (the "Stein Action"), in which it was alleged, among other things, that the Company improperly included broker non-votes in the tabulation of votes counted in favor to approve an amendment to the Company's Certificate of Incorporation (the "2020 Certificate Amendment") and, thus the 2020 Certificate Amendment was defective. The Company investigated those allegations and does not believe that the filing and effectiveness of the 2020 Certificate Amendment was either invalid or ineffective. Nevertheless, to resolve any uncertainty, on April 30, 2021, the Company filed a validation proceeding in the Delaware Court of Chancery, In re Astrotech Corporation, C.A. No. 2021-0380-JRS, pursuant to Section 205 of the Delaware General Corporation Law. On October 6, 2021, the Delaware Court of Chancery granted the Company's request and confirmed and validated the 2020 Certificate Amendment. Thereafter, a settlement in principle was reached with the Plaintiffs in the Stein Action and the parties to the Stein Action presently anticipate presenting the settlement for approval in the first half of 2022.

Further information regarding the Stein Action and the Section 205 Action is provided in the Schedule 14A proxy statement amendment and supplement filed by the Company with the SEC on April 29, 2021.

(14) Segment Information

The Company has determined that it does not meet the criteria of ASC 280 "Segment Reporting" because the Company's subsidiaries represent Company brands that leverage the same core technology rather than independent operating segments. Furthermore, restatement of prior results is not necessary as they would mirror the consolidated results.

(15) Impact of COVID-19 Pandemic

The Company has taken what it believes are necessary precautions to safeguard its employees from the COVID-19 pandemic. The Company continues to follow the Centers for Disease Control and Prevention's ("CDC") guidance and the recommendations and restrictions provided by state and local authorities. All of the Company's employees who do not work in a lab setting are currently on a telecommunication work arrangement and have been able to successfully work remotely. The Company's lab requires in-person staffing, and the Company has been able to continue to operate its lab. There can be no assurance, however, that key employees will not become ill or that the Company will be able to continue to operate its labs.

To date, the Company has seen delays with respect to the TSA certification process and parts of its supply chain, particularly the impact of the global semiconductor and electronics shortage, which has now resulted in product pricing inflation. In addition, although passenger demand for air travel has rebounded, the overall recovery of the airline industry and ancillary services remains highly uncertain and is dependent upon, among other things, the number of cases declining around the globe, public health impacts of new COVID-19 variants, the continued administration of vaccines to unvaccinated populations, and the duration of immunity granted by vaccines.

The Company continues to manage production, to secure alternative supplies, and to take other proactive actions. The Company believes that it will be able to pass the inflation caused by raw materials shortages and increased shipping costs to its customers by increasing the price of its instruments. If supply chain shortages become more severe or longer term in nature, the Company's business and results of operations could be adversely impacted; however, the Company does not expect this issue to materially adversely affect its liquidity position. The long-term impact of the COVID-19 pandemic on the Company's business may not be fully reflected until future periods.

The Company continues to evaluate the current and potential impact of the pandemic on its business, results of operations, and consolidated financial statements. The Company also continues to actively monitor developments and business conditions that may cause it to take further actions that alter business operations as may be required by applicable authorities or that it determines are in the best interests of its employees, customers, suppliers, and stockholders.

CARES Act

On March 27, 2020, the CARES Act was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll taxes, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. The most significant relief measures which the Company qualified for are a loan pursuant to the Paycheck Protection Program for which the Company has received full forgiveness, alternative minimum tax credit refunds, employee retention credit, and payroll tax deferral. The payroll tax deferral was effective from the enactment date through December 31, 2020, and the deferred amount will be repaid in two installments. 50% of the deferred amount has been paid as of December 31, 2021, and the remainder will be due by December 31, 2022. The deferred payroll taxes are recorded within accrued liabilities on the condensed consolidated balance sheets.

The Company will continue to assess the treatment of the CARES Act to the extent additional guidance and regulations are issued, the further applicability of the CARES Act to the Company, and the potential impacts on the business.

(16) Subsequent Events

Resignation and Appointment of Chief Financial Officer

On March 31, 2022, Eric Stober informed the Company of his resignation from his positions as the Company's Secretary, Treasurer and Chief Financial Officer, effective April 15, 2022. Mr. Stober's resignation is not in connection with any disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

On April 5, 2022, the Company appointed Jaime Hinojosa, 40, as Chief Financial Officer, Treasurer and Secretary of the Company, effective as of April 15, 2022. Mr. Hinojosa will perform the functions of the Company's principal financial officer. Mr. Hinojosa joined Astrotech in 2015 and has served as the Company's Corporate Controller since 2019. His previous roles with the Company include Director of Finance from 2017 to 2019 and Assistant Controller from 2015 to 2017. Prior to joining Astrotech, Mr. Hinojosa worked as an Accounting Manager for O'Reilly Auto Parts (NASDAQ: ORLY) from 2010 to 2015 and gained public accounting experience as an Audit Manager at Burton McCumber & Cortez, LLP from 2005 to 2010. Mr. Hinojosa is a Certified Public Accountant and brings significant finance and public accounting knowledge to the Company.

In connection with his appointment as CFO, Treasurer and Secretary, on April 12, 2022, the Board of Directors of the Company (the "Board") approved an annual base salary of $300,000. In addition, the Board granted to Mr. Hinojosa 100,000 stock options, vesting in equal amounts annually over three years. The grant of these stock options is effective as of the end of the day April 14, 2022. The strike price of these options is $0.64 which represents the closing price on April 14, 2022. Mr. Hinojosa will also be entitled to participate in all benefit plans generally available to the Company's employees.

Nasdaq Compliance

On April 19, 2022, Ronald W. Cantwell, a member of the Board, passed away. Mr. Cantwell, an independent director, served as the chairman of the Audit Committee (the "Audit Committee") of the Board at the time of his passing. On April 25, 2022, the Company notified Nasdaq that, due to Mr. Cantwell's death, the Company is no longer in compliance with Nasdaq Listing Rule 5605(c)(2)(A) and Nasdaq Listing Rule 5606(b)(1), which requires the Audit Committee to be comprised of a minimum of three independent directors and the Company to maintain a majority independent board of directors, respectively. Pursuant to Nasdaq Listing Rule 5605(c)(4)(B) and Nasdaq Listing Rule 5605(b)(1)(A), the Company is entitled to a cure period to regain compliance with Nasdaq Listing Rule 5605(c)(2)(A) and Nasdaq Listing Rule 5606(b)(1), which cure periods will expire at the earlier of the Company's 2022 annual meeting of stockholders (the "2022 Annual Meeting") or April 19, 2023, or if the 2022 Annual Meeting is held before October 17, 2022, then the Company must evidence compliance no later than October 17, 2022. On April 27, 2022, Nasdaq issued a letter to the Company confirming the Company's noncompliance with Nasdaq Listing Rule 5605 and informing the Company of the cure periods. The Company intends to appoint an additional independent director to the Board and the Audit Committee prior to the end of the cure periods.

FORWARD-LOOKING STATEMENTS

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

- The impact of the COVID-19 outbreak on the global economy, including the possibility of a global recession, and more specifically the impact to our business, suppliers, consumers, customers, and employees;
- Our ability to successfully pursue our business plan and execute our strategy, including our recent collaboration with Cleveland Clinic;
- The effect of economic and political conditions in the United States or other nations that could impact our ability to sell our products and services or gain customers;
- Product demand and market acceptance risks, including our ability to develop and sell products and services to be used by governmental or commercial customers;
- The impact of trade barriers imposed by the U.S. government, such as import/export duties and restrictions, tariffs and quotas, and potential corresponding actions by other countries in which we conduct our business;
- Technological difficulties and potential legal claims arising from any technological difficulties;
- The risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, commodities, packaging, and transportation;
- Uncertainty in government funding and support for key programs, grant opportunities, or procurements;
- The impact of competition on our ability to win new contracts;
- Our ability to meet technological development milestones and overcome development challenges; and
- Our ability to successfully identify, complete and integrate acquisitions.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate; therefore, we cannot assure you that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in our forward-looking statements, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in our 2021 Annual Report on Form 10-K, elsewhere in this Quarterly Report on Form 10-Q, or those discussed in other documents we filed with the SEC. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events, or otherwise. In making these statements, we disclaim any obligation to address or update each factor in future filings with the Securities and Exchange Commission (“SEC”) or communications regarding our business or results, and we do not undertake to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, any of the matters discussed above may have affected our past results and may affect future results, so that our actual results may differ materially from those expressed in this Quarterly Report on Form 10-Q and in prior or subsequent communications.

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

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

Business Overview
Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," the "Company," "we," "us," or "our"), a Delaware corporation organized in 1984, is a mass spectrometry company that launches, manages, and commercializes scalable companies based on its innovative core technology.

Our efforts are focused on commercializing our platform mass spectrometry technology through our wholly-owned subsidiaries:

- Astrotech Technologies, Inc. ("ATI") owns and licenses intellectual property related to the Astrotech Mass Spectrometer Technology™ (the "AMS Technology").

- 1st Detect Corporation ("1st Detect") is a manufacturer of explosives and narcotics trace detectors developed for use at airports, cargo and other secured facilities, and borders worldwide. 1st Detect holds an exclusive AMS Technology license from ATI for air passenger and cargo security applications.

- AgLAB, Inc. ("AgLAB") is developing a series of mass spectrometers for use in the hemp and cannabis market with initial focus on optimizing yields in the extraction and distillation process. AgLAB holds an exclusive AMS Technology license from ATI for agriculture applications.

- BreathTech Corporation ("BreathTech") is developing a breath analysis tool to screen for volatile organic compound ("VOC") metabolites found in a person's breath that could indicate they may have an infection, including COVID-19 or pneumonia. BreathTech holds an exclusive AMS Technology license from ATI for breath analysis applications.

Our Business Units

Astrotech Technologies, Inc.

ATI owns and licenses the AMS Technology, the platform mass spectrometry technology originally developed by 1st Detect. Long recognized as the gold standard in chemical detection, mass spectrometry has historically been too costly, bulky, and cumbersome. In contrast, the AMS Technology has been designed to be inexpensive, small, and easy to use. Unlike other technologies, the AMS Technology works under ultra-high vacuum, which eliminates competing molecules, yielding higher resolution and fewer false alarms. The intellectual property includes 24 granted patents and two additional patents in process along with extensive trade secrets. With a number of diverse market opportunities for the core technology, ATI is structured to license the intellectual property for different fields of use. ATI currently licenses the AMS Technology to three wholly-owned subsidiaries of Astrotech on an exclusive basis, including to 1st Detect for use in the security and detection market, to AgLAB for use in the agriculture market, and to BreathTech for use in breath analysis.

ATI has contracted with Sanmina Corporation ("Sanmina"), a leading contract manufacturer with a worldwide presence. Sanmina has already helped to reduce the cost of the TRACER 1000™, and we have leveraged their expertise to improve manufacturability and reliability of our systems.

1st Detect Corporation

1st Detect, a licensee of ATI for the security and detection market, has developed the TRACER 1000, the world's first mass spectrometry ("MS") based explosives trace detector ("ETD") certified by the European Civil Aviation Conference ("ECAC"), designed to replace the ETDs used at airports, cargo and other secured facilities, and borders worldwide. We believe that ETD customers are unsatisfied with the currently deployed ETD technology, which is driven by ion mobility spectrometry ("IMS"). We believe that IMS-based ETDs are fraught with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing facility shutdowns, unnecessary delays, frustration, and significant wasted security resources. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those several explosives of largest concern. Adding additional compounds to the detection library of an IMS-based ETD fundamentally reduces the instrument's performance, further increasing the likelihood of false alarms. In contrast, adding additional compounds to the TRACER 1000's detection library does not degrade its detection capabilities, as it has a virtually unlimited and easily expandable threat library.

In order to sell the TRACER 1000 to airport and cargo security customers in the European Union and certain other countries, ECAC certification is required. We are currently selling the TRACER 1000 to customers who accept ECAC certification. We have deployed or received orders for the TRACER 1000 in approximately twenty locations in thirteen countries throughout Europe and Asia.

In the United States, we are working with the U.S. Transportation Security Administration ("TSA") towards air cargo certification. On March 27, 2018, we announced that the TRACER 1000 was accepted into TSA's Air Cargo Screening Technology Qualification Test ("ACSQT") and, on April 4, 2018, we announced that the TRACER 1000 was beginning testing with TSA for passenger screening at airports. On November 14, 2019, we announced that the TRACER 1000 had been selected by the TSA's Innovation Task Force to conduct live checkpoint screening at Miami International Airport. With similar protocols as ECAC testing, we have received valuable feedback from all programs. Following ECAC certification and our early traction within the cargo market, testing for cargo security continued with the TSA. With the COVID-19 pandemic, all testing within the TSA was put on hold; however, we resumed cargo testing during the summer of 2020, and we subsequently announced on September 9, 2020 that the TRACER 1000 passed the non-detection testing portion of the TSA's ACSQT. Due to continued delays caused by COVID-19, TSA cargo detection testing is ongoing but proceeding much more slowly than anticipated. As a result, efforts are primarily focused on our other opportunities. TSA cargo detection testing is the final step to be listed on the Air Cargo Screening Technology List ("ACSTL") as an "approved" device. If approved, the TRACER 1000 will be approved for cargo sales in the United States.

On August 25, 2021, 1st Detect announced that it secured an important landmark purchase order for the TRACER 1000, representing the first units to be deployed at an airport security checkpoint. These systems were delivered to the customer during the second quarter of fiscal year 2022.

AgLAB Inc.

AgLAB, an exclusive licensee of ATI for the agriculture market, has developed the AgLAB-1000™ series of mass spectrometers for use in the hemp and cannabis market with initial focus on optimizing yields in the extraction and distillation process. The AgLAB product line is a derivative of our core AMS Technology. The AMS Technology provides a significant competitive advantage due to its small size, rugged design, quick analysis, and ease of use. AgLAB recently completed several successful field trials to demonstrate that the AgLAB-1000-D2™ can be used in the distillation process to significantly boost the potency and weight yields of THC and CBD oil manufacturing. We plan to launch a family of "process control" instruments, methods, and solutions that we believe could be valuable additions to many nutraceutical extraction and distillation laboratories.

BreathTech Corporation

BreathTech, an exclusive licensee of ATI for use in breath analysis, is developing the BreathTest-1000™, a breath analysis tool to screen for VOC metabolites found in a person's breath that could indicate they may have an infection, including COVID-19 or pneumonia. While vaccines have been deployed to prevent the transmission of COVID-19, many people remain unvaccinated and new variants continue to pose a significant and evolving threat. New tools to aid in the battle against COVID-19 remain of the utmost importance to help defeat the disease, and BreathTech, in conjunction with Cleveland Clinic, are developing a quick and easy to use device to help prevent the further spread of the disease.

Development of the BreathTest-1000 follows our results in pre-clinical trials for the BreathDetect-1000™, a rapid self-serve breathalyzer that was designed to detect bacterial infections in the respiratory tract, including pneumonia. The pre-clinical trials were conducted in collaboration with UT Health San Antonio in 2017.

On February 2, 2022, BreathTech announced that it has hired Dr. Karim Sirgi, MD, MBA and FCAP as its Chief Science Officer. Dr. Sirgi is a pathologist, board certified in Anatomic, Clinical and Cytopathology, and has over 30 years of practice and leadership experience in private and academic pathology practices. We expect Dr. Sirgi will be key in the research and development and regulatory efforts at BreathTech and will help lead our partnership with Cleveland Clinic in the development of the BreathTest-1000.

Trends and Uncertainties - COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic.

We are subject to risks and uncertainties as a result of the COVID-19 pandemic. The extent of the impact of the COVID-19 pandemic on our business is uncertain and difficult to predict, as the disease and the responses that we, other businesses, and governments are taking continue to evolve. Furthermore, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it remains possible that it could cause a prolonged global economic recession. Policymakers around the globe have responded with fiscal policy actions to support the economy as a whole. The magnitude and overall effectiveness of these actions have been somewhat positive, but continuing actions remain uncertain and pose some degree of risk.

To date, we have seen delays with respect to the TSA certification process and parts of our supply chain, particularly the impact of the global semiconductor and electronics shortage, which has now resulted in product pricing inflation. In addition, although passenger demand for air travel has rebounded, the overall recovery of the airline industry and ancillary services remains highly uncertain and is dependent upon, among other things, the number of cases declining around the globe, public health impacts of new COVID-19 variants, the continued administration of vaccines to unvaccinated populations, and the duration of immunity granted by vaccines.

We continue to manage production, to secure alternative supplies, and to take other proactive actions. We believe that we will be able to pass the inflation caused by raw materials shortages and increased shipping costs to our customers by increasing the price of our instruments. If supply chain shortages become more severe or longer term in nature, our business and results of operations could be adversely impacted; however, we do not expect this issue to materially adversely affect our liquidity position. The long-term impact of the COVID-19 pandemic on our business may not be fully reflected until future periods.

We continue to evaluate the current and potential impact of the pandemic on our business, results of operations, and consolidated financial statements. We also continue to actively monitor developments and business conditions that may cause us to take further actions that alter business operations as may be required by applicable authorities or that we determine are in the best interests of our employees, customers, suppliers, and stockholders.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures. 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.

Results of Operations

Three months ended March 31, 2022, compared to three months ended March 31, 2021:

Selected consolidated financial data for the quarters ended March 31, 2022, and 2021 is as follows:

	Three Months Ended March 31,	
(In thousands)	**2022**	**2021**
Revenue	$ 97	$ 54
Cost of revenue	46	46
Gross profit	**51**	**8**
Gross margin	**53%**	**15%**
Operating expenses:		
Selling, general and administrative	1,476	1,679
Research and development	722	669
Total operating expenses	**2,198**	**2,348**
Loss from operations	**(2,147)**	**(2,340)**
Other income and (expense), net	47	(63)
Income tax benefit	—	—
Net loss	**$ (2,100)**	**$ (2,403)**

Revenue – Total revenue increased by $43 thousand during the third quarter of fiscal 2022, compared to the third quarter of fiscal 2021. In each of the third quarters of fiscal 2022 and 2021, revenue was comprised of sales related to our TRACER 1000 to distributors as well as to DHL (Deutsche Post AG). In the prior year, pandemic-related delays in the delivery of certain microchips used in the production of our TRACER 1000 systems caused a temporary decrease in revenue for the quarter while alternative sourcing methods were implemented. We continue to pursue procurement solutions in today's environment of long-lead times and materials shortages.

Cost of Revenue – Gross profit is comprised of revenue less cost of revenue. In the third quarters of fiscal 2022 and 2021, cost of revenue was comprised of labor, materials, shipping, and warranty reserve related to the sale of TRACER 1000 units. Cost of revenue remained the same during the third quarter of fiscal 2022, compared to the third quarter of fiscal 2021. Gross margin increased by 38% in the third quarter fiscal 2022, compared to the third quarter of fiscal 2021, as we have increased production and benefited from associated volume discounts. Further, we have benefited from implementing specific enhancements to our technology.

Operating Expenses – Operating expenses decreased $150 thousand, or 6.4%, during the third quarter of fiscal 2022, compared to the third quarter of fiscal 2021. Significant changes to operating expenses include the following:

- Selling, general and administrative decreased $203 thousand, or 12.1%, during the third quarter of fiscal 2022, compared to the third quarter of fiscal 2021, due to a decrease in payroll-related expenses, partially offset by an increase in directors' fees.

- Research and development increased $53 thousand, or 7.9%, during the third quarter of fiscal 2022, compared to the third quarter of fiscal 2021, largely driven by an increase in expenses related to contractors and consultants and equipment for development of our BreathTech and AgLAB products.

Income Taxes – Income tax benefit did not change during the third quarter of fiscal 2022, compared to the third quarter of fiscal 2021. The realization of tax benefits depends on the existence of future taxable income. Pursuant to Accounting Standards Codification ("ASC") 740 "Income Taxes", a valuation allowance has been established on all of our deferred tax assets.

Nine months ended March 31, 2022, compared to nine months ended March 31, 2021:

Selected consolidated financial data for the nine months ended March 31, 2022 and 2021 is as follows:

	Nine Months Ended March 31,	
(In thousands)	**2022**	**2021**
Revenue	$ 845	$ 324
Cost of revenue	662	287
Gross profit	**183**	**37**
Gross margin	**22%**	**11%**
Operating expenses:		
Selling, general and administrative	4,630	3,408
Research and development	2,013	2,036
Disposal of corporate lease	—	544
Total operating expenses	**6,643**	**5,988**
Loss from operations	**(6,460)**	**(5,951)**
Other income and (expense), net	151	(185)
Income tax benefit	—	—
Net loss	**$ (6,309)**	**$ (6,136)**

Revenue – Total revenue significantly increased by $521 thousand during the fiscal year 2022, compared to fiscal year 2021. In fiscal year 2022, revenue was comprised of sales related to our TRACER 1000 to an airport security checkpoint customer, distributors, and DHL (Deutsche Post AG). In fiscal year 2021, all of our revenue was related to the sales of the TRACER 1000 to DHL (Deutsche Post AG) and distributors.

Cost of Revenue – Gross profit is comprised of revenue less cost of revenue. In the each of the nine months ended March 31, 2022 and 2021, cost of revenue was comprised of labor, materials, shipping, warranty reserve, and overhead allocation related to the sale of TRACER 1000 units. Cost of revenue increased $375 thousand during fiscal year 2022, compared to fiscal year 2021, due to the increase in revenue described above. Gross margin increased by 11% in the fiscal year 2022, compared to the fiscal year 2021, as we have increased production and benefited from associated volume discounts. Further, we have benefited from implementing specific enhancements to our technology.

Operating Expenses – Operating expenses increased $655 thousand, or 10.9% during the nine months ended March 31, 2022, compared to nine months ended March 31, 2021. Significant changes to operating expenses include the following:

- Selling, general and administrative increased $1.2 million, or 35.9%, due to increases in non-cash equity incentive compensation for employees, legal expenses related to our derivative litigation, and directors' fees for our lead independent director.

- Research and development decreased $23 thousand, or 1.1% during the nine months ended March 31, 2022, compared to the nine months ended March 31, 2021, largely driven by less materials purchased for R&D purposes.

- Disposal of long-lived assets decreased $544 thousand due to our termination of our corporate office lease and the disposal of the leasehold improvement assets and right-of-use assets and lease liabilities associated with that lease in the prior period.

Income Taxes – Income tax benefit did not change during the nine months ended March 31, 2022, compared to the nine months ended March 31, 2021. The realization of tax benefits depends on the existence of future taxable income. Pursuant to ASC 740 "Income Taxes", a valuation allowance has been established on all of our deferred tax assets.

Liquidity and Capital Resources

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

	Nine Months Ended March 31,		
(In thousands)	**2022**	**2021**	**Change**
Change in cash and cash equivalents:			
Net cash used in operating activities	$ (5,164)	$ (4,855)	$ (309)
Net cash used in investing activities	(370)	(24)	(346)
Net cash (used in) provided by financing activities	(2,056)	33,546	(35,602)
Net change in cash and cash equivalents	**$ (7,590)**	**$ 28,667**	**$ (36,257)**

Cash and Cash Equivalents

As of March 31, 2022, we held cash and cash equivalents of $28.3 million, and our working capital was approximately $54.5 million. As of June 30, 2021, we had cash and cash equivalents of $35.9 million, and our working capital was approximately $60.9 million. Cash and cash equivalents decreased $7.6 million as of March 31, 2022, compared to June 30, 2021, due to the partial repayment of the related party notes including accrued interest as well as continuing operating expenses.

Operating Activities

Cash used in operating activities increased $309 thousand for the nine months ended March 31, 2022, compared to the nine months ended March 31, 2021, due to an increase in accounts receivable from sales of the TRACER 1000, receipt of an alternative minimum tax credit in the prior period, and a decrease in accounts payable.

Investing Activities

Cash used in investing activities increased $346 thousand for the nine months ended March 31, 2022, compared to the nine months ended March 31, 2021, due to the addition of leasehold improvement assets related to our new R&D facility in Austin as well as the purchase of R&D equipment relating to our BreathTech and AgLAB product development.

Financing Activities

Cash used in financing activities was $2.0 million for the nine months ended March 31, 2022, compared to cash provided by financing activities of $33.5 million for the nine months ended March 31, 2021. This change was due to the partial repayment of the related party notes during the current period, compared to the net proceeds from sale of common stock of $33.5 million in the prior period.

Liquidity

Historically, our primary uses of cash have been to fund research and development, inventory, and selling, general and administrative expenses. During the fiscal year 2021, we successfully completed several public offerings of our common stock, raising net proceeds of approximately $67.6 million. We will continue to evaluate opportunities to further strengthen our liquidity, including selling the Company or a portion thereof, licensing some of our technology, raising additional funds through the capital markets, debt financing, equity financing, merging, or engaging in a strategic partnership. However, our ability to successfully effectuate any such transactions depends on operating and economic conditions, some of which are beyond our control. If additional capital is needed, we may not be able to obtain debt or equity financing on terms favorable to us, or at all. Based on current expectations, we believe we have sufficient liquidity to meet our cash flow needs during this fiscal year 2022 and the immediate future.

Income Taxes

Provision for Income Tax

Our effective tax rate is 0% for income tax for the nine months ended March 31, 2022, and we expect that our effective tax rate for the full fiscal year 2022 year will be 0%. Based on the weight of available evidence, including net cumulative losses and expected future losses, we have determined that it is more likely than not that our U.S. federal and state deferred tax assets will not be realized and therefore a full valuation allowance has been provided on the U.S. federal and state net deferred tax assets.

In general, if we experience a greater than 50 percentage point aggregate change in ownership over a three-year period (a Section 382 ownership change), utilization of its pre-change net operating loss ("NOL") carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. Generally, U.S. state laws have laws similar to Internal Revenue Code Section 382. The annual limitation generally is determined by multiplying the value of the Company's stock at the time of such ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Such limitations may result in expiration of a portion of the NOL carryforward before utilization.

We file U.S. federal and state income tax returns. We are not currently subject to any income tax examinations. Dating back to June 2002, we have net operating loss carryovers, which generally allows all tax years to remain open to income tax examinations for all years for which there are loss carryforwards.

Uncertain Tax Positions

We recognize the financial statement effects of a tax position when it becomes more likely than not, based upon the technical merits, that the position will be sustained upon examination. We currently have approximately $300 thousand of uncertain tax positions as of March 31, 2022, all of which are accounted as contra-deferred tax assets. The Company does not expect any significant changes to its uncertain tax positions in the coming 12 months.

Income Taxes

There is $0 provision for income taxes during each of the three and nine months ended March 31, 2022 and 2021.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2022 or June 30, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "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 SEC'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 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during our last fiscal quarter ended March 31, 2022 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 15, 2021, a putative stockholder of the Company commenced a class action and derivative lawsuit in the Delaware Court of Chancery, Stein v. Pickens, et al., C.A. No. 2021-0322-JRS (the "Stein Action"), in which it was alleged, among other things, that the Company improperly included broker non-votes in the tabulation of votes counted in favor to approve an amendment to the Company's Certificate of Incorporation (the "2020 Certificate Amendment") and, thus the 2020 Certificate Amendment was defective. The Company investigated those allegations and does not believe that the filing and effectiveness of the 2020 Certificate Amendment was either invalid or ineffective. Nevertheless, to resolve any uncertainty, on April 30, 2021, the Company filed a validation proceeding in the Delaware Court of Chancery, In re Astrotech Corporation, C.A. No. 2021-0380-JRS, pursuant to Section 205 of the Delaware General Corporation Law. On October 6, 2021, the Delaware Court of Chancery granted the Company's request and confirmed and validated the 2020 Certificate Amendment. Thereafter, a settlement in principle was reached with the Plaintiffs in the Stein Action and the parties to the Stein Action presently anticipate presenting the settlement for approval in the first half of 2022.

Further information regarding the Stein Action and the Section 205 Action is provided in the Schedule 14A proxy statement amendment and supplement filed by the Company with the Securities and Exchange Commission on April 29, 2021.

ITEM 1A. RISK FACTORS

Our business, financial condition, results of operations, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in our Form 10-K and our Form 10-Qs, the occurrence of any one of which could have a material adverse effect on our actual results.

There have been no material changes to the Risk Factors previously disclosed in our fiscal year 2021 Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description	Incorporation by Reference
3.1	Certificate of Incorporation, as filed with the Secretary of State of the State of Delaware.	Exhibit 3.1 to Form 8-K filed on December 28, 2017.
3.2	Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on December 28, 2017).	Exhibit 3.2 to Form 8-K filed on December 28, 2017.
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of the State of Delaware.	Exhibit 3.3 to Form 8-K filed on December 28, 2017.
3.4	Certificate of Designations of Series C Convertible Preferred Stock, as filed with the Delaware Secretary of State on April 17, 2019.	Exhibit 3.1 to Form 8-K filed on April 23, 2019.
3.5	Certificate of Designations of Preferences, Rights and Limitations of Series D Convertible Preferred Stock, as filed with the Delaware Secretary of State on April 17, 2019.	Exhibit 3.2 to Form 8-K filed on April 23, 2019.
3.6	Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on July 1, 2020.
3.7	Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on October 12, 2021.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Filed herewith.
32.1	Certification pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934.	Furnished herewith.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, has been formatted in Inline XBRL.	

SIGNATURES

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 13, 2022

/s/ Jaime Hinojosa

Jaime Hinojosa
Chief Financial Officer and Principal Accounting Officer
(principal financial officer)