

SPACEHAB INC \WA\
Form 10-Q
February 13, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2005

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 No. 0-27206

SPACEHAB, Incorporated

(Exact name of registrant as specified in this charter)

Washington
(State or other jurisdiction of
incorporation or organization)

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

12130 Highway 3, Building 1

Webster, Texas 77598-1504

(713) 558-5000

(Address of principal executive offices, including zip code, and telephone number)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of February 7, 2006 there were 12,765,116 shares of the registrant's common stock outstanding.

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SPACEHAB, INCORPORATED AND SUBSIDIARIES
DECEMBER 31, 2005 QUARTERLY REPORT ON FORM 10-Q

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As used in this Form 10-Q, the abbreviations and acronyms contained herein have the meanings set forth below. Additionally, the terms SPACEHAB , the Company , we , us and our refer to SPACEHAB, Incorporated and its subsidiaries, unless the context clearly indicates otherwise.

1994 Plan	1994 Stock Incentive Plan
APB	Accounting Principles Board
ASO	Astrotech Space Operations
Astrotech	Astrotech Space Operations
ATV	Automated Transfer Vehicle
Boeing	The Boeing Company
CE&R	Concept Exploration and Refinement
CMC	Cargo Mission Contract
Common Stock	SPACEHAB common stock
EADS	EADS Space Transportation
EELV	Evolved Expendable Launch Vehicle
EPS	Earnings Per Share
ESP2	External Stowage Platform 2
ESP3	External Stowage Platform 3
FASB	Financial Accounting Standards Board
FAWG	Flight Assignment Working Group
ICC	Integrated Cargo Carrier
IDIQ	Indefinite-Delivery, Indefinite-Quantity
ISS	International Space Station
IVA	Intravehicular Activity
JAXA	Japan Aerospace Exploration Agency
JETIS	Japanese Experiment Thermal Incubator Service
Lloyd s	Lloyd s of London
Lockheed Martin	Lockheed Martin Corporation
NASA	National Aeronautics and Space Administration
ORU	Orbital Replacement Unit
PI&C	Program Integration and Control
RDM	Research Double Module
ReALMS	Research and Logistics Mission Support
RSC Energia	Rocket Space Corporation-Energia
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SFS	SPACEHAB Flight Services
SGS	SPACEHAB Government Services
SMI	Space Media, Inc.
SMI Plan	Space Media, Inc. Stock Option Plan
SPF	Spacecraft Processing Facility
Term Loan	\$20.0 million financing

Table of Contents**PART 1: FINANCIAL INFORMATION****ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****SPACEHAB, INCORPORATED AND SUBSIDIARIES****Unaudited Condensed Consolidated Balance Sheets**

(In thousands, except share data)

	December 31, 2005 (unaudited)	June 30, 2005
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 1,296	\$ 7,327
Restricted cash	2,550	970
Accounts receivable, net	13,433	16,906
Prepaid expenses and other current assets	3,412	694
	<u> </u>	<u> </u>
Total current assets	20,691	25,896
	<u> </u>	<u> </u>
Property and equipment, net	63,786	73,647
Deferred financing costs, net	2,347	1,278
Other assets, net	1,308	1,130
	<u> </u>	<u> </u>
Total assets	\$ 88,132	\$ 101,951
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgage loan payable, current portion	\$ 2,115	\$ 2,057
Accounts payable	2,234	2,219
Accounts payable-EADS	1,094	1,796
Accrued interest	430	1,088
Accrued expenses	2,244	3,716
Accrued subcontracting services	8,260	7,552
Deferred gains on sale of buildings	221	221
Deferred revenue	1,814	1,811
	<u> </u>	<u> </u>
Total current liabilities	18,412	20,461
	<u> </u>	<u> </u>
Accrued contract cost and other	155	221
Deferred gains on sale of buildings	1,476	1,587
Mortgage loan payable, net of current portion	564	1,635
Convertible subordinated notes payable 8%	10,306	63,250
Senior convertible notes payable 5.5%	52,944	
	<u> </u>	<u> </u>
Total liabilities	83,857	87,154
	<u> </u>	<u> </u>

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Commitments and contingencies		
Stockholders' equity		
Preferred Stock, no par value, convertible, authorized 2,500,000 shares, issued and 1,333,334 shares, (liquidation preference of \$12,000)	11,892	11,892
Common stock, no par value, 70,000,000 shares authorized, 12,881,216 and 12,781,279 shares issued, respectively	83,966	83,889
Treasury stock, 116,100 shares, at cost	(117)	(117)
Additional paid-in capital	192	16
Accumulated deficit	(91,658)	(80,883)
	<u> </u>	<u> </u>
Total stockholders' equity	4,275	14,797
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 88,132	\$ 101,951
	<u> </u>	<u> </u>

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**SPACEHAB, INCORPORATED AND SUBSIDIARIES****Unaudited Condensed Consolidated Statements of Operations**

(In thousands, except share data)

	Three Months		Six Months	
	Ended December 31,		Ended December 31,	
	2005	2004	2005	2004
Revenue	\$ 11,793	\$ 13,138	\$ 23,778	\$ 26,171
Costs of revenue	9,789	10,721	20,001	21,507
Impairment of flight asset	6,283		6,283	
Gross profit	(4,279)	2,417	(2,506)	4,664
Operating expenses:				
Selling, general and administrative	2,655	2,269	4,935	4,235
Research and development	133	8	211	16
Recovery related to Research Double Module				(8,244)
Total operating expenses	2,788	2,277	5,146	(3,993)
Income (loss) from operations	(7,067)	140	(7,652)	8,657
Interest expense	(1,852)	(1,428)	(3,260)	(2,886)
Interest and other income, net	63	39	172	81
Income (loss) before income taxes	(8,856)	(1,249)	(10,740)	5,852
Income tax expense			(32)	(142)
Net income (loss)	\$ (8,856)	\$ (1,249)	\$ (10,772)	\$ 5,710
Income (loss) per share:				
Net income (loss) per share basic	\$ (0.70)	\$ (0.10)	\$ (0.85)	\$ 0.45
Shares used in computing net income (loss) per share basic	12,718,242	12,609,863	12,694,909	12,592,044
Net income (loss) per share diluted	\$ (0.70)	\$ (0.10)	\$ (0.85)	\$ 0.40
Shares used in computing net income (loss) per share diluted	12,718,242	12,609,863	12,694,909	14,200,519

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**SPACEHAB, INCORPORATED AND SUBSIDIARIES****Unaudited Condensed Consolidated Statements of Cash Flows**

(In thousands)

	Six Months Ended December 31,	
	2005	2004
		(As Restated)
Cash flows from operating activities		
Net income (loss)	\$ (10,772)	\$ 5,710
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation	176	
Impairment and loss on asset sales	6,283	29
Recovery of non-recurring charge, Research Double Module		(8,244)
Depreciation and amortization, including deferred debt issuance	2,924	2,689
Write-off of debt placement fees	591	
Recognition of deferred gain	(111)	
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,473	(231)
Increase in prepaid expenses and other current assets	(454)	(462)
(Increase) decrease in other assets	(183)	856
(Decrease) increase in deferred revenue	3	(4,597)
Decrease in accounts payable, accounts payable-EADS, accrued interest, and accrued expenses	(2,817)	(2,727)
Increase in accrued subcontracting services and other	708	815
Decrease in long-term accrued contract costs and other liabilities	(69)	(108)
Net cash used in operating activities	(248)	(6,270)
Cash flows from investing activities		
Payments for flight assets under construction		(62)
Purchases of property, equipment and leasehold improvements, net of reimbursements	(1,340)	(524)
Proceeds received from sale of property and equipment		15
Proceeds from contract indemnification		8,244
Sale of short-term investments		547
Increase in restricted cash	(1,580)	(128)
Net cash provided by (used in) investing activities	(2,920)	8,092
Cash flows from financing activities		
Borrowings under revolving loan payable, net		(1,445)
Payment of mortgage loan	(1,013)	(959)
Increase in deferred financing costs	(1,927)	
Proceeds from issuance of common stock, net of expenses	77	76
Net cash used in financing activities	(2,863)	(2,328)
Net change in cash and cash equivalents	(6,031)	(506)
Cash and cash equivalents at beginning of period	7,327	506

Cash and cash equivalents at end of period	\$ 1,296	\$
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See accompanying notes to unaudited condensed consolidated financial statements.

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SPACEHAB, INCORPORATED AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

1. The Company

Incorporated in 1984, SPACEHAB is the first company to commercially develop, own and operate pressurized space habitat modules that serve the international community in supporting both manned and unmanned missions to space. Today, SPACEHAB is the leading provider of access to space, supporting research and cargo needs of commercial and government users alike. SPACEHAB and its subsidiaries provide the following services:

Access to space through the use of research and logistics modules and carriers

Expertise on space architectures, habitability and occupational challenges of space

Facility operations and pre-launch spacecraft processing services

Engineering, analysis, and space payload transportation services

Program integration and control

Space equipment and product design and development

Space media, education, and retail goods

Through our SPACEHAB Flight Services (SFS) business unit, we own pressurized space habitat modules which are carried in the cargo bay of the space shuttle to provide capacity and workspace for cargo and research payloads, and provide unpressurized cargo carriers that also are carried in the cargo bay of the space shuttle for payloads such as International Space Station (ISS) spare and component parts. The need for our modules and integrated cargo carriers (ICCs) depends on the specific requirements of each space shuttle mission. When our equipment is used on a space shuttle mission we provide the mission integration and operations support required to successfully configure, load, operate and ultimately unload our modules and/or ICCs. We also solicit research payloads worldwide for space shuttle missions when space is available on our modules beyond the National Aeronautics and Space Administration s (NASA s) requirements and have provided similar research payload marketing for the Russian *Progress* spacecraft and the European automated transfer vehicle (ATV). Through December 31, 2005, our modules and ICCs have flown on 19 missions on the space shuttle, including 13 logistics missions (six to the International Space Station and seven to the Russian space station *Mir*).

We provide commercial spacecraft processing facilities and services through our wholly-owned subsidiary, Astrotech Space Operations, Inc. (Astrotech or ASO). Astrotech is a commercial provider of ground processing services in the United States, supplying the facilities and services used in the launch preparation of spacecraft. We serve payload customers launching on a wide range of expendable launch vehicles including Atlas, Delta, Pegasus, Sea Launch, and Taurus, as well as secondary payloads flown on the space shuttle. In fiscal year 2002, we completed

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construction of a state-of-the-art processing facility in Titusville, Florida to process larger five-meter class satellites and payload fairings for the Evolved Expendable Launch Vehicle (EELV) programs. With more than 230 spacecraft processed, ASO diversifies our customer base and broadens our core competencies.

SPACEHAB Government Services (SGS) provides engineering support services for the U.S. Government and various commercial industries. As a NASA contractor for over 30 years, this unit offers a wide array of products and services in the engineering, program integration and control, and product development disciplines. Specifically, we manage projects in need of comprehensive engineering solutions and provide unique capabilities such as specialty engineering, hardware design and development, and configuration and data management.

Space Media, Inc. (SMI), a majority-owned subsidiary intended to create proprietary space-themed content for education and commerce, provides the space enthusiast with a variety of services. These services range from outfitting a comprehensive space exhibit to providing astronaut appearances and product endorsements and include an online retailing outlet, TheSpaceStore.com. This website and retail store, adjacent to NASA s Johnson Space Center in Houston, offers nearly 1,200 products, including distinctive and personalized gifts, clothing, mission patches, and more.

Table of Contents**2. Basis of Presentation**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring accruals necessary for a fair presentation of the consolidated financial position of SPACEHAB, Incorporated and its subsidiaries as of December 31, 2005, and the results of its operations and cash flows for the periods ended December 31, 2005 and 2004. However, the condensed consolidated financial statements are unaudited and do not include all related footnote disclosures.

The consolidated results of operations for the three and six month periods ended December 31, 2005 are not necessarily indicative of the results that may be expected for the full year. Our results of operations typically fluctuate significantly from quarter to quarter. The interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements appearing in our Annual Report on Form 10-K/A for the fiscal year ended June 30, 2005.

Our cash as of December 31, 2005 was approximately \$3.8 million, of which \$2.5 million is subject to certain restrictions. Management believes that we have sufficient liquidity, including cash, advances available under our revolving credit facility, and cash anticipated or expected to be generated from operations to fund ongoing operations. We also expect to utilize existing cash and cash anticipated from future operations for research and development activities, and for new business initiatives.

3. Earnings per Share

The following are reconciliations of the numerators and denominators of the basic and diluted earnings per share (EPS) computations for the three and six month periods ended December 31, 2005 and 2004 (in thousands, except share and per share data):

	Three months ended			Three months ended		
	December 31, 2005			December 31, 2004		
	Income	Shares	Per Share	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount	(Numerator)	(Denominator)	Amount
Basic EPS:						
Income (loss) available to common stockholders	\$ (8,856)	12,718,242	\$ (0.70)	\$ (1,249)	12,609,863	\$ (0.10)
Diluted EPS:						
Income (loss) available to common stockholders	\$ (8,856)	12,718,242	\$ (0.70)	\$ (1,249)	12,609,863	\$ (0.10)
	Six months ended			Six months ended		
	December 31, 2005			December 31, 2004		

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	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:						
Income available to common stockholders	\$ (10,772)	12,694,909	\$ (0.85)	\$ 5,710	12,592,044	\$ 0.45
Effect of dilutive securities:						
Options and warrants, using the treasury stock method					275,141	
Convertible preferred shares					1,333,334	
Diluted EPS:						
Income available to common stockholders	\$ (10,772)	12,694,909	\$ (0.85)	\$ 5,710	14,200,519	\$ 0.40

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Convertible subordinated notes payable outstanding as of December 31, 2005, convertible into 756,404 shares of common stock at \$13.625 per share and due October 2007, were not included in the computation of diluted EPS for the three months and six months ended December 31, 2005 and 2004, as the conversion price of the convertible notes payable per share was greater than the average market price of the common shares during the periods.

Senior convertible notes payable outstanding as of December 31, 2005 due 2010 convertible into 35,296,000 shares of common stock at \$1.50 per share, which include a mandatory conversion feature once the Company's stock price reaches \$1.95 per share, have not been included in the computation of diluted EPS for the three months ended December 31, 2005 as the conversion price(s) of the convertible notes payable per share were greater than the average market price of the shares during the period.

Options to purchase 1,602,786 shares of common stock outstanding at December 31, 2005 were not included in diluted EPS for the three months ended December 31, 2005 as they were anti-dilutive to our net loss. The options expire between April 25, 2006 and August 3, 2015.

Options to purchase 1,602,786 shares of common stock outstanding at December 31, 2005 were not included in diluted EPS for the six months ended December 31, 2005 as they were anti-dilutive to our net loss. The options expire between April 25, 2006 and August 3, 2015.

Options to purchase 1,383,559 shares of common stock, at prices ranging from \$1.75 to \$11.75 per share, were outstanding at December 31, 2004 but were not included in diluted EPS for the three months ended December 31, 2004 as they were anti-dilutive to the Company's net loss. The options expire between July 2, 2005 and August 16, 2014.

Options to purchase 1,308,559 shares of common stock, at prices ranging from \$2.31 to \$11.75 per share, were outstanding at December 31, 2004 but were not included in diluted EPS as the option prices were greater than the average market price of the common shares during the six months ended December 31, 2004. The options expire between July 2, 2005 and August 16, 2014.

4. Revenue Recognition

Our business units' revenue is derived primarily from long-term contracts with the U.S. Government, U.S. Government contractors, and commercial customers. Revenue under these contracts is recognized using the methods described below. Estimating future costs and, therefore, revenues and profits is a process requiring management judgment. Management bases its estimate on historical experience and on various assumptions that are believed to be reasonable under the circumstances including the negotiation(s) of equitable adjustment(s) on the Cargo Mission Contract (CMC) contract that are added to the contract as pricing amendment(s) due to delay(s) in the space shuttle launch schedule. Costs to complete include, when appropriate, material, labor, subcontracting costs, lease costs, commissions, insurance and depreciation. Our business segment personnel perform periodic contract status and performance reviews. In the event of a change in total estimated contract cost or profit, the cumulative effect of such change is recorded in the period that the change in estimate occurs.

The Company, from time to time, makes expenditures for specific enhancements and/or additions to its facilities as required by certain contracts where the customer agrees to reimburse the Company for all or substantially all of such expenditures. The Company accounts for such reimbursements as a reduction in the cost of such investments and recognizes any excess of such reimbursements over the required investment as revenue.

Table of Contents**A Summary of Revenue Recognition Methods Follows:**

<u>Business Segment</u>	<u>Services/Products Provided</u>	<u>Contract Type</u>	<u>Method of Revenue Recognition</u>
SPACEHAB Flight Services	Commercial Space Habitat Modules, Integration & Operations Support Services	Firm Fixed Price	Percentage-of-completion based on costs incurred
Astrotech Space Operations	Payload Processing Facilities	Firm Fixed Price Mission Specific	Ratably, over the occupancy period of a satellite within the facility from arrival through launch For multi-year contract payments recognized ratably over the contract period
SPACEHAB Government Services	Configuration Management, Engineering Services	Firm Fixed Price Guaranteed Number of Missions Cost Plus Award/Fixed Fee	Reimbursable costs incurred plus award/fixed fee
Space Media, Inc.	Space-Themed Commercial Products/Activities	Retail	Internet and retail sales recognized when goods are shipped

Support for STS-121, 116 and 118 continues under a subcontract with Lockheed Martin Corporation (Lockheed Martin), effective February 1, 2004. Revenues for the Lockheed Martin subcontract are being accounted for under the percentage-of-completion method based on costs incurred over the period of the agreement. On January 20, 2006 NASA announced a target of no earlier than May 2006 for the next space shuttle mission launch, STS-121. We expect the delay of this and other missions to have a marginal impact on our revenues and margins over the coming months as we continue the mission specific work and receive revenue for our asset maintenance fees.

5. Statements of Cash Flows - Supplemental Information

- (a) Cash paid for interest costs was \$3.0 million and \$2.7 million for the six months ended December 31, 2005 and 2004, respectively. We did not capitalize any interest costs during the six months ended December 31, 2005 or 2004. During the six months ended December 31, 2005 there was \$0.6 million of non-cash charges due to the acceleration of debt placement fees related to the convertible subordinated notes. The bond exchange of \$52,944,000 of 8% convertible subordinated notes for 5.5% of senior convertible notes was an exchange of notes which resulted in no cash inflow or outflow for the Company.
- (b) For the six month period ending December 31, 2004 we filed an amended 10-Q with the SEC on July 20, 2005 that restated the statement of cash flows for the period ended December 31, 2004. This restatement was done to present the \$8.2 million received from NASA for the loss of our RDM as cash inflows from investing activities instead of operating activities.
- (c) We paid no income taxes for the six months ended December 31, 2005 and paid an insignificant amount of income taxes for the period ended December 31, 2004.

6. Credit Facilities

On February 11, 2005 we entered into a revolving credit facility with a bank providing for loans up to \$5.0 million secured by our accounts receivable. Funds available under the revolving credit facility are limited to 80% of eligible accounts receivable and we are subject to various financial and other covenants including a minimum tangible net worth covenant, a cash flow coverage covenant, and a secured debt coverage covenant. The facility provides that we must secure advances with cash balances if the required tangible net worth or cash flow ratio are not met. As of December 31, 2005 there have been no borrowings under this revolving credit facility, although we posted a restricted cash balance of \$2.0 million. The revolving credit facility terminated on February 11, 2006. The Company is currently negotiating a renewal of this revolving credit facility.

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Our Astrotech subsidiary has a mortgage loan with a financial institution for our Spacecraft Processing Facility (SPF) expansion project in Titusville, Florida. The loan agreement matures in January 2007 and bears interest at 5.5%. For the six months ended December 31, 2005, approximately \$1.0 million was repaid and the outstanding balance was \$2.7 million as of December 31, 2005.

7. Segment Information

Based on our organization, we operate in four business segments: SFS, Astrotech, SGS, and SMI. SFS was founded to commercially develop space habitat modules that operate in the cargo bay of the space shuttles. SFS provides access to the modules and integration and operations support services for both NASA and commercial customers. Astrotech provides payload processing facilities and services to serve the spacecraft manufacturing and launch services industry. SGS is primarily engaged in providing engineering services and products to the Government including NASA. SMI was established to develop space-themed commercial business activities.

Our chief operating decision maker utilizes both revenue and income (loss) before income taxes, in assessing performance and making overall operating decisions and resource allocations.

Three Months Ended December 31,

2005 (in thousands):

	<u>Revenue</u>	<u>Income (Loss) Before Income Taxes</u>	<u>Net Fixed Assets</u>	<u>Depreciation And Amortization</u>
SFS	\$ 7,029	\$ (6,204)	\$ 17,761	\$ 841
Astrotech	3,210	1,114	45,353	535
SGS	1,260	70		
SMI	294	6		
Corporate and Other		(3,842)	672	211
	<u>\$ 11,793</u>	<u>\$ (8,856)</u>	<u>\$ 63,786</u>	<u>\$ 1,587</u>

Three Months Ended December 31,

2004 (in thousands):

	<u>Revenue</u>	<u>Income (Loss) before income taxes</u>	<u>Net Fixed Assets</u>	<u>Depreciation And Amortization</u>
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SFS	\$ 8,701	\$ 1,345	\$ 30,898	\$ 698
Astrotech	2,510	354	46,335	519
SGS	1,619	297	61	7
SMI	308	32		
Corporate and Other		(3,277)	304	83
	<u>\$ 13,138</u>	<u>\$ (1,249)</u>	<u>\$ 77,598</u>	<u>\$ 1,307</u>

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Six Months Ended December 31,

2005 (in thousands):

	<u>Revenue</u>	<u>Income (Loss) before income taxes</u>	<u>Net Fixed Assets</u>	<u>Depreciation And Amortization</u>
SFS	\$ 15,525	\$ (4,863)	\$ 17,761	\$ 1,499
Astrotech	5,189	983	45,353	1,066
SGS	2,547	140		
SMI	517	8		
Corporate and Other		(7,008)	672	359
	<u>\$ 23,778</u>	<u>\$ (10,740)</u>	<u>\$ 63,786</u>	<u>\$ 2,924</u>

Six Months Ended December 31,

2004 (in thousands):

	<u>Revenue</u>	<u>Income (Loss) before income taxes</u>	<u>Net Fixed Assets</u>	<u>Depreciation And Amortization</u>
SFS	\$ 18,344	\$ 11,492	\$ 30,898	\$ 1,396
Astrotech	4,222	123	46,335	1,031
SGS	3,157	525	61	13
SMI	448	11		
Corporate and Other		(6,299)	304	175
	<u>\$ 26,171</u>	<u>\$ 5,852</u>	<u>\$ 77,598</u>	<u>\$ 2,615</u>

8. Common Stock Options and Stock Purchase Plans

We grant options to employees and directors utilizing three shareholder-approved plans.

Non-qualified Options

Non-qualified options are granted at the sole discretion of the Board of Directors. Prior to the adoption of the 1994 Stock Incentive Plan (the 1994 Plan), stock options granted to certain officers and employees were part of their employment contract or offer. The number and price of the options granted were defined in the employment agreements and such options vest incrementally over a period of four years and generally expire within ten years of the date of grant.

The 1994 Plan

Under the terms of the 1994 Plan, the number and price of the options granted to employees is determined by the Board of Directors and such options vest, in most cases, incrementally over a period of four years and expire no more than ten years after the date of grant.

The Directors' Stock Option Plan

Each new non-employee director receives a one-time grant of an option to purchase 10,000 shares of common stock at an exercise price equal to the fair market value on the date of grant. In addition, effective as of the date of each annual meeting of our stockholders, each non-employee director who is elected or continues as a member of the Board of Directors of the Company shall be awarded an option to purchase 5,000 shares of common stock. Options under the Director's Plan vest after one year and expire seven years from the date of grant.

1997 Employee Stock Purchase Plan

We adopted an employee stock purchase plan that permits eligible employees to purchase shares of Common Stock of the Company at prices no less than 85% of the current market price. Eligible employees may elect to participate in

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the plan by authorizing payroll deductions from 1% to 10% of gross compensation for each payroll period. On the last day of each quarter, each participant's contribution account is used to purchase the maximum number of whole and fractional shares of Common Stock determined by dividing the contribution account's balance by the lesser of 85% of the price of a share of Common Stock on the first day of the quarter or the last day of a quarter. The number of shares of Common Stock that may be purchased under the plan is 1,500,000. Employees purchased an aggregate of 82,937 shares at an average price of \$0.78 during the six-month period ended December 31, 2005. The shares purchased under this plan are considered compensatory for accounting and reporting purposes. (See Statement of Financial Accounting Standard No. 123R below).

Space Media, Inc. Stock Option Plan

During the year ended June 30, 2000, Space Media, Inc., a majority owned subsidiary of us, adopted an option plan (SMI Plan) for employees, officers, directors and consultants of SMI. Under the terms of the SMI Plan, 1,500,000 shares have been reserved for future grants for which the number and price of the options granted is determined by the Board of Directors and such options vest, i