

ASTROTECH Corp \WA\
Form PREM14A
June 11, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
Schedule 14A Information
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement

- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

- Definitive Proxy Statement

- Definitive Additional Materials

- Soliciting Material Pursuant to §240.14a-12

ASTROTECH CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.

- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1.

- Title of each class of securities to which transaction applies:

2.

- Aggregate number of securities to which transaction applies:

3.

- Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4.

- Proposed maximum aggregate value of transaction
\$61,000,000

5.

- Total fee paid:
\$7,856.80

- Fee paid previously with preliminary materials.

- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1.

- Amount Previously Paid:

2.

- Form, Schedule or Registration Statement No.:

3.

- Filing Party:

4.

- Date Filed:
-

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, 2014

To Our Shareholders:

I am pleased to invite you to attend a special meeting of the shareholders of Astrotech Corporation (“Astrotech” or the “Company”). The meeting will be held at _____ on _____, 2014, at _____ (Central Time).

At the Special Meeting you will be asked to consider and vote on the following matters:

1.
 - To approve the sale (the “Asset Sale”) by Astrotech of substantially all of the property and assets related to or used in the Astrotech Space Operations (“ASO”) business unit, which consists of (i) ownership, operation and maintenance of spacecraft processing facilities in Titusville, Florida and Vandenberg Air Force Base, California, (ii) supporting government and commercial customers processing complex communication, earth observation and deep space satellite launches, (iii) designing and building spacecraft processing equipment and facilities and (iv) providing propellant services including designing, building and testing propellant service equipment for fueling spacecraft ((i)-(iv) collectively, the “ASO Business”) pursuant to the Asset Purchase Agreement by and between Lockheed Martin Corporation, Elroy Acquisition Company, LLC, Astrotech, Astrotech Space Operations, Inc. and Astrotech Florida Holdings, Inc., dated May 28, 2014 (the “Asset Purchase Agreement”) as more fully described in the enclosed proxy statement (the “Asset Sale Proposal”);
2.
 - To approve, by non-binding advisory vote, certain compensation arrangements for Astrotech’s named executive officers in connection with the Asset Sale (the “Golden Parachute Proposal” and, together with the Asset Sale Proposal, the “Proposals”); and
3.
 - To transact such other business as may properly come before the Special Meeting as permitted under the Asset Purchase Agreement, and any postponements or adjournments thereof.

After careful consideration, the Board of Directors has unanimously determined that the Asset Sale and the terms and conditions of the Asset Purchase Agreement are advisable to, and in the best interests of, the Company and its shareholders. The Board of Directors recommends that you vote “FOR” the Asset Sale Proposal and the Golden Parachute Proposal. The Board of Directors has fixed the close of business on _____, 2014 as the record date for determining shareholders entitled to notice of, and to vote at, the Special Meeting.

The enclosed Notice of Special Meeting and Proxy Statement explain the Proposals and provide specific information concerning the Special Meeting. Please read these materials (including the annexes) carefully.

Your vote is very important, regardless of the number of shares you own. The Asset Sale Proposal must be approved by the holders of two-thirds (2/3) of the outstanding shares of Astrotech’s common stock entitled to vote at the Special Meeting. The approval of the Golden Parachute Proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock that are present in person or represented by proxy at the Special Meeting.

Therefore, if you do not return your proxy card, submit a proxy via the Internet or by telephone or attend the Special Meeting and vote in person, it will have the same effect as if you voted "AGAINST" the Asset Sale Proposal. Broker non-votes, if any, will have the same effect as a vote "AGAINST" the Asset Sale Proposal. Only shareholders who owned shares of Astrotech's common stock at the close of business on _____, 2014, the record date for the Special Meeting will be entitled to vote at the Special Meeting. To vote your shares, you may return your proxy card, submit a proxy via the Internet or by telephone or attend the Special Meeting and vote in person. Even if you plan to attend the Special Meeting, we urge you to promptly submit a proxy for your shares via the Internet or by telephone or by completing, signing, dating and returning the enclosed proxy card.

On behalf of the board of directors, thank you for your continued support.

Sincerely,

Thomas B. Pickens III

Chairman and Chief Executive Officer

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD _____, 2014

_____, 2014

To the Shareholders of Astrotech Corporation:

You are cordially invited to attend a Special Meeting of Shareholders (the “Special Meeting”) for Astrotech Corporation (the “Company” or “Astrotech”) to be held at _____ on _____, 2014, at _____ (Ce Time). Information about the meeting and the proposals to be considered are presented in this Notice of Special Meeting and the proxy statement on the following pages.

At the Special Meeting you will be asked to consider and vote on the following matters:

1.
 - To approve the sale (the “Asset Sale”) by Astrotech of substantially all of the property and assets related to or used in the Astrotech Space Operations (“ASO”) business unit, which consists of (i) ownership, operation and maintenance of spacecraft processing facilities in Titusville, Florida and Vandenberg Air Force Base, California, (ii) supporting government and commercial customers processing complex communication, earth observation and deep space satellite launches, (iii) designing and building spacecraft processing equipment and facilities and (iv) providing propellant services including designing, building and testing propellant service equipment for fueling spacecraft ((i)-(iv) collectively, the “ASO Business”) pursuant to the Asset Purchase Agreement by and between Lockheed Martin Corporation, Elroy Acquisition Company, LLC, Astrotech, Astrotech Space Operations, Inc. and Astrotech Florida Holdings, Inc., dated May 28, 2014 (the “Asset Purchase Agreement”) as more fully described in the enclosed proxy statement (the “Asset Sale Proposal”);
2.
 - To approve, by non-binding advisory vote, certain compensation arrangements for Astrotech’s named executive officers in connection with the Asset Sale (the “Golden Parachute Proposal” and, together with the Asset Sale Proposal, the “Proposals”); and
3.
 - To transact such other business as may properly come before the Special Meeting as permitted under the Asset Purchase Agreement and any postponements or adjournments thereof.

The Board of Directors has fixed the close of business on _____, 2014 as the record date for determining shareholders entitled to notice of, and to vote at, the Special Meeting. The Asset Sale constitutes the sale of substantially all of the property and assets of Astrotech within the meaning of RCW 23B.12.020 of the Washington Business Corporation Act (“WBCA”). Consequently, pursuant to the WBCA, the Asset Sale Proposal requires the approval of shareholders owning two-thirds (2/3) of the outstanding shares of common stock of Astrotech.

Voting can be completed by returning the proxy card, through the telephone at 1-866-390-5376 or online at www.proxypush.com/ASTC. Only your latest-dated proxy card will count, and any proxy may be revoked at any time prior to its exercise at the Special Meeting as described in this Proxy Statement. Further detail can be found on the

proxy card and in the “Voting of Proxies” section included below.

Important notice regarding the availability of proxy materials of the shareholder meeting to be held on _____, 2014: the proxy statement, Form 10-K and Form 10-Q are available at [http:// www.astrotech.com/investors/ proxy-statements](http://www.astrotech.com/investors/proxy-statements).

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Thank you for your assistance in voting your shares promptly.

By Order of the Board of Directors,

Eric Stober

Chief Financial Officer, Treasurer and Secretary

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE SPECIAL MEETING, PLEASE MARK, SIGN, AND DATE THE ENCLOSED WHITE PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR ONLINE, TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE SPECIAL MEETING. IF YOU ATTEND THE SPECIAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO, EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY.

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ASTROTECH NETWORKS, INC.
401 Congress Ave. Suite 1650
Austin, Texas 78701

PROXY STATEMENT
FOR
SPECIAL MEETING OF SHAREHOLDERS

, 2014

INTRODUCTION

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Astrotech Corporation (hereinafter “we,” “us,” “our,” the “Company” or “Astrotech”) for use at a Special Meeting of Shareholders to be held on _____ (the “Special Meeting”) at _____ (Central Time) at _____, and any postponements or adjournments thereof. This Proxy Statement was first made available to shareholders on or about _____, 2014.

At the Special Meeting, our shareholders will consider and act upon the following matters:

1.
 - To approve the sale (the “Asset Sale”) by Astrotech of substantially all of the property and assets related to or used in the Astrotech Space Operations (“ASO”) business unit, which consists of (i) ownership, operation and maintenance of spacecraft processing facilities in Titusville, Florida and Vandenberg Air Force Base, California, (ii) supporting government and commercial customers processing complex communication, earth observation and deep space satellite launches, (iii) designing and building spacecraft processing equipment and facilities and (iv) providing propellant services including designing, building and testing propellant service equipment for fueling spacecraft ((i)-(iv) collectively, the “ASO Business”) pursuant to the Asset Purchase Agreement by and between Lockheed Martin Corporation (“Lockheed Martin”), Elroy Acquisition Company, LLC (“Buyer,” and, together with Lockheed Martin, the “Buyer Companies”), Astrotech, Astrotech Space Operations, Inc. and Astrotech Florida Holdings, Inc., dated May 28, 2014 (the “Asset Purchase Agreement” and all defined terms used herein and not defined shall have the meanings ascribed to such terms in the Asset Purchase Agreement) as more fully described in the enclosed proxy statement (the “Asset Sale Proposal”);
2.
 - To approve, by non-binding advisory vote, certain compensation arrangements for Astrotech’s named executive officers in connection with the Asset Sale (the “Golden Parachute Proposal” and, together with the Asset Sale Proposal, the “Proposals”); and
3.
 - To transact such other business as may properly come before the Special Meeting as permitted under the Asset Purchase Agreement and any postponements or adjournments thereof.

Only shareholders of record as of _____, 2014 (the “Record Date”) will be entitled to vote at the Special Meeting and postponements or adjournments thereof. As of that date, _____ shares of our common stock, no par value, were outstanding and eligible to be voted. The holders of common stock are entitled to one vote per share on any proposal presented at the Special Meeting. Shareholders may vote in person or by proxy. Execution of a proxy will not in any way affect a shareholder’s right to attend the Special Meeting and vote in person. Any proxy may be revoked by a shareholder at any time before it is exercised by delivery of a written revocation or a later executed proxy to the Secretary of the Company or by attending the Special Meeting and voting in person.

The costs of preparing, assembling and mailing this Proxy Statement and the other material enclosed and all clerical and other expenses of solicitation will be paid by Astrotech. In addition to the solicitation of proxies by use of the mails, directors, officers and employees of Astrotech, without receiving additional compensation, may solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. In addition, we have retained Morrow & Co., LLC to assist in the solicitation. We will pay Morrow & Co., LLC up to \$10,000 plus out-of-pocket expenses for their assistance. We have also retained

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Morrow & Co., LLC to request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of common stock held of record by such custodians and will reimburse such custodians for their expenses in forwarding soliciting materials.

These transactions have not been approved or disapproved by the SEC, and the SEC has not passed upon the fairness or merits of these transactions nor upon the accuracy or adequacy of the information contained in this Proxy Statement. Any representation to the contrary is unlawful.

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SUMMARY TERM SHEET

This summary highlights information included elsewhere in this Proxy Statement. This summary may not contain all of the information you should consider before voting on the Proposals presented in this Proxy Statement. You should read the entire Proxy Statement carefully, including the annexes attached hereto. For your convenience, we have included cross references to direct you to a more complete description of the topics described in this summary.

-
- The Asset Sale. We have agreed to sell the ASO Business, which constitutes substantially all of the assets related to or used in the Astrotech space operations business unit to Buyer, a wholly-owned subsidiary of Lockheed Martin, for \$61 million in cash, subject to a working capital adjustment, and the assumption by Buyer of certain specified liabilities pursuant to the Asset Purchase Agreement. We will retain all of our other assets, including the assets related to our technology incubator designed to commercialize space-industry technologies (the “Spacotech Business”). We will also retain all of our other debts and liabilities, including expenses related to our remaining Spacotech Business and headquarters personnel, our remaining senior executives, certain corporate vendors and professional advisors. See “The Asset Sale Proposal — The Asset Purchase Agreement” beginning on page 34.
-
- Reasons for the Asset Sale. The domestic space industry is dominated by a few very large, well-capitalized companies with decades of experience and proven track records primarily serving government customers. Over the years, our attempts to grow Astrotech Space Operations were limited given this competitive landscape. Additionally, the portion of the space operations market that we serve continues to be challenged by uncertainty in government funding and support for key space programs. We believe that these factors affect the number of new opportunities for revenue growth in the ASO Business, and may influence revenue variability. We believe that the sale of the ASO Business to a strategic buyer represents a unique opportunity to sell the ASO Business to a sophisticated space industry consolidator that has made an attractive all-cash offer. Our board of directors’ decision to enter into the Asset Purchase Agreement was based on a careful evaluation of the Company’s strategic alternatives, including opportunities for the Spacotech Business going forward, and followed a strategic alternatives review process conducted over several years. See “The Asset Sale Proposal — Reasons for the Asset Sale” beginning on page 21.
-
- Opinion of Astrotech’s Financial Advisor. In connection with the Asset Sale, Astrotech’s financial advisor, Morgan Joseph TriArtisan LLC (“Morgan Joseph”), delivered to Astrotech’s board of directors its opinion, dated May 27, 2014, as to the fairness, from a financial point of view and as of the date of the opinion, to Astrotech of the consideration of \$61,000,000 in cash, subject to a working capital adjustment, to be received by Astrotech pursuant to the Asset Purchase Agreement. The full text of the opinion of Morgan Joseph, dated May 27, 2014, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex C to this Proxy Statement and is incorporated herein by reference in its entirety. Morgan Joseph delivered its opinion to Astrotech’s board of directors for the benefit and use of Astrotech’s board of directors in connection with and for purposes of its evaluation from a financial point of view of the consideration to be received by Astrotech pursuant to the Asset Purchase Agreement. Morgan Joseph’s opinion does not address any other aspect of the Asset Sale and does not constitute a recommendation to any shareholder as to how to vote with respect to the Asset Sale Proposal or any other matter. We encourage holders of our common stock to read the opinion carefully and in its entirety. See “The Asset Sale Proposal — Opinion of Financial Advisor Morgan Joseph TriArtisan LLC” beginning on page 24.

-
- Indemnification of Buyer. As set forth in the Asset Purchase Agreement, we have agreed to indemnify Buyer and certain of its related parties for any damages arising out of any breach of our representations or warranties or failure to perform any of our covenants or agreements in the Asset Purchase Agreement or other Transaction Documents, any retained liabilities (including our failure to fully or timely pay, satisfy or perform any of our retained liabilities), any fraud or willful misconduct by us in connection with the Asset Purchase Agreement or any of the other

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Transaction Documents, any liability for transfer taxes related to any period prior to the consummation of the Asset Sale, any criminal act or omission by us that occurred prior to the consummation of the Asset Sale and any claim by a holder of our common stock (or other equity interest) alleging a breach of fiduciary duty or that such holder is entitled to any payment in connection with the Asset Sale. Our aggregate indemnification liability for breaches of representations and warranties (other than certain Fundamental Representations, for which the limit is 50% of the purchase price) is limited to \$6,100,000. See “The Asset Sale Proposal — The Asset Purchase Agreement — Indemnification of Buyer Companies” beginning on page 38.

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- Escrow. We will enter into an Escrow Agreement with Buyer and Citibank, N.A., as escrow agent, upon the consummation of the Asset Sale, pursuant to which Buyer will deliver \$6,100,000 from the purchase price into escrow for the purpose of securing our indemnification obligations set forth in the Asset Purchase Agreement and related transaction documents. See “The Asset Sale Proposal — The Asset Purchase Agreement — Escrow” beginning on page 38.
-
- Adjustment Holdback. On the date of closing of the Asset Sale, Buyer will withhold \$1,830,000 from the purchase price for the purpose of securing any purchase price adjustment to be paid by us pursuant to a net working capital adjustment to be calculated in accordance with the terms of the Asset Purchase Agreement.
-
- Use of Proceeds. The proceeds from the Asset Sale will be used to pay off our outstanding indebtedness under our financing facility and repay to the Texas Emerging Technology Fund for the investment it made in 1st Detect, which is part of our Spacotech Business (“1st Detect”). In addition, we will pay for all costs related to the Asset Sale, including taxes, legal fees and filing fees. Finally, we will incur ongoing operating costs as we grow 1st Detect and other operations under our Spacotech Business. Our shareholders will not receive any of the proceeds from the Asset Sale. See “The Asset Sale Proposal — Activities of Astrotech Following the Asset Sale” on page 30.
-
- Conditions to the Asset Sale. Completion of the Asset Sale requires the approval of our shareholders as well as the satisfaction or waiver of customary conditions set forth in the Asset Purchase Agreement. See “The Asset Sale Proposal — The Asset Purchase Agreement — Conditions to the Asset Sale” beginning on page 46.
-
- Voting Agreement. Thomas B. Pickens III, our Chairman and Chief Executive Officer, has entered into a voting agreement with Buyer pursuant to which, subject to certain exceptions, he has agreed to vote all of his shares of our common stock in favor of the Asset Sale Proposal. Mr. Pickens beneficially own shares of our common stock representing approximately 20.0% in the aggregate of our shares of common stock outstanding as of the Record Date. See “The Asset Sale Proposal — Voting Agreement” beginning on page 51.
-
- Termination of the Asset Purchase Agreement. The Asset Purchase Agreement may be terminated by us or Buyer in certain circumstances, in which case the Asset Sale will not be completed. If the Asset Purchase Agreement is terminated due to a failure of our shareholders to approve the Asset Purchase Agreement, we

will be required to reimburse Buyer, subject to certain exceptions, for certain fees and expenses not to exceed \$1,000,000 (“Buyer Expense Reimbursement”). If Buyer terminates the Asset Purchase Agreement because of a Change in Recommendation (as defined in this Proxy Statement), then we must pay Lockheed Martin a \$2,440,000 termination fee within two business days following termination of the Asset Purchase Agreement. In addition, if we or Buyer terminates the Asset Purchase Agreement after the Special Meeting has been held because we failed to obtain the vote of two-thirds of our shareholders in favor of the Asset Sale Proposal and, prior to the termination, there has either been announced or otherwise communicated to our board of directors an Acquisition Proposal and we have entered into a definitive agreement with respect to such Acquisition Proposal or an Acquisition Transaction with respect to such Acquisition Proposal is consummated within 12 months of the termination, then we must pay Buyer a \$2,440,000 termination fee (less any Buyer Expense Reimbursement paid) within two business days following the event giving rise to such payment. If we terminate the Asset Purchase Agreement during any time the Asset Purchase Agreement is

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otherwise terminable in a circumstance in which Lockheed Martin would be entitled to a payment of a termination fee, we must pay Lockheed Martin a \$2,440,000 termination fee within two business days following such termination. If we terminate the Asset Purchase Agreement in order to enter into a Superior Proposal, then we must pay Lockheed Martin a \$2,440,000 termination fee immediately prior to the termination of the Asset Purchase Agreement. See “The Asset Sale Proposal — The Asset Purchase Agreement — Termination of the Asset Purchase Agreement” beginning on page 48.

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- U.S. Federal Income Tax Consequences. Our U.S. shareholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Asset Sale. See “The Asset Sale Proposal — U.S. Federal Income Tax Consequences of the Asset Sale” beginning on page 30.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE ASSET SALE

The following are some questions that you, as a shareholder of the Company, may have regarding the Special Meeting and the Proposals and brief answers to such questions. We urge you to carefully read this entire Proxy Statement, the annexes to this Proxy Statement and the documents referred to or incorporated by reference in this Proxy Statement because the information in this section does not provide all the information that may be important to you as a shareholder of the Company with respect to the Proposals. See “Where You Can Find More Information” beginning on page 74.

THE SPECIAL MEETING

Q.

- Why am I receiving this proxy statement and proxy card?

A.

- You are receiving a proxy statement and proxy card because you owned shares of our common stock as of the Record Date. This proxy statement and proxy card relate to our Special Meeting (and any adjournment thereof) and describes the matters on which we would like you, as a shareholder, to vote.

Q.

- When and where will the Special Meeting take place?

A.

- The Special Meeting will be held on _____, 2014 at _____ at _____ (Central Time).

Q.

- What is the purpose of the Special Meeting?

A.

- At the Special Meeting, you will be asked to vote upon the Asset Sale Proposal and the Golden Parachute Proposal.

Q.

- What is the Record Date for the Special Meeting?

A.

- Holders of our common stock as of the close of business on _____, 2014, the Record Date for the Special Meeting are entitled to notice of, and to vote at, the Special Meeting and any postponements or adjournments of the Special Meeting.

Q.

- What is the quorum required for the Special Meeting?

A.

- The holders of at least a majority of all issued and outstanding shares of common stock entitled to vote at the Special Meeting, whether present in person or represented by proxy, will constitute a quorum.

Q.

- What vote is required to approve the Proposals to be voted upon at the Special Meeting?

A.

- The approval of the Asset Sale Proposal requires the affirmative vote of the holders of two-thirds (2/3) of the outstanding shares of our common stock. The approval of the Golden Parachute Proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock that are present in person or represented by proxy at the Special Meeting.

Thomas B. Pickens III, our Chairman and Chief Executive Officer, who beneficially own shares of our common stock representing approximately 20.0% in the aggregate of our shares of common stock outstanding as of the Record Date, has entered into a voting agreement with Buyer pursuant to which, subject to certain exceptions, he has agreed to vote all of his shares of our common stock in favor of the Asset Sale Proposal. The form of voting agreement is attached to this Proxy Statement as Annex B.

Q.

- What are the effects of not voting or abstaining? What are the effects of broker non-votes?

A.

- If you do not vote by virtue of not being present in person or by proxy at the Special Meeting, it will have the effect of a vote “AGAINST” the Asset Sale Proposal. If you are present at the Special Meeting in person or by proxy but abstain from voting, it will have the effect of a vote “AGAINST” the Asset Sale Proposal. Broker non-votes, if any, will have the same effect as a vote “AGAINST” the Asset Sale Proposal.

Q.

- What does it mean if I received more than one proxy card?

A.

- If your shares are registered differently or in more than one account, you will receive more than one proxy card. Sign and return all proxy cards to ensure that all of your shares are voted.

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Q:

- How do I vote without attending the Special Meeting?

A:

- Because many Astrotech shareholders are unable to attend the Special Meeting, we solicit proxies to give each shareholder an opportunity to vote on all matters scheduled to come before the meeting as set forth in this Proxy Statement. Shareholders are urged to read carefully the material in this Proxy Statement and vote through one of the following methods:

1.

- Fully completing, signing, dating and timely mailing the proxy card;

2.

- Calling 1-888-457-2959 and following the instructions provided on the phone line; or

3.

- Accessing the internet voting site at www.proxyvoting.com/ASTC and following the instructions provided on the website.

Please keep your proxy card with you when voting via the telephone or internet. All votes via the telephone or internet must be submitted by _____ p.m. (Eastern Time) on _____, 2014 in order to be counted. Each proxy card that is executed, (b) timely received by the Company before or at the Special Meeting, and (c) not properly revoked by the shareholder pursuant to the instructions above will be voted in accordance with the directions specified on the proxy and otherwise in accordance with the judgment of the persons designated therein as proxies. If no choice is specified and the proxy is properly signed and returned, the shares will be voted by the Board appointed proxy in accordance with the recommendations of the Board of Directors.

Q:

- How do I vote in person at the Special Meeting?

A:

- If you are a shareholder of record of Astrotech as of the Record Date, you may attend the Special Meeting and vote your shares in person at the meeting by giving us a signed proxy card or ballot before voting is closed. If you want to do that, please bring proof of identification with you. Even if you plan to attend the meeting, we recommend that you vote your shares in advance as described above. Your vote will be counted even if you later decide not to attend.

If you hold your shares in “street name,” you may vote those shares in person at the meeting only if you obtain and bring with you a signed proxy from the necessary nominees giving you the right to vote the shares. To do this, you should contact your broker, bank or nominee.

Q:

- Can I change my vote after I have mailed in my signed proxy card?

A:

- Yes. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to Astrotech a written notice of revocation or a duly executed proxy bearing a date later than the date of the proxy being revoked, or by attending the Special Meeting and voting in person. Attending the Special Meeting will not, by itself, revoke the proxy. If your shares are held in the name of a broker or other nominee who is the record holder, you must follow the instructions of your broker or other nominee to revoke a previously given proxy.

Q:

- If my shares are held in “street name” by my broker, will my broker vote my shares for me?

A:

- Your broker or other nominee will vote your shares only if you provide instructions on how to vote to such broker or other nominee. Following the directions provided by your broker or other nominee, you should instruct your broker or other nominee to vote your shares. Without your instructions, your shares will not be voted, which will have the same effect as a vote “AGAINST” the Asset Sale Proposal and “AGAINST” the adjournment of the Special Meeting, if necessary, to solicit additional proxies.

Q:

- What is the procedure for soliciting proxies?

A:

- Astrotech will pay for the entire cost of proxy solicitations, including preparation, assembly, printing and mailing of proxy solicitation materials. Astrotech will provide copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock, beneficially owned by others to forward these materials to the beneficial owners of common stock. Astrotech may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials. Proxies may also be solicited by certain of Astrotech’s

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directors, officers and employees, without additional compensation, personally or by mail, email, telephone, facsimile or other means of communication. Astrotech has also retained a proxy solicitor, Morrow & Co., LLC, and estimates that fees for such solicitor will be approximately \$10,000 plus expenses.

Q:

- What happens if I return a proxy card without giving specific voting instructions?

A:

- If you hold shares in your name and sign and return the proxy card without giving specific voting instructions, your shares will be voted as recommended by Astrotech's Board of Directors as follows, which is "FOR" the Asset Sale Proposal.

Q:

- What happens if I do not return a proxy card or otherwise do not vote?

A:

- Your failure to return a proxy card or otherwise vote will mean that your shares will not be counted toward determining whether a quorum is present at the Special Meeting and will have the legal effect of a vote "AGAINST" the Asset Sale Proposal and "AGAINST" the adjournment of the Special Meeting, if necessary, to solicit additional proxies.

Q:

- Who can help answer my other questions?

A:

- If you have more questions about the Proposals or how to submit your proxy, or if you need additional copies of this Proxy Statement or the enclosed proxy card or voting instructions, please contact Astrotech Corporation, Attn: Investor Relations, 401 Congress Avenue, Suite 1650, Austin Texas, 78701 (512) 485-9530 or the Company's Proxy Solicitor, Morrow & Co., LLC, 470 West Avenue — 3rd Floor, Stamford, Connecticut 06902, (203) 658-9400 (banks and brokerage Firms) and toll free (800) 461-0945 (shareholders).

PROPOSAL NO. 1: THE ASSET SALE PROPOSAL

Q:

- Why did the Company enter into the Asset Purchase Agreement?

A:

- The domestic space industry is dominated by a few very large, well-capitalized companies with decades of experience and proven track records primarily serving government customers. Over the years, our attempts to grow Astrotech Space Operations were limited given this competitive landscape. Additionally, the portion of the space operations market that we serve continues to be challenged by uncertainty in government funding and support for key space programs. We believe that these factors will affect the number of new opportunities for revenue growth in the ASO Business, and may influence revenue variability. We believe that the Asset Sale Proposal represents a unique opportunity to sell the ASO Business to a sophisticated space industry

consolidator that has made an attractive all cash offer. Additionally, our board of directors' decision to enter into the Asset Purchase Agreement was based on a careful evaluation of the Company's strategic alternatives, the potential growth opportunities for the ASO Business and the potential growth opportunities for the Spacetech Business.

Q.

- What will happen if the Asset Sale Proposal is approved by our shareholders?

A.

- If the Asset Sale Proposal is approved by the requisite shareholder vote, and the other conditions to the consummation of the Asset Sale are satisfied or waived, we will sell all of our assets related to or used in the ASO Business to Buyer for cash and the assumption by Buyer of certain of our liabilities. We would retain all of our other debts and liabilities, including expenses related to our remaining Spacetech Business. In connection with consummation of the Asset Sale, we will also repay all of our indebtedness under our credit facilities and repay Texas Emerging Technology Fund for the investment it made in 1st Detect. We are also obligated to pay applicable federal and state capital gains taxes. We also intend to continue to operate the holding company, Astrotech Corporation, and maintain its public reporting obligations and the listing of our common stock on the Nasdaq Capital Market under the symbol ASTC. Our primary operational focus will be on the continued development of our Spacetech Business.

In addition, on May 28, 2014, we entered into a Mutual Termination of Employment Agreement (the "Mutual Termination") with Don M. White, Senior Vice President and General Manager of Astrotech Space Operations. Under the Mutual Termination, the Company and Mr. White mutually agreed that both his employment and his October 31, 2008 employment agreement with the Company would each

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terminate effective as of the closing of the Asset Sale as a result of Mr. White's voluntary resignation. Mr. White will receive a \$100,000 payment upon the closing of the Asset Sale, which amount represents Mr. White's annual bonus payment under his employment agreement for fiscal year 2014. On May 28, 2014, Mr. White also entered into two employment-related agreements with Buyer, one of which will provide certain cash retention payments to Mr. White in connection with his continued role with the ASO Business as an employee of Buyer following the Closing (the "Retention Agreement") and the other of which provides for certain cash severance payments to be made to Mr. White by Buyer with respect to the termination of his employment with Buyer under certain circumstances (the "Separation Agreement"). The Mutual Termination, the Retention Agreement and the Separation Agreement are all conditioned on the consummation of the Asset Sale and become effective as of the Closing date. See "The Asset Sale Proposal — Interests of Certain Persons in the Asset Sale" beginning on page 34 for a description of the compensatory agreements Buyer has entered into with one of our executive officers in connection with the Asset Sale.

Q.

- What will happen if the Asset Sale Proposal is not approved by our shareholders?

A.

- Pursuant to the terms of the Asset Purchase Agreement, if we fail to obtain a shareholder vote in favor of the Asset Sale Proposal, the Asset Sale will not occur and the Asset Purchase Agreement will be terminated. In addition, we will be required to reimburse Buyer, subject to certain exceptions, for certain fees and expenses not to exceed \$1,000,000. If the Asset Purchase Agreement is terminated by us or the Buyer after the Special Meeting has been held because we failed to obtain the vote of two-thirds of our shareholders in favor of the Asset Sale Proposal and, prior to such termination, there has been announced or otherwise communicated to our board of directors an Acquisition Proposal and we have either entered into a definitive agreement with respect to such Acquisition Proposal or an Acquisition Transaction with respect to such Acquisition Proposal is consummated within 12 months of the termination, then we must pay Buyer a \$2,440,000 termination fee (less any Buyer Expense Reimbursement paid) within two business days following the event giving rise to such payment.

Q.

- What is the purchase price to be received by the Company?

A.

- The consideration to be received by the Company in the Asset Sale is \$61,000,000 in cash, subject to a working capital adjustment, and the assumption by Buyer of certain specified liabilities. On the date of closing of the Asset Sale, Buyer will withhold \$1,830,000 from the purchase price for the purpose of securing any purchase price adjustment to be paid by us pursuant to a net working capital adjustment to be calculated in accordance with the terms of the Asset Purchase Agreement. In addition, Buyer will deposit \$6,100,000 from the purchase price into escrow for the purpose of securing our indemnification obligations.

Q.

- What are the material terms of the Asset Purchase Agreement?

A.

- In addition to the cash consideration we will receive at the closing of the Asset Sale, the Asset Purchase Agreement contains other important terms and provisions, including:

-
- we have agreed to indemnify Buyer and certain of its related parties for any damages arising out of any breach of our representations or warranties or failure to perform any of our covenants or agreements in the Asset Purchase Agreement or other Transaction Documents, any retained liabilities (including our failure to fully or timely pay, satisfy or perform any of our retained liabilities), any fraud or willful misconduct by us in connection with the Asset Purchase Agreement or any of the other Transaction Documents, any liability for transfer taxes related to any period prior to the consummation of the Asset Sale, any criminal act or omission by us that occurred prior to the consummation of the Asset Sale and any claim by a holder of our common stock (or other equity interest) alleging a breach of fiduciary duty or that such holder is entitled to any payment in connection with the Asset Sale;

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- - we have agreed that, upon the consummation of the Asset Sale, the Buyer will withhold \$1,830,000 from the purchase price for the purpose of securing any purchase price adjustment to be paid by us in connection with any net working capital adjustment. In addition, we have agreed to enter into an Escrow Agreement with Buyer and Citibank, N.A., as Escrow Agent, upon the consummation of the Asset Sale, pursuant to which Buyer will deposit \$6,100,000 from the purchase price for the purpose of securing our indemnification obligations.
 -
 - we have agreed to conduct the ASO Business in the ordinary course and are subject to certain other restrictions on the conduct of the ASO Business during the period prior to the completion of the Asset Sale;
 -
 - the obligations of Buyer and the Company to close the Asset Sale are subject to several closing conditions, including the approval of the Asset Sale Proposal by our shareholders;
 -
 - the Asset Purchase Agreement may be terminated by us or Buyer in certain circumstances, in which case the Asset Sale will not be completed;
 -
 - except as permitted by the Asset Purchase Agreement, we have agreed not to (A) solicit or knowingly encourage the making of any unsolicited bona fide written offer, proposal, inquiry or indication of interest (other than by Buyer) contemplating an Acquisition Transaction (an “Acquisition Proposal”), (B) furnish any non-public information regarding us, ASO or AFH to any person in connection with or in response to an Acquisition Proposal or (C) participate or engage in discussions or negotiations with any person with respect to any Acquisition Proposal. In addition, we have agreed, subject to the exceptions set forth in the Asset Purchase Agreement, not to withdraw or modify the recommendation of our board of directors that our shareholders vote to approve the Asset Sale Proposal at the Special Meeting, fail to announce publicly, within ten business days after a tender offer or exchange offer relating to our securities has commenced that our board of directors recommends rejection of such tender or exchange offer, fail to issue, within ten business days after an Acquisition Proposal is publicly announced, a press release announcing our opposition to such Acquisition Proposal or enter into any letter of intent, term sheet or similar document contemplating or otherwise relating to any Acquisition Transaction (each such event, a “Change in Recommendation”). In addition, we have agreed not to engage in any discussions or negotiations with, or provide information to, a third party that makes an unsolicited Acquisition Proposal, unless our board of directors determines in good faith (after consultation with its financial advisor and outside legal counsel) that such Acquisition Proposal constitutes, or is reasonably expected to result in, a Superior Proposal and, among other requirements, that such action is required in order for the board of directors to comply with its fiduciary obligations to Astrotech’s shareholders under applicable law.
- Q.
- How would the proceeds from the Asset Sale be used?

A.

- The proceeds from the Asset Sale will be used to pay off our outstanding indebtedness under our financing facility and to repay Texas Emerging Technology Fund for the investment it made in 1st Detect. In addition, we will pay for all costs related to the transaction, including taxes, legal fees and filing fees. Finally, we will incur ongoing operating costs as we grow 1st Detect and other operations under our Spacotech Business. Our shareholders will not receive any of the proceeds from the Asset Sale. See “The Asset Sale Proposal — Activities of Astrotech Following the Asset Sale” on page 30.

Q.

- What does our board of directors recommend regarding the Asset Sale Proposal?

A.

- Our board of directors has determined that the terms and conditions of the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, are advisable to, and in the best interests of, the Company and its shareholders. This determination was made by a unanimous vote of all of the members of our board of directors. Our board of directors recommends that you vote “FOR” the Asset Sale Proposal.

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Q.

- Do I have dissenters' rights in connection with the Asset Sale?

A.

- Holders of common stock of Astrotech have the right to dissent from the Asset Sale Proposal and to receive payment in cash for the fair value of their shares of Astrotech common stock. If you are an Astrotech shareholder seeking to preserve your statutory dissenters' rights, you must:
 -
 - deliver to Astrotech, before the vote is taken at the Special Meeting, written notice of your intent to demand payment of fair value for your Astrotech common stock if the Asset Sale is completed;
 -
 - not vote your shares of Astrotech common stock in person or by proxy in favor of the Asset Sale Proposal; and
 -
 - follow the statutory procedures for perfecting dissenters' rights under Washington law, which are described in the section entitled "The Asset Sale Proposal — Dissenters' Rights — Procedures to Exercise Dissenters' Rights" beginning on page 32.

Merely voting against the approval of the Asset Sale Proposal will not preserve your dissenters' rights. Chapter 23B.13 of the Washington Business Corporation Act is reprinted in its entirety and attached to this Proxy Statement as Annex D. Your failure to comply precisely with all procedures required by Washington law may result in the loss of your dissenters' rights.

Q.

- What are the U.S. federal income tax consequences of the Asset Sale to shareholders?

A.

- Our shareholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Asset Sale. See "The Asset Sale Proposal — U.S. Federal Income Tax Consequences of the Asset Sale" beginning on page 30.

Q.

- When is the closing of the Asset Sale expected to occur?

A.

- If the Asset Sale is authorized by our shareholders and all conditions to completing the Asset Sale are satisfied or waived, the closing of the Asset Sale is expected to occur shortly after the Special Meeting.

PROPOSAL NO. 2: THE GOLDEN PARACHUTE PROPOSAL

Q.

- Why am I being asked to cast a non-binding, advisory vote to approve the Golden Parachute Proposal?

A.

- In accordance with the rules promulgated under Section 14A of the Exchange Act of 1934, as amended (the “Exchange Act”), the Company is providing its shareholders with the opportunity to cast a non-binding, advisory vote on the compensation that will or may be payable to the Company’s named executive officers in connection with the Asset Sale.

Q.

- What will happen if shareholders do not approve the Golden Parachute Proposal at the Special Meeting?

A.

- Approval of the Golden Parachute Proposal is not a condition to the consummation of the Asset Sale. The vote with respect to the Golden Parachute Proposal is an advisory vote and will not be binding on the Company or Buyer. Further, the underlying plans and arrangements are contractual in nature and are not, by their terms, subject to shareholder approval. Accordingly, regardless of the outcome of the non-binding, advisory vote, if the Asset Sale is approved by our shareholders and completed and the other terms and conditions of the applicable plans and arrangements are satisfied, our named executive officers will receive the golden parachute payments as disclosed in this Proxy Statement.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements about our plans, objectives, expectations and intentions. Forward-looking statements include information concerning possible or assumed future results of operations of Astrotech (as a whole) and the ASO Business, the expected completion and timing of the Asset Sale and other information relating to the Asset Sale, including the value of the Spacotech Business. There are forward-looking statements throughout this proxy statement, including, among others, in statements containing the words “believes,” “expects,” “estimates,” “forecasts,” “seeks,” “may,” “will,” and “continue” or other similar words or expressions. You should read statements that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks over which we have no control, including, without limitation:

-
- the inability to complete the Asset Sale due to the failure to satisfy the conditions to closing of the Asset Purchase Agreement, including the failure to obtain shareholder approval;
-
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Asset Sale;
-
- the failure of the Asset Sale to close for any other reason;
-
- the ability to recognize the benefits of the Asset Sale;
-
- the outcome of legal proceedings that may be instituted against us and others in connection with the Asset Sale and the Asset Purchase Agreement;
-
- the amount of the costs, fees, expenses and charges related to the Asset Sale;
-
- the effect of the announcement of the Asset Sale on our client relationships, operating results and businesses generally, including the ability to retain key employees; and
-
- our ability to successfully develop our Spacotech Business.

You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements. All forward-looking statements contained in the proxy statement speak only as of the date of this proxy statement or as of such earlier date that those statements were made and are based on current expectations or expectations as of such earlier date and involve a number of assumptions, risks and uncertainties that

could cause the actual result to differ materially from such forward-looking statements. Except as required by law, we undertake no obligation to update or publicly release any revisions to these forward-looking statements or reflect events or circumstances after the date of this proxy statement.

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RISK FACTORS

In addition to the other information contained in this proxy statement, you should carefully consider the following risk factors relating to the Asset Sale before you decide whether to vote for the Asset Sale Proposal. You should also consider the information in our other reports on file with the SEC that are incorporated by reference into this Proxy Statement. See “Where You Can Find More Information” on page 74.

The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect our business. The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect the trading price of our common stock, our business or our relationships with customers, suppliers and employees. In addition, pending the completion of the Asset Sale, we may be unable to attract and retain key personnel and our management’s focus and attention and employee resources may be diverted from operational matters during the pendency of the Asset Sale.

In the event that the Asset Sale is not completed, the announcement of the termination of the Asset Purchase Agreement may also adversely affect the trading price of our common stock, our business or our relationships with customers, suppliers and employees.

We cannot be certain if or when the Asset Sale will be completed.

The consummation of the Asset Sale is subject to the satisfaction or waiver of various conditions, including the approval of the Asset Sale by our shareholders and the consent of certain of our contract counterparties to take assignment of their agreement to Buyer. We cannot guarantee that the closing conditions set forth in the Asset Purchase Agreement will be satisfied. If we are unable to satisfy the closing conditions in Buyer’s favor or if other mutual closing conditions are not satisfied, Buyer will not be obligated to complete the Asset Sale.

If the Asset Sale is not completed and the Asset Purchase Agreement is terminated, we may be required to pay to Buyer the Buyer Expense Reimbursement or a termination fee, as described in “The Asset Sale Proposal — The Asset Purchase Agreement — Termination Fee” on page 49.

If the Asset Sale is not completed, our board of directors, in discharging its fiduciary obligations to our shareholders, will evaluate other strategic alternatives that may be available, which alternatives may not be as favorable to our shareholders as the Asset Sale. We may seek another purchaser for the ASO Business but we may not be able to find a purchaser willing to offer a reasonable purchase price for the ASO Business. Any future sale of substantially all of the assets of the Company or other transactions may be subject to further shareholder approval.

Certain of our executive officers and directors may have interests in the Asset Sale other than, or in addition to, the interests of our shareholders generally.

Certain of our executive officers and directors may have interests in the Asset Sale that are different from, or are in addition to, the interests of our shareholders generally. Our board of directors was aware of these interests and considered them, among other matters, in approving the Asset Purchase Agreement. See “The Asset Sale Proposal — Interests of Certain Persons in the Asset Sale” on page 34.

Because the ASO Business represented approximately 99% of our total revenues for fiscal year 2013, our business following the sale of the ASO Business will be substantially different.

The ASO Business represented approximately 99% of our total revenues for the fiscal year 2013. Following the sale of the ASO Business, we will retain the Spacotech Business. Our results of operations and financial condition may be materially adversely affected if we fail to effectively reduce our overhead costs to reflect the reduced scale of our operations or we fail to grow our Spacotech Business and if the Spacotech Business were to operate at a loss.

Because our business will be smaller following the sale of the ASO Business, there is a possibility that our common stock may be delisted from The NASDAQ Capital Market if we fail to satisfy the continued listing standards of that market.

Even though we currently satisfy the continued listing standards for The NASDAQ Capital Market, following the sale of the ASO Business our business will be smaller, and therefore we may fail to satisfy the

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continued listing standards of The NASDAQ Capital Market. In the event that we are unable to satisfy the continued listing standards of The NASDAQ Capital Market, our common stock may be delisted from that market. Any delisting of our common stock from the NASDAQ Capital Market could adversely affect our ability to attract new investors, decrease the liquidity of our outstanding shares of common stock, reduce our flexibility to raise additional capital, reduce the price at which our common stock trades and increase the transaction costs inherent in trading such shares with overall negative effects for our shareholders. In addition, delisting of our common stock could deter broker-dealers from making a market in or otherwise seeking or generating interest in our common stock, and might deter certain institutions and persons from investing in our securities at all. For these reasons and others, delisting could adversely affect the price of our common stock and our business, financial condition and results of operations. We will continue to incur the expenses of complying with public company reporting requirements following the closing of the Asset Sale.

After the Asset Sale, we will continue to be a public company. For as long as we remain a public company, we have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act, which include the filing with the SEC of periodic reports, proxy statements and other documents relating to our business, financial condition and other matters, even though compliance with such reporting requirements is economically burdensome.

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THE SPECIAL MEETING

Time, Date and Place

The Special Meeting will be held on _____, 2014 at _____ at _____ (Central Time).

Proposals

At the Special Meeting, holders of shares of our common stock as of the Record Date will consider and vote upon the Asset Sale Proposal and the Golden Parachute Proposal.

Descriptions of the Proposals are included in this Proxy Statement. A copy of the Asset Purchase Agreement is attached as Annex A to this Proxy Statement.

Required Vote

The approval of the Asset Sale Proposal requires the affirmative vote of the holders of a two-thirds (2/3) of the outstanding shares of our common stock. You may vote "FOR," "AGAINST" or "ABSTAIN." Failures to vote, abstentions and broker non-votes, if any, will have the same effect as a vote "AGAINST" the Asset Sale Proposal. Thomas B. Pickens III, our Chairman and Chief Executive Officer, who beneficially own shares of our common stock representing approximately 20.0% in the aggregate of our shares of common stock outstanding as of the Record Date, has entered into a voting agreement with Buyer pursuant to which, subject to certain exceptions, he has agreed to vote all of his shares of our common stock in favor of the Asset Sale Proposal. The form of voting agreement is attached to this Proxy Statement as Annex B.

The approval of the Golden Parachute Proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock that are present in person or represented by proxy at the Special Meeting.

Record Date

Holders of our common stock as of the close of business on _____, 2014, the Record Date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting and any postponements or adjournments of the Special Meeting. On the Record Date, there were _____ shares of common stock outstanding and entitled to vote at the Special Meeting and any postponements or adjournments of the Special Meeting. No other shares of capital stock were outstanding on the Record Date.

Ownership of Directors and Executive Officers

As of the Record Date, our directors and executive officers beneficially held approximately _____ % in the aggregate of our shares of common stock entitled to vote at the Special Meeting, excluding options to purchase shares of our common stock. Thomas B. Pickens III, our Chairman and Chief Executive Officer, who beneficially own shares of our common stock representing approximately 20.0% in the aggregate of our shares of common stock outstanding as of the Record Date has entered into a voting agreement with Buyer pursuant to which, subject to certain exceptions, he has agreed to vote all of his shares of our common stock in favor of the Asset Sale Proposal. The form of voting agreement is attached to this Proxy Statement as Annex B.

Quorum and Voting

The representation in person or by proxy of holders of at least one-third (1/3) of the issued and outstanding shares of our common stock entitled to vote at the Special Meeting is necessary to constitute a quorum for the transaction of business at the Special Meeting.

Proxies; Revocation of Proxies

If you are unable to attend the Special Meeting, we urge you to submit your proxy by completing and returning the enclosed proxy card or vote your proxy via the Internet or by telephone. If your shares of common stock are held in "street name" (i.e., through a bank, broker or other nominee), you will receive

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instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you elect to vote in person at the Special Meeting and your shares are held by a broker, bank or other nominee, you must bring to the Special Meeting a signed proxy from the broker, bank or other nominee authorizing you to vote your shares of common stock.

Unless contrary instructions are indicated on the proxy card, all shares of common stock represented by valid proxies will be voted "FOR" the Asset Sale Proposal and will be voted at the discretion of the persons named as proxies in respect of such other business as may properly be brought before the Special Meeting. As of the date of this Proxy Statement, our board of directors knows of no other business that will be presented for consideration at the Special Meeting other than the Asset Sale Proposal and the Golden Parachute Proposal.

You may revoke your proxy and change your vote at any time before the polls close at the Special Meeting by delivering to Astrotech a written notice of revocation or a duly executed proxy bearing a date later than the date of the proxy being revoked, or by attending the Special Meeting and voting in person. Attending the Special Meeting will not, by itself, revoke the proxy. If your shares are held in the name of a broker or other nominee who is the record holder, you must follow the instructions of your broker or other nominee to revoke a previously given proxy.

Adjournments

The Special Meeting may be adjourned by the holders of a majority in interest of the shares of our common stock present in person or represented by proxy and entitled to vote at the Special Meeting, including for the purpose of obtaining a quorum or soliciting additional proxies if there are insufficient votes to authorize the Asset Sale. Any adjournment may be made without notice (if the adjournment is not for more than one hundred twenty (120) days and a new record date is not fixed for the adjourned meeting), other than by an announcement made at the Special Meeting of the time, date and place of the adjourned meeting. Any adjournment will allow our shareholders who have already sent in their proxies to revoke them at any time prior to their use at the Special Meeting as adjourned.

Broker Non-Votes

Your broker or other nominee will vote your shares only if you provide instructions on how to vote to such broker or other nominee. Following the directions provided by your broker or other nominee, you should instruct your broker or other nominee to vote your shares. Uncast votes on non-routine matters are referred to as "broker non-votes." Without your instructions, your shares will not be voted, which will have the same effect as a vote "AGAINST" the Asset Sale Proposal and "AGAINST" the adjournment of the Special Meeting, if necessary, to solicit additional proxies.

Solicitation of Proxies

We will pay for the entire cost of proxy solicitations, including preparation, assembly, printing and mailing of proxy solicitation materials. We will provide copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock, beneficially owned by others to forward these materials to the beneficial owners of our common stock. We may reimburse persons representing beneficial owners of our common stock for their costs of forwarding solicitation materials. Proxies may also be solicited by certain of our directors, officers and employees, without additional compensation, personally or by mail, email, telephone, facsimile or other means of communication. Astrotech has also retained a proxy solicitor, Morrow & Co., LLC, and estimates that fees for such solicitor will be approximately \$10,000 plus expenses.

Questions and Additional Information

If you have more questions about the Asset Sale Proposal or how to submit your proxy, or if you need additional copies of this Proxy Statement or the enclosed proxy card or voting instructions, please contact Astrotech Corporation, Attn: Investor Relations, 401 Congress Avenue, Suite 1650, Austin Texas, 78701 (512) 485-9530 or the Company's Proxy Solicitor, Morrow & Co., LLC, 470 West Avenue — 3rd Floor, Stamford, Connecticut 06902, (203) 658-9400 (banks and brokerage firms) and toll free (800) 461-0945 (shareholders).

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PROPOSAL NO. 1: THE ASSET SALE PROPOSAL

The following discussion is a summary of the material terms of the Asset Sale. We encourage you to read carefully and in its entirety the Asset Purchase Agreement, which is attached to this Proxy Statement as Annex A, as it is the legal document that governs the Asset Sale.

General Description of the Asset Sale

If the Asset Sale is completed, Buyer would purchase all of our assets related to or used in the Astrotech Space Operations Business, which constitutes substantially all of Astrotech's assets, for \$61,000,000 million in cash, subject to a working capital adjustment, and the assumption of certain liabilities.

Parties to the Asset Sale

Astrotech Corporation

401 Congress Avenue, Suite 1650

Austin, Texas 78701

(512) 485-9530

Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," "the Company," "we," "us" or "our"), a State of Washington corporation is a commercial aerospace company that was formed in 1984 to leverage the environment of space for commercial purposes. For 30 years, the Company has remained a crucial player in space commerce activities. We have successfully supported the launch of 23 shuttle missions and more than 300 spacecraft. We have designed, operated and built space hardware and processing facilities. We currently own, operate and maintain world-class spacecraft processing facilities; prepare and process scientific research in microgravity and develop and manufacture sophisticated and cutting edge chemical sensor equipment.

Astrotech Space Operations, Inc. ("ASO")

1515 Chaffee Drive

Titusville, Florida 32780

(512) 485-9530

ASO, a wholly-owned subsidiary of Astrotech, provides support to its government and commercial customers as they successfully process complex communication, earth observation and deep space satellites in preparation for their launch on a variety of launch vehicles. Processing activities include satellite ground transportation; pre-launch hardware integration and testing; satellite encapsulation, fueling and launch pad delivery; and communication linked launch control. Our ASO facilities can accommodate up to five meter class satellites, which includes almost all U.S. based satellites. ASO's service capabilities include designing and building spacecraft processing equipment and facilities. In addition, ASO provides propellant services including designing, building and testing propellant service equipment for fueling spacecraft. ASO accounted for 97% and 99% of our consolidated revenues for the three and six months ended December 31, 2013, respectively. Revenue for our ASO business unit is generated primarily from various fixed-priced contracts with launch service providers in both government and commercial markets and from the design, fabrication and use of critical space launch equipment. The services and facilities we provide to our customers support the final assembly, checkout and countdown functions required to launch a spacecraft. The revenue and cash flows generated by ASO are primarily driven by the number of spacecraft launches.

Astrotech Florida Holdings, Inc. ("AFH")

1515 Chaffee Drive

Titusville, Florida 32780

(512) 485-9530

AFH is a wholly-owned subsidiary of ASO, established to hold the property assets of the Florida facility.

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Elroy Acquisition Company, LLC
6801 Rockledge Drive
Bethesda, Maryland 20817-1877
(301) 897-6000

Elroy Acquisition Company, LLC (“Buyer”) is a Delaware limited liability company and wholly-owned subsidiary of Lockheed Martin that was recently formed for the sole purpose of entering into the Asset Purchase Agreement and completing the transactions contemplated by the Asset Purchase Agreement.

Lockheed Martin
6801 Rockledge Drive
Bethesda, Maryland 20817-1877
(301) 897-6000

Lockheed Martin Corporation is a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems and products. They also provide a broad range of management, engineering, technical, scientific, logistic and information services. They serve both domestic and international customers with products and services that have defense, civil and commercial applications, with their principal customers being agencies of the U.S. Government. Their main areas of focus are in defense, space, intelligence, homeland security and information technology, including cyber security.

Background of the Asset Sale

Our board of directors and members of our senior management team have regularly evaluated our business and operations, our long-term strategic goals and our future prospects. Our board of directors and members of our senior management team have also regularly reviewed and assessed conditions affecting the aerospace industry and the economy in general and the Company’s competitive market position. As part of its ongoing review of the Company and its prospects, our board of directors has also regularly reviewed various strategic alternatives available to the Company to enhance shareholder value, including among other things, possible acquisitions, strategic investments, asset sales and divestitures. In addition, from time to time, our senior management has met with financial and legal advisors, as well as representatives from other countries, to discuss industry trends and explore such opportunities. In May 2009, the Company retained an investment banking firm to more actively explore strategic alternatives, including through discussions with a number of potential buyers and private equity firms to gauge the market interest in the ASO Business. In connection with these efforts, our investment banking firm contacted potential buyers and, upon execution of non-disclosure agreements, delivered information regarding the Company and the ASO Business to approximately 38 parties. On November 11, 2009, the Company received non-binding indications of interest from four parties. In December 2009, the Company conducted management presentations and engaged in discussions with these four parties, one of which we refer to as “Buyer A” as well as two other parties, one of which we refer to as “Buyer B”.

On February 4, 2010, the Company received a non-binding letter of intent from Buyer A, pursuant to which Buyer A proposed to acquire 100% of the stock of the Company for a total enterprise valuation of \$60 million. Pursuant to the letter of intent, the acquisition would be financed with debt and equity, though obtaining financing would not be a condition to closing. The letter of intent requested a 60-day exclusivity period.

On February 4, 2010, the Company also received a letter of intent from Buyer B, pursuant to which Buyer B proposed to acquire 100% of the stock of the Company for a total enterprise valuation of \$65 million. Pursuant to the letter of intent, the acquisition would be financed with debt and equity, and obtaining financing would be a condition to closing. The letter of intent from Buyer B also requested a 60-day exclusivity period.

From February 22-24, 2010, Buyer A’s diligence team conducted diligence at the Company headquarters in Austin. From February 25-26, 2010, Buyer B’s diligence team conducted diligence at the Company headquarters in Austin. On March 9, 2010, Buyer A and Buyer B both reaffirmed their original offers.

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On March 18, 2010, the Company received a revised letter of intent from Buyer B, pursuant to which Buyer B increased its total enterprise valuation of the Company to \$72 million. In addition, Buyer B removed the obtaining of financing as a condition to closing.

On March 19, 2010, the Company delivered a counter-signed letter of intent to Buyer B triggering the exclusivity period with Buyer B. Thereafter, Buyer B participated in additional due diligence and engaged in additional discussions with senior management of the Company.

On April 28, 2010, Buyer B submitted a revised proposal pursuant to which it reduced its offer to \$62.5 million.

Around May 2010, Buyer B officially withdrew from negotiations for the purchase of the ASO Business.

In October 2011, a representative from another potential buyer, which we refer to as Buyer C, expressed interest in the ASO Business to one of our board members. Upon execution of a non-disclosure agreement on October 11, 2011, we entered into discussions with Buyer C which continued for several months but did not result in an offer from Buyer C for the purchase of the ASO Business.

From 2012 to 2013, our board of directors and members of senior management continued to evaluate and discuss our strategic alternatives. Due to economic conditions during this time and certain events affecting the funding of government supported aerospace operations, we decided not to pursue the sale of the ASO Business until economic conditions improved.

On May 16 and May 17, 2013, our Chief Executive Officer met with the Chief Executive Officer of another company in the aerospace industry to discuss a potential sale of the ASO Business. The meeting was set up by a government affairs employee of the other aerospace company, who was also in attendance. After discussion, this company decided not to pursue the purchase of the ASO Business.

On September 19, 2013, we received approval from our board of directors to hire an investment banking firm to assist in our efforts to actively explore strategic alternatives for the ASO Business. We interviewed various investment banking firms but did not ultimately engage one.

On October 15, 2013, a representative from Lockheed Martin approached a member of our board of directors by email, followed by a telephone call, to discuss interest in a potential strategic acquisition of the ASO Business. This same day, another representative of Lockheed Martin spoke by telephone with our Chief Executive Officer, to express interest in a potential transaction and inform him that Lockheed Martin would be providing a mutual non-disclosure agreement for review.

On October 17, 2013, we executed the mutual non-disclosure agreement with Lockheed Martin.

On October 24, 2013, a representative of Lockheed Martin and our Chief Executive Officer held a conference call to discuss the process for evaluating Lockheed Martin's interest in a potential strategic transaction.

On November 5, 2013, representatives of Lockheed Martin toured the ASO facility in Titusville, Florida and held an initial meeting with our senior management team. At the meeting, our senior management team provided an overview of the ASO Business. Following the meeting, Lockheed Martin was given access to an online dataroom prepared by the Company containing additional information regarding the Company and the ASO Business requested by Lockheed Martin.

On November 22, 2013, the Company received a non-binding indication of interest from Lockheed Martin, pursuant to which Lockheed Martin proposed to acquire of the ASO Business for consideration in the range of \$50 million to \$60 million in cash and the assumption of certain liabilities.

On November 25, 2013, the Company delivered a response to Lockheed Martin's indication of interest, pursuant to which the Company proposed that the consideration for of the ASO Business be \$75 million.

On November 27, 2013, a representative of Lockheed Martin and our Chief Executive Officer spoke by telephone to discuss the indication of interest and the response by the Company.

On December 18, 2013, representatives of the Company and Lockheed Martin met at Lockheed Martin's headquarters in Bethesda, Maryland to continue discussions regarding a potential transaction involving the ASO Business, including the business case and the novation of contracts.

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On January 21, 2014, representatives of Lockheed Martin and our Chief Executive Officer spoke by telephone to further discuss the indication of interest.

On January 24, 2014, the Company received an updated non-binding indication of interest from Lockheed Martin, pursuant to which Lockheed Martin proposed to acquire all of the assets necessary to conduct the ASO Business for consideration of \$59 million. Our board of directors received notice of Lockheed Martin's updated indication of interest on the same day.

On January 27, 2014, our board of directors held a meeting, at which members of the Company's senior management team participated and reviewed with the board of directors the terms of the indication of interest received from Lockheed Martin. The board of directors discussed the terms of the indication of interest, including pricing, risks of increases or decreases in such pricing and the execution risks and other potential factors and events that could affect the likelihood of closing a transaction with Lockheed Martin. The board of directors also discussed other potential strategic alternatives. After discussion, the board of directors determined, with the assistance of members of the Company's senior management team, to pursue a transaction with Lockheed Martin.

On January 27, 2014, following the meeting of the board of directors discussed above, the Company provided Lockheed Martin with a markup of the indication of interest, agreeing to the \$59 million proposed purchase price for the ASO Business, but excluding certain deferred revenue items and accounts receivable.

On January 29, 2014, members of the Company's senior management team held a telephone conference call with representatives from Lockheed Martin to discuss the indication of interest and valuation of the ASO Business.

On January 31, 2014, the Company received an updated indication of interest from Lockheed Martin, pursuant to which Lockheed Martin increased the proposed consideration for the ASO Business to \$61 million. The board of directors received notice of Lockheed Martin's updated indication of interest on the same day.

On February 5, 2014, the Company delivered a signed copy of the non-binding indication of interest to Lockheed Martin.

On February 7, 2014, the Company received a counter-signed copy of the non-binding indication of interest from Lockheed Martin.

Thereafter, Lockheed Martin participated in due diligence and engaged in additional discussions with senior management of the Company.

On March 25, 2014, representatives from Lockheed Martin visited the Company's facilities in Titusville, Florida and Vandenberg Air Force Base in California.

On April 13, 2014, Lockheed Martin and its legal advisor, Hogan Lovells US LLP ("Hogan") provided the Company and its legal advisor, Sheppard Mullin Richter & Hampton LLP ("Sheppard") with an initial draft Asset Purchase Agreement. During the period from April 24, 2014 through May 28, 2014, we and representatives of Sheppard exchanged drafts and mark-ups of the draft Asset Purchase Agreement and related agreements and the terms thereof with representatives of Lockheed Martin and Hogan, and engaged in telephonic negotiations relating thereto.

In April 2014, our board of directors and members of our senior management team also considered the engagement of a financial advisor. After consideration of three other financial advisors, our board of directors approved the engagement of Morgan Joseph because, among other reasons, Morgan Joseph has experience in the valuation of businesses and securities in connection with asset sales.

On May 22, 2014, Lockheed Martin obtained the necessary corporate approvals to execute the asset purchase agreement.

On May 27, 2014, our board of directors convened a special meeting, at which members of our senior management team and representatives of Sheppard and Morgan Joseph participated, to discuss the terms of the Asset Purchase Agreement, strategic alternatives to the proposed Asset Sale and the Company's

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business and operating strategy in light of the Asset Sale, including the growth of the Company's Spacotech Business. To facilitate these discussions, copies of the Asset Purchase Agreement and related ancillary agreements, along with a summary of the material terms of the Asset Purchase Agreement were circulated to our board of directors in advance of the meeting. At this meeting, a representative of Sheppard, in consultation with Washington counsel, reviewed with our board of directors its fiduciary duties under Washington law in connection with the proposed transactions and presented an overview of the material terms of the Asset Purchase Agreement and related agreements. At this meeting, representatives of Morgan Joseph also reviewed and discussed its analysis with respect to the Company and the proposed Asset Sale and, at the request of our board of directors, rendered its opinion to the effect that, as of May 27, 2014 and based on and subject to the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Morgan Joseph as described in Morgan Joseph's opinion, the consideration of \$61 million in cash to be received by the Company pursuant to the Asset Purchase Agreement was fair to the Company from a financial point of view. Our board of directors also reviewed the pros and cons of the Asset Sale, as set forth under "Reasons for the Asset Sale" below.

After further discussion, our board of directors unanimously approved the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, subject to the resolution of the remaining issues to the satisfaction of the Company's senior management team, and declared that the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, are advisable to, and in the best interests of, the Company and its shareholders, and recommended that the Company's shareholders vote to approve the Asset Purchase Agreement at a special meeting of the Company's shareholders.

On May 28, 2014, representatives of the Company and Lockheed Martin, together with their respective legal advisors, worked to finalize the Asset Purchase Agreement and related agreements.

On May 28, 2014, following the resolution of the remaining open items, our board of directors convened a special meeting, at which members of our senior management team and representatives of Sheppard participated, to discuss the resolution of the remaining issues. After discussion, the board of directors unanimously reconfirmed its approval of the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale and its recommendation that the Company's shareholders vote to approve the Asset Purchase Agreement.

Following final approval by our board of directors, the Seller Companies and the Buyer Companies executed and delivered the Asset Purchase Agreement, substantially in the form approved by our board of directors.

On May 29, 2014, before the opening of trading in the markets, the Company issued a press release announcing the definitive agreements relating to the transaction.

On May 29, 2014, before the opening of trading in the markets, Lockheed Martin issued a press release to announce the transaction.

Reasons for the Asset Sale

The domestic space industry is dominated by a few very large, well-capitalized companies with decades of experience and proven track records primarily serving government customers. Over the years, our attempts to grow Astrotech Space Operations were limited given this competitive landscape. Additionally, the portion of the space operations market that we serve continues to be challenged by uncertainty in government funding and support for key space programs. We believe that these factors will affect the number of new opportunities for revenue growth in the ASO Business, and may influence revenue variability. Our board of directors' decision to enter into the Asset Purchase Agreement was based on a careful evaluation of the Company's strategic alternatives, including opportunities for the Spacotech Business going forward, and followed a strategic alternatives review process conducted over several years. In arriving at its determination that the Asset Sale is advisable to, and in the best interests of, the Company and our shareholders and its recommendation that the Company's shareholders vote to approve the Asset Purchase Agreement, our board of directors considered the terms of the Asset Purchase Agreement, as well as other available strategic alternatives. As part of our board of directors' evaluation

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process, our board of directors considered the risks, timing and uncertainties of each strategic alternative available to the Company, as well as financial information prepared by our management. In reaching its determination, our board of directors consulted with our senior management team, as well as our outside legal and financial advisors, and considered a number of factors. These factors included, but are not limited to, the following factors which our board of directors viewed as supporting its determination:

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- our board of directors' belief that the portion of the space operations market in which the Company operates continues to be challenged by uncertainty in government funding and support for key space programs, the industry is dominated by a few very large and well capitalized companies and that future revenue growth in the space operations market for a company our size may be limited given this competitive landscape;
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- the financial analysis reviewed and discussed with our board of directors by representatives of Morgan Joseph, as well as the opinion of Morgan Joseph delivered to our board of directors on May 27, 2014 to the effect that, as of that date and based on and subject to the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Morgan Joseph as described in Morgan Joseph's opinion, the consideration of \$61 million in cash to be received by Astrotech pursuant to the Asset Purchase Agreement was fair to Astrotech from a financial point of view;
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- the fact that the Company conducted a strategic alternatives review process that encompassed several years and that, in our board of directors' view, the terms of Lockheed Martin's proposal, as compared to other proposals received in the past, in the aggregate and taking into account the assets to be acquired and the liabilities to be assumed, were more favorable than the alternatives available to the Company;
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- the terms and conditions of the Asset Purchase Agreement, in particular that:
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- Astrotech may terminate the Asset Purchase Agreement, under certain circumstances, in order to accept a Superior Proposal and our board of directors may otherwise change its recommendation to act in a manner required in order for it to comply with its fiduciary duties (which may require the payment to Buyer of a \$2,440,000 termination fee);
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- Buyer's obligation to consummate the Asset Sale is not conditioned on Buyer obtaining financing and that certain of Buyer's financial obligations under the Asset Purchase Agreement are guaranteed by Lockheed Martin to the extent set forth in the Asset Purchase Agreement;
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- Buyer agreed to assume certain obligations and liabilities;
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- Astrotech's ability to engage in discussions and negotiations with, and provide information to, a third party that makes an unsolicited Acquisition Proposal, if our board of directors determines in good faith (after consultation with its financial advisor and outside legal counsel) that such Acquisition Proposal constitutes, or is reasonably expected to result in, a Superior Proposal and, among other requirements, that such action is required in order for it to comply with its fiduciary obligations;
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- the cash form of the consideration to be received in connection with the Asset Sale, in particular the certainty of value and liquidity of such cash consideration; and
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- Buyer has indicated that it will (i) make offers of employment to all active employees of the ASO Business as of the closing of the Asset Sale and all inactive employees of the ASO Business upon their return to active status, in each case, with base salary and eligibility for annual cash bonus compensation at least equal to that provided by Astrotech and (ii) provide such employees who become employed with Buyer following the closing of the Asset Sale with certain employee benefit plans and arrangements thereby relieving Astrotech of certain severance and other liabilities.

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- the Washington Business Corporation Act requires that the sale of all or substantially all of the Company's assets be approved by the affirmative vote of holders of two-thirds (2/3) of the outstanding shares of the Company's common stock entitled to vote, which ensures that the Asset Sale will not be completed without the support of a significant portion of our shareholders; and

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- that, under the Washington Business Corporation Act, dissenters' rights are provided to holders of common stock of Astrotech in connection with the Asset Sale Proposal.

Our board of directors also considered certain risks or potentially adverse factors in making its determination and recommendation, including, but not limited to, the following:

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- the risks and contingencies relating to the announcement and pendency of the Asset Sale and the risks and costs to the Company if the Asset Sale is not completed, including the effect of an announcement of termination of the Asset Purchase Agreement on the trading price of our common stock, our business and our relationships with customers, suppliers and employees;
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- our ability to attract and retain key personnel and the risk of diverting management's focus and attention and employee resources from operational matters during the pendency of the Asset Sale;
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- that the Asset Purchase Agreement obligates Astrotech to indemnify Buyer and certain of its related parties against certain damages;
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- the requirement that Astrotech must pay to Lockheed Martin a reimbursement for fees and expenses not to exceed \$1,000,000 if the Asset Purchase Agreement is terminated due to a failure of two-thirds of our shareholders to approve the Asset Purchase Agreement and the requirement that Astrotech must pay Lockheed Martin a termination fee of \$2,440,000 in circumstances where: (i) Buyer terminates the Asset Purchase Agreement after a Change in Recommendation, (ii) Buyer terminates the Asset Purchase Agreement after the Special Meeting has been held because the Company failed to obtain the vote of two-thirds (2/3) of our shareholders in favor of the Asset Sale Proposal and prior to the termination, there has been announced or otherwise communicated to our board of directors an Acquisition Proposal and we have either entered into a definitive agreement with respect to such Acquisition Transaction or such Acquisition Transaction is consummated within 12 months of the termination, (iii) we terminate the Asset Purchase Agreement during any time the Asset Purchase Agreement is otherwise terminable by Buyer pursuant to clauses (i) and (ii), or (iv) we terminate the Asset Purchase Agreement in order to enter into a Superior Proposal;
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- the terms of the Asset Purchase Agreement that place restrictions on our ability to consider competing acquisition proposals and to terminate the Asset Purchase Agreement and accept a Superior Proposal;

- - the restrictions on the conduct of our business prior to the completion of the Asset Sale that require the Company to conduct the ASO Business in the ordinary course, which could delay or prevent Astrotech from undertaking certain business opportunities that may arise pending completion of the Asset Sale and the length of time between signing and closing when these restrictions are in place;
- - the fact that our shareholders would lose the opportunity to realize potential business opportunities and possible future growth if the Company continued to operate the ASO Business;
- - the possibility that certain of our current directors, officers and employees may resign prior to or as a result of the completion of the Asset Sale and that the Company may be unable to attract qualified replacement directors, officers and employees; and
- - the fact that some of our directors and executive officers may have interests in the Asset Sale that are different from, or in addition to, the interests of our shareholders.

The foregoing discussion of the factors considered by our board of directors is not intended to be exhaustive, but rather includes material factors considered by the directors. Our board of directors also considered other factors, in deciding to approve, and unanimously recommending that our shareholders approve, the Asset Sale. In reaching its decision and recommendation to our shareholders, our board of

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directors did not quantify or assign any relative weights to the factors considered and individual directors may have given different weights to different factors. In addition, our board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather conducted an overall analysis of the factors described above.

Recommendation of Our Board of Directors

Our board of directors has unanimously determined that the terms and conditions of the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, are advisable to, and in the best interests of, Astrotech and its shareholders. This determination was made by a unanimous vote of all of the members of our board of directors. Our board of directors unanimously recommends that our shareholders vote “FOR” the approval of the Asset Sale Proposal.

Opinion of Financial Advisor, Morgan Joseph TriArtisan LLC

Morgan Joseph was engaged to evaluate the fairness, from a financial point of view to Astrotech, of the consideration to be received by the Company in the Asset Sale Proposal. Morgan Joseph was selected among three other potential financial advisors and was selected because, among other reasons, Morgan Joseph has experience in the valuation of businesses and securities in connection with asset sales.

At the May 27, 2014 meeting of the board of directors of the Company (the “Board”), Morgan Joseph provided its opinion that, as of such date and based upon and subject to various qualifications and assumptions described with respect to its opinion, the consideration to be received by the Company in the Asset Sale Proposal was fair, from a financial point of view to Astrotech. Morgan Joseph’s opinion, which is addressed to the Board, is directed only to the fairness to Astrotech, from a financial point of view, of the consideration to be received in the Asset Sale Proposal. The opinion was prepared solely for the information of the Board for its use in connection with its consideration of the Asset Sale Proposal and was not intended to be, and does not constitute, a recommendation to any shareholder of the Company as to how that shareholder should vote or act with respect to the Asset Sale Proposal.

A copy of Morgan Joseph’s written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations of the scope of review undertaken by Morgan Joseph in rendering its opinion, is attached to this Proxy Statement as Annex C and is incorporated into this Proxy Statement by reference. The summary of the opinion of Morgan Joseph set forth in this document is supplemented by reference to the full text of such opinion and describes only material provisions of the opinion. Shareholders are urged to, and should, carefully read Morgan Joseph’s opinion in its entirety. Morgan Joseph was not requested to opine as to, and its opinion does not address, the relative merits of the Asset Purchase Agreement or the Asset Sale Proposal or any alternatives to such transaction, the Company’s underlying decision to proceed with or effect the Asset Sale Proposal, or any other aspect of the Asset Sale Proposal.

In conducting its analysis and arriving at its opinion, Morgan Joseph reviewed and analyzed, among other things, the following:

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- A draft of the Asset Purchase Agreement dated May 21, 2014;
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- The Annual Reports on Form 10-K filed by the Company with the U.S. Securities and Exchange Commission (the “SEC”) with respect to its fiscal years ended June 30, 2013, the Quarterly Report on Form 10-Q filed by the Company with the SEC with respect to its fiscal quarters ended March 31, 2014, and certain other Exchange Act filings made by the Company with the SEC;
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- Certain other publicly available business and financial information concerning ASO and the industries in which it operates, which it believes to be relevant to our analyses;

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- With respect to ASO, certain information prepared internally by the Company, including certain budgets, forecasts and presentations prepared by the Company, which were provided to it by the Company's senior management;

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- Certain publicly available information concerning certain companies engaged in businesses which it believed to be generally relevant to ASO and the trading markets for certain of such companies' securities; and,
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- The financial terms of certain recent unrelated transactions which it believed to be relevant.

Morgan Joseph also discussed with certain officers and employees of the Company and ASO the business, operations, assets, present condition and prospects of ASO and undertook such other studies, analyses and investigations as Morgan Joseph deemed appropriate.

In arriving at its opinion, with the Board's express permission and without any independent verification, Morgan Joseph has assumed and relied upon the accuracy and completeness of all financial and other information and data publicly available, provided to, or otherwise reviewed by or discussed with Morgan Joseph, and upon the assurances of the managements of the Company, the Company's subsidiaries and their respective affiliates that no information relevant to Morgan Joseph's opinion has been omitted or remains undisclosed to Morgan Joseph. Morgan Joseph did not attempt to independently verify any such information or data nor did Morgan Joseph assume any responsibility to do so. With respect to ASO, Morgan Joseph has further assumed, with the Company's permission, that the Company's forecasts and projections provided to and reviewed by Morgan Joseph have been reasonably prepared based upon the best current estimates, information and judgment of the Company's management as to the future financial condition, cash flows and results of operations of ASO; but subject to such adjustment as Morgan Joseph deemed appropriate. Morgan Joseph made no independent investigation of and expressed no view on any legal, accounting or tax matters affecting the Company, and Morgan Joseph assumed the correctness of all legal, accounting and tax advice provided to the Board by the Company's management and professional advisors. Morgan Joseph did not conduct a physical inspection of any of the properties, assets or facilities of ASO, nor did it make or obtain any recent independent valuation or appraisal thereof. Although Morgan Joseph took into account its assessment of general economic, market and financial conditions and its experience in transactions that, in whole or in part, it deemed to be relevant for purposes of its analyses as well as its experience in the valuation of securities in general, its opinion necessarily was based upon and limited to economic, financial, political, regulatory and other domestic and international events and conditions as they existed and were susceptible to evaluation as of the date thereof. Morgan Joseph assumed no responsibility to update, revise or reaffirm its opinion based upon any events or circumstances occurring or continuing after the date of its opinion.

In rendering its opinion, Morgan Joseph assumed that the Asset Sale Proposal would be consummated in all respects in accordance with the financial, economic and other material terms specified in the draft Asset Purchase Agreement. Morgan Joseph expressed no opinion as to the underlying business decision regarding the Asset Sale Proposal, and Morgan Joseph's opinion does not constitute a recommendation to the Company, the Board, the shareholders or any other person or entity as to any specific action that should be taken (or omitted to be taken) in connection with a transaction with ASO.

In arriving at its opinion, Morgan Joseph was not authorized to solicit, and did not solicit, interest from any party with respect to a merger, business combination or other extraordinary transaction involving ASO, nor did it negotiate with any parties with respect to such potential transaction.

Summary of Financial Analyses Conducted by Morgan Joseph

The following is a summary of the material financial analyses underlying Morgan Joseph's opinion, dated May 27, 2014 and delivered to the Board at its meeting of that date in connection with its consideration of the Asset Sale Proposal. The order of the analyses described below does not represent the relative importance or weight given to those analyses by Morgan Joseph or by the Board. Considering such data without considering the full narrative description of the financial analyses could create a misleading or incomplete view of Morgan Joseph's financial analyses.

The description below explains Morgan Joseph's methodology for evaluating the fairness, from a financial point of view to Astrotech, of the consideration to be received in the Asset Sale Proposal. No company or transaction used in the analyses described below was deemed to be identical to ASO Business or the Asset Sale Proposal and the summary set forth below does not purport to be a complete description of all the analyses or data presented by Morgan Joseph.

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Although each analysis was provided to the Board, in connection with arriving at its opinion, Morgan Joseph considered all of its analyses as a whole and did not attribute any particular weight to any analysis or factor described below, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. This summary of financial analyses includes information presented in tabular format. In order to fully understand the financial analyses used by Morgan Joseph, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. The analyses listed in the tables and described below must be considered as a whole; considering any portion of such analyses and of the factor considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Joseph's fairness opinion.

Selected Publicly Traded Company Analysis

Morgan Joseph compared certain operating and valuation information for ASO to certain publicly available operating and valuation information for fifteen selected companies operating in the aerospace industry, as follows:

The Boeing Company

Lockheed Martin Corporation

Airbus Group N.V.

General Dynamics Corp.

Raytheon Co.

Northrop Grumman Corporation

L-3 Communications Holdings, Inc.

Rockwell Collins Inc.

Thales SA

Moog Inc.

Exelis Inc.

MacDonald Dettwiler & Associates Ltd.

Orbital Sciences Corp.

OHB AG

Calian Technologies Ltd.

In its analysis, Morgan Joseph derived a range of trading multiples for the selected companies, including, but not limited to, enterprise value ("EV") as a multiple of latest twelve months' ("LTM") Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") for the most recently reported twelve-month period, EV as a multiple of estimated 2014 calendar year ("CY2014") EBITDA, and EV as a multiple of the average EBITDA for actual calendar year 2013 and CY2014 and estimated calendar year 2015 ("3 Yr. Avg."), calculated as follows:

Enterprise Value, which Morgan Joseph defined as market value of common equity on a diluted basis (including outstanding warrants, options and restricted stock units) plus the par value of total debt including out-of-the-money convertible debt, capitalized leases and preferred stock (on an as converted basis, if applicable) minus cash, cash equivalents and marketable securities, divided by EBITDA which excludes one-time charges.

Although none of the selected companies is directly comparable to ASO in all respects, they were chosen because they have operations, lines of business and/or product segments that for purposes of analysis may be considered similar to certain of ASO's operations, lines of business and/or product segments.

The financial information reviewed by Morgan Joseph included trading multiples exhibited by the selected companies with respect to their LTM financial performance, CY2014 financial performance, and 3 Yr. Avg. financial performance. All trading multiples for the selected companies were based upon closing stock prices as of May 22, 2014. The table below provides a summary of these trading multiples:

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	Multiple	Mean	Median	High	Low
Enterprise Value/LTM EBITDA		9.0x	9.4x	15.5x	5.5x
Enterprise Value/CY2014 EBITDA		8.4x	8.7x	11.5x	5.5x
Enterprise Value/3 Yr. Avg. EBITDA		8.5x	8.9x	12.4x	5.4x

Selected Historical Transactions Analysis

Morgan Joseph analyzed certain publicly available information relating to the following selected acquisitions:

Announced	Target Company	Acquirer Company
August 26, 2013	Globecomm Systems Inc.	Wasserstein & Co.
January 7, 2013	EnergySolutions, Inc.	Energy Capital Partners
January 10, 2012	Remmele Engineering, Inc.	RTI International Metals, Inc.
January 9, 2012	UFC Aerospace Corp.	B/E Aerospace
April 4, 2011	Engineering Solutions & Products	Berkshire Partners
April 4, 2011	LaBarge, Inc.	Ducommun Inc.
April 1, 2011	SRA International, Inc.	Providence Equity Partners

For each of the selected transactions, Morgan Joseph calculated the multiple of latest twelve months' EBITDA. The following table summarizes the results:

	Multiple	Mean	Median	High	Low
Transaction Value/LTM EBITDA		8.3x	8.4x	11.1x	5.7x

Although none of the these companies is directly comparable to ASO they were chosen for various reasons, including dependence on government funding processes, involvement in aerospace or satellite businesses or having product or service offerings with limited technological input.

Discounted Cash Flow Analysis

Using ASO's projected financial information for fiscal years 2015 through 2019, Morgan Joseph calculated the net present values of ASO's free cash flows using discount rates ranging from 16.5% to 19.5%. Morgan Joseph's estimate of the appropriate range of discount rates was based on the estimated cost of equity and pre-tax cost of debt based on ASO's assumed target debt-to-capital structure, as well as assumptions regarding interest rates, historical market risk premiums, size premiums and marginal tax rates. Morgan Joseph also estimated a range of terminal values for ASO based on EBITDA in 2019 applying multiples that ranged from 5.5x to 6.5x and discounted these terminal values using the assumed range of discount rates. The present values of the implied terminal values of ASO were then added to the present value of the after-tax unlevered free cash flows to arrive at a range of enterprise values.

Leveraged Buyout Analysis

Using ASO's projected financial information for fiscal years 2015 through 2019, Morgan Joseph performed a leveraged buyout analysis to determine the potential implied enterprise value that might be achieved in an acquisition in a leveraged buyout transaction assuming an exit from the business in 2019. Estimated exit values were calculated by applying a range of exit value multiples of EBITDA from 6.5x to 7.5x. Morgan Joseph then derived a range of theoretical purchase prices based on assumed required internal rates of return for a buyer ranging from 23% to 25%, which was, in Morgan Joseph's professional judgment, generally reflective of the minimum required internal rate of return commonly assumed when performing a leveraged buyout analysis of this type.

Additional Considerations

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. Morgan Joseph believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would

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create an incomplete view of the process underlying the analyses set forth in its opinion. In addition, Morgan Joseph considered the results of all such analyses and did not assign relative weights to any of the analyses, but rather made qualitative judgments as to significance and relevance of each analysis, so the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Joseph's view of the actual value of ASO. In performing its analyses, Morgan Joseph made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond the Company's control. The analyses performed by Morgan Joseph are not necessarily indicative of actual values, trading values or actual future results which might be achieved, all of which may be significantly more or less favorable than suggested by such analyses. Such analyses were provided to the Board and were prepared solely as part of Morgan Joseph's analysis of the fairness, from a financial point of view, of the consideration to be received in connection with the Asset Sale Proposal. The analyses do not purport to be appraisals or to reflect the prices at which companies may actually be sold, and such estimates are inherently subject to uncertainty. The opinion of Morgan Joseph was one of many factors taken into consideration by the Board in making its determination to approve the Asset Sale Proposal. Consequently, the analyses described above should not be viewed as determinative of the opinion of the Company, management or the Board with respect to the value of ASO.

The Company placed no limits on the scope of the analysis performed, or opinion expressed, by Morgan Joseph. Morgan Joseph did not perform a liquidation analysis.

Although some analyses performed may imply an enterprise value higher than the price being offered in the Asset Sale Proposal, in reaching its conclusion, Morgan Joseph considered the results of all of the other analyses Morgan Joseph performed. Morgan Joseph believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete and potentially inaccurate view of the process underlying its opinion.

Morgan Joseph's opinion was necessarily based upon market, economic, financial and other circumstances and conditions existing and disclosed to it on May 27, 2014, and any material change in such circumstances and conditions may affect Morgan Joseph's opinion, but Morgan Joseph does not have any obligation to update, revise or reaffirm that opinion.

For services rendered in connection with the delivery of its opinion, the Company paid Morgan Joseph a fee of \$250,000 prior to the delivery of its opinion. The fee was not contingent on Morgan Joseph's determination as to the fairness of the Asset Sale and there is no contingency fee payable to Morgan Joseph upon consummation of the Asset Sale. The Company also agreed to reimburse Morgan Joseph for its expenses incurred in connection with its services, including legal fees and disbursements, and will indemnify Morgan Joseph against certain liabilities arising out of its engagement.

Morgan Joseph is actively involved in the investment banking business and regularly undertakes the valuation of investment securities in connection with public offerings, private placements, business combinations and similar transactions. In the ordinary course of business, Morgan Joseph may trade in our securities for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Prospective Financial Information

We do not as a matter of course make public projections as to future revenues, gross profit, EBITDA or other results due to, among other reasons, business volatility and the uncertainty of the underlying assumptions and estimates. However, we are including selected prospective financial information with respect to the ASO Business in this Proxy Statement to provide our shareholders with access to certain non-public unaudited projected financial information that was made available to our board of directors and Morgan Joseph in connection with the Asset Sale.

The unaudited prospective financial information was not prepared with a view toward public disclosure, and the inclusion of this information should not be regarded as an indication that either we or Morgan Joseph or any other recipient of this information considered, or now considers, the information to be predictive of actual future results. The selected prospective financial information is not being included in

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this Proxy Statement to influence our shareholders' decision whether to vote in favor of Asset Sale Proposal, but because it represents prospective financial information prepared by our management that was used for purposes of the financial analyses performed by our financial advisor and that was presented to our board of directors on an "as if" basis as an alternative to the Asset Sale.

The unaudited prospective financial information was not prepared with a view toward complying with GAAP, the published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. This non-GAAP financial data, which has been prepared and presented in accordance with Company Accounting Policies and Practices, should be considered in addition to, not as a substitute for or a more appropriate indicator of, operating results, cash flows, or other measures of financial performance prepared in accordance with GAAP. Neither our independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Our Annual Report on Form 10-K for the fiscal year ended June 30, 2013, which is incorporated by reference into this Proxy Statement and includes the report of our independent registered public accounting firm, relates to our historical financial information. Such report does not extend to the unaudited prospective financial information and should not be read to do so.

The unaudited prospective financial information does not take into account any circumstances or events occurring after May 1, 2014, the date such information was prepared. We have made publicly available our actual results of operations for the fiscal year ended June 30, 2013 and the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014. Shareholders are urged to read our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014, which are incorporated by reference into this Proxy Statement, to obtain this information. The unaudited prospective financial information does not give effect to the Asset Sale.

The following table presents selected unaudited prospective financial information prepared by the Company as of May 1, 2014 for the fiscal years ending 2014 through 2019:

	Fiscal Year Ended June 30					
	(in millions)					
	2014	2015	2016	2017	2018	2019
Total Revenue	\$ 16.4	\$ 25.3	\$ 23.3	\$ 30.1	\$ 25.8	\$ 32.4
Gross Profit	\$ 5.4	\$ 14.0	\$ 11.7	\$ 17.7	\$ 13.4	\$ 19.3
EBITDA	\$ 6.7	\$ 15.1	\$ 12.8	\$ 18.9	\$ 14.6	\$ 20.5

Although presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions with respect to the domestic space operations market. All of these assumptions are difficult to predict and many are beyond our control. The unaudited prospective financial information was prepared solely for internal use and is subjective in many respects. As a result, although this information was prepared by our management based on estimates and assumptions that management believed were reasonable at the time, there can be no assurance that the prospective results will be realized or that actual results will not be significantly higher or lower than estimated. Since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year.

Readers of this Proxy Statement are cautioned not to place undue reliance on the unaudited prospective financial information set forth above. Shareholders are urged to review our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014 and future SEC filings for a description of risk factors with respect to our business. No representation is made by the Company, Buyer or any other person to any shareholder regarding the ultimate performance of the Company compared to the unaudited prospective financial information. No representation was made by the Seller Companies to Buyer in the Asset Purchase Agreement concerning this information.

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Except as required by applicable securities laws, we do not intend to update or otherwise revise the prospective financial information to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying such prospective financial information are no longer appropriate.

Activities of Astrotech Following the Asset Sale

If the Asset Sale is completed, all of our assets related to or used in the ASO Business will be sold, and Buyer will be the sole beneficiary of any future earnings from those assets.

The proceeds from the Asset Sale will be used to pay off our outstanding indebtedness under our financing facility and to repay Texas Emerging Technology Fund for the investment it made in 1st Detect. In addition, we will pay for all costs related to the transaction, including taxes, legal fees and filing fees. Finally, we will incur ongoing operating costs as we grow 1st Detect and other operations under our Spacetech Business. Additionally, while we expect to continue to sell mass spectrometer units as we continue to expand the commercialization of our 1st Detect technology, we also plan to sell data analytic and predictive analytic solutions that will be available real-time in the Cloud.

To date, 1st Detect's miniaturized mass spectrometer has been in a research and development phase. With our first commercial contract announced on January 29, 2014, with Rigaku, our goal is to position 1st Detect to grow and become a profitable component of the Company's business. As 1st Detect transitions into manufacturing, capital will be required for market specific R&D, full scale manufacturing, inventory and marketing. While we have identified and started to approach our target markets, with the additional capital, we will have the ability to more aggressively penetrate the following target markets:

- - Pharmaceutical manufacturing
- - Semiconductor manufacturing
- - Chemical processing
- - Food & beverage manufacturing
- - Environmental
- - Airport security
- - Military
- - Water & wastewater

- - First responders
- - Healthcare
- - Critical infrastructure

Astrotech Corporation, our corporate structure, our public reporting obligations and the listing of our common stock on the NASDAQ Capital Market under the symbol ASTC will not be affected as a result of completing the Asset Sale. If the Asset Sale is completed, we will retain any debts and liabilities of Astrotech Corporation not repaid or assumed by Buyer pursuant to the Asset Purchase Agreement, including expenses related to our remaining Spacotech Business. If the Asset Sale is completed, Astrotech will receive the consideration pursuant to the Asset Purchase Agreement.

U.S. Federal Income Tax Consequences of the Asset Sale

The following discussion is a general summary of the anticipated U.S. federal income tax consequences of the Asset Sale. The following discussion is based upon the Code, its legislative history, currently applicable and proposed Treasury regulations under the Code and published rulings and decisions, all as currently in effect as of the date of this Proxy Statement, and all of which are subject to change, possibly

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with retroactive effect. Tax considerations under state, local and non-U.S. laws, or federal laws other than those pertaining to income tax, are not addressed in this Proxy Statement. The following discussion has no binding effect on the Internal Revenue Service (the “IRS”) or the courts.

The proposed Asset Sale is a taxable transaction for U.S. federal income tax purposes, and Astrotech anticipates that we will realize a taxable gain for U.S. federal income tax purposes as a result of the Asset Sale. However, we have accumulated tax loss carryforwards to offset a significant portion of those gains. The determination of such gain on the Asset Sale and what extent Astrotech’s tax attributes will be available is highly complex and is based in part upon facts that will not be known until the completion of the Asset Sale. Therefore, the proposed Asset Sale will generate a U.S. federal income tax liability to Astrotech, and any such tax liability will reduce the after-tax cash proceeds of the Asset Sale available to the Company.

The proposed Asset Sale by Astrotech is entirely a corporate action. Our shareholders will not realize any income, gain or loss for U.S. federal income tax purposes solely as a result of the Asset Sale.

Accounting Treatment of the Asset Sale

The Asset Sale will be accounted for as a “sale” by Astrotech, as that term is used under generally accepted accounting principles, for accounting and financial reporting purposes.

Government Approvals

We believe that the notification and waiting period requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”) do not apply to the Asset Sale and that we will not be required to make any filings with the Department of Justice’s Antitrust Division or the Federal Trade Commission (“FTC”) under the HSR Act. However, the FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as the Asset Sale. At any time before or after the consummation of the Asset Sale, the FTC or the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the transaction or seeking the divestiture of substantial assets of Lockheed Martin, Astrotech or their respective subsidiaries. Private parties, state attorneys general or foreign governmental entities may also bring legal action under antitrust laws under certain circumstances. Based upon an examination of information available relating to the businesses in which Lockheed Martin, Astrotech and their respective subsidiaries are engaged, the parties believe that the Asset Sale will not violate the antitrust laws. Nevertheless, there can be no assurance that a challenge to the Asset Sale on antitrust grounds will not be made or, if such a challenge is made, what the result would be.

We believe we are not required to make any material filings or obtain any material governmental consents or approvals before the consummation of the Asset Sale. If any approvals, consents or filings are required to consummate the Asset Sale, we will seek or make such consents, approvals or filings as promptly as possible.

Dissenters’ Rights

The following is a brief summary of the rights of holders of Astrotech common stock to dissent from the Asset Sale under Washington law and receive cash payment of the “fair value” of their shares. This summary is not a complete discussion of the law pertaining to dissenters’ rights and you should carefully read all of Chapter 23B.13 of the Washington Business Corporation Act, or WBCA, which sets forth dissenters’ rights under Washington law and is attached to this Proxy Statement as Annex D.

If you are contemplating the possibility of dissenting from the Asset Sale, you should carefully review the text of Annex D, particularly the procedural steps required to perfect dissenters’ rights, which are complex. You should also consult your legal counsel. If you do not fully and precisely satisfy the procedural requirements of the WBCA, you will lose your dissenters’ rights.

The following summary of dissenters’ rights is qualified in its entirety by the full text of Annex D. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that Astrotech shareholders exercise their dissenters’ rights under WBCA Chapter 23B.13.

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Requirements for Exercising Dissenters' Rights

To exercise dissenters' rights, you must:

-
- deliver to Astrotech, before the vote is taken at the Special Meeting, written notice of your intent to demand payment for your Astrotech common stock if the Asset Sale is completed;
-
- not vote your shares of Astrotech common stock, in person or by proxy, in favor of approving or "FOR" the Asset Sale Proposal; and
-
- comply with the dissenters' rights procedures described below under "Dissenters' Rights — Procedures to Exercise Dissenters' Rights."

If you do not satisfy each of these requirements, and the Asset Sale Proposal is approved at the Special Meeting, you will not be entitled to receive the "fair value" of your shares of Astrotech pursuant to WBCA Chapter 23B.13.

Unless contrary instructions are indicated on the proxy card, all shares of common stock represented by valid proxies will result in such shares being voted "FOR" the Asset Sale Proposal and will result in a waiver of your statutory dissenters' rights. In addition, voting "AGAINST" or "ABSTAIN" with respect to the Asset Sale Proposal will not satisfy the notice requirement referred to above with respect to dissenters' rights. To satisfy such notice requirements, you must also deliver the written notice of the intent to exercise dissenters' rights to Astrotech at its principal office, 401 Congress Avenue, Suite 1650, Austin, Texas, 78701, Attention: Chief Financial Officer.

Procedures to Exercise Dissenters' Rights

Within ten (10) days after the consummation of the Asset Sale, Astrotech will deliver written notice to all shareholders who have delivered written notice under the dissenters' rights provisions and who have not voted in favor of the approval and adoption of the Asset Sale agreement as described above. The notice will contain:

-
- the address where the demand for payment and certificates representing shares of Astrotech common stock must be sent and the date by which the certificates must be deposited;
-
- any restrictions on transfer of uncertificated shares that will apply after the demand for payment is received;
-
- a form for demanding payment that states the date of the first announcement to the news media or to shareholders of the terms of the Asset Sale, and that requires certification of the date the shareholder, or the beneficial owner on whose behalf the shareholder dissents, acquired beneficial ownership of the Astrotech common stock;
-
- the date by which Astrotech must receive the payment demand; and
-

- a copy of Chapter 23B.13 of the WBCA, which is also attached to this proxy statement/prospectus as Annex D.

If you wish to assert dissenters' rights, you must demand payment by returning the form that Astrotech will supply to you, certify that you acquired beneficial ownership of the shares before the first announcement of the terms of the Asset Sale to the news media or shareholders, and deposit your Astrotech common stock certificates by the date set forth in the notice. Astrotech may restrict the transfer of uncertificated shares as of the date demand for payment is received. If you fail to make a demand for payment and deposit your Astrotech common stock certificates by the required date, you will lose the right to receive fair value for your shares under the dissenters' rights provisions, even if you filed a timely notice of intent to demand payment.

If Astrotech does not consummate the Asset Sale within sixty (60) days after the date set for demanding payment and depositing share certificates, Astrotech will return all deposited certificates and release any transfer restrictions on uncertificated shares. If Astrotech does not return the deposited

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common stock certificates and release any transfer restrictions on uncertificated shares within sixty (60) days after the date set, you may notify Astrotech in writing of your estimate of the fair value of your Astrotech common stock plus the amount of interest due and demand payment of your estimated amount.

Except as provided below, within thirty (30) days of the later of the consummation of the Asset Sale or Astrotech's receipt of a valid demand for payment, Astrotech will remit to each dissenting shareholder who complied with the dissenters' rights requirements of the WBCA the amount Astrotech estimates to be the fair value of the shareholder's Astrotech common stock, plus accrued interest. Astrotech will include the following information with the payment:

-
- annual and interim period financial statements relating to Astrotech;
-
- Astrotech's estimate of the fair value of the shares and a brief description of the method used to reach that estimate;
-
- an explanation of how the interest was calculated;
-
- a statement that a dissenting shareholder can demand payment if such shareholder is dissatisfied with Astrotech's estimate of the fair value of the dissenting shares; and
-
- a copy of Chapter 23B.13 of the WBCA.

For dissenting shareholders who were not the beneficial owners of the shares of Astrotech common stock before May 29, 2014, the date of the first announcement to news media or Astrotech shareholders of the terms of the Asset Sale, Astrotech may withhold payment and instead send a statement setting forth its estimate of the fair value of their shares and offering to pay such amount, with interest, as a final settlement of the dissenting shareholder's demand for payment. The offer will be accompanied by an explanation of how Astrotech estimated fair value and calculated interest and a statement of the shareholder's rights if dissatisfied with the payment offer.

If Astrotech fails to make payment or consummate the Asset Sale and return deposited certificates and release transfer restrictions on uncertificated shares within sixty (60) days after the date set for demanding payment, or if you are dissatisfied with your payment or offer for payment, you may, within thirty (30) days of the payment or offer, notify Astrotech in writing of your estimate of fair value of your shares and the amount of interest due and demand payment of your estimate. If any dissenting shareholder's demand for payment is not settled within 60 days after receipt by Astrotech of his or her payment demand, Section 23B.13.300 of the WBCA requires that Astrotech commence a proceeding in Thurston County Superior Court and petition the court to determine the fair value of the shares and accrued interest, naming all the dissenting shareholders whose demands remain unsettled as parties to the proceeding. The court may appoint one or more appraisers to receive evidence and make recommendations to the court as to the amount of the fair value of the shares. If the court determines that the fair value of the shares is in excess of any amount remitted by Astrotech, then the court will enter a judgment for cash in favor of the dissenting shareholders in an amount by which the value determined by the court, plus interest, exceeds the amount previously remitted. The court will determine the costs and expenses of the court proceeding and assess them against Astrotech, except that the court may assess part or all of the costs against any dissenting shareholders whose actions in demanding payment are found by the court to be arbitrary, vexatious or not in good faith. If the court finds that Astrotech did not

substantially comply with the relevant provisions of Sections 23B.13.200 through 23B.13.280 of the WBCA, the court may also assess against Astrotech any fees and expenses of attorneys or experts that the court deems equitable. The court may also assess those fees and expenses against any party if the court finds that the party has acted arbitrarily, vexatiously or not in good faith in bringing the proceedings. The court may award, in its discretion, fees and expenses of an attorney for the dissenting shareholders out of the amount awarded to the shareholders, if it finds the services of the attorney were of substantial benefit to the other dissenting shareholders and that those fees should not be assessed against Astrotech.

A shareholder of record may assert dissenters' rights as to fewer than all of the shares registered in the shareholder's name only if the shareholder dissents with respect to all shares beneficially owned by any one person and notifies Astrotech in writing of the name and address of each person on whose behalf the

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shareholder asserts dissenters' rights. The rights of the partial dissenting shareholder are determined as if the shares as to which the shareholder dissents and the shareholder's other shares were registered in the names of different shareholders. Beneficial owners of Astrotech common stock who desire to exercise dissenters' rights themselves must dissent with respect to all the shares they beneficially own or have the power to direct the vote and must obtain and submit the record shareholder's written consent to the dissent at or before the time they file the notice of intent to demand fair value.

For purposes of the WBCA, "fair value" means the value of Astrotech common stock immediately before the consummation of the Asset Sale, excluding any appreciation or depreciation in anticipation of the Asset Sale, unless that exclusion would be inequitable. Under Section 23B.13.020 of the WBCA, an Astrotech shareholder has no right, at law or in equity, to set aside the approval of the Asset Sale Proposal and/or the consummation of the Asset Sale except if the approval or consummation fails to comply with the procedural requirements of Chapter 23B.13 of the WBCA, Astrotech's articles of incorporation or Astrotech's bylaws, or was fraudulent with respect to that shareholder or Astrotech.

Interests of Certain Persons in the Asset Sale

As described in the section entitled "Advisory Vote on Golden Parachute Compensation Arrangements — Golden Parachute Compensation" on page 71, certain of our executive officers and directors may have interests in the Asset Sale that are different from, or are in addition to, the interests of our shareholders generally. Our board of directors was aware of these interests and considered them, among other matters, in approving the Asset Purchase Agreement. On May 28, 2014, prior to execution of the Asset Purchase Agreement, Don White and Buyer entered into two employment-related agreements, one of which will provide certain financial incentives to Mr. White in connection with his continued role with the ASO Business as an employee of Buyer following the Closing (the "Retention Agreement") and the other of which provides for certain severance payments to be made to Mr. White by Buyer with respect to the termination of his employment with Buyer under certain circumstances (the "Separation Agreement"). Both agreements are conditioned on the consummation of the Asset Sale and become effective as of the Closing. Under the Retention Agreement, Mr. White will be eligible to receive up to \$200,000 if he remains employed by Buyer, Lockheed Martin or their subsidiaries for a twenty-four month period after the Closing, payable in one retention payment of \$100,000 that becomes payable following the first anniversary of the Closing and another retention payment of \$100,000 that becomes payable following the second anniversary of the Closing, provided in each case that he has satisfied the following criteria as of the applicable retention payment date: (a) (i) devoted full effort and diligence to the ongoing business of Buyer and the integration of the ASO Business and (ii) fully complied with the covenants and obligations set forth in the Retention Agreement and a related conduct agreement; (b) remained employed by Buyer, Lockheed Martin or their subsidiaries; (c) executed and delivered a release of claims; and (d) executed the conduct agreement contemporaneously with execution of the Retention Agreement. Mr. White will not be entitled to any then-remaining portion of the retention payments if he voluntarily resigns or is involuntarily terminated from his employment with Buyer.

Under the Separation Agreement, Mr. White will be eligible to receive a lump sum separation payment in the amount of 75% of his base salary in effect on the separation date and 75% of his last annual bonus paid prior to the separation date if he (a) is involuntarily terminated by Buyer or Lockheed Martin without Cause (as defined in the Separation Agreement), including as a result of any layoff, other than by reason of death or disability, (b) executes and delivers a release of claims at the times and in the manner contemplated by the Separation Agreement, and (c) executes a conduct agreement contemporaneously with execution of the Separation Agreement. Mr. White shall not be entitled to any portion of the separation payment if he voluntarily retires or resigns (for any reason) or is terminated for Cause.

The Asset Purchase Agreement

Below and elsewhere in this Proxy Statement is a summary of the material terms of the Asset Purchase Agreement, a copy of which is attached to this Proxy Statement as Annex A and which we incorporate by reference into this Proxy Statement. Capitalized terms used and not defined in the summary have the

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meanings ascribed to such terms in the Asset Purchase Agreement. We encourage you to carefully read the Asset Purchase Agreement in its entirety as the summaries contained herein may not contain all of the information about the Asset Purchase Agreement that is important to you.

The Asset Purchase Agreement has been included to provide you with information regarding its terms, and we recommend that you carefully read the Asset Purchase Agreement in its entirety. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with respect to the Asset Sale, we do not intend for its text to be a source of factual, business or operational information about us. The Asset Purchase Agreement contains representations, warranties and covenants that are qualified and limited, including by information in the disclosure letter referenced in the Asset Purchase Agreement that the parties delivered in connection with the execution of the Asset Purchase Agreement. Representations and warranties may be used as a tool to allocate risks between the respective parties to the Asset Purchase Agreement, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to different standards of materiality applicable to the contracting parties, which may differ from what may be viewed as material to you. These representations may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this Proxy Statement. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Asset Purchase Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this Proxy Statement. You should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of Astrotech or any of our affiliates.

Transferred Assets

Upon the terms and subject to the conditions of the Asset Purchase Agreement, including the satisfaction of the closing conditions, Buyer will purchase all of the assets, properties, rights, licenses, permits, contracts, real property, causes of action and business held or used in the conduct of the ASO Business, including all direct or indirect right, title and interest of the Seller Companies in, to and under the following assets, referred to in this Proxy Statement as the transferred assets:

-
- the rights and interests under owned and leased real property used by the ASO Business;
-
- all personal property and interests therein, including machinery, equipment, furniture, office equipment, communications equipment, vehicles, storage tanks, spare and replacement parts, fuel and other property that are used or held for use in or necessary for the conduct of the ASO Business;
-
- all contracts, including contracts with the U.S. government, its contractors or subcontractors and which relate to the ASO Business;
-
- all bids, including bids for contracts with the U.S. government, that relate to the ASO Business;
-
- all accounts receivable and notes receivable that arise out of or in connection with any contract relating to the ASO Business;
-

- all deposits and all expenses that have been prepaid that are necessary for the conduct of the ASO Business or relate to any transferred asset, including lease and rental payments;
-
- all rights, claims, credits, causes of action or rights of set-off against persons other than Seller Companies that have arisen from or in connection with the conduct of the ASO Business or relate in any way to the transferred assets;
-
- all intellectual property developed by, used or held for use in or necessary for the conduct of the ASO Business;
-
- all right, title and interest in and to the name “Astrotech” and all derivations thereof;
-
- all certain transferred proprietary information;
-
- all transferable franchises, licenses, permits or other authorizations issued by a governmental authority owned by, or granted to, or held or used by, a Seller Company that are used or held for use in or necessary for the conduct of the ASO Business;

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-
- excepting all tax returns and all other internal tax records of the Seller Companies, all business books, records, files and papers, whether in hard copy or computer format, of a Seller Company that are used or held for use in or necessary for the conduct of the ASO Business, including books of account, invoices, engineering information, sales and promotional literature, manuals and data, sales and purchase correspondence, lists of present and former suppliers, lists of present and former customers, personnel and employment records of present or former employees, documentation developed or used for accounting, marketing, engineering, manufacturing, or any other purpose relating to the conduct of the ASO Business at any time prior to the closing of the Asset Sale (the “Closing”);
-
- all insurance proceeds (except to the extent relating to excluded assets or excluded liabilities) arising out of or related to damage, destruction or loss of any transferred assets to the extent of any damage or destruction that remains unrepaired, or to the extent any property or asset remains unreplaced at the date of Closing; and
-
- all software programs, documentation and other related materials, including licenses from the licensor of the software, for (A) software embedded in any hardware or equipment that is a transferred asset or that is used in a separate computer to operate such hardware or equipment, and (B) operating system software and commercial off-the-shelf software installed in any computer, workstation, personal digital assistant, cell phone or other communications device that is a transferred asset.

Excluded Assets

Buyer will not purchase, and Astrotech will retain, certain excluded assets, including:

-
- all cash and cash equivalents;
-
- all refunds of taxes and all prepaid income taxes (A) arising from or with respect to the transferred assets prior to the closing of the Asset Sale, or (B) arising from or with respect to the operations of the ASO Business for periods (or portions thereof) ending on or prior to the date of Closing or (C) with respect to which the Seller Companies have an obligation to indemnify the Buyer Companies;
-
- except to the extent taken into account in the determination of the final net working capital amount or as otherwise provided in the Asset Purchase Agreement, all assets of the Seller Companies used exclusively in the Company’s Spacetech Business Unit;
-
- all contracts in the name of Astrotech that do not relate in any respect to the ASO Business or otherwise are set forth in the Disclosure Letter;
-

- all capital stock or any other securities of any Seller Company or any other subsidiary of Astrotech;
-
- all intellectual property owned, licensed or otherwise used by ASO or AFH not constituting a transferred asset and certain other specified software programs;
-
- all assets relating to employee benefit plans except to the extent the Asset Purchase Agreement provides for the transfer of such assets to Buyer or to a trust associated with a corresponding plan sponsored by Buyer;
-
- all documents containing any attorney-client, work product or other applicable privilege relating to Sheppard Mullin Richter & Hampton LLP's representation of the Seller Companies in connection with the Asset Sale and related transactions;
-
- all tax returns and all other internal corporate and tax records of the Seller Companies; and
-
- all assets related to excluded liabilities.

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Assumed Liabilities

The Asset Purchase Agreement expressly provides that Buyer will not assume any of our liabilities other than the following specified liabilities related to the ASO Business and the acquired assets, referred to in this Proxy Statement as the assumed liabilities:

-
- all liabilities and obligations at or prior to the Closing, that (A) are set forth on, or reflected or referred to in, the balance sheet of the ASO Business as of immediately prior to the date of the closing of the Asset Sale and are taken into account in the calculation of the final net working capital amount as of immediately prior to the date of the closing of the Asset Sale (including accounts payable and reserves reflected as contra-asset accounts), or (B) are otherwise a liability or obligation that Buyer is expressly assuming pursuant to the Asset Purchase Agreement;
-
- all future performance obligations under transferred contracts arising on or after the date of Closing;
-
- all liabilities and obligations relating to the owned or leased real property that constitutes transferred assets arising from or relating to facts, circumstances or conditions first occurring on or after the date of Closing;
-
- all liabilities and obligations for taxes arising from or with respect to the transferred assets or the operations of the ASO Business after the Closing; and
-
- certain other specified liabilities.

Excluded Liabilities

We will retain all liabilities other than the assumed liabilities, including the following specified liabilities related to the excluded assets, referred to in this Proxy Statement as the excluded liabilities:

-
- all liabilities or obligations for any tax in respect of any period (or portion thereof) ending on or before the date of Closing;
-
- all liabilities or obligations, whether in existence on the signing date of the Asset Purchase Agreement or arising thereafter, in respect of notes payable (including intercompany promissory notes) or similar obligations relating to or arising out of the financing of the ASO Business or the transfer of cash to or from the ASO Business;
-
- all liabilities or obligations, whether in existence on the signing date of the Asset Purchase Agreement or arising thereafter, relating to fees, commissions or expenses owed to any broker, finder, investment banker,

accountant, attorney or other intermediary or advisor employed by the Seller Companies in connection with the Asset Sale and related transactions;

-
- all liabilities for indebtedness;
-
- any damages or other recovery related to any litigation involving the Seller Companies;
-
- all liabilities or obligations expressly retained by the Seller Companies with respect to employee and employee benefit matters pursuant to the Asset Purchase Agreement;
-
- all liabilities and obligations relating to errors or omissions or allegations of errors or omissions or claims of design or other defects with respect to any product sold or service provided by the ASO Business prior to the date of Closing;
-
- all liabilities and obligations relating to warranty obligations or services with respect to any product sold or service provided by the ASO Business prior to the date of Closing;
-
- all liabilities and obligations in respect of employees of the ASO Business, and beneficiaries and dependents of employees of the ASO Business, arising prior to or on the date of closing of the Asset Sale, including under employee benefit plans, except to the extent otherwise provided to be assumed by Buyer in accordance with the Asset Purchase Agreement; and
-
- all environmental liabilities arising from facts, circumstances or conditions first occurring prior to the closing of the Asset Sale.

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Consideration to be Received by Astrotech

The consideration for the Asset Sale will be \$61 million (subject to a net working capital adjustment) and the assumption by Buyer of the assumed liabilities.

Escrow

We have agreed to enter into an Escrow Agreement with Buyer and Citibank, N.A., as escrow agent, upon the Closing, pursuant to which Buyer will deliver \$6,100,000 from the purchase price for the ASO Business into escrow for the purpose of securing the indemnification obligations of the Seller Companies set forth in the Asset Purchase Agreement and related transaction documents. The amount in escrow will be released to us within three business days following the 18-month anniversary of the date of closing of the Asset Sale, minus amounts in respect of any pending Buyer indemnification claims, which will be released upon final resolution of such claims.

Adjustment Holdback

On the date of closing of the Asset Sale, Buyer shall withhold \$1,830,000 from the purchase price for the purpose of securing any purchase price adjustment to be paid by the Seller Companies pursuant to a net working capital adjustment to be calculated in accordance with the terms of the Asset Purchase Agreement.

Indemnification of Buyer Companies

From and after the Closing, we will indemnify the Buyer Companies and their affiliates and each of its respective directors, officers, attorneys, accountants, employees, advisors or agents, collectively referred to in this Proxy Statement as the Buyer indemnified parties, in respect of, and hold the Buyer indemnified parties harmless against, any and all assessments, losses, damages, costs, expenses, liabilities, judgments, awards, fines, sanctions, penalties, charges and amounts paid in settlement, collectively referred to in this Proxy Statement as damages, incurred as a result or arising out of:

-
- (i) any breach of certain representations or warranties or covenants to be performed prior to the closing of the Asset Sale, made or to be performed by a Seller Company pursuant to the Asset Purchase Agreement or related agreements;
-
- (ii) any breach by the Seller Companies of, or failure by the Seller Companies to perform, any of our covenants or obligations contained in this Agreement or in any of the other Transaction Documents that are required to be performed after the Closing;
-
- (iii) any Excluded Liabilities (including any Seller Company's failure to perform or in due course pay or discharge any Excluded Liability);
-
- (iv) any fraud or willful misconduct of any Seller Company in connection with the Asset Purchase Agreement or related agreements;
-
- (v) any matters for which indemnification is provided by a Seller Company in connection with employee and employee benefit matters pursuant to the Asset Purchase Agreement;
-

- (vi) any liability for transfer taxes related to any taxable period ending before the date of the closing of the Asset Sale;
-
- (vii) any criminal act or omission by any Seller Company that occurred prior to the date of the Closing; and
-
- (viii) any claim by any holder of capital stock (or other equity interest) of any Seller Company alleging any breach of fiduciary duty or that such holder is entitled to any payment in connection with the Asset Purchase Agreement or the Asset Sale and other related transactions.

Our maximum aggregate liability for breaches of representations and warranties (other than Fundamental Representations) and claims made pursuant to (v) above in this section (collectively, the “Non-Fundamental Representations”) will be limited to \$6,100,000. Our maximum aggregate liability for indemnification claims for Fundamental Representations will be limited to an amount equal to 50% of the

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purchase price, less the aggregate amount of damages paid to the Buyer indemnified parties (either by way of a distribution of amounts held in escrow or directly by the Seller Companies) for indemnification claims arising from breaches of Non-Fundamental Representations and Fundamental Representations. Our maximum aggregate liability for indemnification claims for breaches pursuant to (ii), (iii), (iv), (vi), (vii) and (viii) above in this section will be limited to an amount equal to the purchase price, less the aggregate amount of damages paid to the Buyer indemnified parties (either by way of a distribution of amounts held in escrow or directly by the Seller Companies) for all indemnification claims arising under the indemnification provisions of the Asset Purchase Agreement.

Indemnification of the Seller Companies

From and after the closing of the Asset Sale, the Buyer Companies will indemnify the Seller Companies, our affiliates and our respective directors, officers, attorneys, accountants, employees, advisors or agents, collectively referred to in this Proxy Statement as the Seller indemnified parties, in respect of, and hold the Seller indemnified parties harmless against, any and all damages incurred as a result or arising out of:

-
- any breach of certain representations or warranties or covenants made or to be performed by a Buyer Company pursuant to the Asset Purchase Agreement or related agreements; or
-
- any Assumed Liabilities (including any Buyer Company's failure to perform or in due course pay or discharge any Assumed Liability).

Representations and Warranties

The Asset Purchase Agreement contains certain customary representations and warranties made by the Seller Companies that are subject, in some cases, to specified exceptions and qualifications contained in the Asset Purchase Agreement or in information provided pursuant to the disclosure letter delivered in connection therewith. These representations and warranties relate to, among other things:

-
- corporate existence and power, qualification and good standing of the Seller Companies;
-
- the authorization, execution, delivery and enforceability of the Asset Purchase Agreement and related agreements by the Seller Companies;
-
- government authorization, consent, approval and compliance;
-
- the absence of conflicts with the charter or bylaws of the Seller Companies or with any applicable laws and the absence of defaults under any material contract;
-
- information in the proxy statement;
-

- financial statements and the absence of undisclosed liabilities and deficiencies or weaknesses in internal controls;
-
- absence of any changes that would reasonably be expected to result in a material adverse effect;
-
- real property, including owned and leased real property;
-
- absence of litigation and regulatory action that is threatened against or affecting the Seller Companies;
-
- material contracts, including materiality requirements and thresholds thereof;
-
- licenses, permits and similar authorizations;
-
- absence of investment bankers, brokers or other finders' fees;
-
- compliance with any applicable laws;
-
- environmental compliance, including permits, licenses and authorizations;
-
- intellectual property, including rights, title and compliance;
-
- tax compliance and related matters;
-
- employee information, employee benefits and labor related matters;

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-
- government contracts and bids and the absence of property loaned by any governmental authority;
-
- security clearances;
-
- accounts receivable;
-
- sufficiency of transferred assets to conduct the business of the Seller Companies and good title to all such assets;
-
- indebtedness;
-
- customer and supplier contracts, including the contract backlog;
-
- related party transactions;
-
- absence of powers of attorney;
-
- exports and compliance with international trade laws and regulations;
-
- ethical practices and compliance with the Foreign Corrupt Practices Act; and
-
- privacy and security of personal information.

In addition, the Buyer Companies made representations and warranties regarding, among other things:

-
- corporate existence and power, qualification and good standing of the Buyer Companies;

-
- the authorization, execution, delivery and enforceability of the Asset Purchase Agreement and related agreements;
-
- government authorization, consent, approval and compliance;
-
- the absence of conflicts with the charter or bylaws of the Buyer Companies or with any applicable laws and the absence of defaults under any material contract;
-
- absence of litigation and regulatory action that is threatened against or affecting the Buyer Companies;
-
- absence of approval required by the equity holders of Buyer;
-
- information in the proxy statement;
-
- absence of investment bankers, brokers or other finders' fees; and
-
- financing.

Some of the representations and warranties contained in the Asset Purchase Agreement are qualified by materiality or possess a Material Adverse Effect standard. For purposes of the representations and warranties in the Asset Purchase Agreement, "Material Adverse Effect" is defined to mean any change, effect, event or occurrence that, with respect to the ASO Business or any person, affects the assets, liabilities, financial condition or results of operations disproportionately to other companies in the industry; provided, however, that none of the following constitute a "Material Adverse Effect":

-
- changes in the economy, financial markets or political conditions, whether resulting from acts of terrorism or war or otherwise, affecting the U.S. economy or the industry in which the ASO Business operates (except to the extent that any such change, effect or occurrence affects the ASO Business disproportionately to other companies in the industry);
-
- any adverse change, effect, event, occurrence, state of facts or development resulting from any change in regulatory conditions or change in applicable laws affecting the industry in which the ASO Business operates

or changes in the interpretation of such applicable laws by governmental authorities (except to the extent that any such change, effect or occurrence affects the ASO Business disproportionately to other companies in the industry);

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-
- any adverse change, effect, event, occurrence, state of facts or development resulting from the taking of any action required by, or the failure to take any action prohibited by, the Asset Purchase Agreement;
-
- any change in GAAP (except to the extent that any such change, effect or occurrence affects the ASO Business disproportionately to other companies in the industry);
-
- any earthquake or other natural disaster;
-
- the commencement, continuation or escalation of a war, material armed hostilities or other material international or national calamity or act of terrorism directly or indirectly involving the United States of America (except to the extent that any such change, effect or occurrence affects the ASO Business disproportionately to other companies in the industry);
-
- any change in the stock price of the Company (but not including the reason or reasons for such change); and
-
- any failure of any of the Company or its subsidiaries to meet any forecasts or projections (but not including the reason or reasons for such failure).

Covenants Relating to the Conduct of the Business

The Seller Companies have agreed in the Asset Purchase Agreement that we, between signing and Closing (or termination of the Asset Purchase Agreement, if earlier), will conduct the ASO Business in accordance with the historical and customary practices relating to the conduct of the ASO Business and will not take any of the following actions in respect of the ASO Business:

-
- make or permit any change in, or cease in whole or in part, the ASO Business, or enter into any transaction in each case not in accordance with the current customary operating practices relating to the conduct of the ASO Business;
-
- sell, lease, transfer or otherwise dispose of (except in the ordinary course of business) or encumber or create a lien (other than a permitted lien) on all or any portion of the transferred assets including, without limitation, rights to intellectual property or other intangible assets;
-
- enter into, amend, modify or terminate any material contract;

-
- default or suffer to exist any event or condition, which with notice or the lapse of time or both would constitute a default by any Seller Company under any contract (except for any default that would not have an adverse effect on the ASO Business);
-
- increase or commit to increase, the compensation or benefits payable to any officer, director or employee or agent of the Seller Companies who will constitute a transferred employee (other than changes made in accordance with historical and customary operating practices of any of the Seller Companies, changes required by specified employment agreements, or changes required by applicable law), or enter into any new agreement with respect to the employment of any employee who will constitute a transferred employee which is not terminable at will;
-
- make any alteration in the manner of keeping the books, accounts or records of the Seller Companies, or in the financial or tax accounting methods, principles or practices therein reflected, except insofar as may be required by GAAP or applicable law (in each case following consultation with our independent auditor); provided that we may make alterations in any manner of keeping books, accounts or records or accounting methods, principles or practices of the Seller Companies for tax purposes that would not reasonably be expected to affect the Buyer with respect to a period ending after the closing of the Asset Sale or any portion thereof;
-
- make any capital expenditure or commitment therefore involving more than five hundred thousand dollars (\$500,000) with respect to the transferred assets or the assumed liabilities; provided that in no event shall any Seller Company commit to make to capital expenditure after the closing of the Asset Sale that would constitute an assumed liability (or for which Buyer would otherwise be responsible);

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-
-
- without a demonstrably valid business reason, accelerate or defer any item of income or expense (not including an acceleration or deferral for income tax purposes);
-
- write up, write down or write off the book value of any transferred asset, except (i) for depreciation and amortization in accordance with GAAP consistently applied or (ii) as otherwise required under GAAP;
-
- effect any dissolution, winding up, liquidation or termination of the ASO Business or take any steps or make any other arrangement or composition with any creditors of the Seller Companies with respect to the ASO Business or transferred assets;
-
- except for the acquisition of the assets or business of another person by one of our subsidiaries (other than a Seller Company) and which would not have any effect on the ASO Business, effect any merger or consolidation, acquire an interest in or a substantial portion of the assets or business of any person or otherwise acquire any material assets, or effect any reorganization or recapitalization;
-
- declare, set aside, make or pay any dividend or other distribution (whether payable in cash, stock, property or a combination thereof) with respect to any of its capital stock; provided that we may declare and pay dividends solely in cash to its shareholders in an aggregate amount not to exceed one million dollars (\$1,000,000); or enter into any agreement with respect to the voting or registration of its capital stock;
-
- incur any indebtedness, assume, endorse, guarantee or otherwise become liable for any indebtedness or obligation of any other person (other than endorsements for deposit in the ordinary course of business);
-
- make any change in executive management or key personnel of the ASO Business;
-
- institute, settle or dismiss any litigation, claim or other proceedings before any court or governmental authority where such proceeding involves any obligation of or restriction on the Seller Companies in respect of the Asset Purchase Agreement or any transferred asset or would affect the ASO Business or any transferred asset after closing of the Asset Sale; or
-
- convene any meeting (or any adjournment thereof) of our shareholders other than a shareholder meeting to adopt the Asset Purchase Agreement or our 2014 Annual Meeting of Shareholders (provided that the matters

to be voted on at such annual meeting shall be limited those matters set forth in the preliminary proxy statement filed with the SEC on May 23, 2014), unless such a meeting is required by applicable law.

We may, however, do any of the above prohibited actions with Buyer's prior written consent, which shall not be unreasonably withheld.

No Solicitation

The Asset Purchase Agreement requires that upon signing of the Asset Purchase Agreement, we must cease and cause to be terminated any existing solicitation, encouragement, discussion or negotiation with any person conducted prior to the signing of the Asset Purchase Agreement that relate to any Acquisition Proposal and we must provide notice to all such persons that all confidential information provided by or on our behalf, or by or on the behalf of ASO or AFH, prior to the date of the Asset Purchase Agreement must be immediately returned or destroyed.

In addition, at all times during the period beginning on the date of the Asset Purchase Agreement and continuing until the closing of the Asset Sale (or prior termination in accordance with the Asset Purchase Agreement), we do not, directly or indirectly, and do not authorize or permit any of our directors, officers, attorneys, accountants, employees, advisors or agents (collectively, "representatives") or affiliates, including AFH and ASO to, directly or indirectly:

- solicit, initiate, facilitate or knowingly encourage or induce the making, submission or announcement of any Acquisition Proposal or take any action that could reasonably be expected to lead to an Acquisition Proposal;

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-
- furnish any non-public information regarding any Seller Company to any person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal;
-
- participate or engage in discussions or negotiations with any person with respect to any Acquisition Proposal; or
-
- (A) withdraw or modify the recommendation of the Board that the shareholders of Astrotech vote to adopt the Asset Purchase Agreement in a manner adverse to Buyer or adopt a resolution to withdraw or modify such recommendation in a manner adverse to Buyer; (B) fail to announce publicly, within 10 business days after a tender offer or exchange offer relating to securities of Astrotech shall have been commenced, that the Board recommends rejection of such tender or exchange offer; (C) fail to issue, within 10 business days after an Acquisition Proposal is publicly announced, a press release announcing its opposition to such Acquisition Proposal; or (D) enter into any letter of intent, term sheet, agreement in principle, memorandum of understanding or similar document or any contract (other than certain confidentiality agreements) contemplating or otherwise relating to any Acquisition Transaction (each of the foregoing actions described in clauses (A) through (D) of this sentence being referred to in this Proxy Statement as a “Change in Recommendation”).

Notwithstanding the foregoing, we may furnish nonpublic information to or enter into discussions with any person in response to a bona fide Acquisition Proposal if the Board determines, in good faith and after having taken into account the advice of outside legal counsel, that such Acquisition Proposal is or is reasonably likely to lead to a Superior Proposal, but only if:

-
- neither we nor any of our representatives have violated any of the restrictions set forth above;
-
- we received the Acquisition Proposal from a person that is not in breach of its contractual obligations to any Seller Company under a standstill or confidentiality agreement;
-
- the Board has concluded, in good faith and after having taken into account the advice of outside legal counsel, that such action is required in order for the Board to comply with its fiduciary obligations to Astrotech’s shareholders under applicable law;
-
- at least three business days prior to furnishing any such nonpublic information to, or entering into discussions with, such person, we furnish to Buyer written notice of the identity of such person and its representatives, of our intention to furnish nonpublic information to, or enter into discussions with, such person, and of the material terms and conditions of such Acquisition Proposal;

-
- we receive from such person an executed confidentiality agreement containing limitations on the use and disclosure of all nonpublic written and oral information furnished to such person by or on behalf of us consistent with those in the Confidentiality Agreement between us and Lockheed Martin; and
-
- at least two business days prior to furnishing any such nonpublic information to such person, we furnish such nonpublic information to Buyer (to the extent such nonpublic information has not been previously furnished by us to Buyer).

In addition, we must promptly (within 24 hours) after receiving any Acquisition Proposal, any inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal or any request for nonpublic information, advise Buyer thereof. We must also keep Buyer reasonably informed of any material change in the status of discussions regarding the material terms of any Acquisition Proposal and promptly (within 24 hours) provide Buyer with copies of all material documents exchanged between us or our representatives, on the one hand, and the person making an Acquisition Proposal or any of its affiliates or their respective officers, directors, employees, investment bankers, attorneys, accountants or other advisors or representatives, on the other hand. We must provide Buyer with at least 24 hours' notice (or shorter notice as may be provided to the Board) of a meeting of the Board at which the Board is reasonably

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expected to consider an Acquisition Proposal. We may not, and must cause ASO and AFH not to, enter into any contract with any person subsequent to the date of the Asset Purchase Agreement that prohibits us, ASO or AFH from providing such information to Buyer.

The Board may effect a Change in Recommendation at any time prior to the approval of the Asset Purchase Agreement by our shareholders, if it concludes in good faith (after consultation with its outside legal advisors) that the failure to do would be a breach of the fiduciary duties, provided that:

-
- after the date of the Asset Purchase Agreement, an Acquisition Proposal is made to ASTC and is not withdrawn;
-
- such Acquisition Proposal was not obtained or made as a direct or indirect result of a breach of (or any action inconsistent with) the Asset Purchase Agreement; and
-
- prior to any such Change in Recommendation, we have given Buyer prompt written notice advising it of the decision of the Board to take such action; and

provided, further, that in the event the decision relates to a Superior Proposal:

-
- we have given Buyer four business days after delivery of such notice to propose revisions to the terms of the Asset Purchase Agreement (or make another proposal) and if Buyer proposes to revise the terms, we must negotiate in good faith with Buyer; and
-
- the Board has determined in good faith (after consultation with outside legal counsel), after considering the results of such negotiations and giving effect to the proposals made by Buyer, if any, that such alternative Acquisition Proposal constitutes a Superior Proposal and in any event that failure to effect a Change in Recommendation would be a breach of the fiduciary duties of the Board under applicable law.

An “Acquisition Proposal” means any unsolicited bona fide written offer, proposal, inquiry or indication of interest (other than an offer, proposal, inquiry or indication of interest by Buyer) contemplating or otherwise relating to any Acquisition Transaction.

An “Acquisition Transaction” means any transaction or series of transactions involving:

-
- any merger, consolidation, share exchange, business combination tender offer, exchange offer or other similar transaction (A) in which a person or “group” (as defined in the Securities Exchange Act of 1934, as amended and the rules promulgated thereunder) of persons directly or indirectly acquires beneficial or record ownership of the securities of any Seller Company representing more than twenty percent (20%) of the outstanding securities of any class of our voting securities, or (B) in respect of any other Seller Company, or (C) in which any securities of any Seller Company other than Astrotech are issued or sold;
-

- any sale by us of securities representing more than a twenty percent (20%) interest in the total outstanding voting securities of Astrotech or any sale by us or any of our affiliates of any securities of any other Seller Company; or
-
- any sale (other than sales of inventory in the ordinary course of business), lease (other than in the ordinary course of business), exchange, transfer (other than sales of inventory in the ordinary course of business), license (other than nonexclusive licenses in the ordinary course of business), acquisition or disposition of any business or businesses or assets of any Seller Company which constitute transferred assets.

A “Superior Proposal” means an Acquisition Proposal which the Board determines in its reasonable judgment (after consultation with its financial advisor and outside legal counsel) (i) is more favorable from a financial point of view to our shareholders than the terms of the Asset Purchase Agreement (as such terms may be modified in response to any Acquisition Proposal by Buyer in its sole discretion prior to the determination that such Acquisition Proposal was a Superior Proposal), and (ii) is reasonably likely to be consummated, taking into account any third party financing required to be obtained to consummate the transaction contemplated by such offer.

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Shareholders Meeting

We have agreed to, in accordance with Washington law and our amended and restated articles of incorporation, by-laws and applicable NASDAQ rules, establish a record date for, duly call, give notice of, convene and hold a meeting of our shareholders as promptly as practicable (but no earlier than 60 days following the date of the Asset Purchase Agreement) to vote on a proposal to approve the Asset Sale. We have agreed to use commercially reasonable efforts to solicit proxies from our shareholders in favor of the approval of the Asset Sale. We have agreed to include a recommendation of our board of directors that our shareholders vote in favor of the approval of the Asset Sale pursuant to the Asset Purchase Agreement; provided, however, that our board of directors may fail to make, or withdraw, modify or change such recommendation, and will not be required to include such recommendation in the Proxy Statement, if it determines in good faith, after consultation with its outside counsel, that failure to take such action would be a breach of the fiduciary duties of the Board under applicable law.

We may adjourn or postpone the shareholders meeting only (i) to the extent necessary to ensure that any necessary supplement or amendment to the Proxy Statement is provided to shareholders in advance of the shareholder vote, (ii) if, as of the time the meeting is originally scheduled as set forth in the Proxy Statement, there are insufficient shares of our common stock represented (either in person or proxy) to constitute a quorum necessary to conduct the business of the meeting, (iii) subject to Buyer's written consent, if there are insufficient affirmative votes at the meeting to obtain the approval of the Asset Sale and related transactions or (iv) for a period not to exceed 10 business days in order to consider one or more Acquisition Proposals (if consideration of such Acquisition Proposal is otherwise permissible under the terms of the Asset Purchase Agreement).

Filings, Consents and Regulatory Approvals

We, ASO and AFH and the Buyer Companies have agreed to cooperate with each other in determining whether any action or filing with any governmental authority is required or any actions, consents, approvals or waivers are required to be obtained from any third parties in connection with the consummation of the Asset Sale and in taking any such actions or making any such filings, furnishing information required in connection therewith and seeking to obtain any such actions, consents, approvals or waivers on a timely basis. At least 30 days prior to the Closing, notification of the Asset Sale will be provided to the Federal Trade Commission and the General Counsel of the Department of Defense. Lockheed Martin has provided such notification on June 3, 2014.

Employee Matters

Buyer has agreed to make offers of employment to all active employees of the ASO Business and all inactive employees of the ASO Business upon their return to active status (collectively, the "transferred employees"), with base salary and eligibility for annual cash bonus compensation for the first year after closing of the Asset Sale that is at least equal to that provided by Astrotech or our subsidiaries, as applicable. Buyer has agreed to (i) permit such employees to participate in employee benefit plans and arrangements maintained by Buyer (except equity-based compensation, change in control incentive compensation or non-qualified deferred compensation plans or arrangements) that are available to similarly situated employees of Buyer who are hired after the date of Closing, (ii) provide all such employees with employee benefit plans and arrangements (except equity-based compensation, change in control incentive compensation or non-qualified deferred compensation plans or arrangements) that are substantially similar in the aggregate to the plans in effect immediately prior to consummation of the Asset Sale or (iii) arrange for such employees to participate in a combination of plans listed in (i) and (ii). With respect to the participation in such Buyer plans by our employees, subject to applicable law and tax qualification requirements, each employee will be credited with his or her years of service with us for purposes of eligibility, vesting and contributions to a defined contribution plan.

Buyer has agreed that it or its affiliates will establish one or more individual account plans for the benefit of the transferred employees or otherwise make immediate participation in such a plan available to such transferred employees. Such individual account plan shall be designed and administered to satisfy the qualification requirements under Section 401(a) of the Code and to provide for elective deferrals by participants under Section 401(k) of the Code and for matching contributions by Buyer with respect to such elective deferrals.

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Any accrued but unused vacation time that any transferred employee is eligible to take pursuant to our vacation policy may be taken by such transferred employee after the closing of the Asset Sale. However, if any transferred employee's accrued but unused vacation time exceeds the capped amounts permitted under Lockheed Martin's policies, Lockheed Martin may elect to compensate such transferred employee by payment in lieu of compensated vacation time for the full amount of such excess or require that such transferred employee use such excess within a reasonable period of time after the date of closing of the Asset Sale.

Buyer has agreed to take all action necessary and appropriate to ensure that it or one of its affiliates maintain or adopts, as of the date of closing of the Asset Sale, certain welfare benefit plans as it deems appropriate for the transferred employees. Transferred employees will receive credit under such welfare benefit plans for co-payments and payments under a deductible limit made by them and for our-of-pocket maximums applicable to them during the plan year of our welfare benefit plans in accordance with our welfare benefit plans. Buyer will not have any requirement to provide the transferred employees with post-retirement medical or other welfare plan coverage except to the extent required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA.

Use of Names

Following the Asset Sale, each of ASO and AFH has agreed to change their names to a name that is not associative with and does not contain the term "Astrotech". Upon the closing of the Asset Sale, Astrotech will enter into a Trademark License Agreement with Buyer, pursuant to which Buyer will grant Astrotech, and Astrotech will accept, a perpetual, worldwide, royalty-free, paid-up, personal, non-transferable and limited exclusive license, without the right to sublicense, to use and display the name "Astrotech" and our logo as part of the name "Astrotech Corporation" in connection with our operations as a holding company for our Spacotech Business and related business units. We will therefore continue to use the name Astrotech Corporation as the name of our publicly traded holding company and our stock will continue to be traded under the symbol ASTC. See "Trademark License Agreement".

Expenses

Except as set forth in the following sentence, whether or not the Asset Sale is completed, each party will be required to pay its own costs and expenses (including legal fees and expenses) incurred by it in connection with the Asset Purchase Agreement and the Asset Sale. We have agreed to pay up to \$1,000,000 of the reasonable fees and expenses (including legal fees and expenses) of the Buyer Companies if the Asset Purchase Agreement is terminated due to failure of the requisite number of shareholders to approve the Asset Purchase Agreement at the Special Meeting.

Conditions to the Asset Sale

The Seller Companies and Buyer will not be obligated to complete the Asset Sale unless a number of conditions are satisfied or waived. These joint closing conditions include:

-
- no governmental, judicial or adversarial proceedings (public or private), litigation, suits, arbitration, actions, causes of action or governmental investigations shall be pending or in effect restraining or enjoining the transactions contemplated by the Asset Purchase Agreement and no notice shall have been received from any governmental authority indicating an intent to initiate an inquiry or investigation (and no such inquiry or investigation shall be pending) the result of which could be to restrain, prevent or prohibit the transactions contemplated by the Asset Purchase Agreement or adversely impact Buyer's ability to operate the ASO Business;
-
- no provision of any applicable law and no judgment, injunction, order or decree by any governmental authority preventing consummation of the closing of the Asset Sale shall be in effect; and
-
- all actions by or in respect of, or filings with, any governmental authority (other than actions or filings in connection with obtaining novation agreements for contracts with the U.S. government) required to permit the

consummation of the closing of the Asset Sale shall have been taken or made, any applicable waiting or suspension periods have expired or terminated and any applicable clearances or approvals have been obtained.

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In addition, the obligation of the Buyer Companies to effect the Asset Sale is subject to the satisfaction or waiver of additional closing conditions, including:

-
- (i) the Seller Companies shall have performed in all material respects all of their respective obligations under the Asset Purchase Agreement required to be performed by them at or prior to the closing, (ii) the representations and warranties of the Seller Companies contained in the Asset Purchase Agreement (A) that are qualified by materiality or Material Adverse Effect qualifiers shall be true and correct in all respects and (B) that are not qualified by materiality or Material Adverse Effect qualifiers shall be true and correct in all material respects, in each case at and as of the date of the Asset Purchase Agreement and at and as of the closing date, as if made at and as of each such date (except that those representations and warranties which by their express terms are made as of a specific date shall be required to be true and correct only as of such date) and (iii) Buyer shall have received a certificate signed by an authorized officer of each Seller Company to the foregoing effect;
-
- since the date of the Asset Purchase Agreement, no event shall have occurred that has had or would reasonably be expected to result in a Material Adverse Effect on the ASO Business;
-
- the Seller Companies shall have executed and delivered to Buyer, on or before the date of closing of the Asset Sale all documents that are required to be executed by such Seller Company pursuant to the Asset Purchase Agreement;
-
- each Seller Company shall have delivered to Buyer the certificates as to the legal existence and corporate and good standing and copies of its current charter;
-
- no Seller Company shall have suffered prior to the date of closing of the Asset Sale any loss on account of fire, flood, accident or any other calamity or casualty to the transferred real property that would materially interfere with the conduct of the ASO Business or materially impair the value of the ASO Business as a going concern, regardless of whether any such loss or losses have been insured against;
-
- at least three Business Days prior to the closing of the Asset Sale, the Seller Companies shall have delivered to Buyer a true, correct and complete copy of a payoff letter relating to the indebtedness of the Seller Companies relating to that certain Loan Agreement, dated as of October 21, 2010, as amended by Amendment No. 1 to Loan Agreement dated October 11, 2013, among ASTC, ASO, AFH and American Bank, N.A., and all other Loan Documents (as such term is defined in the Loan Agreement), as of 11:59 p.m. Eastern time on the day prior to the date of closing of the Asset Sale, which letter shall be in full force and effect;
-

- the Seller Companies and Buyer shall have obtained the approvals, consents and authorizations of third parties necessary for the assignment and transfer of certain specified contracts set forth in the Disclosure Letter;
-
- Buyer shall have received an ALTA survey of the owned real property that is transferred to Buyer and such survey shall show that such property has access to a public street, shall show no encroachments of any type, shall confirm that the legal description of such property matches the legal description of the set forth in the title commitment obtained by Buyer (and shall show no gaps, gores or other defects in said legal description) and shall otherwise be reasonably acceptable to Buyer;
-
- Astrotech shall have delivered to Buyer the consent to assignment and estoppel by the Secretary of the Air Force in respect of the lease of the leased real property being transferred to Buyer;
-
- the Seller Companies shall have conducted certain deferred maintenance set forth in the disclosure letter;
-
- Astrotech and Buyer shall have entered into a transition services agreement in form and substance reasonably acceptable to Buyer and including certain terms and conditions set forth in the Disclosure Letter; and
-
- the Seller Companies shall have taken certain other actions set forth in the Disclosure Letter.

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In addition, the obligations of the Seller Companies to effect the Asset Sale are subject to the satisfaction or waiver of additional conditions, including:

-
- (i) the Buyer Companies shall have performed in all material respects all of its obligations under the Asset Purchase Agreement required to be performed by them at or prior to the closing of the Asset Sale, (ii) the representations and warranties of the Buyer Companies contained in the Agreement (A) that are qualified by materiality or Material Adverse Effect qualifiers shall be true and correct in all respects and (B) that are not qualified by materiality or Material Adverse Effect qualifiers shall be true and correct in all material respects, in each case at and as of the date of the Asset Purchase Agreement and at and as of the date of closing of the Asset Sale as if made at and as of each such date (except that those representations and warranties which by their express terms are made as of a specific date shall be required to be true and correct only as of such date) and (iii) the Seller Companies shall have received a certificate signed by an officer of each Buyer Company to the foregoing effect;
-
- the applicable Buyer Company shall have executed and delivered, on or before the Closing Date, the documents that are required to be executed by such Buyer Company pursuant to the Asset Purchase Agreement;
-
- the requisite number of Astrotech shareholders shall have approved the Asset Sale Proposal and the transactions contemplated by the Asset Purchase Agreement; and
-
- Buyer shall pay at the closing of the Asset Sale the Estimated Adjusted Purchase Price (less (i) the Adjustment Holdback Amount, (ii) the Indemnity Escrow Amount and (iii) the Payoff Amount).

Updated Disclosure Letter

We have agreed to deliver at least three business days prior to the closing of the Asset Sale, an update to the Disclosure Letter with respect to (i) the discovery of facts or circumstances occurring or existing on or prior to the date of the Asset Purchase Agreement that cause (or would reasonably be expected to cause) any of the representations and warranties of the Seller Companies to be untrue or incorrect in any material respect (a “Prior Event Disclosure”) and (ii) any development or change of facts or circumstances that occurs after the date of the Asset Purchase Agreement that would cause (or would reasonably be expected to cause) any of the representations and warranties of the Seller Companies to be untrue or incorrect in any material respect (a “Subsequent Event Disclosure”). With respect to delivery of an updated Disclosure Letter with a Prior Event Disclosure, each such Prior Event Disclosure shall be for informational purposes only and shall have no effect on the determination of whether the conditions to closing have been satisfied or the rights of the Buyer Indemnified Parties to indemnification under the terms of the Asset Purchase Agreement. If we deliver an updated Disclosure Letter with a Subsequent Event Disclosure, on the other hand, together with an acknowledgement (an “MAE Acknowledgement”) certifying in good faith that such Subsequent Event Disclosure constitutes a Material Adverse Effect, then Buyer shall have the right to terminate the Asset Purchase Agreement within five business days from the date such disclosure is made and the Seller Companies shall have no liability to the Buyer Companies under the Asset Purchase Agreement. If Buyer does not elect to terminate the Asset Purchase Agreement and Closing occurs, then Buyer’s right to indemnification for breaches of representations and warranties or any other applicable indemnification obligation set forth in the Asset Purchase Agreement, solely in connection with such Subsequent Event Disclosure delivered with such MAE

Acknowledgement(s) shall be waived in all respects and we shall have no liability with respect thereto.

Termination of the Asset Purchase Agreement

We may mutually agree with Buyer at any time prior to the closing of the Asset Sale to terminate the Asset Purchase Agreement, even after our Shareholders have authorized the Asset Sale pursuant to the Asset Purchase Agreement.

The Asset Purchase Agreement may also be terminated under certain circumstances, including:

-
- by us or Buyer if the Closing shall not have been consummated by October 25, 2014;

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-
- by us or Buyer in the event of a breach by the other party of any representation, warranty, covenant or agreement under the Asset Purchase Agreement, where the effect of such breach would be to cause the closing conditions of the terminating party to be not capable of being satisfied (and such breach is not cured by the breaching party within 30 days of receiving notice of the breach or alleged breach from the terminating party);
-
- by Buyer if we deliver an MAE Acknowledgement together with any Subsequent Event Disclosure;
-
- by us or Buyer if any applicable law makes the consummation of the transactions contemplated by the Asset Purchase Agreement illegal or otherwise prohibited or if the consummation of such transactions would violate any nonappealable final order, decree or judgment of any governmental authority having competent jurisdiction over such party;
-
- by us or Buyer if the Special Meeting has been held and completed and the Asset Purchase Agreement and the transactions contemplated thereby have not been approved by the requisite number of shareholders;
-
- by a Buyer Company at any time prior to adoption of the Asset Purchase Agreement by the Astrotech shareholders if (i) there shall have occurred a Change in Recommendation or (ii) Astrotech of any of its representatives shall have violated, breached or taken any action inconsistent with the provisions set forth in “— No Solicitation” above; or
-
- by us in order to enter into a Superior Proposal.

If the Asset Purchase Agreement is terminated, it shall become null and void, except that provisions with respect to public announcements, effect of termination, expenses and taxes, governing law and jurisdiction shall survive the termination and remain in full force and effect. Other than a termination by Buyer if we deliver a Subsequent Event Disclosure with an MAE Acknowledgement, if the Asset Sale fails to close and at the time of termination there existed a breach of a representation, warranty, covenant or agreement by either party, such party shall be fully liable for damages, losses, costs and expenses (including reasonable legal and accountants’ fees) incurred or suffered by the other party as a result of such breach if the other party is otherwise ready, willing and able to otherwise satisfy its obligations under the Asset Purchase Agreement.

Termination Fee

Under the following circumstances, we will be required to pay Lockheed Martin a termination fee of \$2,440,000 if the Asset Purchase Agreement is terminated:

-
- by us at any time prior to adoption of the Asset Purchase Agreement by the Astrotech shareholders if (i) there shall have occurred a Change in Recommendation or (ii) Astrotech of any of its representatives shall have violated, breached or taken any action inconsistent with the provisions set forth in “— No Solicitation” above;

- - by us or Buyer if the Special Meeting has been held and completed and the Asset Purchase Agreement and the transactions contemplated thereby have not been approved by the requisite number of shareholders and, in either case, (i) on or before the date of any such termination an Acquisition Proposal has been announced or otherwise communicated to the Board and (ii) a definitive agreement is entered into by Astrotech with respect to such Acquisition Transaction or such Acquisition Transaction is consummated within 12 months of the termination of the Asset Purchase Agreement (provided that the amount of the termination fee will be reduced by any Buyer Expense Reimbursement paid as described under “— Expenses”);
- - by a Seller Company at any time during which the Asset Purchase Agreement is otherwise terminable in a circumstance in which Lockheed Martin would be entitled to payment of the termination fee; or
- - by a Seller Company in order to enter into an agreement for a Superior Proposal.

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In addition, as described above under “— Expenses” we have agreed to pay up to \$1,000,000 of the reasonable fees and expenses (including legal fees and expenses) of the Buyer Companies if the Asset Purchase Agreement is terminated due to failure of the requisite number of shareholders to approve the Asset Purchase Agreement at the Special Meeting.

If the termination fee is payable in order to enter into an agreement for a Superior Proposal, we must pay the termination fee immediately prior to the termination. If the termination fee is otherwise payable, the party paying the termination fee must pay the fee within two business days following the termination or the event giving rise to the termination, as applicable.

Amendment and Waiver

The Seller Companies and the Buyer Companies may mutually amend or waive any provision of the Asset Purchase Agreement at any time. No amendment or waiver of any provision of the Asset Purchase Agreement will be valid unless it is in writing and signed by each of each of the Seller Companies and each of the Buyer Companies. No waiver by either party of any default, misrepresentation or breach of warranty or covenant under the Asset Purchase Agreement, whether intentional or not, will be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant under the Asset Purchase Agreement or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Specific Performance

Each of the parties to the Asset Purchase Agreement are each entitled to an injunction to prevent breaches or violations of the Asset Purchase Agreement and to enforce specifically the terms and provisions of the Asset Purchase Agreement, in addition to any other legal or equitable remedy which may be available.

Trademark License Agreement

In accordance with the terms of the Asset Purchase Agreement, we will enter into a Trademark License Agreement with Buyer at the time of the closing of the Asset Sale pursuant to which Buyer will license to us a perpetual, worldwide, royalty-free, paid-up, personal, non-transferable (except as provided in the Trademark License Agreement) and limited exclusive license, without the right to sublicense, to use and display the name “ASTROTECH” and the Astrotech trademark. The license is limited to use and display only as a part of our “Astrotech Corporation” trade name in connection with our operations as a parent holding company for our Spacotech Business Unit and any related business units, including in respect of our obligations as a public company whose stock trades on NASDAQ under the symbol ASTC.

The Trademark License Agreement prohibits us from using the name “ASTROTECH” separately from our “Astrotech Corporation” trade name, including but not limited to use as a shortened form of our trade name, orally or in writing, or as a telephone greeting. In addition, we are prohibited from using, displaying, publishing or distributing any materials containing the trademark in any way that could be threatening, obscene, harassing or unlawful, or that in any way could be disparaging to Buyer, its affiliates, suppliers, customers, related parties or licensors.

Pursuant to the terms of the Trademark License Agreement, we will agree to indemnify Buyer and its representatives and affiliates from and against any and all costs, liabilities, causes of action (including without limitation products liability actions and tort actions) and expenses, including, without limitation, interest, penalties, attorney and third party fees, and all amounts paid in the investigation, defense and/or settlement of any proceeding, that relate in any way to (a) the provision or promotion of goods or services by us under our trade name and trademark in connection with the provision or promotion of goods or services and/or (b) any liabilities or obligations arising from our failure to comply with the terms of the Trademark License Agreement.

The term of the Trademark License Agreement is perpetual, unless it is terminated (i) for convenience by us in our discretion, (ii) by Buyer upon any material breach by us of any material provision of the Trademark License Agreement in the event such breach is not cured by us within thirty days of notice of

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breach from Buyer and (iii) by Buyer (a) upon any event of our bankruptcy or judicial or administrative declaration of our insolvency, (b) upon our winding up or other termination of our business activities in connection with the use of the trademark or (c) upon our ceasing to use the trademark in connection with our corporate name.

Transition Services Agreement

In accordance with the terms of the Asset Purchase Agreement, as a condition to the closing of the Asset Sale, Astrotech will also enter into a transition services agreement with Buyer at the time of the closing of the Asset Sale pursuant to which Astrotech and Buyer will each provide certain services to the other. Astrotech will be required to provide its services to Buyer for a period of one year following the date of the closing of the Asset Sale, with an option by Buyer to extend such period for an additional year. Buyer will be required to provide its services to Astrotech for a period of three months following the date of the closing of the Asset Sale, with an option by Astrotech to extend such period for one year.

Voting Agreement

In connection with the Asset Purchase Agreement, Thomas B. Pickens III, our Chairman and Chief Executive Officer, has entered into a voting agreement with Buyer and Lockheed Martin with respect to the shares of common stock of the Company beneficially owned by him. Pursuant to the Voting Agreement, Mr. Pickens agreed to vote such shares in favor of the Asset Sale Proposal and against any Acquisition Proposal. Mr. Pickens beneficially own shares of our common stock representing approximately 20.0% in the aggregate of our shares of common stock outstanding as of the Record Date.

Pursuant to the Voting Agreement, Mr. Pickens agreed, subject to certain exceptions for permitted transfers, not to (i) transfer his shares of common stock, (ii) deposit any such shares of common stock into a voting trust or enter into a voting agreement or arrangement with respect to such shares or grant any proxy (except as set forth in the Voting Agreement) or power of attorney with respect thereto.

The Voting Agreement terminates upon the earliest to occur of (i) the approval and adoption of the Asset Purchase Agreement at the Special Meeting, (ii) termination of the Asset Purchase Agreement, (iii) a material amendment to the Asset Purchase Agreement that Mr. Pickens voted against in his capacity as a member of our board of directors and (iv) consent of all parties.

Above and elsewhere in this Proxy Statement is a summary of the material terms of the Voting Agreement, a copy of which is attached to this Proxy Statement as Annex B and which we incorporate by reference into this Proxy Statement. We encourage you to carefully read the Voting Agreement in its entirety as the summaries contained herein may not contain all of the information about the Voting Agreement that is important to you.

Consummation of the Asset Sale

We expect to complete the Asset Sale as promptly as practicable after our shareholders authorize the Asset Sale Proposal.

RECOMMENDATION

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE ASSET SALE PROPOSAL TO AUTHORIZE THE ASSET SALE.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements are based on the historical consolidated financial statements of Astrotech Corporation (“the Company”), incorporated by reference into this proxy statement, adjusted to give effect to the disposition of the Astrotech Space Operations (“ASO”) business in accordance with the Asset Purchase Agreement dated May 28, 2014 by and between Lockheed Martin Corporation and Elroy Acquisition Company, LLC (“Buyer”) and Astrotech Corporation, Astrotech Space Operations, Inc. and Astrotech Florida Holdings, Inc. The statements are derived from, and should be read in conjunction with, our historical financial statements and notes thereto, as presented in our Annual Report on Form 10-K for the fiscal year ended June 30, 2013, originally filed with the SEC on October 15, 2013, which financials are incorporated by reference in this proxy statement, and our Quarterly Report on Form 10-Q for the period ended March 31, 2014, which financials are incorporated by reference in this proxy statement.

The unaudited pro forma condensed consolidated balance sheets give effect to the proposed transaction as if it occurred on the date of the balance sheet date. The cash proceeds and the impact of the resulting gain are only included in the March 31, 2014 balance sheet. The unaudited pro forma condensed consolidated statements of operations for the nine months ended March 31, 2014 and the fiscal years ended June 30, 2013 and 2012 give effect to the transaction as if it had occurred as of July 1, 2012 and 2011, respectively, and exclude any material nonrecurring charges or credits and related tax effects which result directly from the transaction and which will be included in the income of the Company within the 12 months following the transaction.

The pro forma condensed consolidated financial information is presented for illustrative purposes only, is based upon estimates of the management of Astrotech Corporation at the time of filing this proxy statement and is not necessarily indicative of the operating results or financial position that would have occurred if all of the events as described above had occurred on the first day of the respective periods presented, nor is it necessarily indicative of our future operating results or financial position. Actual results could differ materially from these estimates.

The pro forma adjustments are based upon information available and certain assumptions that management believes are reasonable under the circumstances. The unaudited pro forma condensed consolidated financial statements of Astrotech Corporation should be read in conjunction with the notes thereto.

The unaudited condensed consolidated pro forma financial statements are prepared in accordance with Article 11 of Regulation S-X of the Securities and Exchange Commission.

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(In thousands, except share data)

	As Filed March 31, 2014	Sale of Astrotech Space Operations	Pro Forma March 31, 2014
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,552	\$ 61,000 (1) (6,100) (2) — (3) (5,753) (4) (520) (5)	\$ 53,179
Accounts receivable, net	2,146	(2,135) (6)	11
Prepaid expenses and other current assets	540	(189) (3) (6)	351
Total current assets	7,238	46,303	53,541
Long-term receivable	—	6,100 (2)	6,100
Property and equipment, net	35,590	(34,290) (6)	1,300
Other assets, net	35	(35)	—
Total assets	\$ 42,863	\$ 18,078	\$ 60,941
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	\$ 264	\$ (99) (6)	\$ 165
Income taxes payable	—	4,677 (7)	4,677
Accrued liabilities and other	1,968	(647) (6)	1,321
Deferred revenue	3,197	(3,197) (6)	—
Term note payable	5,753	(5,753) (4)	—
Total current liabilities	11,182	(5,019)	6,163
Deferred revenue	237	(237) (6)	—
Other liabilities	164	—	164
Total liabilities	11,583	(5,256)	6,327
Stockholders' equity			
Preferred stock, no par value, convertible, 2,500,000 authorized shares, no issued and outstanding shares, at March 31, 2014	—	—	—
Common stock, no par value, 75,000,000 shares authorized; 19,812,054 shares issued at March 31, 2014	183,813	—	183,813
Treasury stock, 311,600 shares at cost	(237)	—	(237)
Additional paid-in capital	788	—	788
Accumulated deficit	(155,981)	23,334	(132,647)
Noncontrolling interest	2,897	—	2,897
Total stockholders' equity	31,280	23,334	54,614
Total liabilities and stockholders' equity	\$ 42,863	\$ 18,078	\$ 60,941

TABLE OF CONTENTS**ASTROTECH CORPORATION AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except share data)

	As Filed Nine Months Ended March 31, 2014	Sale of Astrotech Space Operations Assets	Pro Forma Nine Months Ended March 31, 2014
Revenue	\$ 10,783	\$ (10,653) (8)	\$ 130
Cost of revenue	8,076	(8,076) (8)	—
Gross profit	2,707	(2,577)	130
Operating expenses			
Selling, general and administrative	5,540	(2,343) (8)	3,197
Research and development	1,801	—	1,801
Total operating expenses	7,341	(2,343)	4,998
Loss from operations	(4,634)	(234)	(4,868)
Interest and other expense, net	(178)	188 (8)	10
Loss before income taxes	(4,812)	(46)	(4,858)
Income tax expense	(9)	— (9)	(9)
Net loss	(4,821)	(46)	(4,867)
Less: Net loss attributable to noncontrolling interest	(681)	—	(681)
Net loss attributable to Astrotech Corporation	\$ (4,140)	\$ (46)	\$ (4,186)
Net loss per share attributable to Astrotech Corporation, basic and diluted	\$ (0.21)		\$ (0.21)
Weighted average common shares outstanding, basic and diluted	19,479		19,479

TABLE OF CONTENTS**ASTROTECH CORPORATION AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except share data)

	As Filed For the Year Ended June 30, 2013	Sale of Astrotech Space Operations Assets	Pro Forma For the Year Ended June 30, 2013
Revenue	\$ 23,995	\$ (23,862) (8)	\$ 133
Cost of revenue	15,684	(15,684) (8)	—
Gross profit	8,311	(8,178)	133
Operating expenses			
Selling, general and administrative	6,790	(899) (8)	5,891
Research and development	2,080	—	2,080
Total operating expenses	8,870	(899)	7,971
Loss from operations	(559)	(7,279)	(7,838)
Interest and other expense, net	(164)	194 (8)	30
Loss before income taxes	(723)	(7,085)	(7,808)
Income tax expense	—	—	—
Net loss	(723)	(7,085)	(7,808)
Less: Net loss attributable to noncontrolling interest	(538)	—	(538)
Net loss attributable to Astrotech Corporation	\$ (185)	\$ (7,085)	\$ (7,270)
Net loss per share attributable to Astrotech Corporation, basic and diluted	\$ (0.01)		\$ (0.38)
Weighted average common shares outstanding, basic and diluted	19,328		19,328

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ASTROTECH CORPORATION AND SUBSIDIARIES

Notes to Unaudited Pro Forma Consolidated Financial Statements

On May 28, 2014, Astrotech Corporation announced that it had entered into an agreement (the “Asset Purchase Agreement”) to sell the assets and certain related liabilities of the Astrotech Space Operations business. The sale will be accounted for by Astrotech Corporation as a discontinued operation.

If the proposed transaction is consummated, on the closing date, Buyer has agreed to pay us \$61.0 million, subject to a working capital adjustment, and assume certain specified liabilities pursuant to the Asset Purchase Agreement. We will retain all of our other assets, including the assets related to our technology incubator designed to commercialize space-industry technologies.

(1)

- Reflects the pro forma impact of estimated gross proceeds to be received at the closing of the sale of the ASO business. The gross sale price is \$61.0 million, before any working capital adjustments, if any.

(2)

- Reflects the pro forma impact of the indemnity escrow amount of \$6.1 million as per the Asset Purchase Agreement. The indemnity escrow amount will be held by an escrow agent under the terms of an Escrow Agreement until the 18-month anniversary of the consummation of the transaction.

(3)

- On or before a date not less than three business days prior to the Closing Date, Astrotech Corporation shall prepare and deliver to Buyer the Estimated Net Working Capital Statement of the ASO business as of 11:59pm on the day prior to the Closing Date. If the Final Net Working Capital Amount is greater than the Estimated Net Working Capital Amount, the difference (the “Difference”) shall be paid to ASTC (for ASTC’s account and as agent for ASO and AFH) by Buyer with simple interest thereon from the Closing Date to the date of payment at a floating rate per annum equal to the Interest Rate and such payment shall include \$1.83 million (the “Adjustment Holdback Amount”) and interest from the Closing Date in the manner calculated for the Difference. If the Final Net Working Capital Amount is less than the Estimated Net Working Capital Amount, the difference shall be paid to Buyer by ASTC (for ASTC’s account and as agent for ASO and AFH) with simple interest thereon from the Closing Date to the date of payment at a floating rate per annum equal to the interest rate set forth in the Asset Purchase Agreement first, out of the \$1.83 million held back from the payment of the purchase price by Buyer at the Closing, and if there are insufficient funds in the Adjustment Holdback Amount, directly by ASTC. Any such payment shall be made in immediately available funds not later than five (5) Business Days after the determination of the Final Net Working Capital Amount by wire transfer to a bank account designated in writing by the party entitled to receive the payment. As this amount is not determinable at this time, we have not included a pro forma amount.

(4)

- Reflects the pro forma repayment of the outstanding borrowings as of March 31, 2014, under our credit agreement. See Note 6 (Debt) to the Unaudited Condensed Financial Statements of the Astrotech Space Operations Business, below.

(5)

- Reflects the estimated transaction related expenses associated with the closing of the Asset Sale.

(6)

- Reflects the pro forma adjustment to reflect the assets sold and liabilities assumed by Buyer related to the sale of our Astrotech Space Operations assets.

(7)

- Reflects the pro forma estimated adjustment to record federal income tax payable, after federal and state net operating loss carryforwards, which is estimated to result from the transaction and be due and payable with the filing of the Company's federal income tax return for the fiscal year 2015. This income tax payable was estimated to give effect to the proposed transaction as if it occurred on March 31, 2014. This amount will change subject to the income or loss recognized by the Company between March 31, 2014 and the Closing Date.

(8)

- Reflects adjustments to eliminate the results of operations of Astrotech Corporation that the Company believes are directly attributable to the sale of the ASO business. The estimated gain on the sale of the ASO business to Lockheed Martin Corporation has not been included as a pro forma adjustment in the Unaudited Pro Forma Condensed Consolidated Statements of Operations as the gain is non-recurring.

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UNAUDITED CONDENSED FINANCIAL STATEMENTS
OF THE ASTROTECH SPACE OPERATIONS BUSINESS

The following tables present the unaudited condensed financial statements of the Astrotech Space Operations (“ASO”) business. The tables only include the assets and liabilities of the ASO business which are being acquired by Buyer and the revenue and expenses which are related to those specific assets and liabilities. Intercompany balances between ASO and the Company have been excluded.

The unaudited condensed balance sheet data is as of March 31, 2014, June 30, 2013 and June 30, 2012. The unaudited condensed statements of operations are for the nine months ended March 31, 2014 and 2013 and for the fiscal years ended June 30, 2013 and June 30, 2012. These unaudited condensed financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring accruals that are necessary for a fair presentation of the financial position and results of operations for these periods. The historical financial information may not be indicative of future performance and does not reflect what the ASO business’ financial position and results of operations would have been had it operated as a separate, stand-alone entity during the periods presented. Since only certain assets are to be acquired and certain liabilities are to be assumed, a full balance sheet and statement of shareholders’ equity are not provided.

The unaudited condensed financial statements of the ASO business should be read in conjunction with the historical consolidated financial statements and notes thereto included in Astrotech Corporation’s Annual Report on Form 10-K for the fiscal year ended June 30, 2013 and Quarterly Report on Form 10-Q for the nine months ended March 31, 2014, as filed with the SEC, which are incorporated herein by reference.

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TABLE OF CONTENTS**ASTROTECH SPACE OPERATIONS****UNAUDITED CONDENSED BALANCE SHEETS**

(In thousands)

	March 31, 2014	June 30, 2013	2012
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,013	\$ 5,055	\$ 9,924
Accounts receivable, net	2,135	5,177	1,423
Prepaid expenses and other current assets	232	241	327
Total current assets	6,380	10,473	11,674
Property and equipment, net	34,290	35,625	36,996
Other assets, net	35	51	84
Total assets	\$ 40,705	\$ 46,149	\$ 48,754
Liabilities and net investment			
Current liabilities			
Accounts payable	\$ 99	\$ 2,159	\$ 2,908
Accrued liabilities and other	734	1,002	861
Deferred revenue	3,197	1,304	2,550
Term note payable	5,753	387	372
Total current liabilities	9,783	4,852	6,691
Deferred revenue	237	64	—
Term note payable, net of current portion	—	5,655	6,042
Total liabilities	10,020	10,571	12,733
Astrotech Corporation net investment in the ASO business	30,685	35,578	36,021
Total liabilities and net investment in the ASO business	\$ 40,705	\$ 46,149	\$ 48,754

TABLE OF CONTENTS**ASTROTECH SPACE OPERATIONS****UNAUDITED CONDENSED STATEMENTS OF OPERATIONS**

(In thousands)

	For the Nine Months Ended		For the Years Ended	
	March 31, 2014	March 31, 2013	June 30, 2013	June 30, 2012
Revenue	\$ 10,653	\$ 14,682	\$ 23,862	\$ 25,608
Cost of revenue	8,076	10,581	15,684	18,739
Gross profit	2,577	4,101	8,178	6,869
Operating expenses				
Selling, general and administrative	2,343	677	899	747
Total operating expenses	2,343	677	899	747
Income from operations	234	3,424	7,279	6,122
Interest and other expense, net	188	134	194	942
Income before income taxes	46	3,290	7,085	5,180
Income tax expense	18	1,268	2,730	1,990
Net income	\$ 28	\$ 2,022	\$ 4,355	\$ 3,190

TABLE OF CONTENTS**ASTROTECH SPACE OPERATIONS****UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**

(In thousands)

	For the Nine Months Ended		For the Years Ended	
	March 31, 2014	March 31, 2013	June 30, 2013	June 30, 2012
Cash flows from operating activities				
Net income	\$28	\$ 2,022	\$4,355	\$3,190
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Stock-based compensation	119	20	23	69
Depreciation and amortization	1,510	1,483	1,999	2,129
Impairment of fixed assets	—	—	—	200
Reserve on notes receivable	—	—	—	675
Changes in assets and liabilities:				
Accounts receivable	3,042	875	(3,754)	722
Deferred revenue	2,066	610	(1,182)	(8,643)
Accounts payable	(2,060)	(2,834)	(749)	2,905
Other assets and liabilities	(240)	1,853	2,958	1,689
Net cash provided by operating activities	4,465	4,029	3,650	2,936
Cash flows from investing activities				
Purchases of property, equipment and leasehold improvements				