SPACEHAB INC \WA\
Form 10-K/A
June 12, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 3)

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2005

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to _________

Commission File No. 0-27206

SPACEHAB, Incorporated

(Exact name of registrant as specified in this charter)

Washington **(State or other jurisdiction of incorporation or organization)**	**91-1273737** **(I.R.S. Employer Identification No.)**

12130 Highway 3, Building 1

Webster, Texas 77598-1504

(713) 558-5000

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

Title of each class	Name of each exchange on which registered
Common Stock (no par value)	**NASDAQ National Market**

Securities Registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ an accelerated filer ¨ or a non-accelerated filer þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO þ

The aggregate market value of the registrants voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of such stock on the NASDAQ National Market on such date of $2.13 was approximately $26,893,227 as of December 31, 2004.

As of September 13, 2005, 12,671,179 shares of the registrant s common stock, no par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Proxy Statement for the Annual Meeting of Stockholders to be held December 1, 2005.	Parts I, II, and III of Form 10-K

EXPLANATORY NOTE

When SPACEHAB, Inc amended its Fiscal Year 2005 Form 10-K on October 5, 2005, only the changes from the originally filed 2005 Form 10-K were included, and not the full text of the items being amended. Therefore, SPACEHAB is amending the 2005 Form 10-K to include the entire text of Items 7, 8 and 15, as they were amended by the October 5, 2005 amendment to the 2005 Form 10-K. No changes to the information have been made since October 5, 2005. This amendment is for presentation purposes only.

Note: There are no other changes to the original Form 10-K filing other than those outlined above. This Form 10-K/A does not reflect events occurring after the filing of the original Form 10-K, or modify or update the disclosures therein in any way other than as required to reflect the amendment set forth below.

PART II

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and notes thereto included elsewhere in this report.

We operate in three main areas generally related to space flight activities within the aerospace industry: space assets and mission support services for manned and unmanned space exploration and research missions; commercial and exploratory satellite pre-launch services; and engineering services in support of government space operations. We also operate a retail space merchandise business and provide space-related educational services. Because of the diversity among the operations of our activities, we report the results of each business as a separate segment in our consolidated financial statements. Our consolidated financial results also reflect corporate-level expenses such as general and administrative, interest, and depreciation and amortization, but because of their nature, these items are not reported as a separate segment.

Overview

In 2004 the White House issued a new vision for U.S. space leadership. We view the President s commitment to space exploration, the human space flight program, and the plan for missions to the Moon, Mars, and beyond as positive indicators that will reinvigorate the space program, likely yielding benefits to the aerospace and space commerce industries. We believe that this vision provides NASA with a clear focus, will stabilize the NASA program, and will increase funding for the new pursuits.

We believe the impacts of this vision will materialize over time, and we will continue to align our business direction to remain a constructive force in the human space flight program. In the long term, we believe that our core competencies offer opportunities to continue to provide services as well as to design, build, and operate assets that could support initiatives beyond low Earth orbit. We plan to pursue these new opportunities. In the near term, our primary objective of our SFS and SGS segments is to continue providing services to NASA and the space community in support of the space shuttle and the International Space Station programs. Even with the renewed vision, we expect that the space shuttle and ISS will remain an integral part of the human space flight program for years to come. We are currently supporting three of the next five scheduled space shuttle flights and are pursuing additional missions that will be important for completing the final assembly of the space station. In January 2005 we received authorization to proceed on integration and operations activities for the STS-116 shuttle mission currently scheduled for a no earlier than date of July 2006. In addition, we received authorization for new contract work to add a deployable stowage platform to the STS-118 shuttle mission scheduled to launch for a no earlier than date of December 2006. This deployable storage platform will be permanently affixed to the orbiting station.

We are actively engaged in defining commercial payload service solutions capable of meeting the ISS on-orbit re-supply and return requirements more efficiently than the space shuttle. These activities, some of which leverage our international strategic partnerships and intellectual property rights, include the development of an affordable cargo transportation system based on existing commercial launch vehicles and our modular payload integration architecture to transport pressurized and unpressurized cargo to and from the space station. We further believe that our experience and expertise in the conceptual design, development, ground processing, and on-orbit operations support of payload and crew accommodations position us well for a role in the development of NASA s space exploration systems, the envisioned next phase in human exploration of space.

In September 2004 our SFS business unit was awarded a six-month NASA study contract valued at approximately $1.0 million to support the space agency s new exploration initiatives. We defined concepts for accomplishing human lunar exploration with a focus on innovative solutions and commercial approaches that could be reapplied to missions to Mars and beyond. In March 2005 we were awarded a contract option for an additional six-month effort valued at nearly $1.0 million, which we completed after the close of our 2005 fiscal year.

Business Segments

Following is a brief discussion of each of our four business segments, including a list of key factors that have affected, and are expected to continue to affect, their respective earnings and cash flows. We also present a brief discussion of our corporate-level expenses along with a summary of our current liquidity position and items that could impact our liquidity position in fiscal year 2006 and beyond.

SPACEHAB Flight Services. This business unit generates revenue by providing space shuttle-based, turnkey services that include customer access to space via our pressurized modules and unpressurized cargo carriers; integration and

operations support to logistics suppliers transporting their cargo onboard our modules and carriers to and from the orbiting station; and/or integration and operations support to scientists and technologists responsible for experiments performed aboard module and ICC research platforms.

We also offer on a space-available basis for each mission, access to space onboard the space shuttle, Russian *Progress*, and European Space Agency Automated Transfer Vehicle cargo vehicles under commercial contracts with non-NASA customers, including both government and private customers. Commercial contracts with non-NASA customers will continue to be established directly between us and our commercial customers.

Additionally, during the space shuttle stand-down period, we provided cargo shipment coordination services to NASA for all U.S. cargo shipped to the ISS via the Russian *Progress* space vehicle. These services are provided under contract to Lockheed Martin, the prime Cargo Mission Contract contractor to NASA. We are also providing research access to space and on the space station to JAXA through RSC Energia, a major Russian aerospace enterprise. We contracted through V.J.F. Russian Consulting with RSC Energia for construction of certain space research equipment, access to Russian *Progress* launch vehicles, and research space aboard the ISS when the originally-scheduled services on the space shuttle were suspended due to the *Columbia* tragedy.

The primary factors impacting our SFS business unit earnings and cash flows are the number of space shuttle missions flown and the configuration of the cargo handling and research logistics required for each mission. Our revenues and earnings, if any, from each mission are dependent upon the space assets required in the cargo or research logistics configuration and the mission support services required to employ those assets. Other factors that have impacted, and are expected to continue to impact, earnings and cash flows for this business unit include:

- Congress funding for NASA and the allocation of that funding to ISS operations and space shuttle cargo missions

- The return to flight of the U.S. space shuttle

- The role of international space research projects flying on future space shuttle and Russian and European Space Agency missions

- The growth of space exploration programs within NASA and NASA s commitment to the President s Vision for Space Exploration regarding enhancement of the role of commercial enterprise in space exploration programs

- Our ability to control our capital expenditures, particularly those for spare or replacement parts for space assets

Astrotech Space Operations. Revenue is generated from various fixed-price contracts with launch service providers in both the commercial and government markets. The services and facilities we provide to our customers support the final assembly, checkout, and countdown functions associated with preparing a satellite for launch.

The earnings and cash flows generated from our Astrotech operations are related to the number of commercial satellite launches, which reflect the growth in the satellite-based communication industries, and the requirement to replace aging satellites. Other factors that have impacted, and are expected to continue to impact, earnings and cash flows for this business include:

- Our ability to control our capital expenditures, which primarily are limited to modifications to accommodate payload processing for new launch vehicles, maintenance and safety, environmental and reliability projects, and other costs, through disciplined management and safe, efficient operations

- The continuing limited availability of competing facilities at the major domestic launch sites that can offer compatible services, leading to an increase in government use of our services

SPACEHAB Government Services. Our SGS business unit generates revenue by providing support to the U.S. Government in the areas of large-scale configuration and data management programs such as the ISS; specialized hardware design, development, and fabrication; and safety and quality support services. This business unit offers a wide array of products and services in these varied fields. This business unit currently provides configuration management services as a subcontractor of ARES under their PI&C contract with NASA.

Earnings from our SGS business unit operations are dependent on our ability to continue to win contracts with NASA or other government entities through the competitive bidding process and our performance under those contracts in achieving performance bonuses. Other factors that have impacted, and are expected to continue to impact, earnings and cash flows for this business include:

Continuation through 2008 of our PI&C contract with the ISS program

Our ability to maintain small business qualification for our SGS business unit under NASA contracting rules

Our ability to control costs within our budget commitments

Space Media. Our SMI business unit operates a retail store and internet store offering space-themed products and is engaged in space-related educational programs and other space-themed activities. Revenue and earnings in our retail operations are dependent upon general enthusiasm for the space exploration program, advertising and promotion, and competition.

Corporate and Other. Significant items impacting future earnings and cash flows include:

- Interest expense, which is significantly less in fiscal year 2005 as compared to fiscal year 2004, due to the repayment of a substantial portion of our mortgage debt during fiscal year 2004 using proceeds from Boeing s early termination of their satellite preparation contract with our Astrotech business unit

- General and administrative costs and our ability to continue to manage future overhead costs

- The ultimate settlement of our claim against NASA for indemnification of our losses on the Space Shuttle *Columbia* mission and/or our tort claim

- Income taxes, with respect to which we currently only pay alternative minimum tax and minimal state income taxes; income taxes will also be impacted by our ability to realize our significant deferred tax assets, including loss carry forwards

Critical Accounting Policies

Revenue Recognition. Our business units revenue is derived primarily from long-term contracts with the U.S. Government and commercial customers. Revenues under these contracts are recognized using the methods described below. Estimating future costs and, therefore, revenues and profits, is a process requiring a high degree of management judgment. See Risk Factors Our financial results could be affected if the estimates that we use in accounting for contracts are incorrect and need to be changed. We base our estimate on historical experience and on various assumptions that are believed to be reasonable under the circumstances including the negotiation of an equitable adjustment on the Research and Logistics Mission Support contract which was added to the contract as a pricing amendment due to the delay in the return to flight. Costs to complete include, when appropriate, material, labor, subcontracting costs, lease costs, commissions, insurance and depreciation. Our business units personnel perform periodic contract status and performance reviews. In the event of a change in total estimated contract cost or profit, the cumulative effect of such change is recorded in the period that the change in estimate occurs.

A Summary of Revenue Recognition Methods Follows:

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

Goodwill. In assessing the recoverability of goodwill and other intangibles, we must make assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets. If and when these circumstances or their related assumptions change in the future, we may be required to record impairment charges for these assets. We adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, on July 1, 2002 under which we ceased to amortize goodwill and instead analyze goodwill at least annually for impairment issues. The remaining goodwill on the balance sheet as of December 2003 was tested for impairment and was written off in fiscal year 2004.

Long-Lived Assets. In assessing the recoverability of long-lived assets, fixed assets, assets under construction and intangible assets, we evaluate the recoverability of those assets in accordance with the provisions of the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement requires that certain of our long-lived fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

RESULTS OF OPERATIONS

Results of Operations for the Years Ended June 30, 2005, 2004 and 2003

Overview. In this section we discuss our results of operations, both on a consolidated basis and, where appropriate, by business unit for our fiscal years ended June 30, 2005, 2004, and 2003. Where we report earnings or loss on a per share basis, we have done so on a diluted earnings per share basis. The weighted average number of common shares applicable to diluted earnings for 2005, 2004, and 2003 were 14,190,281, and 14,141,949, and 12,285,467, respectively.

We had net income (loss) of $5.3 million or $0.37 per diluted share on revenues of $59.4 million for our 2005 fiscal year compared to $2.1 million or $0.15 per diluted share on revenues of $77.6 million for 2004 and ($81.8) million or ($6.66) per diluted share on revenues of $95.0 million for 2003.

Non-GAAP Financial Measures. We use income from operations before charges as one measure of financial performance. Income from operations before charges is a non-GAAP financial measure and consists of operating income before unusual and infrequent events such as: goodwill impairments, asset impairments, investment impairments and the loss of the RDM. Income from operations before charges also does not include interest expense or income taxes, each of which is evaluated on a consolidated basis. Because we do not allocate interest expense and income taxes by unit, we believe that income from operations is a useful measure of our units operating performance for investors. Income from operations before charges should not be considered an alternative to, or more meaningful than, net income or cash flows from operations as determined in accordance with GAAP. The *Other* column in the presentation below is our corporate selling, general and administrative expenses that are incurred for our overall operations that are not allocable to any specific business unit.

The following tables provide summary financial data regarding our consolidated and segmented results of operations for our 2005, 2004, and 2003 fiscal years, respectively (in millions):

Fiscal Year Ended June 30, 2005

	SFS Business Unit	ASO Business Unit	SGS Business Unit	SMI Business Unit	Other	Total
Income (loss) from operations before charges	$ 7.6	$ 2.1	$ 0.9	$ (0.1)	$ (7.7)	$ 2.8
Non recurring item, net recovery related to Research Double Module	7.7					7.7
Operating income (loss)	15.3	2.1	0.9	(0.1)	(7.7)	10.5
Other income		0.1			0.2	0.3
Interest expense					(5.7)	(5.7)
Pre-tax income (loss)	15.3	2.2	0.9	(0.1)	(13.2)	5.1
Income tax benefit					0.1	0.1
Net income (loss)	$ 15.3	$ 2.2	$ 0.9	$ (0.1)	$ (13.1)	$ 5.2

Fiscal Year Ended June 30, 2004

	SFS Business Unit	ASO Business Unit	SGS Business Unit	SMI Business Unit	Other	Total
Income (loss) from operations before charges	$ 8.9	$ 20.0	$ 0.3	$ (0.1)	$ (8.4)	$ 20.7
Goodwill impairment		(2.5)	(5.7)			(8.2)
Investment impairment charge					(1.8)	(1.8)
Operating income (loss)	8.9	17.5	(5.4)	(0.1)	(10.2)	10.7
Other income/expense					0.1	0.1
Interest expense					(8.2)	(8.2)
Pre-tax income (loss)	8.9	17.5	(5.4)	(0.1)	(18.3)	2.6
Income tax expense					(0.5)	(0.5)
Net income (loss)	$ 8.9	$ 17.5	$ (5.4)	$ (0.1)	$ (18.8)	$ 2.1

Fiscal Year Ended June 30, 2003

	SFS Business Unit	ASO Business Unit	SGS Business Unit	SMI Business Unit	Other	Total
Income (loss) from operations before charges	$ 6.8	$ 4.5	$ 1.9	$ (0.3)	$ (10.0)	$ 2.9
Non recurring item, net loss related to Research Double Module	(50.3)					(50.3)
Goodwill impairment			(11.9)			(11.9)
Asset impairment charge	(7.9)				(8.2)	(16.1)
Operating income (loss)	(51.4)	4.5	(10.0)	(0.3)	(18.2)	(75.4)
Interest expense					(7.2)	(7.2)
Pre-tax income (loss)	(51.4)	4.5	(10.0)	(0.3)	(25.4)	(82.6)
Income tax benefit					0.9	0.9

Net income (loss)	$	(51.4)	$	4.5	$	(10.0)	$	(0.3)	$	(24.5)	$ (81.7)

Operating Income (Loss). Operating income (loss) was $10.5 million in fiscal year 2005, compared to $10.7 million and ($75.4) million for fiscal years 2004 and 2003, respectively. The following summarizes the activity in each of our operating segments:

SPACEHAB Flight Services

Operating income (loss) for our flights services business unit was $15.3 million for fiscal year 2005, compared to $8.9 million and ($51.4) million for fiscal years 2004 and 2003, respectively. Operating income for fiscal year 2005 includes $8.2 million payment from NASA for the loss of our RDM in the Space Shuttle *Columbia* accident. It also includes $0.5 million expense for our settlement with Lloyd s (see Item 3 Legal Proceedings for more details). Operating income for 2005 included general and administrative expense of $0.5 million and depreciation and amortization expense of $2.8 million as compared to general and administrative expenses of $0.7 million and $0.1 million and depreciation and amortization expense of $2.8 million and $5.0 million for fiscal years 2004 and 2003, respectively. Please see Results of Operations for the Years Ended June 30, 2005, 2004 and 2003 Other for a consolidated discussion of selling, general and administrative expense and depreciation and amortization expense.

SFS Business Unit Results of Operations for the Fiscal Year Ended June 30, 2005 as Compared to the Fiscal Year Ended June 30, 2004

The SFS business unit s operating income before charges decreased by $1.3 million from fiscal year 2004 to fiscal year 2005. The following summarizes significant changes for our fiscal year ended June 30, 2005 as compared to our fiscal year ended June 30, 2004:

Revenue increase of $3.8 million, consisting of the following:

A decrease in the Research and Logistics Mission Support contract of $23.3 million in fiscal year 2005 compared to fiscal year 2004 due to the termination of the contract in January 2004

An increase in Lockheed Martin contract revenue of $23.5 million in fiscal year 2005 as compared to fiscal year 2004 due to the startup of the contract in February 2004

An increase in the External Stowage Platform 2 contract revenue of $3.8 million in fiscal year 2005 as compared to fiscal year 2004 due to the increased activities on the contract due to the launch of STS-114 in July 2005

An increase in revenue attributable to our Concept Exploration and Refinement contract with NASA of $1.6 million that was started in the first quarter of fiscal year 2005

An increase in the Japanese Experiment Thermal Incubator Service contract revenue of $0.3 million in fiscal year 2005 as compared to fiscal year 2004 due to increased project work being performed

Other contract revenue decrease of $2.1 million, mainly due to the cancellation of the RDM s planned second mission under the Research and Logistics Mission Support contract during fiscal year 2004

Cost of Revenue increase of $5.1 million, consisting of the following:

A decrease in the Research and Logistics Mission Support contract of $13.8 million in fiscal year 2005 compared to fiscal year 2004 due to the termination of the contract in January 2004

An increase in Lockheed Martin contract cost of revenue of $14.6 million fiscal year 2005 as compared to fiscal year 2004 due to the startup of the contract in February 2004

An increase in the External Stowage Platform 2 contract cost of revenue of $3.7 million in fiscal year 2005 as compared to fiscal year 2004 due to the increased activities on the contract due to the launch of STS-114 in July 2005

An increase in cost of revenue attributable to our Concept Exploration and Refinement contract with NASA of $1.1 million that was started in the first quarter of fiscal year 2005

An increase in the Japanese Experiment Thermal Incubator Service contract cost of revenue of $0.1 million in fiscal year 2005 as compared to fiscal year 2004 due to increased project work being performed;

Other contract cost of revenue decrease of $0.6 million, mainly due to the cancellation of the RDM s planned second mission under the Research and Logistics Mission Support contract during fiscal year 2004

All space shuttle missions had been suspended since the February 1, 2003 Space Shuttle *Columbia* accident and did not resume until July 2005, affecting revenues and operating income of our SFS business unit for fiscal year 2005 and 2004. Pending the return to flight of the space shuttle program, we have operated under equitable adjustments and subsequently in preparation for the return to flight under the contractual arrangements in place prior to the accident. The equitable adjustment provides compensation for space flight assets committed for future contracted missions and for personnel and services in place to maintain those assets and support the return-to-flight activities.

Our SFS business unit is currently supporting NASA s preparations for shuttle missions STS-121, 116, and 118 (in order of their anticipated flight sequence). The SFS business unit processed an integrated cargo carrier for shuttle mission STS-114, the External Stowage Platform 2 that was deployed and permanently mounted to the ISS in July 2005.

We contracted directly with NASA s prime space station contractor, Boeing, for the space shuttle STS-114 mission. For the space shuttle STS-121 mission, we provided our non-deployable ICC to NASA for transport of several critical International Space Station orbital replacement unit spares. For both shuttle missions STS-116 and 118, missions previously placed under the Research and Logistics Mission Support contract, we are scheduled to provide our pressurized Logistics Single Module and our unpressurized non-deployable ICC for transport of critical cargo and orbital replacement units to and from the ISS. As previously described, the Research and Logistics Mission Support contract expired January 31, 2004 and support for shuttle missions STS-121, 116 and 118 is continuing under a subcontract agreement to Lockheed Martin, effective February 1, 2004. Additionally, after April 15, 2004 our SFS business unit is no longer subcontracting its module mission integration, operations, and sustaining engineering technical support to Boeing. Most module mission tasks previously performed by Boeing personnel are now performed by our SFS business unit personnel and selected NASA cargo integration tasks on our module missions are now performed by Lockheed Martin as a part of the Cargo Mission Contract with NASA. This action enables our SFS business unit to continue providing services to NASA and is consistent with the direction of the ISS program office.

In January 2004 we initiated activity under the Japanese Experiment Thermal Incubator Service contract with Mitsubishi Corporation, representing JAXA that was entered into in 2000 and originally scheduled to fly aboard our RDM. Subsequent to the suspension of the space shuttle flights and destruction of our module, we contracted for construction of certain space research equipment, for research space onboard the ISS and up to three Russian *Progress* cargo missions with V.J.F. Russian Consulting, representing RSC Energia, a major Russian aerospace manufacturer and mission operator. In August 2004 we supported the launch of the *Progress* and subsequent three months on-orbit operations. Additionally, in January 2005 we supported the second three months worth of on-orbit operations.

SFS Business Unit Results of Operations for the Fiscal Year Ended June 30, 2004 as Compared to the Fiscal Year Ended June 30, 2003

The SFS business unit s operating income before charges increased by $2.1 million from fiscal year 2003 to fiscal year 2004. The following summarizes significant changes for our fiscal year ended June 30, 2004 as compared to our fiscal year ended June 30, 2003:

Revenue decreases of $8.4 million, consisting of the following:

- Research and Logistics Mission Support contract revenue decreased by $14.4 million as it was terminated in January 2004
- New revenue from the Lockheed Martin contract of $7.8 million that replaced the Research and Logistics Mission Support contract
- The External Stowage Platform 2 contract revenue decreased by $4.5 million
- The various other contract revenue decreased $0.1 million
- Recognized revenue from the Japanese Experiment Thermal Incubator Service of $2.8 million

Cost of Revenue decrease of $10.5 million, consisting of the following: