SPACEHAB INC \WA\
Form DEF 14A
October 30, 2006

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 x

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
x Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

SPACEHAB, Incorporated

(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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

5. Total fee paid:

¨ 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:

October 30, 2006

Dear Shareholder:

You are cordially invited to attend the 2006 Annual Meeting of Shareholders for SPACEHAB, Incorporated (the Company) to be held at the Company s Corporate Headquarters located at 12130 Highway 3, Building 1, Webster, Texas 77598 on December 12, 2006, at 10:00 a.m. Information about the meeting, the nominees for directors, and the proposals to be considered are presented in the Notice of Annual Meeting and the proxy statement on the following pages.

At the meeting you will be asked (i) to elect seven directors to the Company s Board of Directors, six of which shall be elected by the holders of the Company s Common Stock and one of which shall be elected by the holders of the Company s Series B Senior Convertible Preferred Stock (the Preferred Stock ,) each for a one-year term expiring at the 2007 Annual Meeting of Shareholders, and (ii) to ratify the appointment of Grant Thornton LLP as independent registered public accountants for the Company. The Board of Directors has approved these proposals and the Company urges you to vote in favor of these proposals and such other matters as may be submitted to you for a vote at the meeting.

Your participation in the Company s affairs is important regardless of the number of shares you hold. To ensure your representation at the meeting, the Company urges you to mark, sign, date and return the enclosed proxy card promptly even if you anticipate attending in person. If you attend, you will, of course, be entitled to vote in person.

Thank you for your assistance in returning your proxy card promptly.

Sincerely,

DR. SHELLEY A. HARRISON
Chairman of the Board

NOTICE OF 2006 ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of SPACEHAB, Incorporated:

The 2006 Annual Meeting of Shareholders (the Annual Meeting) for SPACEHAB, Incorporated (the Company) will be held at the Company s Corporate Headquarters located at 12130 Highway 3, Building 1, Webster, Texas 77598, on December 12, 2006, at 10:00 a.m., for the following purposes:

1. To elect seven directors to the Company s Board of Directors, each to hold office until the Company s next annual meeting of Shareholders and until their successors are elected at the 2007 Annual Meeting of Shareholders. Of such Directors, six shall be elected by the holders of the Company s Common Stock and one shall be elected by the holders of the Company s Preferred Stock;

2. To ratify the appointment of Grant Thornton LLP as independent registered public accountants for the Company; and

3. To transact such other business as may properly come before the meeting and any adjournment thereof.

A proxy statement with respect to the Annual Meeting accompanies and forms a part of this Notice. The Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2006 also accompanies this Notice.

The Board of Directors has fixed the close of business on October 27, 2006 as the record date for determining Shareholders entitled to notice of, and to vote at, the Annual Meeting.

By Order of the Board of Directors,

Brian K. Harrington
Senior Vice President and
Chief Financial Officer
Secretary and Treasurer

Houston, Texas

October 30, 2006

YOUR VOTE IS IMPORTANT

PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD

AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHETHER OR NOT

YOU EXPECT TO ATTEND THE ANNUAL MEETING.

SPACEHAB, Incorporated

12130 Highway 3

Building 1

Webster, Texas 77598

SPACEHAB, Incorporated

12130 Highway 3, Building 1

Webster, Texas 77598

PROXY STATEMENT

GENERAL INFORMATION

This proxy statement is furnished in connection with the solicitation by the Board of Directors of SPACEHAB, Incorporated, (the Company or SPACEHAB) a Washington corporation, of proxies to be voted at the 2006 Annual Meeting of Shareholders on December 12, 2006 (the Annual Meeting). This proxy statement, the accompanying proxy card, and Annual Report on Form 10-K to Shareholders are first being mailed to Shareholders on or about November 6, 2006.

Voting Securities

The Board of Directors has fixed the close of business on October 27, 2006 as the record date for the determination of Shareholders entitled to notice of, and to vote at, the Annual Meeting. As of the record date, there were 13,036,389 shares of SPACEHAB s Common Stock, no par value per share, outstanding and 1,333,334 shares of SPACEHAB s Series B Senior Convertible Preferred Stock (the Preferred Stock) no par value per share, outstanding. Holders of Common Stock and Preferred Stock are entitled to notice of the Annual Meeting and to one vote per share of Common Stock or Preferred Stock owned as of the record date at the Annual Meeting. Holders of the Company s Common Stock and Preferred Stock generally vote together as a single class, except that the holders of Preferred Stock, voting separately as a class, are entitled to elect one director and the holders of the Company s Common Stock, voting separately as a class, are entitled to elect the remaining directors of the Company.

Proxies

Dr. Shelley A. Harrison and Mr. Michael E. Kearney, or each acting individually, are the persons named as proxies on the proxy card accompanying this proxy statement, who have been selected by the Board of Directors to serve in such capacity. Dr. Harrison is Chairman of the Board of Directors and Mr. Kearney is a member of the Board of Directors, Chief Executive Officer, and President. Each shareholder giving a proxy has the power to revoke it at any time before the shares represented by that proxy are voted. Revocation of a proxy is effective when the Secretary of the Company receives either (i) an instrument revoking the proxy or (ii) a duly executed proxy bearing a later date. Additionally, a shareholder may change or revoke a previously executed proxy by voting in person at the Annual Meeting.

Voting of Proxies

Because many SPACEHAB Shareholders are unable to attend the Annual Meeting, the Board of Directors solicits proxies to give each Shareholder an opportunity to vote on all matters scheduled to come before the meeting and set forth in this proxy statement. Shareholders are urged to read carefully the material in this proxy statement, specify their choice on each matter by marking the appropriate boxes on the enclosed proxy card, and sign, date, and return the card in the enclosed stamped envelope.

If no choice is specified and the card is properly signed and returned, the shares will be voted by the persons named as proxies in accordance with the recommendations of the Board of Directors contained in this proxy statement.

Quorum; Method of Tabulation

The holders of at least one-third of all issued and outstanding shares of Common Stock and Preferred Stock, determined separately, who are entitled to vote at the Annual Meeting, whether represented in person or by proxy, will constitute a quorum at that meeting. At the Annual Meeting, the election of the six directors to be elected by the holders of Common Stock requires the vote of a plurality of the shares of Common Stock represented at the meeting. The election of the director to be elected by Preferred Stockholders requires the vote of a plurality of the Preferred Stock represented at the meeting. No shareholder shall be allowed to cumulate votes.

At the Annual Meeting the vote of the majority of the outstanding shares of Common Stock and Preferred Stock present (in person or by proxy) and entitled to vote at the meeting voting together is required to ratify the appointment of Grant Thornton LLP as the independent registered public accountants of the Company s financial statements for the fiscal year ending June 30, 2007.

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One or more inspectors of election appointed for the meeting will tabulate the votes cast in person or by proxy at the Annual Meeting and will determine whether or not a quorum is present. The inspectors of election will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of determining the approval of any matter submitted to the Shareholders for a vote. If a broker indicates on a proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

Form 10-K

Shareholders may obtain, without charge, a copy of the Company s 2006 Annual Report on Form 10-K as filed with the Securities and Exchange Commission (SEC). For copies, please contact Investor Relations at the address of the Company s principal executive office: SPACEHAB, Inc., 12130 Highway 3, Building 1, Webster, Texas 77598. The Form 10-K is also available to the public through the SEC s website at www.sec.gov and through the Company s website at www.spacehab.com.

CORPORATE GOVERNANCE

The Company s Corporate Governance and Nominating Committee hold the responsibility for overseeing the development and implementation of corporate governance principles within the Company.

The following corporate governance documents are posted in the Investor Info section of the Company s website at www.spacehab.com:

Code of Ethics and Business Conduct

Code of Ethics for Senior Financial Professionals

Shareholder Communications Policy

Complaint and Reporting Procedures for Accounting and Auditing Matters

Audit Committee Charter

Compensation Committee Charter

Corporate Governance and Nominating Committee Charter

Code of Ethics and Business Conduct

The Company s Code of Ethics and Business Conduct applies to all directors, officers, and employees of SPACEHAB. The key principles of this code include acting legally and ethically, speaking up, getting advice, and dealing fairly with the Company s Shareholders. The Code of Ethics and Business Conduct is available on the Company s website at www.spacehab.com and is available to the Company s Shareholders upon request. The Code of Ethics and Business Conduct meets the requirements for a Code of Conduct under the National Association of Securities Dealers, Inc. (NASD) rules.

Code of Ethics for Senior Financial Professionals

The Company s Code of Ethics for Senior Financial Professionals applies to the Company s Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and other designated senior financial professionals. The key principles of this Code include acting legally and ethically, promoting honest business conduct, and providing timely and meaningful financial disclosures to the Company s Shareholders. The Code of Ethics for Senior Financial Professionals is available on the Company s website at www.spacehab.com and is available to the Company s Shareholders upon request. The Code of Ethics for Senior Financial Professionals meets the requirements of a Code of Ethics under SEC rules.

Shareholder Communications Policy

The Company s Shareholder Communications Policy provides a medium for shareholders to communicate with the Board of Directors. Under this policy shareholders may communicate with the Board of Directors or specific Board members by sending a letter to SPACEHAB, Inc., Shareholder Communications with the Board of Directors, Attn: Secretary, 12130 Highway 3, Building 1, Webster, Texas 77598.

Complaint and Reporting Procedures for Accounting and Auditing Matters

The Company s Complaint and Reporting Procedures for Accounting and Auditing Matters provide for the (i) receipt, retention, and treatment of complaints, reports, and concerns regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission of complaints, reports, and concerns by employees regarding questionable accounting or auditing matters, in each case relating to SPACEHAB. Complaints may be made through a toll-free independent Integrity Helpline telephone number and a dedicated e-mail address. Complaints received are logged by the Company s senior Ethics and Compliance Office executive, communicated to the Company s Compliance Committee and to the Company s Audit Committee, and investigated, under the direction of the Company s Audit Committee, by the Company s Ethics and Compliance Office. In accordance with Section 806 of the Sarbanes-Oxley Act of 2002, these procedures prohibit us from taking adverse action against any person submitting a good faith complaint, report, or concern.

Director Attendance at Annual Shareholders Meeting

Board members are expected to attend the Annual Shareholders Meeting. All of the members of the Board of Directors then in office attended last year s Annual Meeting of Shareholders held on December 1, 2005, with the exception of Dr. Stefan-Fritz Graul.

Affirmative Determinations Regarding Director Independence and Financial Experts

The Board of Directors has determined each of the following directors and director nominees to be an independent director as such term is defined by Rule 4200(a) (15) of the NASD:

Dr. Edward E. David, Jr.	Roscoe M. Moore, III	Barry A. Williamson
Myron J. Goins	Thomas B. Pickens, III	

The Board of Directors has also determined that each member of the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee during the past fiscal year and proposed for the upcoming fiscal year meets the independence requirements applicable to those committees prescribed by NASD and SEC rules.

The Board of Directors has determined that Thomas B. Pickens, III meets the qualification guidelines as an audit committee financial expert as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC.

Director Nomination Process

SPACEHAB s director nominees are approved by the Board after considering the recommendation of the Corporate Governance and Nominating Committee. A copy of the Corporate Governance and Nominating Committee s charter is available in the Investor Info section of the Company s website at www.spacehab.com.

A Board of seven directors will be elected at the Annual Meeting, comprised of (i) six directors, which directors are elected by the holders of the outstanding shares of Common Stock pursuant to the Company s Articles of Incorporation, and (ii) one director elected by the holders of the outstanding shares of the Company s Preferred Stock. The Company s Articles of Incorporation provide that, with respect to any vacancies or newly created directorships, other than the director to be elected by the holders of the outstanding shares of Preferred Stock, the Board will nominate such individuals as may be specified by a majority vote of the then sitting directors.

Regarding nominations for directors, other than the Preferred Stock director, the Corporate Governance and Nominating Committee identifies nominees in various ways. The committee considers the current directors that have expressed interest in, and that continue to satisfy, the criteria for serving on the Board as established by the committee. Other nominees may be proposed by current directors, members of management, or by Shareholders. From time to time, the committee may engage a professional firm to identify and evaluate potential director nominees. The Preferred Stock director nominee set forth in this proxy statement was selected by the holder of the Preferred Stock.

Six of the director nominees, including the Preferred Stock director, set forth in this proxy statement and the accompanying proxy card are current directors standing for re-election. One director nominee has been recommended by the Nominating Committee of the Board of Directors.

For purposes of the 2007 Annual Meeting, the committee will consider any nominations received by the Secretary from a shareholder of record on or before July 2, 2007 (the 120th calendar day before the one-year anniversary date of the release of these proxy materials to Shareholders). Any such nomination must be accompanied in writing by all information relating to such person that is required under the federal securities laws, including such person s written consent to be named in the proxy statement as a nominee and to serving as a director, if elected, and to a

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check. The nominating shareholder must also submit its name and address, as well as that of the beneficial owner if applicable, and the class and number of shares of SPACEHAB Common Stock that are owned beneficially and of record by such shareholder and such beneficial owner. Finally, the nominating shareholder must discuss the nominee s qualifications to serve as a director.

PROPOSAL 1 - ELECTION OF DIRECTORS

A Board of seven directors will be elected at the Annual Meeting, six by the holders of Common Stock and one by the holder of the Preferred Stock. All directors shall hold office until the next Annual Meeting of Shareholders and until their successors are duly elected and qualified. The Company s articles of incorporation authorize the Board of Directors from time to time to determine the number of its members. Vacancies in unexpired terms and any additional director positions created by Board action may be filled by action of the existing Board of Directors at that time, and any director who is appointed in this fashion will serve until the next Annual Meeting of Shareholders and until a successor is duly elected and qualified.

The nominees for whom the enclosed proxy is intended to be voted are set forth below. It is contemplated that all nominees will be available for election, but if one or more is not, the proxy will be voted in accordance with the best judgment of the proxy holder for such person or persons as may be designated by the Board of Directors unless the shareholder has directed otherwise. Dr. Shelley A. Harrison, currently Chairman of the Company s Board of Directors and James R. Thompson, a current member of the Company s Board of Directors have requested that they not be put up for re-election and as a result will retire from the Board of Directors as of the Annual Meeting of Shareholders. Additionally, the Board of Directors has nominated Myron J. Goins to stand for election at the Company s Annual Meeting of Shareholders. The Board of Directors has resolved to reduce the number of director s from eight to seven effective as of the Annual Meeting of Shareholders.

Directors and Nominees	Principal Occupation and Directorships	Age as of October 31, 2006	Director Since
Current Directors Nominated for Re-election			
Michael E. Kearney	President and Chief Executive Officer of SPACEHAB, Inc.	62	2001
Dr. Edward E. David, Jr.	President of Edward E. David, Inc.; Chairman of the Science Committee of the NASA Advisory Council; Director of DeCorp, Medjet, Inc., and Reveo, Inc.; Affiliate of the Washington Advisory Group, LLC.	81	1993
Roscoe M. Moore, III	President and Founder of PeerSat; Director and Chairman of Washington Space Business Roundtable	35	2004
Thomas B. Pickens, III	Managing Partner and founder of Tactic Advisors, Inc.; President and Founder of T.B. Pickens & Co.	49	2004
Barry A. Williamson	Attorney; Director of Wilson Holdings, Inc.; Executive Board Member of Austin Smiles	49	2004
Director Nominee:			
Myron J. Goins	President of TekHarbor, Ltd., Certified Public Accountant	46	Nominee
Series B Senior Convertible Preferred Stock Director			
Dr. Stefan-Fritz Graul	Executive Vice President for Astrium GmbH	57	2003

Current Directors Nominated for Re-election

Michael E. Kearney

Mr. Kearney, a member of the Board of Directors since 2001, was appointed SPACEHAB s Chief Executive Officer in April 2003 and has served as the Company s President since January 2001. Joining SPACEHAB in 1994, Mr. Kearney has served as Senior Vice President for Marketing and Sales and Vice President of Business Development. Prior to joining the Company, Mr. Kearney held leadership positions at McDonnell Douglas. He served for 26 years as a U.S. Navy Aeronautical Engineering Officer, as a Weapon Systems Acquisition Specialist and Program Manager, and flew Navy fighter aircraft both in combat and in a production acceptance role.

Dr. Edward E. David, Jr.

Dr. David has served as a director of the Company since 1993. He is the President of Edward E. David, Inc., advisors to industry, government, and academia on technology, research, and innovation, a company he founded in 1977. Dr. David is also Chairman of the Science Committee of the NASA Advisory Council. He was Science Advisor to President Nixon and Director of the White House Office of Science and Technology from 1970 to 1973. Dr. David has also served as President of Exxon Research and Engineering Company (NYSE: XOM) from 1977 to 1986, and as Executive Director of Bell Telephone Laboratories (NYSE: LU) from 1950 to 1970. Dr. David is a director of DeCorp, Medjet, Inc., (MDJT.OB) and Reveo, Inc., and affiliate of the Washington Advisory Group, LLC.

Roscoe M. Moore, III

Mr. Moore is currently the President and Founder of PeerSat, a company which employs Internet technologies to deliver satellite-based multimedia content to end-users. From December 1998 to November 2002, he was a Venture Capital Associate with SpaceVest Venture Capital, in which he sourced and managed investments in entrepreneurial space and satellite companies. Mr. Moore is an Astronautical Engineer and an Attorney with 17 years of private industry and federal government experience in commercializing space technologies for use by commercial and government end-users. As an Air Force Officer he evaluated foreign ballistic missile and space technology, and he worked as a Nuclear Missile Treaty Inspector in Votkinsk, Russia. Upon leaving U.S. Air Force active duty in 1998, he was appointed by the U.S. Secretary of Transportation to the Commercial Space Transportation Advisory Committee (COMSTAC) to assist in planning commercial space industry regulations, and he was appointed by the U.S. Department of State to participate as a U.S. Delegate at the 2000 World Radio-communication Conference. For the past six years Mr. Moore has served on the Board of Directors of the Washington Space Business Roundtable, a not-for-profit organization, and was elected Chairman of the Board of Directors in 2004.

Thomas B. Pickens, III

Mr. Pickens is currently the President and Founder of T.B. Pickens & Co., a company that provides consulting services to corporations, public institutions, and start-up organizations. Throughout his professional career, Mr. Pickens has founded and served as the Chairman for several companies that owned and operated numerous water and sewer utilities in various states, including Kentucky, Georgia, and South Carolina. From 1991 to 2002, Mr. Pickens was the Founder and Chairman of U.S. Utilities, Inc., a company which operated 114 water and sewer utilities on behalf of various companies affiliated with Mr. Pickens. From 1995 to 1999, Mr. Pickens directed over 20 direct investments in various venture capital investments and was Founder and Chairman of the Code Corporation. From 1988 to 1993, Mr. Pickens was the Chairman of Catalyst Energy Corporation and was Chairman of United Thermal Corporation (NYSE). Mr. Pickens was also the President of Golden Bear Corporation, Slate Creek Corporation, Eury Dam Corporation, Century Power Corporation, and Vidilia Hydroelectric Corporation. From 1986 to 1988 Mr. Pickens founded Beta Computer Systems, Inc., Sumpter Partners and was the General Partner of Grace Pickens Acquisition L.P.

Barry A. Williamson

Mr. Williamson is an attorney practicing in Austin, Texas since. He is a director of Wilson Holdings, Inc. Mr. Williamson is an Executive Board Member and past Chairman of the Board of Austin Smiles, a not-for-profit organization that provides reconstructive plastic surgery for children with complex birth defects. In 1988, he worked for the Reagan administration as the principal advisor to the U.S. Secretary of Energy in the formulation of a national energy policy. During the administration of former President George H.W. Bush, Mr. Williamson served as Director of the Minerals Management Service for the U.S. Department of Interior. In 1992, Mr. Williamson was elected to the Texas Railroad Commission and served as Chairman from 1994 to 1995.

Director Nominee

Myron J. Goins

Mr. Goins, CPA, currently serves as the President of TekHarbor, Ltd., a venture formation and turnaround management consultancy with technology license negotiation, strategic alliance structuring, merger and acquisition, bankruptcy, and capital formation assignments worldwide in aerospace, advanced materials, emerging technologies, and international trading companies, investment banks, and funds. In previous positions he was a general partner and co-founder of Seruus Telecom Fund, L.P., Chairman of the audit committee for publicly-traded IWL Communications, Chief Financial Officer for National Telemanagement Corporation, and Vice President of corporate development for Corporate Telemangement Group, Inc.

Nominee for Election as Director by Holder of Series B Senior Convertible Preferred Stock

The Company s Articles of Incorporation provide that the holders of the Company s Preferred Stock, voting as a separate class, may elect one director to the Company s Board of Directors. Astrium GmbH, the holder of all of the Company s outstanding shares of Preferred Stock, has informed the Company of its intention to re-nominate and re-elect Dr. Stefan-Fritz Graul as a director of the Company at the Annual Meeting.

Dr. Stefan-Fritz Graul

Dr. Graul was appointed to SPACEHAB s Board of Directors in May 2003. Since October 2003 he has served as Executive Vice President for Business Development for Astrium, Europe s leading aerospace company. Prior to this position, Dr. Graul held the role of Director of Orbital Infrastructure and Operations and Reusable Systems. Beginning in 1986 he served in several key positions at Astrium when the company was doing business as Astrium GmbH and Daimler Benz Aerospace.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH NOMINEE FOR DIRECTOR NAMED ABOVE.

The Board of Directors and its Committees

Board Meetings

In fiscal year 2006 there were ten meetings of the Board of Directors (including regularly scheduled and special meetings). During fiscal year 2006 one director of the Company, Dr. Graul participated in fewer than 75% of the aggregate number of meetings of the Board of Directors.

Committees of the Board of Directors

The Committees of the Board of Directors consist of the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Information concerning the committees is set forth below.

The Audit Committee, which is composed solely of independent directors that meet the requirements of NASD and SEC rules, operates under a written charter adopted by the Audit Committee and approved by the Board of Directors on May 13, 2004. The charter is available on the Company s website which is www.spacehab.com. The Audit Committee is responsible for appointing and compensating a firm of independent registered public accountants to audit the Company s financial statements, as well as oversight of the performance and review of the scope of the audit performed by the Company s independent registered public accountants. The Audit Committee also reviews audit plans and procedures, changes in accounting policies, and the use of the independent registered public accountants for non-audit services. The Audit Committee consisted of Mr. Williamson (Chairman), Mr. Thompson, and Mr. Pickens. During fiscal year 2006, the Audit Committee met five times. Mr. Thompson is not seeking re-election to the Board.

The Compensation Committee, which is composed solely of independent directors that meet the requirements of NASD and SEC rules, operates under a written charter adopted by the Compensation Committee and approved by the Board of Directors on May 13, 2004, and amended on May 12, 2005. The charter is available on the Company s website which is www.spacehab.com. The Compensation Committee is responsible for determining the compensation and benefits of the Chief Executive Officer and all executive officers of the Company and establishing general policies relating to compensation and benefits of employees of the Company. The Compensation Committee also administers the Company s 1994 Stock Incentive Plan, the 1995 Directors Stock Option Plan, and the Employee Stock Purchase Plan in accordance with the terms and conditions set forth in those plans. The Compensation Committee consisted of Mr. Thompson (Chairman), Dr. David, and Mr. Moore. During fiscal year 2006, the Compensation Committee met three times. Mr. Thompson is not seeking re-election to the Board.

The Corporate Governance and Nominating Committee was created by the Board of Directors on February 17, 2004. The Corporate Governance and Nominating Committee s charter was adopted by the committee and approved by the Board on May 13, 2004. The charter is available on the Company s website which is www.spacehab.com. The primary purpose of the Corporate Governance and Nominating Committee is to provide oversight on the broad range of issues surrounding the composition and operation of the Board of Directors, including identifying individuals qualified to become Board members and recommending to the Board director nominees for the next Annual Meeting of Shareholders. Directors who are members of the Corporate Governance and Nominating Committee are independent directors that meet the requirements of NASD and SEC rules. The Corporate Governance and Nominating Committee consisted of Mr. David (Chairman), Mr. Pickens, and Mr. Thompson. During fiscal year 2006, the Corporate Governance and Nominating Committee met one time. Mr. Thompson is not seeking re-election to the Board.

Director Compensation

General. The Company pays each non-employee director a $20,000 annual retainer to serve on the Board of Directors and a fee of $1,000 per day for each meeting of the Board of Directors and $500 per day for each committee meeting attended. The Company pays an additional retainer of $5,000 for the Audit Committee Chairperson, and a meeting fee of $750 per day to each member of the Audit Committee for each meeting attended. In instances where a non-employee director attends both a meeting of the Board of Directors and a committee meeting on the same day, a single meeting fee of $1,000 or $500 is paid (as applicable.) In addition, all directors are reimbursed for expenses incurred in connection with their attendance at meetings. The Company also compensates its directors through the 1995 Directors Stock Option Plan, as amended and restated, pursuant to which each director who is not an employee of the Company and who is elected or continues as a member of the Board of Directors is entitled to receive an initial grant of an option to purchase 10,000 shares of SPACEHAB s Common Stock and, thereafter, an annual grant of options to purchase 5,000 shares of SPACEHAB s Common Stock at an exercise price equal to its then fair market value.
Dr. Stefan-Fritz Graul, a non-employee director elected as the Preferred Stock director, has elected to not accept compensation for his services during fiscal year 2006.

Dr. Shelley A. Harrison Agreement. Dr. Harrison served as the Company s Chairman and Chief Executive Officer until March 31, 2003. On October 24, 2002, the Company entered into an agreement with Dr. Harrison to serve as the non-executive Chairman of the Board of the Company at an annual compensation of $120,000. The agreement provided for a term expiring on March 31, 2004 which on September 30, 2004 was amended to extend the term to March 31, 2006 subject to automatic annual renewal for one-year terms thereafter, unless notice is delivered, by Mr. Harrison or the Company, 90 days prior to the expiration of such term. The agreement also reduced the annual compensation after March 31, 2005 to $60,000. Under this agreement, Dr. Harrison is entitled to any benefits that are or may be extended to Company directors during his term of service including options issued under the 1995 Director s Stock Option Plan, but excluding the annual Director retainer and meeting fees and retains all options granted in prior periods. Dr. Harrison is not seeking re-election to the board.

Executive Officers and Key Employees of the Company Who are Not Nominees

Set forth below is a summary of the background and business experience of the executive officers of the Company who are not nominees for the Board of Directors.

			With Company
Name	**Age**	**Position(s)**	**Since**
Michael E. Bain	50	Senior Vice President and Chief Operating Officer	1996
Brian K. Harrington	60	Senior Vice President, Chief Financial Officer, Secretary and Treasurer	2004
E. Michael Chewning	59	Senior Vice President, SPACEHAB Flight Services	1997
James D. Royston	43	Senior Vice President and General Manager, Astrotech Space Operations	2002
Nicholas G. Morgan	43	Vice President, Controller, and Chief Accounting Officer	1996

The executive officers and key employees named above will serve in such capacities until the next annual meeting of the Company s Board of Directors, or until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification, or removal from office.

Michael E. Bain

Mr. Bain serves as SPACEHAB s Chief Operating Officer, assuming the role in April 2005. Mr. Bain manages SPACEHAB Flight Services and SPACEHAB Government Services operations, guiding the Company in new pursuits and defining strategies to increase revenue and profitability. Since joining SPACEHAB in 1996, he served as program manager for SPACEHAB s module and cargo carrier programs on seven missions to space station Mir, four missions to International Space Station, and development of ISS payload accommodation hardware such as the External Stowage Platform, ESP2. He also led new business initiatives, including a successful bid to perform concept exploration and refinement for NASA s lunar exploration system. Prior to joining SPACEHAB, Mr. Bain spent 12 years with McDonnell Douglas in a variety of aerospace engineering management assignments, including International Space Station and Space Station Freedom programs.

Brian K. Harrington

Mr. Harrington joined SPACEHAB in January 2004 and serves as the Company s Senior Vice President, Finance and Chief Financial Officer. Prior to joining the Company, he was a financial consultant in private practice. Prior to working in private practice he served from 1989 to 1998 as Chief Financial Officer and Senior Vice President of Kirby Corporation (NYSE:KEX). His corporate and consulting experience includes acquisitions, bank financings, public and private placement of debt, public equity transactions, divestures, and recapitalizations. Mr. Harrington is a Certified Public Accountant.

E. Michael Chewning

Mr. Chewning assumed the role of Senior Vice President, SPACEHAB Flight Services in April 2005. Prior to his promotion, Mr. Chewning served as the Vice President, Carrier Development and Operations and Vice President, Program Manager for the Research and Logistics Mission Support (ReALMS) contract. Joining SPACEHAB in 1997 as Director of SPACEHAB s Huntsville, Alabama office, he came with exceptional experience in the aerospace arena including an 18-year career with McDonnell Douglas, primarily at the Huntsville, Alabama division.

James D. Royston

Since 2002 Mr. Royston has led Florida ground operations of SPACEHAB s Astrotech subsidiary, overseeing spacecraft processing and support services for civil, military and commercial customers. He oversees all mission preparation activities at the Company s satellite processing facilities in Florida and California. Prior to working at SPACEHAB s Astrotech subsidiary, Mr. Royston served as President and Chief Operating Officer of Space Media Inc.,

the Company s majority owned subsidiary from 2000 to 2002. Prior assignments included Senior Vice President of Merrimac Interactive Media, Director of the Information Management Project Office for United Space Alliance, KSC Operations Director for Orbital Sciences Corporation and e-Learning Director for RWD Technologies. He was also the Information Systems Manager for NASA s Hubble Space Telescope Program. Mr. Royston has owned and operated two companies involved in systems engineering and software development and holds seven patents.

Nicholas G. Morgan

Mr. Morgan holds the title of Vice President, Accounting and was appointed Controller of SPACEHAB in March 2004. A Certified Public Accountant, he has served as Assistant Controller of the Company from April 2001 through March 2004 and as Assistant Controller of Johnson Engineering, Inc. from February 1996 until the acquisition by SPACEHAB in July 1998. Mr. Morgan began his career with Loral Aerospace Corporation in San Jose, California; he held several positions in the accounting and finance area from 1990 to 1992. He transferred to Loral Space Information Systems, Houston, Texas in 1992 as a Job Cost Analyst until he joined Johnson Engineering in 1996.

PROPOSAL 2 - APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

General

The Audit Committee has appointed the firm of Grant Thornton LLP as independent registered public accountants for fiscal year 2007. The Board of Directors recommends that the Shareholders ratify that appointment. Ratification requires the affirmative vote of a majority of the combined shares of Common Stock and Series B Convertible Preferred Stock, voting together as a single class, represented at the Annual Meeting in person or by proxy and entitled to vote on the matter. The persons named in the accompanying proxy card intend to vote for ratification of such appointment unless instructed otherwise on the proxy card.

Although there is no requirement that the Company submit the appointment of independent registered public accountants to Shareholders for ratification or for the appointed auditors to be terminated if the ratification fails, the Audit Committee will consider the appointment of other independent registered public accountants if the Shareholders choose not to ratify the appointment of Grant Thornton LLP. The Audit Committee may terminate the appointment of Grant Thornton LLP as the Company s independent registered public accountants without the approval of the Shareholders whenever the Audit Committee deems such termination appropriate.

In making its recommendation to ratify the appointment of Grant Thornton LLP as the Company s independent registered public accountants for the fiscal year ending June 30, 2007, the Audit Committee has considered whether the provision of non-audit services by Grant Thornton LLP is compatible with maintaining the independence of Grant Thornton LLP.

Representatives of Grant Thornton LLP are expected to be present at the Annual Meeting and will have the opportunity to make such statements as they may desire. They are also expected to be available to respond to appropriate questions from the Shareholders present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS OF THE COMPANY FOR THE FISCAL YEAR ENDING JUNE 30, 2007.

PRINCIPAL SHAREHOLDERS

The following table sets forth as of October 27, 2006, certain information regarding the beneficial ownership of the Company s outstanding Common Stock and Convertible Preferred Stock held by (i) each person known by the Company to be a beneficial owner of more than five percent of any outstanding class of the Company s capital stock, (ii) each of the Company s directors, (iii) the Company s Chief Executive Officer and four most highly compensated executive officers at the end of the Company s last completed fiscal year, and (iv) all directors and executive officers of the Company as a group. Unless otherwise described below, each of the persons listed in the table below has sole voting and investment power with respect to the shares indicated as beneficially owned by such party.

Name and Address of Beneficial Owners	Amount and Nature of Beneficial Ownership	Percentage of Class[1]
Series B Senior Convertible Preferred Stock		
Astrium GmbH	1,333,334[6]	100%
Common Stock		
SMH Capital Advisors, Inc.	26,910,667[2]	67.4%
Bruce & Co., Inc.	3,069,590[3]	23.5%
Oaktree Capital Mgmt., LLC	2,000,000[4]	13.3%
Austin W. Marxe and David M. Greenhouse	1,816,600[5]	13.9%
Astrium GmbH	1,437,499[6]	10.0%
Ore Hill Hub Fund Ltd.	724,714[7]	5.5%
Non-Employee Directors and Nominees for Director:		
Dr. Shelley A. Harrison	388,250 [8]	2.9%
Dr. Edward E. David, Jr.	22,000 [9]	*
Dr. Stefan-Fritz Graul	0	*
Myron J. Goins	0	*
Roscoe M. Moore, III	20,000[10]	*
Thomas B. Pickens, III	15,000[11]	*
James R. Thompson	40,000[12]	*
Barry A. Williamson	15,000[13]	*
Named Executive Officers:		
Michael E. Kearney	285,126[14]	2.1%
Michael E. Bain	159,115[15]	1.2%
Brian K. Harrington	45,244[16]	*
E. Michael Chewning	69,000[17]	*
James D. Royston	15,000[18]	*
All Directors and Executive Officers as a Group (12 persons)	1,003,985[19]	7.2%

* Indicates beneficial ownership of less than 1% of the outstanding shares of Common Stock.

(1) Calculated pursuant to Rule 13d-3(d) of the Securities Exchange Act of 1934. Under Rule 13d-3(d), shares not outstanding which are subject to options, warrants, rights, or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by a person, but not deemed outstanding for the purpose of calculating the number and percentage owned by any other person listed. As of October 27, 2006, the Company had 13,036,389 shares of Common Stock outstanding.

(2) Represents $40,366,000 principal amount of the Company s 5.5% Senior Convertible Notes due 2010 held by SMH Capital Advisors, Inc. in discretionary accounts for the benefit of its clients that may be converted into 26,910,667 shares of Common Stock. SMH Capital Advisors has shared voting power and sole investment power with respect to these shares. This holder disclaims beneficial ownership of all shares of Common Stock it holds. This holder s address is 600 Travis, Suite 3100, Houston, Texas 77002. The information provided in this table is based on Amendment No. 3 to a Schedule 13G filed with the Securities and Exchange Commission on July 22, 2005 by SMH Capital Advisors, Inc. and is based on the assumption that all SMH Capital notes reported in the 13G were converted.

(3) Bruce & Co., Inc., is the investment manager for Bruce Fund, Inc., a Maryland registered investment Company with its principle business conducted at 20 North Wacker Dr., Suite 2414, Chicago, IL 60606. This percentage ownership of 23.9% represents $4,509,000 principal amount of 5.5% Senior Convertible Notes due 2010 and $940,000 principal amount of 8% Convertible Subordinated Notes due 2007, which are currently convertible into 3,000,600 and 68,990 shares of Common Stock respectively. The information provided in this table is based on a Schedule 13G filed with the Securities and Exchange Commission on July 25, 2006 by Bruce & Co., Inc. on behalf of Bruce Fund, Inc.

(4) Oaktree Capital Management, LLC, a California Limited Liability Company and registered investment advisor, conducts its principal business at 333 South Grand Avenue, 28th Floor, Los Angeles, CA 90071. This percentage ownership of 15.6% represents different ownership percentages of various OCM Funds and Accounts collectively owning $3,000,000 aggregate principal amount of 5.5% Senior Convertible Notes due 2010 which are currently convertible into 2,000,000 shares of Common Stock. The information provided in this table is based on the 13G filed by Oaktree Capital Management, LLC on July 20, 2006 for which Oaktree may be deemed to beneficially own the shares of Common Stock although Oaktree has no material pecuniary interest in any of such bonds.

(5) Austin W. Marxe and David M. Greenhouse share voting and investment power over 893,298 shares of Common Stock held by Special Situations Cayman Fund, L.P.; 467,920 shares of Common Stock held by Special Situations Technology Fund II, L.P.; 285,300 shares of Common Stock held by Special Situations Cayman Fund, L.P.; 91,780 shares of Common Stock held by Special Situations Technology Fund, L.P. and 78,302 shares of Common Stock held by Special Situations Fund III, L.P. Austin W. Marxe and David M. Greenhouse are the controlling principals of AWM Investment Company, Inc., the general partner and investment adviser to Special Situations Cayman Fund, L.P. AWM Investment Company, Inc. also serves as general partner of MGP Advisors Limited Partnership, the general partner of and investment adviser to Special Situations Fund III, L.P. Mr. Marx and Mr. Greenhouse are also members of SST Advisers, L.L.C., the general partner and investment adviser to Special Situations Technology Fund, L.P. and Special Situations Technology Fund II, L.P. The principal business address for Mr. Marx and Mr. Greenhouse is 527 Madison Avenue, Suite 2600, New York, NY 10022. The information provided in this table is based on Amendment No. 5 to Schedule 13G filed with the Securities and Exchange Commission on February 2, 2006.

(6) Astrium GmbH beneficially owns 1,333,334 shares of the Company s Convertible Preferred Stock that are convertible at the holder s option into Common Stock on the basis of one share of Convertible Preferred Stock for one share of Common Stock and 104,165 shares of Common Stock held directly. Astrium GmbH s address is HünefeldstraBe 1-5, Postfach 105909, D-28059 Bremen, Germany. The information provided in this table is based on Amendment No. 1 to a Schedule 13D filed with the Securities and Exchange Commission on October 27, 1999 by DaimlerChrysler Aerospace AG.

(7) Ore Hill Partners LLC, a Delaware LLC, is the investment manager of Ore Hill Hub Fund Ltd. The two entities share voting and investment power with respect to all of the shares of Common Stock held by Ore Hill Hub Fund Ltd. with the two members of Ore Hill Partners, LLC, who are Benjamin Nickoll and Frederick Wahl. The address of Ore Hill Hub Fund Ltd. is c/o Bank of Butterfield International (Cayman) Ltd., P.O. Box 705 GT, Butterfield House, 68 Fort Street, Grand Cayman, Cayman Islands. The address of Ore Hill Partners LLC is 444 Madison Avenue, 12th Floor, New York, New York 10022. The information provided in this table is based on a Schedule 13G, Amendment 1 filed with the Securities and Exchange Commission on February 14, 2006 by Ore Hill Hub Fund Ltd., Ore Hill Partners LLC, Benjamin Nickoll and Frederick Wahl.

(8) Includes options to purchase 387,250 shares of Common Stock.

(9) Includes options to purchase 20,000 shares of Common Stock.

(10) Includes options to purchase 15,000 shares of Common Stock

(11) Includes options to purchase 15,000 shares of Common Stock

(12) Includes options to purchase 35,000 shares of Common Stock

(13) Includes options to purchase 15,000 shares of Common Stock

(14) Includes 18,372 shares of Common Stock held in the Company s 1997 Employee Stock Purchase Plan, and options to purchase 235,004 shares of Common Stock. Mr. Kearney is also a Director of the Company.

(15) Includes 100,115 shares of Common Stock held in the Company s 1997 Employee Stock Purchase Plan, and options to purchase 59,000 shares of Common Stock.

(16) Includes 5,244 shares of Common Stock held in the Company s 1997 Employee Stock Purchase Plan, and options to purchase 25,000 shares of Common Stock.

(17) Includes options to purchase 59,000 shares of Common Stock.

(18) Includes options to purchase 15,000 shares of Common Stock.

(19) Includes options to purchase 880,254 shares of Common Stock and 123,731 shares of Common Stock held in the Company s 1997 Employee Stock Purchase Plan.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes the compensation paid by the Company for the last three fiscal years to Michael E. Kearney, who became the Company s Chief Executive Officer on April 1, 2003 and the four other most highly-compensated executive officers of the Company as of the end of the Company s fiscal year (June 30, 2006). These officers are referred to in this proxy statement as the Named Executive Officers.

		Annual Compensation		Awards Securities
	Fiscal Year	Salary	Bonus	Underlying Option/SARs
Michael E. Kearney President and Chief Executive Officer	2006	317,000	0	40,000
	2005	315,000	110,250	41,000
	2004	315,000	94,500	40,000
Michael E. Bain Senior Vice President and Chief Operating Officer	2006	200,000	0	12,000
	2005	165,019	34,178	12,000
	2004	155,000	28,524	12,000
Brian K. Harrington[1] Senior Vice President	2006	223,000	0	20,000
	2005	200,000	49,000	20,000
Chief Financial Officer, Secretary and Treasurer	2004	100,000	21,000	20,000
E. Michael Chewning Senior Vice President SPACEHAB Flight Services	2006	195,000	0	12,000
	2005	183,475	38,510	12,000
	2004	173,000	31,140	12,000
James D. Royston Senior Vice President and General Manager, Astrotech Space Operations	2006	142,000	4,982	12,000
	2005	125,148	26,350	12,000
	2004	120,621	21,767	4,000

(1) Mr. Harrington commenced employment with the Company on January 5, 2004.

Option Grants in Fiscal Year 2006

The following table sets forth information relating to the grant of stock options by the Company during fiscal year 2006 to the Named Executive Officers under the Company s 1994 Stock Incentive Plan. The Company did not grant any stock appreciation rights in fiscal year 2006.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term[1]	
Name	**Number of Securities Underlying Options**	**% of Total Options Granted to Employees in Fiscal 2006**	**Exercise Price Per Share**	**Expiration Date**	**5%**	**10%**
Michael E. Kearney	40,000[2]	19.0%	$ 1.43	August 3, 2015	$ 35,973	$ 91,162
Michael E. Bain	12,000[2]	6.0%	1.43	August 3, 2015	10,792	27,349
Brian K. Harrington	20,000[2]	9.0%	1.43	August 3, 2015	17,986	45,581
E. Michael Chewning	12,000[2]	6.0%	1.43	August 3, 2015	10,792	27,349
James D. Royston	12,000[2]	6.0%	1.43	August 3, 2015	10,792	27,349

(1) The indicated dollar amounts are the result of calculations based on the exercise price of the options and assume five and ten percent appreciation rates set by the Securities and Exchange Commission and, therefore, are not intended to forecast possible future appreciation, if any, of the Company s stock price.

(2) The options vest ratably over a four-year period commencing August 3, 2005.

Aggregated Option Exercises in Fiscal 2006 and Fiscal Year End Values

The following table sets forth the number of shares covered by stock options held by the Named Executive Officers at June 30, 2006, and also shows the value of in-the-money options (market price of the Company s stock less the exercise price) at that date. Except as listed in the table, no other Named Executive Officer exercised any Company stock options or beneficially owned unexercised Company stock options.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at June 30, 2006 (#)		Value of Unexercised In-the-Money Options at June 30, 2006[1] ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael E. Kearney	0	$ 0	202,254	111,500	$ 15,622	$ 8,660
Michael E. Bain	0	0	48,875	30,000	5,280	2,400
Brian K. Harrington	0	0	15,000	45,000	0	0
E. Michael Chewning	0	0	48,510	30,000	5,280	2,400
James D. Royston	0	0	7,000	24,000	1,280	800

(1) Based on the difference between the closing market price on June 30, 2006 for the Common Stock, which was $1.18 per share, and the option exercise price. The above valuations may not reflect the actual value of unexercised options, as the value of unexercised options will fluctuate with market activity.

Employment Agreements

On April 1, 2003, Mr. Kearney assumed the position of President and Chief Executive Officer upon Dr. Harrison s retirement. The Company entered into a new agreement with Mr. Kearney dated April 1, 2003 which was amended on September 30, 2004. The agreement, as amended, provides for a term of employment through March 31, 2007 and a minimum base salary of $315,000. Mr. Kearney is also eligible to receive at the sole discretion of the Compensation Committee an annual performance-based bonus, and is eligible to participate in the employee benefit plans of the Company, including those plans providing stock option grants to employees. The agreement includes provisions that are effective upon termination of Mr. Kearney s employment under certain circumstances. In general, Mr. Kearney is entitled to continuation of his base salary and medical coverage and certain other benefits for twelve months following a termination of employment by the Company, other than for cause or a material breach. In the event Mr. Kearney s employment is terminated following a change in control of the Company other than for cause or material breach, Mr. Kearney will be entitled to receive a lump sum payment equal to twice the sum of his then-current base salary, a payment equal to the average of his last two annual bonuses, and continuation of medical coverage and certain other benefits for twenty-four months.

On May 12, 2005, the Company entered into an employment agreement with Mr. Bain. That agreement provides that Mr. Bain will serve the Company as Senior Vice President and Chief Operating Officer through June 12, 2007, subject to automatic annual renewal for two-year terms thereafter, unless notice is delivered, by Mr. Bain or the Company, 90 days prior to the expiration of such term. The agreement sets forth a minimum base salary of $162,750 per year, which was subsequently increased to a rate of $200,000 per year as of May 23, 2005. If applicable, further increases will be made at the sole discretion of the Compensation Committee of the Board of Directors. Mr. Bain is also eligible to receive, at the sole discretion of the Compensation Committee, an annual performance-based bonus and is also entitled to participate in the employee benefit plans of the Company and is eligible for the grant of stock options, in the sole discretion of the Compensation Committee, under the Company s 1994 Stock Incentive Plan. Mr. Bain s employment agreement includes provisions under certain circumstances that are effective upon the termination of Mr. Bain s employment. In general, Mr. Bain is entitled to continuation of his base salary and medical coverage and certain other benefits for a period of one year following a termination of employment by the Company other than for cause or a material breach. In the event Mr. Bain s employment is terminated following a change in control of the Company other than for cause or material breach, Mr. Bain will be entitled to receive a lump sum payment equal to the sum of his then-current annual base salary, a payment equal to the average of his last two annual bonuses, and continuation of medical coverage and certain other benefits for twelve months.

On January 5, 2004, the Company entered into an employment agreement with Mr. Harrington. That agreement provides that Mr. Harrington will serve the Company as Senior Vice President, Finance and Chief Financial Officer through December 31, 2005 subject to automatic annual renewal for one-year terms thereafter, unless notice is delivered, by Mr. Harrington or the Company, 90 days prior to the expiration of such term. No such notice has been delivered. The agreement sets forth a minimum base salary of $200,000 per year, subject to increase at the sole discretion of the Compensation Committee of the Board of Directors. Mr. Harrington is also eligible to receive, at the sole discretion of the Compensation Committee, an annual performance-based bonus and is also entitled to participate in the employee benefit plans of the Company and is eligible for the grant of stock options, in the sole discretion of the Compensation Committee, under the Company s 1994 Stock Incentive Plan. Mr. Harrington s employment agreement includes provisions under certain circumstances that are effective upon the termination of Mr. Harrington s employment. In general, Mr. Harrington is entitled to continuation of his base salary and medical coverage and certain other benefits for a period of six months following a termination of employment by the Company other than for cause or a material breach. In the event Mr. Harrington s employment is terminated following a change in control of the Company other than for cause or material breach, Mr. Harrington will be entitled to receive a lump sum payment equal to the sum of his then-current annual base salary, a payment equal to the average of his last two annual bonuses, and continuation of medical coverage and certain other benefits for twelve months.

On May 12, 2005, the Company entered into an employment agreement with Mr. Chewning. That agreement provides that Mr. Chewning will serve the Company as Senior Vice President through June 12, 2006 subject to automatic annual renewal for one-year terms thereafter, unless notice is delivered, by Mr. Chewning or the Company, 90 days prior to the expiration of such term. No such notice has been delivered. The agreement sets forth a minimum base salary of $183,380 per year, which was subsequently increased to a rate of $195,000 per year as of May 23, 2005. If applicable, further increases will be made at the sole discretion of the Compensation Committee of the Board of Directors. Mr. Chewning is also eligible to receive, at the sole discretion of the Compensation Committee, an annual performance-based bonus and is also entitled to participate in the employee benefit plans of the Company and is eligible for the grant of stock options, in the sole discretion of the Compensation Committee, under the Company s 1994 Stock Incentive Plan. Mr. Chewning s employment agreement includes provisions under certain circumstances that are effective upon the termination of Mr. Chewning s employment. In general, Mr. Chewning is entitled to continuation of his base salary and medical coverage and certain other benefits for a period of six months following a termination of employment by the Company other than for cause or a material breach.

On April 17, 2006, the Company entered into an employment agreement with Mr. Royston. That agreement provides that Mr. Royston will serve the Company as Senior Vice President and General Manager through February 1, 2008, subject to annual renewal for one-year terms thereafter, unless notice is delivered, by Mr. Royston or the Company, 90 days prior to the expiration of such term. The agreement sets forth a minimum base salary of $180,000 per year. If applicable, further increases will be made at the sole discretion of the Compensation Committee of the Board of Directors. Mr. Royston is also eligible to receive, at the sole discretion of the Compensation Committee, an annual performance-based bonus and is also entitled to participate in the employee benefit plans of the Company and is eligible for the grant of stock options, in the sole discretion of the Compensation Committee, under the Company s 1994 Stock Incentive Plan. Mr. Royston s employment agreement includes provisions under certain circumstances that are effective upon the termination of Mr. Royston s employment. In general, Mr. Royston is entitled to continuation of his base salary and medical coverage and certain other benefits for a period of six months following a termination of employment by the Company other than for cause or a material breach.

The employment agreements for each of Mr. Kearney, Mr. Bain, Mr. Harrington, Mr. Chewning, and Mr. Royston include certain restrictive covenants for the benefit of the Company relating to non-disclosure by the officers of the Company s confidential business information, the Company s right to inventions and technical improvements of the officers, and non-competition by the officers with the Company s business for a period of six months following termination of employment.

Indemnification Agreements

The Company has entered into indemnification agreements with each of its directors and certain Named Executive Officers and will enter into such agreements with each director nominee (that is not currently a director) upon his election. The agreements provide that the Company shall indemnify and hold harmless each indemnitee from liabilities incurred as a result of such indemnitee s status as a director, officer, or employee of the Company, subject to certain limitations.

Compensation Committee Interlocks and Insider Participation

The Company s Compensation Committee consists of James R. Thompson (Chairman), Roscoe M. Moore, III, and Dr. Edward E. David, Jr. Mr. Thompson is President and Chief Operating Officer of Orbital Sciences Corporation (Orbital), an entity that provides commercial satellite launch and related aerospace services. The Company provides satellite processing services and other space-related services to Orbital. During the year ended 2004, Orbital provided revenues to the Company of approximately $0.7 million

Related Party Transactions

The Company engaged in certain transactions with directors, executive officers, shareholders, and certain former officers during fiscal year 2006. Following is a description of these transactions:

Orbital Sciences Corporation

The Company provides spacecraft processing services and other space-related services to Orbital Science Corporation (Orbital), an entity providing commercial satellite launch and related aerospace services. Mr. James R. Thompson, a director of the Company, is President and Chief Operating Officer of Orbital. During the year ended 2004, Orbital provided revenues to the Company of approximately $0.7 million.

Astrium GmbH (formerly EADS Space Transportation GmbH)

Astrium provides unpressurized payload and integration services to SPACEHAB on a fixed-price basis in addition to providing engineering services as required. For the years ended June 30, 2006, 2005 and 2004, Astrium s payload and integration services included in cost of revenue were approximately $11.4 million, $15.3 million, and $6.8 million, respectively.

COMMITTEE REPORTS TO THE BOARD OF DIRECTORS

Compensation Committee Report on Executive Compensation

The Compensation Committee of the Board of Directors is comprised solely of independent directors in accordance with NASDAQ Listing Standards. The Compensation Committee s primary responsibility is to administer our executive compensation program. The Compensation Committee has furnished the following report on executive compensation for fiscal year 2006.

General Compensation Philosophy. Our primary mission is to ensure that SPACEHAB s executive compensation program is adequate to attract, motivate, and retain highly qualified executive personnel who are willing to align their personal performance and compensation expectations with SPACEHAB s primary goal of increasing shareholder value over both the short term and the long term.

SPACEHAB recognizes that it must remain competitive with the pay of other employers who compete with it for talented employees. Therefore, we compare, or benchmark, SPACEHAB s executive compensation program with other aerospace and similar high technology companies, as well as other companies of similar size and stature. In 2006, SPACEHAB s peer group included Integral Systems, Inc.; Axsys Technologies; Ceradyne, Inc.; First Aviation Services; Herley Industries Inc.; Allied Defense Group; Sypris Solutions, Inc.; Orbital Sciences Corporation, and SpaceDev, Inc. While we use the peer group data to provide guidance, each executive s compensation is based upon both SPACEHAB s performance and such executives individual performance. During fiscal year 2006, SPACEHAB s performance was based upon the following goals: achieving profitability, enhancing liquidity, and increasing the business backlog. In evaluating our attainment of these goals that we believe support SPACEHAB s long-term interests and those of its Shareholders, we generally exclude the short-term negative impact of opportunistic transactions. An executive s individual performance includes their demonstration of key leadership skills and other personal attributes.

Each executive s compensation package includes

(1) base salary,

(2) potential for an annual cash incentive bonus, and

(3) an opportunity to earn long-term incentive awards in the form of equity-based grants.

We believe that annual cash incentive bonuses reward executives for their individual contribution in helping SPACEHAB achieve its goals. In addition, we believe equity compensation remains a strong, long-term incentive for rewarding individual performance as well as closely aligning executive officers interests with the interests of Shareholders.

SPACEHAB s Compensation Program and Compensation of Chief Executive Officer

Our policies with respect to each component of the program, including the basis for the compensation of the CEO, are described below. We consult with the CEO in reviewing the individual performance and compensation of executives (other than the CEO). We review the CEO s performance and compensation at least annually and, for fiscal year 2006, such compensation was approved by us.

Base Salaries. At least annually, we review the base salaries of executive officers and determine whether salaries should be adjusted. Any adjustments are made based upon the executive s level of experience, job responsibilities, individual performance, and competitive salary practices within SPACEHAB s peer group companies. Base salaries are targeted at slightly below competitive median levels when compared to SPACEHAB s peer group companies. The base salaries of certain executive officers are subject to minimums set forth in individual employment agreements as described above under Employment Agreements.

In each of 2004, 2005, and 2006, we have reviewed Mr. Kearney s base salary of $315,000 and determined not to increase his salary. Mr. Kearney s current salary is competitively positioned below the market median. Base salary increases awarded to the Named Executive Officers are described above under Employment Agreements and Change-in-Control Agreements.

Annual Cash Incentive Bonuses. Annual cash bonuses are designed to provide incentives based on individual contribution to the achievement of SPACEHAB s annual goals. We make a determination as to incentive bonus payments at the end of each year based on an objective and subjective evaluation of the contributions of individual executive officers to the achievement of SPACEHAB s annual goals. The amount of

individual incentive bonus payments is determined by percentage ranges established annually by us and derived from management recommendations. In 2006, executive officers were eligible to earn bonuses ranging from 35% to 50% of their base salaries. Bonus payments have generally been reflective of SPACEHAB s achieving its goals.

Based on these factors, we determined in August 2006 to pay bonuses to all eligible employees, exclusive of executive officers. Mr. Kearney and the other executive officers (exclusive of Mr. Royston) were not awarded bonuses for fiscal year 2006 as SPACEHAB s goals were not met.

Long-Term Stock Incentives. The long-term stock incentive component of our executive compensation program is designed to align executive and shareholder interests by rewarding executives for the attainment of stock price appreciation and total shareholder return. We award long-term stock incentives pursuant to the 2000 Long-Term Incentive Plan, the 2002 Long-Term Incentive Plan, and the 2001 Non-Executive Stock Incentive Plan.

Historically, we have made annual grants of stock options to executive officers and key employees. For 2006, we continued our practice of granting stock options in amounts designed to reflect an appropriate balance between cash and equity compensation to a limited number of executives and key employees based on a rigorous performance review process. Options were granted on August 3, 2005 and have an exercise price equal to the market price for SPACEHAB s common stock on that date and vest in one-quarter increments over the next four years. Please refer to the table Option Grants in Fiscal Year 2006 for further details.

Employment Contracts. Our approach has been to minimize the number of employment agreements between SPACEHAB and its executives and to achieve uniformity in these agreements through the adoption of a standard form agreement. Among other things, this form agreement limits the amount of severance payments that may be owed upon certain termination events. To this end, we have restricted employment agreements with change of control provisions to a limited group of executive officers. Please read Employment Agreements for further details.

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code, enacted in 1993, generally disallows a tax deduction to public companies for certain compensation over $1.0 million paid to the company s CEO and four other most highly compensated executive officers, as reported in this proxy statement. Excluded from the limitation is compensation that is performance based. For compensation to be performance based, it must meet certain criteria, including being based on predetermined objective standards. SPACEHAB believes that the stock options granted in fiscal year 2005 and prior years satisfied the requirements of federal tax law and thus compensation recognized in connection with such awards should be fully deductible. It is SPACEHAB s intention to maximize the deductibility of compensation paid to its officers, to the extent consistent with the best interests of SPACEHAB. During fiscal year 2006 SPACEHAB did not exceed the $1.0 million deductibility cap with respect to any officer covered by Section 162(m).

Conclusion. We believe that the executive compensation philosophy that it has adopted effectively serves SPACEHAB s interests and those of its shareholders. It is our intention that the compensation delivered to executive officers be commensurate with company performance.

The individuals who served as members of the Compensation Committee during deliberations concerning executive compensation for fiscal year 2006 are listed below. No member of the Compensation Committee was an officer or employee of SPACEHAB or any of its subsidiaries during 2006.

Compensation Committee:

James R. Thompson (Chairman)

Roscoe M. Moore III

Dr. Edward E. David, Jr.

The Report of the Compensation Committee and the accompanying Performance Graph shall not be deemed to be incorporated by reference as a result of any general incorporation by reference of this proxy statement or any part thereof into any of the Company s filings with the Securities and Exchange Commission.

STOCK PERFORMANCE GRAPH

Set forth below is a line graph comparing the Company s cumulative total shareholder return on its Common Stock since June 30, 2001 (as measured by dividing the difference between the Company s share price at the beginning and the end of the measurement period by the share price at the beginning of the measurement period) with (i) the cumulative total return of the NASDAQ Stock Market Index of U.S. Companies, and (ii) the cumulative total return of the Standard & Poor s Aerospace/Defense Index (S5AEROX).

	SPACEHAB, Inc.	NASDAQ Stock Market (US)	S&P Aerospace & Defense
June 30, 2001	$ 100.00	$ 100.00	$ 100.00
June 30, 2002	$ 56.44	$ 70.34	$ 112.16
June 30, 2003	$ 42.22	$ 78.10	$ 89.76
June 30, 2004	$ 163.56	$ 98.58	$ 118.81
June 30, 2005	$ 79.56	$ 99.24	$ 138.85
June 30, 2006	$ 52.44	$ 105.85	$ 165.38

*** Assumes that the value of an investment in the Company s Common Stock, the NASDAQ Stock Market Index of U.S. Companies, and the Standard and Poor s Aerospace & Defense Index (ticker: S5AEROX) was $100 on June 30, 2001 and that all dividends were reinvested.**

Audit Committee Report

Our Board of Directors has established an Audit Committee of independent directors, which operates under a written charter adopted by the Board of Directors. The charter was amended and restated in May 2004. Our management is responsible for establishing a system of internal controls and for preparing our consolidated financial statements in accordance with generally accepted accounting principles. Our independent accountants, Grant Thornton LLP, are responsible for auditing our consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) and issuing their report based on that audit. Under the Audit Committee s charter, the primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities as to (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements and our Code of Business Conduct and Ethics, (iii) the independent registered public accountants qualifications and independence, and (iv) the performance of the independent registered public accountants. The Audit Committee is also directly responsible for selecting and evaluating the independent registered public accountants; reviewing, with the independent registered public accountants, the plans and scope of the audit engagement; and reviewing with the independent registered public accountants their objectivity and independence.

The members of the Audit Committee are not professional accountants or auditors and, in performing their oversight role, rely without independent verification on the information and representations provided to them by management and Grant Thornton LLP. Accordingly, the Audit Committee s oversight does not provide an independent basis to certify that the audit of the Company s financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with accounting principles generally accepted in the United States, or that Grant Thornton LLP is in fact independent for fiscal year 2006. The Board of Directors has determined that Mr. Thomas B. Pickens is an audit committee financial expert and such person is independent as defined under the federal securities laws.

In connection with the preparation of the audited financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2006:

The Audit Committee reviewed and discussed the audited financial statements with the independent registered public accountants and management.

The Audit Committee discussed with the independent registered public accountants the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees,* as amended. In general, these auditing standards require the auditors to communicate to the Audit Committee certain matters that are incidental to the audit, such as any initiation of, or changes to, significant accounting policies, management judgments, accounting estimates, and audit adjustments; disagreements with management; and the auditors judgment about the quality of our accounting principles.

The Audit Committee received from the independent registered public accountants written disclosures regarding their independence required by Independence Standards Board Standard No. 1 *Independence Discussions with Audit Committees,* and discussed with the auditors their independence. In general, Independence Standards Board Standard No. 1 requires the auditors to disclose to the Audit Committee any relationship between the auditors and its related entities and SPACEHAB that in the auditors professional judgment may reasonably be thought to bear on independence. The Audit Committee also considered whether the independent registered public accountants provision of non-audit services to SPACEHAB was compatible with maintaining their independence.

Based on the review and discussions noted above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements for the year ended June 30, 2006 be included in our Annual Report on Form 10-K filed with the SEC.

This report is submitted by the members of the Audit Committee of the Board of Directors:

Barry A. Williamson (Chairman)

Thomas B. Pickens

James R. Thompson

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Principal Accounting Fees and Services

The firm of Grant Thornton LLP was engaged as the Company s independent registered public accountants in April 2004, and the Company s Audit Committee selected Grant Thornton LLP as the independent registered public accountants to examine the Company s accounts and the accounts of the Company s consolidated subsidiaries for the fiscal year ending June 30, 2006. Set forth below is a summary of the fees SPACEHAB has paid Grant Thornton LLP for professional services rendered for the fiscal years ended June 30, 2006 and 2005. The firm Hein & Associates LLP has been engaged by the firm to perform Tax and Other Related work for the fiscal years ended June 30, 2006 and 2005 for which the summary of fees are set forth below. The Company has also engaged Jefferson Wells Consulting firm to assess the Company s internal controls and policies and procedures in efforts to prepare for Sarbanes Oxley compliance. Following are the summary of fees incurred and paid during the fiscal year ended June 30, 2006.

Audit Fees. As of July 31, 2006 audit fees billed or to be billed by Grant Thornton LLP for professional services provided in the fiscal years ended June 30, 2006 and June 30, 2005 were $232,800 and $200,875, respectively.

Audit-Related Fees. As of July 31, 2006 there were no audit-related fees billed or to be billed by Grant Thornton LLP for the fiscal years ended June 30, 2006 or 2005.

All Other Fees. As of July 31, 2006 all other fees billed or to be billed by Grant Thornton LLP for professional services provided in the fiscal years ended June 30, 2006 and June 30, 2005 were $26,250 and $71,500, respectively.

Audit Committee Pre-Approval Policy

The Audit Committee is responsible for appointing, setting compensation for, and overseeing the work of Grant Thornton LLP, the Company s independent registered public accountants. The Audit Committee has established a policy requiring its pre-approval of all audit and permissible non-audit services to be provided by independent registered public accountants in order to assure that the provision of such services does not impair the auditors independence. The policy, as amended, provides for the general pre-approval of specific types of services and gives detailed guidance to management as to the specific audit, audit-related, and tax services that are eligible for general pre-approval. The policy requires specific pre-approval of the annual audit engagement, most statutory or subsidiary audits, and all permissible non-audit services for which no general pre-approval exists. For both audit and non-audit pre-approvals, the Audit Committee will consider whether such services are consistent with applicable law and SEC rules and regulations concerning auditor independence.

The policy delegates to the Chairman the authority to grant certain specific pre-approvals; provided, however, that the Chairman is required to report the granting of any pre-approvals to the Audit Committee at its next regularly scheduled meeting. The policy prohibits the Audit Committee from delegating to management the committee s responsibility to pre-approve services performed by the independent registered public accountants.

Requests for pre-approval of services must be detailed as to the particular services proposed to be provided and are to be submitted by the CFO. In addition, each such request generally must include a detailed description of the type and scope of services, proposed staffing, a budget of the proposed fees for such services, and a general timetable for the performance of such services.

OTHER MATTERS

The Board of Directors for the Company knows of no matters to be presented at the Annual Meeting other than those described in this proxy statement. In the event that other business properly comes before the meeting, the persons named as proxies will have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own judgment.

Proxy Solicitation Expense

The cost of the solicitation of proxies, of zero dollars will be borne by the Company. In addition to solicitation by mail, directors, officers, and employees of the Company and its subsidiaries, without receiving any additional compensation, may solicit proxies personally or by telephone or facsimile. The Company has retained ADP Investor Communication Services to request brokerage houses, banks, and other custodians or nominees holding stock in their names for others to forward proxy materials to their customers or principals who are the beneficial owners of shares and will reimburse them for their expenses in doing so. The Company does not anticipate that the costs and expenses incurred in connection with this proxy solicitation will exceed those normally expended for a proxy solicitation for those matters to be voted on in the Annual Meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s directors and executive officers and persons who beneficially own more than 10% of the Company s Common Stock to file reports of ownership and changes in ownership with the SEC. Such directors, executive officers, and greater than 10% Shareholders are required by SEC regulation to furnish to the Company copies of all Section 16(a) forms they file. Due dates for the reports are specified by those laws, and the Company is required to disclose in this document any failure in the past fiscal year to file by the required dates. Based solely on written representations of the Company s directors and executive officers and on copies of the reports that they have filed with the SEC, the Company s belief is that all of SPACEHAB s directors and executive officers complied with all filing requirements applicable to them with respect to transactions in the Company s equity securities during fiscal year 2006.

Deadline for Submission of Shareholder Proposals for Next Year s Annual Meeting

The proxy rules adopted by the SEC provide that certain shareholder proposals must be included in the proxy statement for the Company s 2007 Annual Meeting. For a proposal to be considered for inclusion in the Company s proxy materials for the Company s Annual Meeting of Shareholders, it must be received in writing by the Company on or before July 2, 2007 at its principal office, 12130 Highway 3, Building 1, Webster, Texas 77598, Attention: Secretary. If the Company receives notice after September 22, 2007 of a shareholder s intent to present a proposal at the Company s 2007 Annual Meeting, the Company will have the right to exercise discretionary voting authority with respect to such proposal, if presented at the meeting, without including information regarding such proposal in the Company s proxy materials. Shareholders who wish to submit a proposal at next year s Annual Meeting must submit notice of the proposal, in writing and setting forth the information required by the Company s by-laws, to the Company at the address set forth above. Under the Company s by-laws, Shareholders who give notice of a proposal after October 13, 2007 will not be permitted to present the proposal to the Shareholders for a vote at the 2007 Annual Meeting.

The Company s Annual Report on Form 10-K, including the Company s audited financial statements for the year ended June 30, 2006, is being mailed herewith to all Shareholders of record as of the record date.

By Order of the Board of Directors,

Brian K. Harrington
Senior Vice President and
Chief Financial Officer
Secretary and Treasurer

Houston, Texas

October 30, 2006

Each shareholder, whether or not he or she expects to be present in person at the Annual Meeting, is requested to MARK, SIGN, DATE, and RETURN THE ENCLOSED PROXY CARD in the accompanying envelope as promptly as possible. A shareholder may revoke his or her proxy at any time prior to voting.

12130 HIGHWAY 3

BLDG. 1

WEBSTER, TX 77598

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by SPACEHAB, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to SPACEHAB, Inc., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: SPHAB1 KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

SPACEHAB, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The Board of Directors recommends a vote FOR the following items:

	For All	Withhold All	For All Except
(1) To elect to the Board of Directors the following nominees for the term indicated in the proxy statement.	..	..	..

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

Common Shareholders Vote:

01) Dr. Edward E. David, Jr.
02) Roscoe M. Moore, III
03) Barry A. Williamson
04) Michael E. Kearney
05) Thomas B. Pickens, III
06) Myron J. Goins

	For	Against	Abstain
Vote on Proposal			
(2) Ratification of the appointment by the Board of Directors of Grant Thornton LLP as independent public accountants for fiscal year 2007.	..	..	..

In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the meeting, all in accordance with the accompanying Notice and proxy statement, receipt of which is hereby acknowledged.

Sign exactly as name appears hereon. When signing in a representative capacity, please give full title. Joint owners (if any) should each sign.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

SPACEHAB, INCORPORATED

P **Common Stock**

R **THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

O **ANNUAL MEETING OF STOCKHOLDERS December 12, 2006**

X

Y The undersigned hereby appoints Dr. Shelley A. Harrison and Michael E. Kearney, and each of them, as proxies of the undersigned, each with full power to act without the other and with full power of substitution and re-substitution, to vote all the shares of Common Stock of SPACEHAB, Incorporated that the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held on December 12, 2006 at 10:00 a.m., at the Company s Corporate Headquarters, located at 12130 Highway 3, Building 1, Webster, Texas 77598, and at any postponements or adjournments thereof, with all the powers the undersigned would have if personally present, as shown on the reverse side.

IF THIS PROXY IS PROPERLY EXECUTED AND RETURNED, THE SHARES REPRESENTED THEREBY WILL BE VOTED. IF A CHOICE IS SPECIFIED BY THE STOCKHOLDER, THE SHARES WILL BE VOTED ACCORDINGLY. IF NOT OTHERWISE SPECIFIED, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED FOR ITEMS 1 and 2.

(Continued and to be signed on the reverse side)