

SPACEDEV INC
Form POS AM
May 09, 2007

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 9, 2007

Registration Statement No. 333-131778

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST EFFECTIVE AMENDMENT NO. 3*
FORM SB-2
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

SPACEDEV, INC.
(Exact name of registrant as specified in its charter)

COLORADO	3761	84-1374613
(State or other jurisdiction of incorporation or organization)	(Primary standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

13855 Stowe Drive
Poway, California 92064
(858) 375-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Richard B. Slansky
President And Chief Financial Officer
SpaceDev, Inc.
13855 Stowe Drive
Poway, California 92064
(858) 375-2030

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public:
From time to time after the effective date of this registration statement as determined by market conditions and other
factors.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to
Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act,
check the following box and list the securities act registration statement number of the earlier effective registration

statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the securities act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

*This Post Effective Amendment No. 3 is being filed for the sole purpose to report Richard B. Slansky as the Principal Accounting Officer of SpaceDev, Inc., in addition to his role as Principal Financial Officer of the Company. All other information reported in this Post Effective Amendment No. 3 is identical to the information reported in Post Effective No. 2.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective of such date as the Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THE SELLING SHAREHOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT AMENDMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to Completion, Dated May 9, 2007

SPACEDEV, INC.

PROSPECTUS

12,140,280 shares of common stock

This prospectus relates to the sale of up to 12,140,280 shares of our common stock by the selling shareholders identified in this prospectus. The prices at which the selling shareholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We are not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering.

Our common stock is traded on the OTC Bulletin Board under the trading symbol "SPDV.OB," and the closing price of our common stock on April 10, 2007 was \$0.94.

AN INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 6 FOR A DISCUSSION OF THESE RISKS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is May 9, 2007.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The selling shareholders are offering to sell, and are seeking offers to buy, common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the common stock. In this prospectus, "SpaceDev," "we," "us" and "our" refer to SpaceDev, Inc., a Colorado corporation including its wholly-owned active subsidiary, Starsys, Inc., which was acquired by SpaceDev, Inc., on January 31, 2006.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY DOES NOT CONTAIN ALL OF THE INFORMATION YOU SHOULD CONSIDER BEFORE BUYING SHARES IN THIS OFFERING. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING "RISK FACTORS" AND OUR FINANCIAL STATEMENTS BEFORE MAKING AN INVESTMENT DECISION ABOUT OUR COMPANY.

GENERAL

SpaceDev, Inc., including our wholly-owned active subsidiary, Starsys, Inc., which was acquired by us on January 31, 2006, (the "Company," "SpaceDev," "we," "us" or "our") is engaged in the conception, design, development, manufacture, integration, sale and operation of space technology systems, subsystems, products and services, as well as the design, manufacture, and sale of mechanical and electromechanical subsystems and components for spacecraft. We are currently focused on the commercial and military development of low-cost small satellites and related subsystems, hybrid rocket propulsion for space and launch vehicles, subsystems that enable critical spacecraft functions such as pointing solar arrays and communication antennas and restraining, deploying and actuating moving spacecraft components.

Our common stock trades on the OTC Bulletin Board under the trading symbol "SPDV.OB."

PRINCIPAL EXECUTIVE OFFICES

SpaceDev's principal executive office is located at 13855 Stowe Drive, Poway, California 92064. SpaceDev's website can be accessed at <http://www.spacedev.com>. The information on SpaceDev's website is not a part of this prospectus.

THE OFFERING

This prospectus relates to the following shares:

OCTOBER 2005 PRIVATE PLACEMENT

- 2,032,520 shares of common stock were sold to The Laurus Master Fund, Ltd. ("Laurus") at \$1.23 per share pursuant to a securities purchase agreement we entered into in October 2005, which we refer to as the 2005 purchase agreement;
- 450,000 shares of common stock issued or issuable to Laurus and its assigns upon the exercise of warrants at an exercise price of \$1.93 per share granted pursuant to the 2005 purchase agreement;

JANUARY 2006 PRIVATE PLACEMENT

- 4,523,652 shares of common stock issued or issuable to a small syndicate of institutional investors or their assigns upon the conversion or redemption of shares of our Series D-1 Preferred Stock that we sold to the investors pursuant to a securities purchase agreement we entered into in January 2006, which we refer to as the 2006 purchase agreement;
- 1,475,678 shares of common stock issued or issuable to the institutional investors and their assigns upon the exercise of warrants at an exercise price of \$1.51 per share granted pursuant to the 2006 purchase agreement;
- 1,756,757 shares of common stock issued or issuable to the institutional investors and their assigns upon conversion or redemption of shares of Series D-1 Preferred Stock which may be issued upon the exercise of preferred stock unit warrants issued to the investors and their assigns that were granted pursuant to the 2006 purchase agreement. Alternatively, such shares of common stock may be issued pursuant to our exercise of an additional investment option set forth in the 2006 purchase agreement;
- 573,078 shares of common stock issuable to the institutional investors and their assigns upon exercise of warrants which may be issued upon exercise of preferred stock unit warrants issued to the investors and their assigns that were granted pursuant to the 2006 purchase agreement;
- 1,192,886 shares of common stock that may be issued as dividends to the holders of the Series D-1 Preferred Stock for a period of three years from January 2006; and,
- 135,709 shares of common stock that may be issued by us upon conversion or redemption of shares of Series D-1 Preferred Stock that may be issued as liquidated damages for specified breaches of the registration rights agreement entered into among us and the investors, which we refer to as the registration rights agreement.

Each of the January 2006 private placement share amounts listed above have been increased by 30%, as required by the registration rights agreement.

RISK FACTORS

You should consider the following factors and other information in this prospectus relating to our business and prospects before deciding to invest in the securities. This investment involves a high degree of risk, and you should purchase the securities only if you can afford to lose the entire sum invested in these securities. If any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties, including those that are not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition or operating results. You should also refer to the other information in this prospectus, including our consolidated financial statements and the related notes.

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this prospectus and presented elsewhere by management from time to time.

RISKS RELATED TO OUR COMPANY

SPACEDEV AND STARSYS HAVE EXPERIENCED LOSSES FROM OPERATIONS IN PRIOR PERIODS AND HAVE BEEN REQUIRED TO SEEK ADDITIONAL FINANCING TO SUPPORT THEIR BUSINESSES.

In prior years, both SpaceDev and Starsys have experienced operating losses and, in some periods, revenues from operations have not been sufficient to fund our respective operations. On a pro forma basis, our combined company would have had revenue of approximately \$32 million, \$27 million and \$23 million, and a net loss from operations of approximately \$1.0 million, \$2.9 million and \$5.0 million for the years ended December 31, 2006, 2005 and 2004, respectively, assuming the merger had occurred on January 1, 2004. Starsys was insolvent at the time we acquired it. The success of our combined companies depends upon our ability to generate revenue from existing contracts, to execute programs cost-effectively, to price fixed-price contracts accurately, to attract and successfully complete additional government and commercial contracts, and possibly to obtain additional financing. The likelihood of our success must be considered in light of the expenses, difficulties and delays frequently encountered in connection with developing businesses, those historically encountered by us, and the competitive environment in which we operate.

IF WE ARE UNABLE TO RAISE CAPITAL, WE MAY BE UNABLE TO FUND OPERATING CASH SHORTFALLS AND FUTURE GROWTH OPPORTUNITIES.

In the past, both SpaceDev and Starsys have relied upon cash from financing activities to fund part of the cash requirements of their respective businesses. We may need additional financing to fund our projected operations. Additional financing may not be available to us on acceptable terms, or at all. Any financing may cause additional dilution to existing shareholders. Any debt financing or other issuance of securities senior to common stock likely will include financial and other covenants that will restrict our operating flexibility and our ability to pay dividends to shareholders. SpaceDev has not paid dividends on its common stock in the past and does not anticipate paying dividends on its common stock in the foreseeable future.

SOME OF OUR GOVERNMENT CONTRACTS ARE STAGED AND WE CANNOT GUARANTEE THAT ALL STAGES OF THE CONTRACTS WILL BE AWARDED TO US.

Some of our government contracts are phased contracts in which the customer may determine to terminate the contract between phases for any reason. Accordingly, the entire contract amount may not be realized by us. In the event that subsequent phases of some of our government contracts, including but not limited to the Missile Defense Agency contract, are not awarded to us, or if awarded to us but not fully funded, it could have a material adverse effect on our financial position and results of operations. Task Order IV of our Missile Defense Agency contract is currently funded for \$4.5 million. If this funding is not increased and we are not awarded any further task orders, we will have garnered a total of only about \$18 million of the \$43 million potentially available under the contract. We were informed in 2005 that the Missile Defense Agency had re-routed the laser communications experiment to another program and that they would not be exercising their option for the additional microsats at that time; however, the contract vehicle remained at \$43 million and the MDA has authority to substitute other work within this contract vehicle if it wishes to. The MDA has indicated that it may reduce or eliminate funding for the program in GFY 2008 due to government budget allocations and reductions. We are currently negotiating with the Missile Defense Agency to extend funding on Task Order IV, which is part of the fabrication, integration and test phase of the program. The Missile Defense Agency recently extended the end time of Task Order IV from March 1, 2007 to June 15, 2007. We are currently working with the Missile Defense Agency on the level of funding and scope of work to be performed during that period of time. We are also working with other government agencies who may be interested in our microsat program both in addition to, and possibly in place of, the MDA program since there can be no assurances that our discussions with the MDA will be fruitful or that any additional task orders will be awarded in the future or that task order funding will be available.

WE PROVIDE OUR PRODUCTS AND SERVICES PRIMARILY THROUGH FIXED-PRICE AND COST PLUS FIXED FEE CONTRACTS. STARSYS HAS EXPERIENCED SIGNIFICANT LOSSES ON FIXED-PRICE CONTRACTS. COST OVERRUNS MAY RESULT IN FURTHER LOSSES AND, IF SIGNIFICANT, COULD IMPAIR OUR LIQUIDITY POSITION.

Under fixed-price contracts, our customers pay us for work performed and products shipped without adjustment for the costs we incur in the process. Therefore, we generally bear all or a significant portion of the risk of losses as a result of increased costs on these contracts, unless we can obtain voluntary relief from our customer, which relief (or additional consideration) cannot be assured. Although we have taken significant steps to try to limit our risk on fixed price contracts going forward, Starsys has experienced significant cost overruns on development projects under fixed-price contracts, resulting in estimated losses on contracts before application of any reserves of approximately \$2.9 million for Starsys' fiscal 2005 and approximately \$1.7 million for the twelve months ended December 31, 2006. As of December 31, 2006, we retained reserves of approximately \$0.7 million for potential risks on development projects, which had begun prior to the merger in January 2006.

As a particular example, Starsys experienced significant cost overruns throughout 2006 on a sizable subcontract with Northrop Grumman. In early 2007, we were successful in negotiating with our customer for a contract modification based on performance incentives, which, if the performance targets are achieved, would defray some of the cost overruns. Any ongoing significant overruns could materially impair our liquidity and operations.

When contract provisions produce unfavorable results for us, or fixed price development contracts result in losses, we generally do not have the legal or economic leverage needed to easily obtain renegotiated terms. Our customers generally would not fear any threat we might make to withhold future business, and our financial and business position make litigation an unfavorable option for us. On the other hand, the reverse might be true of our customers, who tend to be large aerospace companies with significant resources. In the particular case of two major Starsys fixed-price contracts on which we have experienced significant cost overruns, the customers were willing to work with us and negotiations resulted in contract amendments providing additional incentive payments based on

performance; however, there can be no assurance that future attempts to renegotiate contracts will be successful.

Under cost plus fixed fee contracts, we are reimbursed for allowable incurred costs plus a fee, which may be fixed or variable. There is no guarantee as to the amount of fee we will be awarded under a cost plus fixed fee contract with a variable fee. The price on a cost plus fixed fee reimbursable contract is based on allowable costs incurred, but generally is subject to contract funding limitations. Therefore, we could bear the amount of costs in excess of the funding limitation specified in the contract, and we may not be able to recover those cost overruns.

IF WE FAIL TO INTEGRATE OUR OPERATIONS EFFECTIVELY, THE COMBINATION OF SPACEDEV AND STARSYS WILL NOT REALIZE ALL THE POTENTIAL BENEFITS OF THE MERGER AND MAY BE COUNTER PRODUCTIVE.

The integration of SpaceDev and Starsys is ongoing and may be time consuming and expensive and may disrupt the combined company's operations if it is not completed in a timely and efficient manner. If this integration effort is not successful, the combined company's results of operations could be harmed. In addition, the combined company may not achieve anticipated synergies or other benefits of the merger. The combined company may encounter difficulties, costs and delays involved in integrating their operations, including but not limited to the following:

- failure to successfully manage relationships with customers and other important relationships;
- failure of customers to accept new services or to continue using the products and services of the combined company;
 - difficulties in successfully integrating the management teams and employees of the two companies;
 - potential incompatibility of business cultures;
 - challenges encountered in managing larger, more geographically dispersed operations;
 - the loss of key employees;
 - diversion of the attention of management from other ongoing business concerns;
 - potential incompatibilities of processes, technologies and systems;
 - potential difficulties integrating and harmonizing financial reporting systems; and,
- potential failure to implement systems to properly price and manage the execution of fixed-price contracts.

If the combined company's operations do not meet the expectations of existing customers of either company, these customers may reduce the amount of business or cease doing business with the combined company altogether, which would harm the results of operations and financial condition of the combined company.

We do not believe that the anticipated benefits of the merger were fully realized in the first year. We believe the market price of our common stock may have declined, in part, due to this. Although we believe future results will indicate a more positive trend, if this does not occur, we may not meet the expectations of investors and financial or industry analysts due to:

- the unsuccessful integration of the two companies;
- the costs of or operational difficulties arising from the merger are greater than anticipated;
 - the combined financial results are not consistent with expectations;
 - the anticipated operating and product synergies of the merger are not realized; or,
- the fixed price development contracts acquired in the merger continue to incur major cost overruns or remains unprofitable for other reasons.

WE NEED TO INVEST IN STARSYS TO SUPPORT ITS BUSINESS RECOVERY.

Starsys was insolvent at the time of the merger and we have used our cash to fund our combined operations, including, but not limited to, integrating the Starsys and SpaceDev businesses, and funding the completion of fixed price development contracts inherited as part of the merger. Although the number and value of Starsys' historical fixed price

development contracts is declining, and we believe is being replaced by more stable contract types, further cash may be required in 2007 to complete the fixed price development contracts and fund the remaining integration of the companies. As stated previously, Starsys and the historical SpaceDev business have both experienced losses from operations in prior periods, requiring that we seek additional financing to support our businesses and there can be no assurance that additional financing will be available, and if available, at terms and conditions favorable to us.

A SUBSTANTIAL PORTION OF OUR NET SALES ARE GENERATED FROM GOVERNMENT CONTRACTS, WHICH MAKES US SUSCEPTIBLE TO THE UNCERTAINTIES INHERENT IN THE GOVERNMENT BUDGETING PROCESS. IN ADDITION, MANY OF OUR CONTRACTS CAN BE TERMINATED BY THE CUSTOMER.

Our concentration of government work makes us susceptible to government budget cuts and policy changes, which may impact the award of new contracts or future phases of existing contracts. Government budgets (both in general and as to space and defense projects) are subject to the prevailing political climate, which is subject to change at any time. Additionally, awarded contracts could be altered or terminated prior to the time we recognize our projected revenue. Many contracts are awarded in phases where future phases are not guaranteed to us. For example, in our MDA contract, which was initially valued at \$43 million, if Task Order IV of our Missile Defense Agency contract, which is currently funded for \$4.5 million, is not increased and we are not awarded any further task orders, we will have garnered a total of only about \$18 million of the \$43 million potentially available under the contract. The MDA has indicated that it may reduce or eliminate funding for the program in GFY 2008 due to government budget allocations and reductions. We are currently negotiating with the Missile Defense Agency to extend funding on Task Order IV, which is part of the fabrication, integration and test phase of the program. The Missile Defense Agency recently extended the end time of Task Order IV from March 1, 2007 to June 15, 2007. We are currently working with the Missile Defense Agency on the level of funding and scope of work to be performed during that period of time. We are also working with other government agencies who may be interested in our microsat program both in addition to, and possibly in place of, the MDA program since there can be no assurances that our discussions with the MDA will be fruitful or that any additional task orders will be awarded in the future, or that task order funding will be available.

In addition, obtaining contracts and subcontracts from government agencies is challenging, and contracts often include provisions that are not standard in private commercial transactions. For example, government contracts may:

- include provisions that allow the government agency to terminate the contract without penalty;
- be subject to purchasing decisions of agencies that are subject to political influence;
 - contain onerous procurement procedures; and,
- be subject to cancellation if government funding becomes unavailable.

Securing government contracts can be a protracted process involving competitive bidding. In many cases, unsuccessful bidders may challenge contract awards, which can lead to increased costs, delays and possible loss of the contract for the winning bidder.

In addition, major contracts are often awarded to teams of companies. Therefore, our ability to win contracts may depend not only on our own merits, but also those of our bid team members. Also, if we do not lead the bid team as the prime contractor, we will have limited control over the contract bid and award processes.

SPACEDEV COMMON SHAREHOLDERS WILL EXPERIENCE DILUTION IF OUR PREFERRED STOCK IS CONVERTED OR OUR OUTSTANDING WARRANTS AND OPTIONS ARE EXERCISED.

As of April 10, 2007, we are obligated to issue 6,884,613 shares of our common stock if all of our outstanding warrants are exercised and shares of preferred stock converted. We would however, obtain a significant amount of cash from this exercise. In addition, as of April 10, 2007, we had outstanding stock options to purchase an aggregate of 12,206,417 shares of our common stock, of which 9,831,918 are currently vested. The total number of shares, issuable upon the exercise or conversion of currently vested warrants, options and preferred stock (16,716,530 shares) represents approximately 56% of our issued and outstanding shares of common stock as of April 10, 2007.

OUR LEVEL OF BUSINESS MAY BE DIFFICULT TO PREDICT.

We hope to sell an increasing percentage of our products and services on a recurring basis, but most of our revenue is derived from government contracts and government-related work, which may not be recurring. Government contracts can be defunded or terminated by the Government for convenience. Also, some of our products and services may not achieve market acceptance, and our future prospects may therefore be difficult to evaluate.

In addition to many other risks involving our lines of business, we intend to enter the launch services market by providing a microsat bus, integration services, and a launch vehicle as a package. Until we develop our own launch vehicle, we will be dependent on the performance of third party companies like Space Exploration Technologies, a small company with limited operating history, which has not yet had a successful launch, for our first launch vehicle.

WE MAY NOT SUCCESSFULLY OR TIMELY DEVELOP PRODUCTS.

Many of our products and technologies are currently in various stages of development. Further development and testing of our products and technologies will be required to prove additional performance capability beyond current levels and to confirm commercial viability. Additionally, the final cost of development cannot be determined until development is complete. Most of our development work is in fact performed under contracts from our customers. In the past, we have contracted to execute development programs under fixed price contracts. Under these contracts, even if our costs begin to exceed the amount to be paid by the customer under the contract, we are required to complete the contract without receiving any additional payments from our customer. It is difficult to predict accurately the total cost of executing these programs. If the costs to complete these programs significantly exceed the payments from our customers under the contracts, our results of operations will be harmed. These contracts are inherently risky, and in the past have had material adverse affects to the company; we intend to limit our acceptance of this sort of contract. This will limit our opportunity to develop products at a customer's expense.

Our products and services are and will continue to be subject to significant technological change and innovation. Our success will generally depend on our ability to continue to conceive, design, manufacture, and market new products and services on a cost-effective and timely basis. We anticipate that we will incur significant expenses in the design and initial manufacture and marketing of new products and services. Some of these costs may be covered by our customers or partnership arrangements; however, there can be no assurance that significant costs will not be incurred by us.

THE MARKETPLACE FOR OUR TECHNOLOGY AND PRODUCTS IS UNCERTAIN.

The demand for our technology, products and services is uncertain and we may not obtain a sufficient market share to sustain our business or to increase profitability. Our business plan assumes that near-term revenues will be generated largely from government contracts for microsatellites and electromechanical systems for spacecraft with a long-term commercial market developing for private manned and unmanned space exploration. Microsatellites and commercial space exploration are still relatively new concepts, and it is difficult to predict accurately the ultimate size of the market. In addition, we are developing new product areas such as large deployable structures, solar array drives, slip rings and precision scanning assemblies for spacecraft. Many of our products and services are new and unproven, and the true level of customer demand is uncertain. Lack of significant market acceptance of our products and services, delays in such acceptance, or failure of our markets to develop or grow could negatively affect our business, financial condition, and results of operations.

OUR OPERATING RESULTS COULD FLUCTUATE ON A QUARTERLY AND ANNUAL BASIS, WHICH COULD CAUSE OUR STOCK PRICE TO FLUCTUATE OR DECLINE.

Our operating results may fluctuate from quarter-to-quarter and year-to-year for a variety of reasons, many of which are beyond our control. Factors that could affect our quarterly and annual operating results include those listed below as well as others listed in this "Risk Factors" section:

- we may not be awarded all stages of existing or future contracts;
- significant contracts may be awarded to our competitors rather than to us;
- the timing of new technological advances and product announcements or introductions by us and our competitors;
 - changes in the terms of our arrangements with customers or suppliers;
 - reliance on a few customers for a significant portion of our net sales;
 - the failure of our key suppliers to perform as expected;
- general or particular political conditions that could affect spending for the products that we offer;
 - changes in perception of the safety of space travel;
- cost overruns or other delays or failures to satisfy our obligations under our contracts on a timely basis;
 - the failure of our products to successfully launch or operate;
 - the uncertain market for our technology and products;
- the availability and cost of raw materials and components for our products; and,
 - the potential loss of or inability to hire key personnel.

Our operating results may fall below the expectations of public market analysts or investors. In this event, our stock price could decline significantly.

WE FACE SIGNIFICANT COMPETITION AND MANY OF OUR COMPETITORS HAVE GREATER RESOURCES THAN WE DO.

We face significant competition for our government and commercial contracts. Many of our competitors have greater resources than we do and may be able to devote greater resources than us to research and development, marketing, and lobbying efforts. Given the sophistication inherent in any space company's operations, larger competitors may have a significant advantage and may be able to more efficiently adapt and implement technological advances. In addition, larger and financially stronger corporations have advantages over us in obtaining space and defense contracts due to their superior marketing (lobbying) resources and the perception that they may be a better choice than smaller companies for mission-critical projects because of the higher likelihood that they will be able to continue in business for the necessary future period.

Furthermore, it is possible that other domestic or foreign companies or governments, some with greater experience in the space industry and many with greater financial resources than we possess, could seek to produce products or services that compete with our products or services, including new mechanisms and electromechanical subsystems using new technology which could render our products less viable. Some of our foreign competitors currently benefit from, and others may benefit in the future from, subsidies from or other protective measures implemented by their home countries.

OUR PRODUCTS AND SERVICES MAY NOT FUNCTION WELL UNDER CERTAIN CONDITIONS.

Most of our products are technologically advanced and tested, but sometimes are not space qualified for performance under demanding operating conditions. Although we have never had a failure of our products in space, it is possible that our products may not successfully launch or operate, or perform as intended in space. Like most organizations that have launched space qualified hardware, we have experienced and in the future will likely experience some product and service failures, cost overruns, schedule delays, and other problems in connection with our products.

LAUNCH FAILURES COULD HAVE SERIOUS ADVERSE EFFECTS ON OUR BUSINESS.