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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 27, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 0-21074

SUPERCONDUCTOR TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

Delaware	**77-0158076**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

15511 W State Hwy 71, Suite 110-105, Austin, Texas 78738
(Address of principal executive offices & zip code)

(512) 650-7775
(Registrant's telephone number including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	**SCON**	**The NASDAQ Stock Market LLC**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

We had 31,517,833 shares of our common stock outstanding as of the close of business on August 7, 2020.

SUPERCONDUCTOR TECHNOLOGIES INC.

INDEX TO FORM 10-Q

Three and Six Months Ended June 27, 2020

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995 for these forward-looking statements. Our forward-looking statements relate to future events or our future performance and include, but are not limited to, statements concerning our business strategy, future commercial revenues, market growth, capital requirements, new product introductions, expansion plans and the adequacy of our funding. Other statements contained in this Report that are not historical facts are also forward-looking statements. We have tried, wherever possible, to identify forward-looking statements by using terminology such as "may," "will," "could," "should," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and other comparable terminology.

We caution investors that any forward-looking statements presented in this Report, or that we may make orally or in writing from time to time, are based on our beliefs and assumptions made by, and information currently available to, us. Such statements are based on assumptions and the actual outcome will be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control or ability to predict. Although we believe that our assumptions are reasonable, they are not guarantees of future performance and some will inevitably prove to be incorrect. As a result, our actual future results can be expected to differ from our expectations, and those differences may be material. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include the following:

- *our planned merger with Allied Integral United, Inc. is subject to various uncertainties and risks and to conditions that have not yet been satisfied and there is no assurance the merger will be consummated;*
- *if we fail to complete our merger with Allied Integral United, Inc. we will have limited business options available as we have sold significant portions of our operating assets;*
- *our limited cash and a history of losses;*
- *our need to raise additional capital or complete a strategic alternative for the company. If we are unable to raise capital our ability to implement our current strategic plan and ultimately our viability as a company could be adversely affected;*
- *the impact of any financing activity on the level of our stock price;*
- *the dilutive impact of any issuances of securities to raise capital;*
- *cost and uncertainty from compliance with environmental regulations;*
- *local, regional, national and international economic conditions and events, and the impact they may have on us and our customers; and*
- *we still have not cured our bid-price deficiency on Nasdaq and there is no assurance we will be successful in doing so and if we fail to maintain the listing of our common stock with a U.S. national securities exchange, the liquidity of our common stock could be adversely affected.*

For further discussion of these and other factors see, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Report.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

SUPERCONDUCTOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Commercial product revenues	—	—	10,000	—
Government contract revenues	—	—	174,000	—
Total revenues	—	—	184,000	—
Costs and expenses:				
Cost of commercial product revenues	—	876,000	190,000	1,746,000
Cost of government contract revenues	—	10,000	71,000	17,000
Research and development	—	628,000	178,000	1,253,000
Selling, general and administrative	745,000	1,094,000	1,570,000	1,955,000
Total costs and expenses	745,000	2,608,000	2,009,000	4,971,000
Loss from operations	(745,000)	(2,608,000)	(1,825,000)	(4,971,000)
Other income and expense:				
Other income	1,000	17,000	2,000	45,000
Net loss	$ (744,000)	$ (2,591,000)	$ (1,823,000)	$ (4,926,000)
Basic and diluted net loss per common share	$ (0.03)	$ (0.57)	$ (0.09)	$ (1.25)
Basic and diluted weighted average number of common shares outstanding	24,688,681	4,510,832	22,026,122	3,926,287

See accompanying notes to the unaudited condensed consolidated financial statements.

SUPERCONDUCTOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 27, 2020 (Unaudited)	December 31, 2019 (See Note)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,382,000	$ 713,000
Accounts receivable, net	—	344,000
Inventories, net	68,000	263,000
Prepaid expenses and other current assets	338,000	76,000
Total Current Assets	2,788,000	1,396,000
Property and equipment, net	—	233,000
Patents, licenses and purchased technology, net	—	641,000
Operating lease assets	—	152,000
Other assets	—	60,000
Total Assets	$ 2,788,000	$ 2,482,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 468,000	$ 527,000
Accrued expenses	120,000	292,000
Current operating lease liabilities	—	148,000
Total Current Liabilities	588,000	967,000
Long term operating lease liabilities	—	4,000
Other long term liabilities	—	8,000
Total Liabilities	588,000	979,000
Commitments and Contingencies (Notes 5 and 6)		
Stockholders' Equity:		
Preferred stock, $.001 par value, 2,000,000 shares authorized, 328,925 and 328,925 shares issued and outstanding, respectively	—	—
Common stock, $.001 par value, 250,000,000 shares authorized, 27,509,549 and 17,731,893 shares issued and outstanding, respectively	28,000	18,000
Capital in excess of par value	332,968,000	330,458,000
Accumulated deficit	(330,796,000)	(328,973,000)
Total Stockholders' Equity	2,200,000	1,503,000
Total Liabilities and Stockholders' Equity	$ 2,788,000	$ 2,482,000

See accompanying notes to the unaudited condensed consolidated financial statements.

Note – December 31, 2019 balances were derived from audited financial statements.

SUPERCONDUCTOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 27, 2020	June 29, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,823,000)	$ (4,926,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	38,000	469,000
Stock-based compensation expense	43,000	47,000
Gain from the sale of patents, property and equipment	(510,000)	—
Write-down of intangibles	134,000	—
Obsolete inventory	190,000	—
Changes in assets and liabilities:		
Accounts receivable	344,000	—
Inventories	5,000	(29,000)
Prepaid expenses and other current assets	(242,000)	(153,000)
Accounts payable, accrued expenses and other current liabilities	(209,000)	23,000
Net cash used in operating activities	(2,030,000)	(4,569,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from the sale of patents, property and equipment	1,222,000	—
Net cash used in investing activities	1,222,000	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from the sale of common stock	—	1,421,000
Net proceeds from the exercise of warrants	2,477,000	—
Net cash provided by financing activities	2,477,000	1,421,000
Net increase (decrease) in cash and cash equivalents	1,669,000	(3,148,000)
Cash and cash equivalents at beginning of period	713,000	5,616,000
Cash and cash equivalents at end of period	$ 2,382,000	$ 2,468,000

See accompanying notes to the unaudited condensed consolidated financial statements.

1. General

Please see “Our Future Business” below regarding material information and updates to the following general business description.

Superconductor Technologies Inc. (“STI” and together with our subsidiaries, “we” or “us”) was incorporated in Delaware on May 11, 1987. We developed and produced high temperature superconducting (HTS) materials and associated technologies. We have generated more than 100 patents as well as proprietary trade secrets and manufacturing expertise.

Our initial superconducting products were completed in 1998, and we began delivery to a number of wireless network providers. In the following 14 years, our cost reducing efforts led to the invention of our proprietary, high-yield and high throughput HTS material deposition manufacturing process.

From 2010 through October 2019, we transitioned our research and development efforts to adapting our proprietary HTS material deposition techniques to the production of our HTS Conductus® wire for next generation power applications.

In November 2016, we were selected as the prime recipient of the $4.5 million program award provided by the U.S. Department of Energy’s (DOE) Office of Energy Efficiency and Renewable Energy (EERE), on behalf of the Advanced Manufacturing Office, for its Next Generation Electric Machines (NGEM) program and, in June 2017, the related contract was finalized and we have commenced work under that contract.

In early 2018, we announced the concentration of our future Conductus wire product development efforts on NGEM to capitalize on several accelerating energy megatrends. This refined focus is very synergistic with our program with the Department of Energy (DOE) award for the development of superconducting wire to enable NGEM.

On October 29, 2019, we announced that our Board of Directors, supported by its management team, had commenced a process to explore strategic alternatives focused on maximizing shareholder value.

Strategic alternatives considered included, among others, a strategic investment financing which would allow the company to pursue its current business plan to commercialize the Conductus wire platform, a business combination such as a merger with another party, or a sale of STI.

On January 28, 2020, we announced a cost reduction plan for the purpose of aligning our personnel needs and capital requirements as we explored strategic alternatives previously announced. We will maintain operations of our Sapphire Cryocooler cryogenics initiatives while ceasing additional manufacturing of our HTS Conductus® wire and ceasing work on our DOE contract mentioned above. The plan also included a 70% employee workforce reduction.

Our Future Business

On February 26, 2020, we entered into a definitive merger agreement with Allied Integral United, Inc. (“Clearday”), a privately-held company dedicated to delivering next generation longevity care and wellness services (as amended, the “Merger Agreement”), whereby a wholly-owned subsidiary of STI will merge with and into Clearday in a stock-for-stock transaction with Clearday (the “Merger”).

On May 12, 2020, the Merger Agreement was amended by the parties to (i) add a covenant that the parties shall use their commercially reasonable efforts to cause STI to at all times remain listed on the Nasdaq Capital Market (or higher tier) and that if STI ceases to be listed on the Nasdaq Capital Market then the parties shall (including after the closing of the Merger) use their commercially reasonable efforts to cause STI to become listed on either the Nasdaq Capital Market or the NYSE MKT as promptly as reasonably possible, (ii) remove the conditions to closing the Merger that Nasdaq must determine that all listing deficiencies have been cured and determine to approve the listing of STI’s common stock on the Nasdaq and remove any other provisions in the Merger Agreement of like effect, (iii) extend the “outside date” for the Merger to close until the close of business on September 21, 2020 and (iv) require a customary tax representation letter from STI as a closing condition.

The merged company will focus on the development of Clearday's non-residential daily care service model as well as the continued operation of Clearday's existing Memory Care America residential memory care facilities. As part of plans to develop and expand its assortment of innovative, non-residential daily care services, Clearday intends to leverage STI's existing Cryogenic Cooler as an enabling technology for one of its service offerings in the home healthcare market.

STI's Current Report on Form 8-K, filed on March 3, 2020, contains a summary of the Merger Agreement and attaches the entire Merger Agreement as an exhibit. Such Current Report and its attached copy of the Merger Agreement should be read in their entirety, as the following does not purport to be a summary of the Merger Agreement, but rather merely highlights a few provisions.

The completion of the Merger is subject to customary conditions, including (i) adoption of the Merger Agreement by each of STI and Clearday stockholders, (ii) Nasdaq approval of continued listing of STI Common Stock under its applicable rules, including the rules applicable to its change of control listing application, (iii) the registration statement on Form S-4 being declared effective by the Securities and Exchange Commission ("SEC") and (iv) the STI officers with severance rights entering waiver agreements. Each party's obligation to complete the Merger is also subject to certain additional customary conditions, including (i) subject to certain exceptions, the accuracy of the representations and warranties of the other party, (ii) subject to certain exceptions, performance by the other party of its obligations under the Merger Agreement, (iii) the absence of any Material Adverse Effect (as defined in the Merger Agreement) on the other party and (iv) the absence of any law, order, injunction, decree or other legal restraint preventing the completion of the Merger or making the completion of the Merger illegal. In addition, it is a condition to closing that STI's adjusted net working capital computed in accordance with the terms of the Merger Agreement be not less than negative $250,000 as of immediately prior to the Effective Time (as defined in the Merger Agreement) and that all directors of STI, other than Jeffrey Quiram, STI's current Chief Executive Officer, shall have resigned from the Board of Directors of STI; Mr. Quiram is expected to remain a member of the Board of Directors.

STI also has several rights to terminate the Merger Agreement without paying or receiving a break-up fee, including if (i) Clearday's financial statements for the fiscal years ended December 31, 2018 and December 31, 2019 have either (A) not been delivered to STI on or prior to close of business on March 31, 2020 or such other date that is agreed by STI and Clearday, or (B) not been audited by a PCAOB registered audit firm that is reasonably acceptable to STI and who provides an unqualified audit opinion with respect to such financial statements and such accounting firm provides their consent as experts with respect to such audited financial statements for inclusion in the Registration Statement, or (C) are not, in form or substance, reasonably satisfactory to STI and (ii) if the firm that STI has retained for the purposes of delivering a fairness opinion qualifies its report or analysis, or is unwilling to provide an affirmative opinion as to fairness from a financial point of view, on the basis of the financial information that is delivered by Clearday. The parties also have rights to terminate without paying a break-up fee if their respective disclosure schedules are not timely delivered and are acceptable.

On April 1, 2020, the Company received notice that the Nasdaq Hearings Panel had determined to grant the Company's request for continued listing in light of the Company's planned merger with Clearday. The extension was subject to several conditions.

On June 30, 2020, the Company and a wholly-owned subsidiary of Clearday ("Clearday Sub") entered into a Securities Purchase Agreement (the "Purchase Agreement"), which was consummated on July 6, 2020, pursuant to which STI issued four million (4,000,000) shares of STI Common Stock (without any warrants) in exchange for a preferred equity interest in real estate (described in the related Current Report on Form 8-K) that the Company values at $1.6 million, implying a purchase price of $0.40 per share.

On July 22, 2020, as a result of the increase to the Company's equity from the aforementioned preferred stock transaction, the Nasdaq Hearings Panel confirmed that we had regained compliance with the equity requirement under Nasdaq Listing Rule 5550(b)(1) (the "Equity Rule").

Separately from compliance with the Equity Rule, we will still be required to evidence compliance with the bid price requirement in Nasdaq Listing Rule 5550(a)(2) (the "Price Rule") no later than September 18, 2020. Absent additional relief from Nasdaq, failure to regain and evidence compliance with the Price Rule in a timely manner will result in our delisting from Nasdaq.

We intend to satisfy the Price Rule by taking appropriate action as needed, including through completion of a reverse stock split and/or as a result of completion of the previously announced and pending merger with Allied Integral United, Inc. (a/k/a Clearday), although there is no certainty that either of such actions will be completed in a timely manner or otherwise.

There is no assurance that this ruling provides us sufficient additional time to complete the Merger. In addition, there is no assurance that the SEC will declare our planned Form S-4 effective at all or in a timely manner, nor is there any assurance that the various conditions to the Merger Agreement will be satisfied at all or in a timely manner. In particular, there is no assurance that the financial statements required of Clearday will be provided in a timely manner or that they will be reasonably satisfactory to us.

The Merger Agreement contains customary representations and warranties. The representations, warranties and covenants of each party set forth in the Merger Agreement have been made only for the purposes of, and were and are solely for the benefit of the parties to, the Merger Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Accordingly, the representations and warranties may not describe the actual state of affairs at the date they were made or at any other time, and investors should not rely on them as statements of fact. In addition, such representations and warranties (i) will not survive consummation of the Merger and (ii) were made only as of the date of the Merger Agreement or such other date as is specified in the Merger Agreement. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the parties' public disclosures. Accordingly, the Merger Agreement is included with this filing only to provide investors with information regarding the terms of the Merger Agreement, and not to provide investors with any factual information regarding STI or Clearday, their respective affiliates or their respective businesses. The Merger Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the STI, Clearday, their respective affiliates or their respective businesses, the Merger Agreement and the Merger that will be contained in, or incorporated by reference into, the Registration Statement, as well as in the Forms 10-K, Forms 10-Q and other filings that STI makes with the SEC.

In connection with the proposed transaction between STI and Clearday, the parties intend to file relevant materials with the SEC, including a STI registration statement on Form S-4 that will contain a combined proxy statement/prospectus/information statement. See *"Subsequent Events"* below.

Subsequent to the announcement on January 28, 2020 about our cost reduction plan, we started the process of selling, in separate transactions, assets that we deemed non-essential going forward. The latest such transaction entered into on March 5th, when considered in combination with the prior transactions since January 28, 2020, may be deemed a material definitive purchase agreement for sales of various production, R&D, and testing equipment and selected intellectual property related primarily to our superconducting wire initiative. The aggregate sales prices of the post January 28th transactions was $1.2 million, all sold to purchasers having no affiliation with us. When the transactions were completed we continue to hold production, R&D, and testing assets for our Sapphire cryocooler business, along with the of our intellectual property assets for that product and certain HTS patents. The proceeds from this series of transactions is expected to be sufficient, together with our other capital resources, for us to complete the Merger.

As a result of these sales, we no longer have the ability to resume HTS wire operations without significant new investments and restructured operations and a new HTS wire business plan, neither of which we currently intend to pursue, as we instead focus our efforts on completing the Merger.

2. Summary of Significant Accounting Policies

Basis of Presentation

We have incurred significant net losses since our inception and have an accumulated deficit of $330.8 million. In 2019, we incurred a net loss of $9.2 million and had negative cash flows from operations of $8.8 million. In the six months ended June 27, 2020, we incurred a net loss of $1.8 million and had negative cash flows from operations of $2.0 million. At June 27, 2020, we had $2.4 million in cash and cash equivalents compared to $0.7 million in cash and cash equivalents as of December 31, 2019. In the six months ended June 27, 2020, 9,777,656 warrants were exercised for common shares of our stock in connection with our October 2019 financing, providing us with $2.5 million. Our cash resources may not be sufficient to fund our business through the end of the current fiscal year. Therefore, unless we can successfully implement our strategic alternatives plan including, among others, a strategic investment financing which would allow us to pursue our current business plan, a business combination such as our merger with Clearday, or a sale of STI, we may need to raise additional capital during this fiscal year ending December 31, 2020 to maintain our viability. Additional financing may not be available on acceptable terms or at all. If we issue additional equity securities to raise funds, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. These factors raise substantial doubt about our ability to continue as a going concern.

In 2019, we undertook steps to reduce our ongoing operating costs and we raised net cash proceeds of $3.9 million from the sale of our common and preferred shares and warrants.

On July 24, 2018, we effected a 1-for-10 reverse stock split of our common stock (the "Second Reverse Stock Split"). As a result of the Second Reverse Stock Split, every ten shares of our pre-Second Reverse Stock Split common stock were combined and reclassified into one share of our common stock. The Second Reverse Stock Split did not change the authorized number of shares or the par value of our common stock.

The accompanying condensed consolidated financial statements do not include any adjustments that may result from the outcome of the uncertainties set forth above.

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of Superconductor Technologies Inc. and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated from the condensed consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. Cash and cash equivalents are maintained with what we believe to be quality financial institutions and exceed FDIC limits. Historically, we have not experienced any losses due to such concentration of credit risk.

Accounts Receivable

We grant uncollateralized credit to our customers. We perform usual and customary credit evaluations of our customers before granting credit. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience. Past due balances are reviewed for collectability. Accounts balances are charged off against the allowance when we deem it is probable the receivable will not be recovered. We do not have any off-balance sheet credit exposure related to our customers.

Revenue Recognition

On January 1, 2018, we adopted ASC Topic 606, *Revenue from Contracts with Customers*, and all of the related amendments ("ASC 606") and applied it to all contracts. The adoption of ASC 606 has had no effect to our consolidated financial statements.

Commercial and government contract revenues are recognized once all of the following conditions have been met: a) an authorized purchase order has been received in writing, b) the customer's credit worthiness has been established, c) shipment of the product has occurred, d) title has transferred, and e) if stipulated by the contract, customer acceptance has occurred and all significant vendor obligations, if any, have been satisfied.

Government contract revenues are principally generated under research and development contracts. Revenues from research-related activities are derived from contracts with agencies of the U.S. Government. Credit risk related to accounts receivable arising from such contracts is considered minimal. All payments to us for work performed on contracts with agencies of the U.S. Government are subject to adjustment upon audit by the Defense Contract Audit Agency. Based on historical experience and review of our current project in process, we believe that adjustments from open audits will not have an effect on our financial position, results of operations or cash flows. We are using the expected cost-plus-margin approach as the suitable method for allocating transaction price to the performance obligations in the contract under ASC 606.

Leases

At contract inception, we determine if an arrangement is a lease. Operating leases are included in "Operating lease assets", "Current operating lease liabilities" and "Long term operating lease liabilities" on the condensed consolidated balance sheets. At March 31, 2020 all of our operating lease obligations had expired or were terminated. We have no finance leases. Leases with an initial term of 12 months or less were not recorded on the condensed consolidated balance sheets. Operating lease expense was recognized on a straight-line basis over the lease term. We had lease agreements with lease and non-lease components and had elected to account for the lease and non-lease components as separate components.

Operating lease assets and liabilities were recognized at January 1, 2019, based on the present value of the future minimum lease payments over the lease term. One of our leases contained rent escalation clauses that were factored into our determination of lease payments. Our leases did not provide an implicit rate; we used its incremental borrowing rate based on the information available at the lease commencement date to discount payments to the present value. One of our operating leases contained a renewal option. The exercise of this option was at our discretion. Lease terms included options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Shipping and Handling Fees and Costs

Shipping and handling fees billed to customers are included in net revenues. Shipping and handling fees associated with freight are generally included in cost of revenues.

Warranties

We offer warranties generally ranging from one to five years, depending on the product and negotiated terms of purchase agreements with our customers. Such warranties require us to repair or replace defective products returned to us during such warranty period at no cost to the customer. An estimate by us for warranty related costs is recorded by us at the time of sale based on our actual historical product return rates and expected repair costs. Such costs have been within our expectations.

Indemnities

In connection with the sales and manufacturing of our commercial products, we indemnify, without limit or term, our customers and contract manufacturers against all claims, suits, demands, damages, liabilities, expenses, judgments, settlements and penalties arising from actual or alleged infringement or misappropriation of any intellectual property relating to our products or other claims arising from our products. We cannot reasonably develop an estimate of the maximum potential amount of payments that might be made under our indemnities because of the uncertainty as to whether a claim might arise and how much it might total. Historically, we have not incurred any expenses related to these indemnities.

Research and Development Costs

Research and development costs are charged to expense as incurred and include salary, facility, depreciation and material expenses. Research and development costs are charged to research and development expense.

Inventories

Inventories were stated at the lower of cost or net realizable value, with costs primarily determined using standard costs, which approximate actual costs utilizing the first-in, first-out method. We review inventory quantities on hand and on order and record, on a quarterly basis, a provision for excess and obsolete inventory and/or vendor cancellation charges related to purchase commitments. If the results of the review determine that a write-down is necessary, we recognize a loss in the period in which the loss is identified, whether or not the inventory is retained. Our June 27, 2020 net inventory value was $68,000, compared to a December 31, 2019 value of $263,000. During the three month period ending March 28, 2020 we ceased production of our Conductus wire and expensed the remaining $190,000 of wire inventory. There were no additional inventory adjustments in the three month period ending June 27, 2020. Our inventory reserves establish a new cost basis for inventory and are not reversed until we sell or dispose of the related inventory. Such provisions are established based on historical usage, adjusted for known changes in demands for such products, or the estimated forecast of product demand and production requirements. Costs associated with idle capacity are charged to expense immediately.

Property and Equipment

Property and equipment are recorded at cost. Equipment is depreciated using the straight-line method over their estimated useful lives ranging from three to five years. Leasehold improvements and assets financed under capital leases are amortized over the shorter of their useful lives. Furniture and fixtures are depreciated over seven years. Expenditures for additions and major improvements are capitalized. Expenditures for minor tooling, repairs and maintenance and minor improvements are charged to expense as incurred. When property or equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Gains or losses from retirements and disposals are recorded in selling, general and administration expenses. During the three month period ending March 28, 2020 we ceased production of our Conductus wire and sold most of our production wire equipment for a gain of $510,000. There was no additional gain or loss in the three month period ending June 27, 2020.

Patents, Licenses and Purchased Technology

Patents and licenses are recorded at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or seventeen years. During the three month period ending March 28, 2020 we ceased production of our Conductus wire and sold many Conductus wire patents for no gain or loss and we also recognized a $134,000 impairment of other patents. There was no additional gain or loss in the three month period ending June 27, 2020.

Other Assets and Investments

The realizability of long-lived assets is evaluated periodically as events or circumstances indicate a possible inability to recover the carrying amount. Long-lived assets that will no longer be used in the business are written off in the period identified since they will no longer be used in operations and generate any positive cash flows for us. Periodically, long-lived assets that will continue to be used by us will need to be evaluated for recoverability. Such evaluation is based on various analyses, including cash flow and profitability projections, as well as alternative uses, such as government contracts or awards. The analyses necessarily involve significant management judgment. In the event the projected undiscounted cash flows are less than net book value of the assets, the carrying value of the assets will be written down to their estimated fair value. We tested our long-lived assets at June 27, 2020 and none of our long-lived assets had book value.

Loss Contingencies

In the normal course of our business, we are subject to claims and litigation, including allegations of patent infringement. Liabilities relating to these claims are recorded when it is determined that a loss is probable and the amount of the loss can be reasonably estimated. Legal fees are recorded as services are provided. The costs of our defense in such matters are charged to operations as incurred. Insurance proceeds recoverable are recorded when deemed probable.

Income Taxes

We recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized. The guidance further clarifies the accounting for uncertainty in income taxes and sets a consistent framework to determine the appropriate level of tax reserve to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50% likely to be realized and sets out disclosure requirements to enhance transparency of our tax reserves. Unrecognized tax positions, if ever recognized in the condensed consolidated financial statements, are recorded in the statement of operations as part of the income tax provision. Our policy is to recognize interest and penalties accrued on uncertain tax positions, if any, as part of the income tax provision.

No liabilities for uncertain tax positions were recorded in the current year. No interest or penalties on uncertain tax positions have been expensed to date. We are not under examination by any taxing authorities. Our federal statute of limitations for examination of us is open for 2016 and subsequent filings.

Due to our operating losses, the 2017 Tax Act has not impacted our operating results or income tax expense. The primary impact of the 2017 Tax Act was the re-measurement of our deferred tax assets, based upon the new U.S. statutory corporate tax rate of 21% and the required change to the related valuation allowance. The effective rate adjustment to deferred tax assets, a discrete item for the quarter, is fully offset by a decrease in the valuation allowance. As such, there is no net effective rate impact in our financial statements. No income tax provision was required for the deemed repatriation tax or the global intangible low tax income (GILTI) tax, as our foreign subsidiaries had no cumulative positive earnings and profits.

As of December 31, 2019, we had net operating loss carryforwards for federal and state income tax purposes. We concluded that under the Internal Revenue Code change of control limitations, a maximum of $17.9 million of our $342.4 net operating loss carryforwards, which expire in the years 2020 through 2038, would be available for reduction of taxable income and reduced both the deferred tax asset and valuation allowance accordingly. Due to the uncertainty surrounding their realization, we recorded a full valuation allowance against our net deferred tax assets. Accordingly, no deferred tax asset has been recorded in the accompanying condensed consolidated balance sheets.

Marketing Costs

All costs related to marketing and advertising our products are charged to expense as incurred or at the time the advertising takes place. Advertising costs were not material in each of the three and six months ended June 27, 2020 and June 29, 2019.

Net Loss Per Share

Basic and diluted net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding in each year. Net loss available to common stockholders is computed after deducting accumulated dividends on cumulative preferred stock, deemed dividends and accretion of redemption value on redeemable preferred stock for the period and beneficial conversion features on issuance of convertible preferred stock. Potential common shares are not included in the calculation of diluted loss per share because their effect is anti-dilutive.

Stock-based Compensation Expense

We grant both restricted stock awards and stock options to our key employees, directors and consultants. For the three and six months ended June 27, 2020 and June 29, 2019, no options or awards were granted. The following table presents details of total stock-based compensation expense that is included in each functional line item on our condensed consolidated statements of operations:

	Three months ended		Six months ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of revenue	$ 1,000	$ 1,000	$ 2,000	$ 2,000
Research and development	2,000	2,000	4,000	5,000
Selling, general and administrative	19,000	20,000	37,000	40,000
Total stock-based compensation expense	$ 22,000	$ 23,000	$ 43,000	$ 47,000

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The significant estimates in the preparation of the financial statements relate to the assessment of the carrying amount of accounts receivable, fixed assets, intangibles, estimated provisions for warranty costs, fair value of warrant derivatives, income taxes and disclosures related to litigation. Actual results could differ from those estimates and such differences may be material to the condensed consolidated financial statements.

Fair Value of Financial Instruments

We have estimated the fair value amounts of our financial instruments using the available market information and valuation methodologies considered appropriate. We determined the book value of our cash and cash equivalents and other current liabilities as of June 27, 2020 approximate fair value.

Comprehensive Income

We have no items of other comprehensive income in any period and consequently have not included a Statement of Comprehensive Income.

Segment Information

We have historically operated in a single business segment: the research, development, manufacture and marketing of high performance products used in cellular base stations. We derived net commercial product revenues primarily from the sales of our AmpLink and SuperPlex products which we sold directly to wireless network operators in the United States. Net revenues derived principally from government contracts are presented separately on the consolidated statements of operations for all periods presented. As discussed in this Report, we no longer have the ability to resume HTS wire operations without significant new investments and restructured operations and a new HTS wire business plan, neither of which we currently intend to pursue, as we instead focus our efforts on completing the Merger.

Certain Risks and Uncertainties

On October 29, 2019, we announced that our Board of Directors, supported by its management team, had commenced a process to explore strategic alternatives focused on maximizing shareholder value.

Strategic alternatives considered included, among others, a strategic investment financing which would allow the company to pursue its current business plan to commercialize the Conductus wire platform, a business combination such as a merger with another party, or a sale of STI.

On January 28, 2020, we announced a cost reduction plan for the purpose of aligning our personnel needs and capital requirements as we explored strategic alternatives previously announced. We will maintain operations of our Sapphire Cryocooler cryogenics initiatives while ceasing additional manufacturing of our HTS Conductus® wire. The plan also included a 70% employee workforce reduction.

On February 26, 2020, we entered into a definitive merger agreement Clearday a privately-held company dedicated to delivering next generation longevity care and wellness services, whereby a wholly-owned subsidiary of STI will merge with and into Clearday in a stock-for-stock transaction with Clearday, with Clearday surviving and becoming a wholly-owned subsidiary of STI, which will then change its name to Clearday, Inc. *See "Our Future Business" above for more information.*

3. Stockholders' Equity

The following is a summary of stockholders' equity transactions for the three and six months ended June 27, 2020:

	Convertible Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance at March 28, 2020	328,925	$ —	23,283,609	$23,000	$331,862,000	$(330,052,000)	$1,833,000
Warrant exercises			4,225,940	5,000	1,084,000		1,089,000
Stock-based compensation					22,000		22,000
Net loss						(744,000)	(744,000)
Balance at June 27, 2020	328,925	$ —	27,509,549	$28,000	$332,968,000	$(330,796,000)	$2,200,000

	Convertible Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance at December 31, 2019	328,925	$ —	17,731,893	$18,000	$330,458,000	$(328,973,000)	$ 1,503,000
Warrant exercises			9,777,656	10,000	2,467,000		2,477,000
Stock-based compensation					43,000		43,000
Net loss						(1,823,000)	(1,823,000)
Balance at June 27, 2020	328,925	$ —	27,509,549	$28,000	$332,968,000	$(330,796,000)	$ 2,200,000

The following is a summary of stockholders' equity transactions for the three and six months ended June 29, 2019:

	Convertible Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance at March 30, 2019	328,925	$ —	3,802,609	$4,000	$326,509,000	$(322,079,000)	$ 4,434,000
Issuance of common stock (net of costs)			1,700,000	2,000	1,419,000		1,421,000
Stock-based compensation					23,000		23,000
Net loss						(2,591,000)	(2,591,000)
Balance at June 29, 2019	328,925	$ —	5,502,609	$6,000	$327,951,000	$(324,670,000)	$ 3,287,000

	Convertible Preferred Stock		Common Stock		Capital in Excess of	Accumulated	
	Shares	Amount	Shares	Amount	Par Value	Deficit	Total
Balance at December 31, 2018	330,787	$ —	3,270,609	$3,000	$326,486,000	$(319,744,000)	$ 6,745,000
Conversion of Series E preferred stock to common stock	(1,862)	—	532,000	1,000	(1,000)		—
Issuance of common stock (net of costs)			1,700,000	2,000	1,419,000		1,421,000
Stock-based compensation					47,000		47,000
Net loss						(4,926,000)	(4,926,000)
Balance at June 29, 2019	328,925	$ —	5,502,609	$6,000	$327,951,000	$(324,670,000)	$ 3,287,000

Stock Options

At June 27, 2020, we had two active equity award option plans, the 2003 Equity Incentive Plan and the 2013 Equity Incentive Plan (collectively, the "Stock Option Plan"), although we can only grant new options under the 2013 Equity Incentive Plan. Under our Stock Option Plan, stock awards were made to our directors, key employees, consultants, and non-employee directors and consisted of stock options, restricted stock awards, performance awards, and performance share awards. Stock options were granted at prices no less than the market value on the date of grant. There were no stock option exercises during the three and six months ended June 27, 2020 or during the three and six months ended June 29, 2019.

The impact to the condensed consolidated statements of operations for the three and six months ended June 27, 2020 on net loss was $22,000 and $43,000 and $0.00 and $0.00 on basic and diluted net loss per common share, respectively, compared to $21,000 and $42,000 and $0.01 and $0.01 on basic and diluted net loss per common share for the three and six months ended June 29, 2019. No stock compensation cost was capitalized during either period. The total compensation cost related to nonvested awards not yet recognized was $38,000 and the weighted-average period over which the cost is expected to be recognized was 4 months at June 27, 2020.

The following is a summary of stock option transactions under our Stock Option Plans at June 27, 2020:

	Number of Shares	Price Per Share	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
Balance at December 31, 2019	137,256	$1.92 - $ 5,148	$ 25.20	74,507	$ 44.81
Granted	—				
Exercised	—				
Canceled	58,581	$1.92 - $ 5,148	21.66	31,582	38.53
Balance at June 27, 2020	78,675	$1.92 - $ 4,716	$ 27.84	42,925	$ 49.43

The outstanding options expire on various dates through the end of October 2028. The weighted-average contractual term of options outstanding is 8.2 years and the weighted-average contractual term of stock options currently exercisable is 7.9 years. The exercise prices for these options range from $1.92 to $4,716 per share, for an aggregate exercise price of $2.2 million. At June 27, 2020, no options had an exercise price less than the current market value.

Restricted Stock Awards

The grant date fair value of each share of our restricted stock awards is equal to the fair value of our common stock at the grant date. Shares of restricted stock under awards all have service conditions and vest over one to three years. The following is a summary of our restricted stock award transactions at June 27, 2020:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance nonvested at December 31, 2019	333	$ 10.50
Granted	—	—
Vested	—	—
Forfeited	—	—
Balance nonvested at June 27, 2020	333	$ 10.50

The impact to the condensed consolidated statements of operations for the three and six months ended June 27, 2020 was $1,000 and $2,000 and $0.00 and $0.00, respectively, and $3,000 and $5,000 and $0.00 and $0.00 on basic and diluted net loss per common share for the three and six months ended June 29, 2019, respectively. No stock compensation cost was capitalized during the period. The total compensation cost related to nonvested awards not yet recognized was $1,000 and the weighted-average period over which the cost is expected to be recognized was 3 months.

Warrants

The following is a summary of outstanding warrants at June 27, 2020:

		Common Shares			
		Total	Currently Exercisable	Price per Share	Expiration Date
(1)	Warrants related to March 2015 financing	10,209	10,209	$244.88	September 24, 2020
(2)	Warrants related to October 2015 financing	135,517	135,517	$ 60.00	October 14, 2020
(3)	Warrants related to October 2015 financing	9,034	9,034	$ 65.63	October 14, 2020
(4)	Warrants related to August 2016 financing	53,506	53,506	$ 30.00	February 2, 2022
(5)	Warrants related to August 2016 financing	4,994	4,994	$ 38.55	August 2, 2021
(6)	Warrants related to December 2016 financing	685,667	685,667	$ 20.00	December 14, 2021
(7)	Warrants related to March 2018 financing	158,100	158,100	$ 11.40	September 9, 2023
(8)	Warrants related to March 2018 financing	11,067	11,067	$ 15.80	March 6, 2023
(9)	Warrants related to July 2018 financing	2,571,429	2,571,429	$ 3.50	July 25, 2023
(10)	Warrants related to July 2018 financing	154,286	154,286	$ 4.38	July 25, 2023
(11)	Warrants related to May 2019 financing	119,000	119,000	$ 1.25	May 23, 2024
(12)	Warrants related to October 2019 financing	2,172,000	2,172,000	$ 0.25	October 10, 2024
(13)	Warrants related to October 2019 financing	317,440	317,440	$ 0.31	October 8, 2024

On October 10, 2019 we completed a public offering of an aggregate of 11,834,000 shares of our common stock (or common stock equivalents) and warrants to purchase an aggregate of 11,834,000 shares of common stock with gross proceeds to us of approximately $3.0 million. The warrants are exercisable for five years at an exercise price equal to the public offering price. The offering was priced at $0.25 per share of common stock. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was approximately $2.4 million. The placement agent received warrants to purchase 828,380 shares of common stock, at an exercise price of $0.3125 that will expire October 8, 2024 and are subject to a six month lock-up. In the quarter ended December 31, 2019, 395,284 of these warrants were exercised, providing us with proceeds of $99,000. For the three and six months ended June 27, 2020, 4,225,940 and 9,777,656, respectively, of these warrants were exercised, providing us with proceeds of $1.1 million and $2.5 million, respectively.

On May 23, 2019 we completed a public offering of an aggregate of 1,700,000 shares of our common stock with gross proceeds to us of $1.7 million. The offering was priced at $1.00 per share of common stock. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was approximately $1.4 million. The placement agent received warrants to purchase 119,000 shares of common stock, at an exercise price of $1.25, that are subject to a six month lock-up and will expire May 23, 2024.

On July 30, 2018 we completed a public offering of an aggregate of 2,571,429 shares of our common stock (or common stock equivalents initially in the form of Series E Preferred Stock) and warrants to purchase an aggregate of 2,571,429 shares of common stock with gross proceeds to us of $9.0 million. The net proceeds to us from the offering, after deducting the placement agent fees and our estimated offering expenses, was $7.98 million. The offering was priced at $3.50 per share of common stock (or common stock equivalent), with each share of common stock (or common stock equivalent) sold with one five-year warrant to purchase one share of common stock, at an exercise price of $3.50 per share. The placement agent also received warrants to purchase 154,286 shares of common stock, at an exercise price of $4.375, that are subject to a six month lock-up and will expire July 25, 2023.

On March 7, 2018, we announced the pricing of a registered offering of common stock (and common stock equivalents) with total gross proceeds of approximately $2 million. The closing of the registered public offering was completed on March 9, 2018. The net proceeds to us from the registered offering, after deducting the placement agent fees and our estimated offering expenses, was $1.7 million. In a concurrent private placement, we issued to the investor in the registered offering, an unregistered warrant (the “Warrants”) to purchase one share of common stock for each share of common stock or Pre-funded Warrants purchased in the registered offering. The Warrants have an exercise price of $11.40 per share, shall be exercisable immediately and will expire five years and six months from the date of issuance.

Our warrants are exercisable by paying cash or, solely in the absence of an effective registration statement or prospectus, by cashless exercise for unregistered shares of common stock. The exercise price of the warrants is subject to standard antidilutive provision adjustment in the case of stock dividends or other distributions on shares of common stock or any other equity or equity equivalent securities payable in shares of common stock, stock splits, stock combinations, reclassifications or similar events affecting our common stock, and also, subject to limitations, upon any distribution of assets, including cash, stock or other property to our stockholders. The exercise price of the warrants is not subject to "price-based" anti-dilution adjustment. We have determined that these warrants related to issuance of common stock are subject to equity treatment because the warrant holder has no right to demand cash settlement and there are no unusual anti-dilution rights.

4. Loss Per Share

Basic and diluted net loss per share is based on the weighted-average number of common shares outstanding.

Since their impact would be anti-dilutive, our net loss per common share does not include the effect of the assumed exercise or vesting of the following shares:

	June 27, 2020	June 29, 2019
Outstanding stock options	78,675	140,323
Unvested restricted stock awards	333	1,667
Outstanding warrants	6,402,250	3,914,136
Total	6,481,258	4,056,126

Also, the preferred stock convertible into 1,827 shares of common stock was not included since its impact would be anti-dilutive.

5. Commitments and Contingencies

Operating Leases

We leased our offices and production facility under a non-cancelable operating lease in Austin, Texas that expired in March 2020. The lease contained minimum rent escalation clauses that require additional rental amounts after the first year. This lease contained one five-year renewal option. We leased certain other, less significant, vehicles and equipment. Our operating lease expense was recognized on a straight line basis over the lease terms.

For the three and six months ended June 27, 2020, operating lease expense was $0 and $143,000.

As of March 28, 2020 we had no remaining operating lease obligations.

Patents and Licenses

We had entered into various licensing agreements requiring royalty payments ranging from 0.13% to 2.5% of specified product sales. Certain of these agreements contained provisions for the payment of guaranteed or minimum royalty amounts. Our minimum license obligations were $10,000 per year through 2025. In the event that we fail to pay minimum annual royalties, these licenses may automatically become non-exclusive or be terminated. These royalty obligations terminated at various times from 2020 to 2025. Royalty expense totaled $0 and $11,000 and $10,000 and $10,000, respectively, for the three and six months ended June 27, 2020 and June 29, 2019. During the three month period ending March 28, 2020 we ceased production of our Conductus wire and have not incurred addition royalty expense. Under the terms of certain royalty agreements, royalty payments made may be subject to audit. There have been no audits to date and we do not expect future audit adjustments to be significant.

6. Contractual Guarantees and Indemnities

During our normal course of business, we make certain contractual guarantees and indemnities pursuant to which we may be required to make future payments under specific circumstances. We have not recorded any liability for these contractual guarantees and indemnities in the accompanying condensed consolidated financial statements.

Warranties

We establish reserves for future product warranty costs that are expected to be incurred pursuant to specific warranty provisions with our customers. Our warranty reserves are established at the time of sale and updated throughout the warranty period based upon numerous factors including historical warranty return rates and expenses over various warranty periods.

Intellectual Property Indemnities

We indemnify certain customers and our contract manufacturers against liability arising from third-party claims of intellectual property rights infringement related to our products. These indemnities appear in development and supply agreements with our customers as well as manufacturing service agreements with our contract manufacturers, are not limited in amount or duration and generally survive the expiration of the contract. Given that the amount of potential liabilities related to such indemnities cannot be determined until an infringement claim has been made, we are unable to determine the maximum amount of losses that we could incur related to such indemnities.

Director and Officer Indemnities and Contractual Guarantees

We have entered into indemnification agreements with our directors and executive officers which require us to indemnify such individuals to the fullest extent permitted by Delaware law. Our indemnification obligations under such agreements are not limited in amount or duration. Certain costs incurred in connection with such indemnities may be recovered under certain circumstances under various insurance policies. Given that the amount of any potential liabilities related to such indemnities cannot be determined until a lawsuit has been filed against a director or executive officer, we are unable to determine the maximum amount of losses that we could incur relating to such indemnities. Historically, any amounts payable pursuant to such director and officer indemnities have not had a material negative effect on our business, financial condition or results of operations.

We have also entered into severance and change in control agreements with certain of our executives. These agreements provide for the payment of specific compensation benefits to such executives upon the termination of their employment with us.

General Contractual Indemnities/Products Liability

During the normal course of business, we enter into contracts with customers where we agree to indemnify the other party for personal injury or property damage caused by our products. Our indemnification obligations under such agreements are not generally limited in amount or duration. Given that the amount of any potential liabilities related to such indemnities cannot be determined until a lawsuit has been filed, we are unable to determine the maximum amount of losses that we could incur relating to such indemnities. Historically, any amounts payable pursuant to such indemnities have not had a material negative effect on our business, financial condition or results of operations. We maintain general and product liability insurance as well as errors and omissions insurance which may provide a source of recovery to us in the event of an indemnification claim.

7. Details of Certain Financial Statement Components and Supplemental Disclosures of Cash Flow Information and Non-Cash Activities

Balance Sheet Data:

	June 27, 2020	December 31, 2019
Accounts receivable:		
Accounts receivable-commercial products	$ —	$ 347,000
Less: allowance for doubtful accounts	—	(3,000)
	$ —	$ 344,000

	June 27, 2020	December 31, 2019
Inventories:		
Raw materials	$ —	$ 152,000
Work In Process	68,000	111,000
	$ 68,000	$ 263,000

	June 27, 2020	December 31, 2019
Property and Equipment:		
Equipment	$ 316,000	$ 11,911,000
Leasehold improvements	—	1,065,000
Furniture and fixtures	—	205,000
	316,000	13,181,000
Less: accumulated depreciation and amortization	(316,000)	(12,948,000)
	$ —	$ 233,000

Depreciation expense amounted to $0 and $224,000, respectively, for the three and six month periods ended June 27, 2020 and $224,000 and $447,000, respectively, for the three and six months ended June 29, 2019.

	June 27, 2020	December 31, 2019
Patents and Licenses:		
Patents pending	$ —	$ —
Patents issued	278,000	1,712,000
Less accumulated amortization	(278,000)	(1,071,000)
Net patents issued	—	641,000
	$ —	$ 641,000

Amortization expense related to these items totaled $0 and $11,000, respectively, for the three and six months ended June 27, 2020 and $11,000 and $22,000, respectively, for the three and six months ended June 29, 2019. No amortization expense is expected for the remainder of 2020, 2021 and 2022.

	June 27, 2020	December 31, 2019
Accrued Expenses and Other Long Term Liabilities:		
Salaries Payable	$ 30,000	$ 23,000
Compensated absences	90,000	211,000
Compensation related	—	4,000
Warranty reserve	—	8,000
Operating lease	—	152,000
Other	—	54,000
	120,000	452,000
Less current portion	(120,000)	(440,000)
Long term portion	$ —	$ 12,000

	For the six months ended,	
	June 27, 2020	June 29, 2019
Warranty Reserve Activity:		
Beginning balance	$ 8,000	$ 8,000
Additions	—	—
Deductions	8,000	—
Ending balance	$ —	$ 8,000

8. Subsequent Events

We entered into a Securities Purchase Agreement, which was consummated on July 6, 2020, pursuant to which we issued 4,000,000 shares of our common stock in exchange for a preferred equity interest in real estate we value at $1.6 million, implying a purchase price of $0.40 per share. We determined the valuation of the real estate based on the fact it was acquired by Clearday in an arm’s-length all-cash purchase in November 2019 and a recent broker’s price report.

On July 22, 2020, as a result of the increase to our stockholders equity from this preferred stock transaction in the amount of $1.6 million, which occurred after the end of the second fiscal quarter and therefore is not reflected on the balance sheets contained in this Quarterly Report on Form 10-Q, the Nasdaq Hearings Panel confirmed that we had regained compliance with the equity requirement under Nasdaq Listing Rule 5550(b)(1) (the “Equity Rule”).

Separately from compliance with the Equity Rule, we will still be required to evidence compliance with the bid price requirement in Nasdaq Listing Rule 5550(a)(2) (the "Price Rule") no later than September 18, 2020. Absent additional relief from Nasdaq, failure to regain and evidence compliance with the Price Rule in a timely manner will result in our delisting from Nasdaq.

We intend to satisfy the Price Rule by taking appropriate action as needed, including through completion of a reverse stock split and/or as a result of completion of the previously announced and pending merger with Allied Integral United, Inc. (a/k/a Clearday), although there is no certainty that either of such actions will be completed in a timely manner or otherwise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Please see "Our Future Business" above regarding material information and updates to the information in this section.

Results of Operations

Three and six months ended June 27, 2020 compared to the three and six months ended June 29, 2019

We had $0 and $184,000 of revenues in the three and six months ended June 27, 2020 compared with no revenues in the three and six months ended June 29, 2019. As noted above in *"Our Future Business"* we ceased work on additional manufacturing of our HTS Conductus® wire. We also ceased work on the second phase of our DOE contract after January 2020. In the three and six months ended June 27, 2020, there was $0 and $174,000 government contract revenues compared to no government contract revenues in the three and six months ended June 29, 2019. There were $0 and $10,000 of commercial product revenues in the three and six months ended June 27, 2020, compared to no commercial revenue in the three and six months ended June 29, 2019. Commercial product revenues and government contract revenues are expected to remain near zero as we pursue our announced merger agreement.

Cost of commercial product revenues includes all direct costs, manufacturing overhead and provision for excess and obsolete inventories. These cost decreased to $0 in the second quarter of 2020 compared to $876,000 for the second quarter of 2019. The cost of commercial product revenues decreased by $1,556,000, or 89%, to $190,000 in the first six months of 2020 from $1,746,000 in the same period of 2019. These costs included both variable and fixed cost components. The variable component consists primarily of materials, assembly and test labor, overhead, which includes utilities, transportation costs and warranty costs. The fixed component includes equipment and leasehold depreciation, purchasing expenses and quality assurance costs. As a result, our gross profit margins decrease as revenue and production volumes decline due to lower sales volume and higher amounts of production overhead variances expensed to cost of sales; and our gross profit margins increase as our revenue and production volumes increase due to higher sales volume and lower amounts of production overhead variances expensed to cost of sales.

The following is an analysis of our product gross loss:

	Three months ended		Six months ended	
Dollars in thousands	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Commercial product revenues	$ —	$ 0	$ 10	$ 0
Cost of commercial product revenues	—	876	190	1,746
Gross loss	$ —	$ (876)	$ (180)	$ (1,746)

We had no gross loss in the three months ended June 27, 2020 from the sale of our commercial products compared to a gross loss of $876,000 in the three months ended June 29, 2019. We experienced a gross loss in the six months ended June 27, 2020 and in the first six months of 2019 due to: our increased preproduction manufacturing efforts to bring our Conductus wire to market and; no significant revenue to cover our overhead. In the three and six months ended June 27, 2020 our gross loss decreased due to our discontinued efforts to produce Conductus wire.

In June 2017, we finalized negotiations on a $4.5 million DOE contract and began work on this government contract. Our goals under this contract are to increase current carrying capacity and reduce costs of our Conductus wire. Funding for the second phase of this contact had been delayed until late 2019. We also ceased work on the second phase of our DOE contract after January 2020. Therefore, in the three and six months ended June 27, 2020 our government contract revenues were $0 and $174,000, and cost of government contract revenues were $0 and $71,000, respectively, compared to no government contract revenue in the three and six months ended June 29, 2019.

Research and development expenses relate to the development of new Conductus wire products and new wire products manufacturing processes. These expenses totaled $0 and $178,000, respectively, in the three and six months ended June 27, 2020 compared to $628,000 and $1,253,000, respectively, in the three and six months ended June 29, 2019. Our 2020 expenses were lower compared to 2019 as we ceased these efforts at the end of January 2020 when we stopped work on our Conductus wire.

Selling, general and administrative expenses totaled $0.7 million, and $1.6 million, respectively, in the three and six months ended June 27, 2020 compared to $1.1 million and $2.0 million, respectively, in the three and six months ended June 29, 2019. These expenses were lower in 2020 compared to 2019 principally due to a previously announced cost reduction plan.

Other income of $1,000 and $17,000 for the three months ended June 27, 2020 and June 29, 2019, respectively, and other income of $2,000 and $45,000 for the six months ended June 27, 2020 and June 29, 2019, respectively, was from interest income.

We had a net loss of $0.7 million and $2.6 million for the three months ended June 27, 2020 and June 29, 2019, respectively. The net loss available to common stockholders totaled $0.03 per common share in the three months ended June 27, 2020, compared to a net loss of $0.57 per common share in the three months ended June 29, 2019. For the six months ended June 27, 2020 our net loss totaled $1.8 million compared to a net loss of $4.9 million for the six months ended June 29, 2019. The net loss available to common stockholders totaled $0.09 per common share in the six months ended June 27, 2020, compared to $1.25 per common share in the six months ended June 29, 2019. The per share loss in 2020 is lower due our ceased operations, our cost reduction plan and the increased number of common shares outstanding at June 27, 2020 compared to June 29, 2019.

Liquidity and Capital Resources

Cash Flow Analysis

As of June 27, 2020, we had working capital of $2.2 million, including $2.4 million in cash and cash equivalents, compared to working capital of $0.4 million at December 31, 2019, which included $0.7 million in cash and cash equivalents. We currently invest our excess cash in short-term, investment-grade, money-market instruments with maturities of three months or less.

Cash and cash equivalents increased by $1.7 million from $0.7 million, at December 31, 2019 to $2.4 million at June 27, 2020.

Cash used in operations totaled $2.0 million in the first six months of 2020. We used $2.0 million to fund the cash portion of our net loss with minor changes in our working capital.

We had a gain of $510,000 from the sale of most of our wire manufacturing equipment in the quarter ended March 28, 2020, with no additional sales in the second quarter of 2020.

We determined that certain of our patents were impaired in the quarter ended March 28, 2020 and wrote-down $134,000, with no additional write-down in the second quarter of 2020.

We also determined that certain of our inventory was obsolete in the quarter ended March 28, 2020 and wrote-down $190,000, with no additional write-down in the second quarter of 2020.

In the three and six months ended June 27, 2020, 4,225,940 and 9,777,656, respectively, of warrants were exercised, providing us with proceeds of $1.1 million and $2.5 million, respectively.

Contractual Obligations and Commercial Commitments

We leased all of our properties. All of our leases expired or were terminated in March 2020. We continue to rent certain properties month to month. All of our operations were located in Austin, Texas.

We have not had other material changes outside of the ordinary course of business in our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capital Expenditures

We made no investments for fixed assets in the first half of 2020 and we do not expect to make capital expenditures during the remainder of 2020.

Future Liquidity

For the first six months of 2020, we incurred a net loss of $1.8 million and had negative cash flows from operations of $2.0 million. In the full 2019 year, we incurred a net loss of $9.2 million and had negative cash flows from operations of $8.8 million.

On October 29, 2019, we announced that we had commenced a process to explore strategic alternatives focused on maximizing shareholder value. Strategic alternatives to consider would include, among others, a strategic investment financing which would allow the company to pursue its current business plan to continue to commercialize the Conductus wire platform, a business combination such as a merger with another party, or a sale of the company.

On February 26, 2020, STI, AIU Special Merger Company, Inc., a Delaware corporation and wholly-owned subsidiary of STI ("Merger Sub"), and Clearday, entered into the Merger Agreement, pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Clearday, with Clearday continuing as a wholly-owned subsidiary of STI, and STI would amend its certificate to effect a reverse stock split of its shares of common stock, par value $0.001 per share ("STI Common Stock") and change its name to Clearday, Inc. The Merger is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes and has been approved by the boards of directors of STI and Clearday, respectively. There is no assurance the Merger will be completed.

In the three and six months ended June 27, 2020, 4,225,940 and 9,777,656, respectively, of warrants were exercised, providing us with proceeds of $1.1 million and $2.5 million, respectively

Subsequent to the announcement on January 28, 2020 about our cost reduction plan, we started the process of selling, in separate transactions, assets that we deemed non-essential going forward. The latest such transaction entered into on March 5th, when considered in combination with the prior transactions since January 28, 2020, may be deemed a material definitive purchase agreement for sales of various production, R&D, and testing equipment and selected intellectual property related primarily to our superconducting wire initiative. The aggregate sales prices of the post January 28th transactions was $1.2 million, all sold to purchasers having no affiliation with us. When the transactions completed, we continue to hold production, R&D, and testing assets for our Sapphire cryocooler business, along with intellectual property assets. The proceeds from this series of transactions is expected to be sufficient, together with our other capital resources, for us to complete the Merger, although the Merger is still subject to various material conditions and contingencies.

On June 30, 2020, subsequent to the date of this report, we entered into a Securities Purchase Agreement, which was consummated on July 6, 2020, pursuant to which we issued 4,000,000 shares of our common stock in exchange for a preferred equity interest in real estate we value at $1.6 million, implying a purchase price of $0.40 per share. We determined the valuation of the real estate based on the fact it was acquired by Clearday in an arm's-length all-cash purchase in November 2019 and a recent broker's price report.

Our independent registered public accounting firm has included in their audit reports for 2018 through 2019 an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. These factors raise substantial doubt about our ability to continue as a going concern.

Net Operating Loss Carryforward

As of December 31, 2019, we had net operating loss carryforwards for federal and state income tax purposes. We concluded that under the Internal Revenue Code change of control limitations, a maximum of $17.9 million of our $342.4 million net operating loss carryforwards, of which $325 million expire in the years 2020 through 2038, would be available for reduction of taxable income and reduced both the deferred tax asset and valuation allowance accordingly. Due to the uncertainty surrounding their realization, we recorded a full valuation allowance against our net deferred tax assets. Accordingly, no deferred tax asset has been recorded in the accompanying condensed consolidated balance sheets.

Critical Accounting Policies and Estimates

Our discussion and analysis of our historical financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these condensed consolidated financial statements in conformity with those principles requires us to make estimates of certain items and judgments as to certain future events including for example those related to bad debts, inventories, recovery of long-lived assets (including intangible assets), income taxes, warranty obligations, and contingencies. These determinations, even though inherently subjective and subject to change, affect the reported amounts of our assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. While we believe that our estimates are based on reasonable assumptions and judgments at the time they are made, some of our assumptions, estimates and judgments will inevitably prove to be incorrect. As a result, actual outcomes will likely differ from our accruals, and those differences—positive or negative—could be material. Some of our accruals are subject to adjustment, as we believe appropriate, based on revised estimates and reconciliation to the actual results when available.

In addition, we identified certain critical accounting policies which affect certain of our more significant estimates and assumptions used in preparing our condensed consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. We have not made any material changes to our other policies.

Backlog

Our commercial backlog consisted of accepted product purchase orders with scheduled delivery dates during the next twelve months. We had no commercial backlog at June 27, 2020 and at December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not believe that there was a material change in our exposure to market risk at June 27, 2020 compared with our market risk exposure on December 31, 2019. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Item 4. Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). As of the end of the period covered by this report we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities and Exchange Act of 1934, as amended. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There were no changes in our internal controls over financial reporting during the quarter ended June 27, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We do not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. Excluding ordinary, routine litigation incidental to our business, we are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial condition or results of operation or cash flow.

Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the Securities and Exchange Commission on March 30, 2020. In addition:

Our Merger with Allied Integral United may be put at risk for delays in obtaining their financial statements. Our Nasdaq listing may be put at risk due to the need to complete a reverse split. There is limited information about Allied Integral United.

Allied Integral United is required to deliver audited financial statements to us as part of the Merger. As of the date of this Quarterly Report on Form 10-Q such financial statements have not been delivered. Given these delays, we have concluded that the Merger is unlikely to be completed prior to September 18, 2020, the date by which our bid-price deficiency with Nasdaq must be cured, and therefore, we need to seek stockholders approval for a reverse split to increase our stock price in order to satisfy the Nasdaq's bid price rule by such date. There is no assurance our stockholders will approve a reverse split or that, if approved, the approval will be timely to satisfy the Nasdaq requirements, either of which would likely result in our delisting from Nasdaq. A delisting from Nasdaq would likely be materially adverse to our stock price and liquidity. Even if we timely complete the proposed reverse split, the financial statements of Allied Integral United must be reasonably satisfactory to us and must be delivered before a September 21, 2020 "drop dead" date. If such financials are not delivered to us in a timely manner, or if such financials are not reasonably acceptable to us, the Merger may be subject to risk of termination, and the Company would have to make alternative plans for its future operations, which may be inferior to the Merger or which may impose material costs on us, and/or which may be inadequate to maintain continued listing on Nasdaq. These outcomes could have a material adverse effect on us.

Until audited and interim financial statements and other material business information about Allied Integral United is made publicly available, stockholders should exercise caution before transacting in or holding our stock based on making assumptions about Allied Integral United. Such information would be available in the Registration Statement on Form S-4 to be filed in connection with the Merger, but which is not currently ready due to the delays mentioned above.

The COVID-19 pandemic has disrupted our operations and could have a material adverse effect on our business.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic. The present coronavirus (or COVID-19) pandemic has disrupted our operations and could affect our business, as government authorities impose mandatory closures, work-from-home orders and social distancing protocols or impose other restrictions that could materially adversely affect our business. We have experienced, and may experience in the future, temporary business disruptions while awaiting appropriate government approvals in certain jurisdictions. There may also be long-term effects if the economy or markets in which we operate remain weak or deteriorate further, our business, financial condition and results of operations may be materially and adversely impacted.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits.

Number	Description of Document
2.1	Amendment No. 1 to Agreement and Plan of Merger, by and among Superconductor Technologies Inc., AIU Special Merger Company, Inc. and Allied Integral United, Inc., dated May 12, 2020 (Incorporated by reference to Exhibit 2.1 filed with the Registrant's Form 8-K (File No. 000-21074 filed on May 18, 2020))
31.1	Statement of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Statement of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Statement of CEO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Statement of CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document*

101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*

* Filed herewith.
** Furnished, not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

SUPERCONDUCTOR TECHNOLOGIES INC.

Dated: August 11, 2020

/s/ William J. Buchanan

William J. Buchanan
Chief Financial Officer

/s/ Jeffrey A. Quiram

Jeffrey A. Quiram
President and Chief Executive Officer

EXHIBIT 31.1

Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by
Principal Executive Officer
Regarding Facts and Circumstances Relating to Exchange Act Filings

I, Jeffrey A. Quiram, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Superconductor Technologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2020

/s/ Jeffrey A. Quiram
Jeffrey A. Quiram
President and Chief Executive Officer

EXHIBIT 31.2

Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Principal Financial Officer Regarding Facts and Circumstances Relating to Exchange Act Filings

I, William J. Buchanan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Superconductor Technologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2020

/s/ William J. Buchanan
William J. Buchanan
Chief Financial Officer

Statement Pursuant to Section 906 the Sarbanes-Oxley Act of 2002
By
Principal Executive Officer
Regarding Facts and Circumstances Relating to Exchange Act Filings

Dated: August 11, 2020

I, Jeffrey A. Quiram, Chief Executive Officer of Superconductor Technologies Inc., hereby certify, to my knowledge, that:

1. the accompanying Quarterly Report on Form 10-Q of Superconductor Technologies for the three month period ended June 27, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Superconductor Technologies Inc.

IN WITNESS WHEREOF, the undersigned has executed this Statement as of the date first written above.

/s/ Jeffrey A. Quiram
Jeffrey A. Quiram
President and Chief Executive Officer

EXHIBIT 32.2

Statement Pursuant to Section 906 the Sarbanes-Oxley Act of 2002
By
Principal Financial Officer
Regarding Facts and Circumstances Relating to Exchange Act Filings

Dated: August 11, 2020

I, William J. Buchanan, Chief Financial Officer of Superconductor Technologies Inc., hereby certify, to my knowledge, that:

1. the accompanying Quarterly Report on Form 10-Q of Superconductor Technologies for the period ended June 27, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Superconductor Technologies Inc.

/s/ William J. Buchanan
William J. Buchanan
Chief Financial Officer