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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 3, 2021

[ ] 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)

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 [X] 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 [X] 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 [X]
Smaller reporting company [X]		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 [X]

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	OTCQB

We had 3,151,780 shares of our common stock outstanding as of the close of business on May 11, 2021.

SUPERCONDUCTOR TECHNOLOGIES INC.

INDEX TO FORM 10-Q

Three Months Ended April 3, 2021

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (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 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 the beliefs of, 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.

We have included disclosures throughout this Report that relate to our business as it was conducted prior to the planned merger and asset dispositions described below. Readers are cautioned that both historical and forward looking disclosures regarding our business must be read in conjunction with the information regarding the planned merger and asset dispositions, because some disclosures regarding historical operations may not be indicative of future or current operations and plans. In particular, but without limitation, the reference to our historical business operations regarding our HTS wire should not be viewed as a statement that such operations continue to this day. Please see "Our Future Business" for additional important information.

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, and will likely need to seek bankruptcy protection;*
- *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;*
- *the impact on the level of our stock price due to our September 10, 2020 1-for10 reverse stock split and the NASDAQ decision to delist our common stock effective February 12, 2021; and*
- *local, regional, national and international economic conditions and events, and the impact they may have on us and our customer.*

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 this Report.

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	
	April 3, 2021	March 28, 2020
Commercial product revenues	$ -	$ 10,000
Government contract revenues	-	174,000
Total revenues	-	184,000
Costs and expenses:		
Cost of commercial product revenues	-	190,000
Cost of government contract revenues	-	71,000
Research and development	-	178,000
Selling, general and administrative	569,000	825,000
Total costs and expenses	569,000	1,264,000
Loss from operations	(569,000)	(1,080,000)
Other Income and Expense:		
Other income	-	1,000
Net loss	$ (569,000)	$ (1,079,000)
Basic and diluted net loss per common share	$ (0.18)	$ (0.56)
Basic and diluted weighted average number of common shares outstanding	3,151,780	1,927,279

See accompanying notes to the unaudited condensed consolidated financial statements.

SUPERCONDUCTOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	April 3,2021 (Unaudited)	December 31, 2020 (See Note)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,291,000	$ 1,276,000
Inventories, net	68,000	68,000
Prepaid expenses and other current assets	19,000	76,000
Total Current Assets	1,378,000	1,420,000
Preferred interest in real estate	1,600,000	1,600,000
Total Assets	$ 2,978,000	3,020,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 224,000	$ 180,000
Accrued expenses	30,000	135,000
Total Current Liabilities	254,000	315,000
Long term debt	468,000	-
Total Liabilities	722,000	315,000
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, 25,000,000 shares authorized, 3,151,780 and 3,151,780 shares issued and outstanding, respectively	3,000	3,000
Capital in excess of par value	334,752,000	334,632,000
Accumulated deficit	(332,499,000)	(331,930,000)
Total Stockholders' Equity	2,256,000	2,705,000
Total Liabilities and Stockholders' Equity	$ 2,978,000	$ 3,020,000

See accompanying notes to the unaudited condensed consolidated financial statements.

Note – December 31, 2020 balances were derived from audited financial statements.

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

	Three Months Ended	
	April 3, 2021	March 28, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (569,000)	$ (1,079,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	-	38,000
Stock-based compensation expense	-	21,000
Gain from sale of property and equipment	-	(510,000)
Write-down of intangibles	-	134,000
Obsolete inventory	-	190,000
Changes in assets and liabilities:		
Accounts receivable	-	(124,000)
Inventories	-	5,000
Prepaid expenses and other current assets	(57,000)	(58,000)
Accounts payable, accrued expenses and other current liabilities	173,000	(87,000)
Net cash used in operating activities	(453,000)	(1,470,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from the sale of patents, property and equipment	-	1,212,000
Net cash provided by investing activities	-	1,212,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank loan	468,000	-
Net proceeds from the exercise of warrants	-	1,388,000
Net cash provided by financing activities	468,000	1,388,000
Net increase in cash and cash equivalents	15,000	1,130,000
Cash and cash equivalents at beginning of period	1,276,000	713,000
Cash and cash equivalents at end of period	$ 1,291,000	$ 1,843,000

See accompanying notes to the unaudited condensed consolidated financial statements.

1.General

Please see "Our Future Business" below regarding material information and updates that in many material respects superseded and modify the following general business description.

Superconductor Technologies Inc ("STI") was a leading company in developing and commercializing high temperature superconductor ("HTS") materials and related technologies. Superconductivity is the unique ability to conduct electricity with little or no resistance when cooled to "critical" temperatures. HTS materials are a family of elements that demonstrate superconducting properties at temperatures significantly warmer than previous superconducting materials. Electric currents that flow through conventional conductors encounter resistance. This resistance requires power to overcome and generates heat. HTS materials can substantially improve the performance characteristics of electrical systems, reduce power loss, and lower heat generation providing extremely high current carrying density and zero resistance to direct current.

We were established in 1987 shortly after the discovery of HTS materials. Our stated objective was to develop products based on these materials for the commercial marketplace.

After analyzing the market opportunities available, we decided to develop products for the utility and telecommunications industries.

Our initial product was completed in 1998 and we began delivery to a number of wireless network providers. In the following 13 years, we continued to refine and improve the platform, with the primary focus on improving reliability, increasing performance and runtime, and most importantly, removing cost from the manufacturing process of the required subsystems. Our cost reducing efforts led to the invention of our proprietary, high-yield and high throughput HTS material deposition manufacturing process.

In early 2018, we announced the concentration of our future HTS 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 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 have maintained 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.

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 5, 2020, 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 approximately $1,075,000, all sold to purchasers having no affiliation with us.

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 (as defined below).

Our Future Business

On February 26, 2020, we entered into a definitive merger agreement with Allied Integral United, Inc. (which will change its name to, and is therefore referred herein as, "Clearday"), a privately-held company dedicated to delivering next generation longevity care and wellness services, whereby our wholly-owned subsidiary will merge with and into Clearday in a stock-for-stock transaction with Clearday (the "Merger"), with Clearday surviving and becoming our wholly-owned subsidiary, we will then change our name to Clearday, Inc (the "Merger Agreement").

As previously disclosed, 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

As previously disclosed, due to our failure to comply with its listing conditions, the Nasdaq Stock Market notified us that it intended to complete the delisting of our common stock by filing a Form 25 Notification of Delisting with the U.S. Securities and Exchange Commission, which it did on February 2, 2021. Our common stock is no longer listed on a National Securities Exchange. Our stock trades on the OTC QB Market.

As also previously disclosed, we announced that, although the "outside date" of our Merger Agreement with Clearday has expired, both the Company and Clearday intended to finalize an amendment to the Merger Agreement or enter into a new merger agreement and proceed with a business combination. Clearday has informed us that the listing of our common stock on the Nasdaq would not be a condition to the closing of the merger. The parties are negotiating a new merger agreement (instead of an extension to the Merger Agreement) that would result in a similar all stock reverse acquisition of us. However, there is no assurance that the parties will complete such negotiation successfully or conclude the merger or any transaction at all.

Clearday has paid us $120,000 as a good faith, non-refundable, payment to provide us cash flow support as we negotiate a new merger agreement.

As discussed below, on February 26, 2021, we also obtained a Paycheck Protection Program loan of approximately $468,000. We believe these funds will be sufficient to conclude a merger with Clearday, if one can be negotiated and our shareholders approve the transaction by the third quarter of 2021. There is no assurance that this will occur and indeed there are significant risks that it will not occur.

If a merger is consummated with Clearday, of which there is no assurance, 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 our existing Cryogenic Cooler as an enabling technology for one of its service offerings in the healthcare market.

If a merger is not consummated with Clearday in the near future, we will likely be required to liquidate or declare bankruptcy, in which case there would likely be no payments or value for common stock holders.

2. Summary of Significant Accounting Policies

Basis of Presentation

We have incurred significant net losses since our inception and have an accumulated deficit of $332.5 million. In the three months ended April 3, 2021, we incurred a net loss of $569,000 and negative cash flows from operations of $453,000. In 2020, we incurred a net loss of $3.0 million and had negative cash flows from operations of $3.1 million. In 2020, we had an accumulated deficit of $331.9 million, a net loss of $9.2 million and negative cash flows from operations of $8.8 million. At December 31, 2020, we had $1.3 million in cash. Our cash resources may therefore 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 will need to raise additional capital during this fiscal year ending December 31, 2021 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.

Our plans regarding improving our future liquidity will require us to successfully implement our strategic plan 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, 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.

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 September 9, 2020, we effected a 1-for-10 reverse stock split of our common stock, or the 2020 Reverse Stock Split. As a result of the 2020 Reverse Stock Split, every ten shares of our pre-2020 Reverse Stock Split common stock were combined and reclassified into one share of our common stock. The 2020 Reverse Stock Split changed the authorized number of shares from 250,000,000 to 25,000,000. The par value of our common stock remained $0.001.

Share and per share data included in the Notes to Consolidated Financial Statements have been retroactively adjusted, as applicable, for the effect of the reverse stock splits. Certain of the information contained in the documents incorporated by reference herein and therein present information on our common stock on a pre-reverse stock split basis.

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 ASC topic 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.

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 April 3, 2021 and December 31, 2020 net inventory value was $68,000. 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.

Preferred interest in real estate

We entered into a Securities Purchase Agreement with Clearday, which was consummated on July 6, 2020, pursuant to which we issued 400,000 shares of our common stock in exchange for a preferred interest in real estate we value at $1.6 million, implying a purchase price of $4.00 per share, based on the intraday stock trading price. The fair value of the real estate was based on the fact the building was acquired by Clearday in an arm’s-length all-cash purchase in November 2019 and a recent broker’s price report.

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 or the lease term. 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.

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.

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 April 3, 2021 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.

As of December 31, 2020, 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 $14.2 million of our $297.9 net operating loss carryforwards, which expire in the years 2021 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 quarters ended April 3, 2021 and March 28, 2020.

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 quarters ended April 3, 2021 and March 28, 2020, 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	
	April 3, 2021	**March 28, 2020**
Cost of commercial product revenues	$ -	$ 1,000
Research and development	-	2,000
Selling, general and administrative	-	18,000
Total stock-based compensation expense	$ -	$ 21,000

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 according to their approximate fair value as of April 3, 2021.

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.

Certain Risks and Uncertainties

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 months ended April 3, 2021:

	Convertible Preferred Stock		Common Stock		Capital in Excess of	Accumulated	
	Shares	**Amount**	**Shares**	**Amount**	**Par Value**	**Deficit**	**Total**
Balance at December 31, 2020	328,925	$ -	3,151,780	$ 3,000	$ 334,632,000	$ (331,930,000)	$ 2,705,000
Merger partner contribution		-	-	-	120,000		120,000
Net loss						(569,000)	(569,000)
Balance at April 3, 2021	328,925	$ -	3,151,780	$ 3,000	$ 334,752,000	$ (332,499,000)	$ 2,256,000

The following is a summary of stockholders' equity transactions for the three months ended March 28, 2020:

	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	$ -	1,773,189	$ 2,000	$ 330,474,000	$ (328,973,000)	$ 1,503,000
Warrant exercises		-	555,171	-	1,383,000		1,388,000
Stock-based compensation					21,000		21,000
Net loss						(1,079,000)	(1,079,000)
Balance at March 28, 2020	328,925	$ -	2,328,360	$ 2,000	$ 331,878,000	$ (330,052,000)	$ 1,833,000

Stock Options

At April 3, 2021, 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 months ended April 3, 2021 or during the three months ended March 28, 2020.

The impact to the condensed consolidated statements of operations for the quarter ended April 3, 2021 on net loss was $0 and $0.00 on basic and diluted net loss per common share and for the quarter ended March 28, 2020 the impact was $20,000 and $0.01 on basic and diluted net loss per common share. No stock compensation cost was capitalized during either period. The total compensation cost related to nonvested awards not yet recognized was $0.

The following is a summary of stock option transactions under our Stock Option Plans at April 3, 2021:

	Number of Shares	Price Per Share	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
Balance at December 31, 2020	7,863	$ 19.20 - $ 28,440	$ 255.90	7,863	$ 255.90
Granted	-		-		
Exercised	-		-		
Canceled	12	28,440	28,440	12	28,440
Balance at April 3, 2021	7,851	$ 19.20 - $ 26,280	$ 211.24	7,851	$ 211.24

The outstanding options expire on various dates through the end of October 2028. The weighted-average contractual term of options outstanding is 7.2 years and the weighted-average contractual term of stock options currently exercisable is 7.2 years. The exercise prices for these options range from $19.20 to $26,280 per share, for a total weight-average exercise price of $1.7 million. At April 3, 2021, 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. There were no restricted stock award transactions during the three months ended April 3, 2021.

The impact to the condensed consolidated statements of operations for the three months ended April 3, 2020 was $0 and $0.00 on basic and diluted net loss per common share and for the quarter ended March 28, 2020 the impact was $1,000 and $0.00 on basic and diluted net loss per common share. No stock compensation cost was capitalized during the period. There was no total compensation cost related to nonvested awards not yet recognized at April 3, 2021.

Warrants

The following is a summary of outstanding warrants at April 3, 2021:

	Common Shares			
	Total	Currently Exercisable	Price per Share	Expiration Date
Warrants related to August 2016 financing	5,350	5,350	$ 300.00	February 2, 2022
Warrants related to August 2016 financing	500	500	$ 385.50	August 2, 2021
Warrants related to December 2016 financing	68,567	68,567	$ 200.00	December 14, 2021
Warrants related to March 2018 financing	15,810	15,810	$ 114.00	September 9, 2023
Warrants related to March 2018 financing	1,107	1,107	$ 158.00	March 6, 2023
Warrants related to July 2018 financing	257,143	257,143	$ 35.00	July 25, 2023
Warrants related to July 2018 financing	15,428	15,428	$ 43.75	July 25, 2023
Warrants related to May 2019 financing	11,900	11,900	$ 12.50	May 23, 2024
Warrants related to October 2019 financing	217,200	217,200	$ 2.50	October 10, 2024
Warrants related to October 2019 financing	30,916	30,916	$ 3.13	October 8, 2024

On October 10, 2019 we completed a public offering of an aggregate of 1,183,400 shares of our common stock (or common stock equivalents) and warrants to purchase an aggregate of 1,183,400 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 82,838 shares of common stock, at an exercise price of $3.125, that will expire October 8, 2024 and are subject to a six month lock-up. In the quarter ended December 31, 2019, 39,528 of these warrants were exercised, providing us with proceeds of $99,000. In the quarter ended March 28, 2020, an additional 555,171 of these warrants were exercised, providing us with proceeds of $1.4 million.

On May 23, 2019 we completed a public offering of an aggregate of 170,000 shares of our common stock with gross proceeds to us of $1.7 million. The offering was priced at $10 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 11,900 shares of common stock, at an exercise price of $1.25, that are subject to a nine month lock-up and will expire May 23, 2024.

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:

	April 3, 2021	March 28, 2020
Outstanding stock options	7,851	12,141
Unvested restricted stock awards	-	33
Outstanding warrants	623,921	1,062,819
Total	631,772	1,074,993

Also, the preferred stock convertible into 182 shares of common stock was not included since its impact would be anti-dilutive.

5. Commitments and Contingencies

Operating Leases

We leased all of our properties. All of our operations, including our manufacturing facilities, comprising approximately 94,000 square feet, were located in an industrial complex in Austin, Texas that expired in March 31, 2020. We did not renew this lease as we ceased our Conductus wire manufacturing efforts to pursue our merger with Clearday. Our Austin lease contained a renewal option and also required us to pay utilities, insurance, taxes and other operating expenses.

For the three months ended April 3, 2021, operating lease expense was $0.

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 contain provisions for the payment of guaranteed or minimum royalty amounts. In the event that we fail to pay any minimum annual royalties, these licenses may automatically be terminated**.** These royalty obligations terminate in 2026. Royalty expenses totaled $0 and $11,000 for the three months ended April 3, 2021 and March 28, 2020, respectively. 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 any possible future audit adjustments to be significant.

We have no minimum payments under operating leases and license obligations going forward.

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 indemnifications.

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

Paycheck Protection Program Loan

During March 2021, we received loan proceeds in the amount of $468,000 under the Paycheck Protection Program (the "PPP") of the CARES Act, which was enacted March 27, 2020. The PPP loan is evidenced by a promissory note in favor of the Lender, which bears interest at the rate of 1.00% per annum. No payments of principal or interest are due under the note until the date on which the amount of loan forgiveness (if any) under the CARES Act, which can be up to 10 months after the end of the related notes covered period (which is defined as 24 weeks after the date of the loan) (the "Deferral Period"). The note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the PPP loan may be used only for payroll and related costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred prior to February 15, 2020 (the "Qualifying Expenses"). Under the terms of the PPP loan, certain amounts thereunder may be forgiven if they are used for Qualifying Expenses as described in and in compliance with the CARES Act. The Company utilized the PPP loan proceeds exclusively for Qualifying Expenses during the 24-week coverage period and will submit its application for forgiveness in accordance with the terms of the CARES Act and related guidance. In the event the PPP loan or any portion thereof is forgiven, the amount forgiven is applied to the outstanding principal.

To the extent, if any, that any or all of the PPP loan is not forgiven, beginning one month following expiration of the Deferral Period, and continuing monthly until 24 months from the date of each applicable Note (the "Maturity Date"), the Company is obligated to make monthly payments of principal and interest to the Lender with respect to any unforgiven portion of the Note, in such equal amounts required to fully amortize the principal amount outstanding on such Note as of the last day of the applicable Deferral Period by the applicable Maturity Date. The Company accounts for this loan on the balance sheet as financial liabilities reported as the long-term bank debt in the amount of $468,000.

Balance Sheet Data:

	April 3, 2021	December 31, 2020
Inventories:		
Work In Process	68,000	68,000
	$ 68,000	$ 68,000

	April 3, 2021	December 31, 2020
Property and Equipment:		
Equipment	$ 316,000	$ 316,000
	-	
Less: accumulated depreciation and amortization	316,000	(316,000)
	$ -	$ -

Depreciation expense amounted to $0 and $27,000 for the three month periods ended April 3, 2021 and March 28, 2020, respectively.

	April 3, 2021	December 31, 2020
Patents and Licenses:		
Patents issued	278,000	278,000
Less accumulated amortization	(278,000)	(278,000)
Net patents issued	-	-
	$ -	$ -

Amortization expense related to these items totaled $0 and $11,000 for of the three month periods ended April 3, 2021 and March 28, 2020. No amortization expense is expected for the remainder of 2021, 2022 and 2023.

	April 3, 2021	December 31, 2020
Accrued Expenses and Other Long Term Liabilities:		
Salaries Payable	$ 30,000	$ 10,000
Compensated absences	-	125,000
	30,000	135,000
Less current portion	(30,000)	(135,000)
Long term portion	$ -	$ -

	For the three months ended,	
	April 3, 2021	March 28, 2020
Warranty Reserve Activity:		
Beginning balance	$ -	$ 8,000
Additions	-	-
Deductions	-	-
Ending balance	$ -	$ 8,000

8. Subsequent Events

On May 14, 2021, the Company entered into an agreement and plan of merger with Allied Integral United, Inc. (known as “Clearday”) and a wholly-owned subsidiary of the Company. The agreement terminates the earlier merger agreement between the same parties, dated February 26, 2020, without liability. Subject to satisfaction of the conditions to closing of the merger, which include customary conditions and a minimum net working capital condition, the Company will issue common stock to the shareholders of Clearday such that, at the closing of the merger, the Company’s stockholders, and the Clearday stockholders would own, respectively, approximately 96.35% and 3.65% of the combined company’s outstanding shares. The merger agreement was approved by boards of directors of both companies and is subject to stockholder approval. Assuming satisfaction of conditions, the merger is expected to close in the third quarter of 2021. Clearday was incorporated on December 20, 2017 and commenced its business on December 31, 2018 when it acquired private funds that engaged in several businesses that have been conducted for the prior 15 years. Since December 2018, Clearday has been engaged in developing and providing the next generation of technology-enabled longevity care and wellness solutions, in alignment with the changing characteristics, expectations, and behaviors of the longevity consumer market.

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

General

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 (the"Merger Agreement"), whereby our wholly-owned subsidiary will merge with and into Clearday in a stock-for-stock transaction with Clearday the "Merger").

Results of Operations

Quarter Ended April 3, 2021 compared to the Quarter Ended March 28, 2020

We had $0 of revenue in the first quarter 2021. Total revenues decreased from $184,000 in the first quarter of 2020 to $0 in the first quarter of 2021. As noted above in *"Our Future Business"* we ceased work on additional manufacturing of our HTS Conductus wire. Commercial product revenues and government contract revenues are expected to remain near zero as we pursue our announced merger agreement.

Cost of revenues includes all direct costs, manufacturing overhead, preproduction process development and provision for excess and obsolete inventories. The cost of revenues decreased to $0 in the first quarter of 2021 compared to $190,000 for the first quarter of 2020. Our cost of revenues includes 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:

	For the quarters ended	
	April 3, 2021	**March 28 2020**
	(Dollars in thousands)	
Commercial product revenues	$ -	$ 10
Cost of commercial product revenues	-	190
Gross loss	$ -	$ (180)

We had no commercial revenue and no cost of commercial cost of revenue and, therefore, no gross profit in the first quarter of 2021 from manufacturing of our commercial products compared to a gross loss of $180,000 in the first quarter of 2020. Our first quarter 2021 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. Funding for the second phase of this contact had been delayed until late 2019. Our first quarter 2021 government contract revenues were $0 and cost of government contract revenues was $0, compared to $174,000 and $71,000, respectively, in the first quarter of 2020. Since we have ceased manufacturing of our Conductus wire, we have now concluded our efforts on this contract.

Research and development expenses related to development of new Conductus wire products and new wire products manufacturing processes. Total expenses totaled $0 and $178,000, in the first quarters of 2021 and 2020, respectively. Our 2021 expenses decreased to $0 as we ceased these efforts at the end of January 2020 when we stopped work on our Conductus wire.

Selling, general and administrative expenses were $569,000 and $825,000, in the first quarters of 2021 and 2020, respectively. These expenses were lower in the first quarter of 2021 compared with the first quarter of 2020 principally due to our previously announced cost reduction plan and our reduced operations as we pursue our merger with Clearday.

Other income of $0 and $1,000 in the first quarters of 2021 and 2020, respectively, was from interest income.

We had a net loss of $569,000 and $1.1 million for quarters ended April 3, 2021 and March 28, 2020, respectively. The net loss available to common stockholders totaled $0.18 per common share in the first quarter of 2021, compared to a net loss of $0.56 per common share in the first quarter of 2020. The per share loss in 2021 is lower due to our terminated wire manufacturing efforts, our cost reduction plan and the increased number of common shares outstanding at April 3, 2021 compared to March 28, 2020.

Liquidity and Capital Resources

Cash Flow Analysis

As of April 3, 2021, we had working capital of $1.1 million, including $1.3 million in cash and cash equivalents, compared to working capital of $1.1 million at December 31, 2020, which included $1.3 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 was $1.3 million at April 3, 2021 and December 31, 2019.

Cash used in operations totaled $453,000 in the first quarter of 2021. This amount was used to fund the cash portion of our net loss with virtually no changes in our working capital.

No cash was used in or provided by investing activities in the three months ended April 3, 2021.

In the three months ended April 3, 2021, we received loan proceeds in the amount of $468,000 under the Paycheck Protection Program (the "PPP") of the CARES Act, which was enacted March 27, 2020.

Contractual Obligations and Commercial Commitments

We leased all of our properties. All of our leases expired or were terminated in March 2020. 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, 2020.

Capital Expenditures

We made no investments for fixed assets in the first quarter of 2021 and we do not expect to make capital expenditures during the remainder of 2021.

Future Liquidity

For the quarter ended April 3, 2021, we incurred a net loss of $569,000 and had negative cash flows from operations of $453,000. In the full 2020 year, we incurred a net loss of $3 million and had negative cash flows from operations of $3.1 million.

Clearday made a good faith payment to us of $120,000 in early February 2021, which is non-refundable, to assist with our operating expenses as we negotiate a new merger agreement.

On February 26, 2021, we entered into an unsecured note evidencing our loan under the Paycheck Protection Program (the “PPP Loan”) in the principal amount of approximately $468,000. Proceeds of our PPP Loan may be used for payroll costs, costs related to certain group health care benefits, rent payments, utility payments, mortgage interest payments, interest payments on other debt obligations. Our current plans are to seek partial loan forgiveness in the amount of approximately $150,000, as permitted under the PPP Loan, and to repay the remainder.

Our cash resources are not sufficient to fund our business through the end of the current fiscal year, however, we believe they are sufficient to fund our operations through approximately August 2021, during which time we intend to pursue merger negotiations and, if they are successful, shareholder approval for a merger with Clearday. There is no assurance that these negotiations will be successful or that shareholder approval will be obtained, in which case we likely will need to seek bankruptcy protection. These factors raise substantial doubt about our ability to continue as a going concern.

Net Operating Loss Carryforward

As of December 31, 2020, 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 $14.2 million of our $297.4 million net operating loss carryforwards 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, 2020. 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 April 3, 2021 and at December 31, 2020.

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 April 3, 2021 compared with our market risk exposure on December 31, 2020. 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, 2020.

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 April 3, 2021 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, 2020 filed with the Securities and Exchange Commission on March 31, 2021.

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
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: May 18, 2021

/s/ William J. Buchanan

William J. Buchanan
Chief Financial Officer

/s/ Jeffrey A. Quiram

Jeffrey A. Quiram
President and Chief Executive Officer

<u>EXHIBIT 31.1</u>

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: May 18, 2021

/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: May 18, 2021

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

EXHIBIT 32.1

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: May 18, 2021

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 April 3, 2021 (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: May 18, 2021

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 April 3, 2021 (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