



Official Minutes
ALASKA AEROSPACE CORPORATION
Board of Directors Meeting
May 18, 2015
Anchorage, Alaska

1. Call to Order

A meeting of the Board of Directors of the Alaska Aerospace Corporation (AAC) was called to order at the Alaska Aerospace Corporation Office in Anchorage Alaska on May 18, 2015 at 9:05 a.m. GAMBLE called the meeting to order, roll call was taken and a quorum established.

The following Board members were present:

Patrick K. Gamble, Chair; President, University of Alaska Statewide System
Dr. Robert McCoy; Director, University of Alaska Fairbanks Geophysical Institute
Bruce Abel; CEO, Don Abel Building Supply
Lindsay Knight; Owner, Powerhouse Gym Kodiak
Thomas Walters; Owner, Maritime Helicopters
Dr. David Weldon; Partner, MIMA Physician Group
Dr. Ronald M. Segal; Director, Systems Engineering at CSU
BG Laurel Hummel, Commissioner - DMVA
Robert Doehl; Deputy Commissioner - DMVA
Senator Gary Stevens (Alaska State Legislature), Non-Voting

Also present were Craig E. Campbell, President and CEO; Mark Greby, Sr. Vice President and COO; Matt Steele, Vice President, Business Development; John W. Cramer, Finance and Administration; John Zbitnoff, Business Development & Launch Services; Barry King, Director Range Operations; Barbara Bruggenkamp, Administrative Manager; Tom Klinkner, Legal Counsel, Birch Horton Bittner & Cherot.

2. Approval of the Agenda

GAMBLE asked for approval of the agenda, Knight made a motion and Walters seconded to approve the agenda, roll call vote was taken, the agenda was approved.

3. Approval of the Minutes

KNIGHT motioned, seconded by Abel to approve minutes from the February 12, 2015 Board meeting. Gamble asked for objections, hearing none the minutes were approved.

4. Old Business

None

5. New Business

None

6. President and Chief Executive Officer Report

a. University of Alaska/Lockheed Martin/Alaska Aerospace March Summit with Governor Walker

An Aerospace Summit was held in Juneau on March 5, 2015; Lockheed Martin briefed Governor Walker on their plan for Alaska. We understand where we are with medium lift; however, there is a bigger picture with their overarching plan for Alaska. Lockheed Martin will be submitting a proposal for Long Range Discriminating Radar (LRDR) to the federal government in June with award expected in October. The Governor elected not to support funding but support their submittal.

The LRDR will not have a large play for Alaska Aerospace directly but may be a foothold for Lockheed Martin if they win the procurement. It is very significant to allow them to build internally their position of starting to move assets to Alaska. The idea we would eventually have an integration facility to be shared by the different components of Lockheed Martin and Alaska Aerospace, they are working closely with ASRC to provide Alaskans jobs in a number of locations around the state. The LRDR for Alaska is in excess of \$100M and creates 150 to 200 jobs.

b. Washington DC Trip – April 22-24, 2015

We wanted to give our congressional delegation an update on reconstruction and the relationship between Virginia and Alaska. AAC is under the state insurance plan, while Virginia was not insured. They went to their congressional delegation and asked for \$20M in the NASA Budget for reconstruction of the Antares launch pad at Wallops. It set a bad precedent in the industry to have a state spaceport that did not protect itself compared to Alaska. Our congressional delegation was pleased we were in reconstruction and will be operational again at the end of the year or first quarter of next year.

Update of the FY2015 Federal Funding

We will receive \$2.6M within the next month and have asked our delegation to support an additional \$10M next year. The goal is as long as United Launch Alliance receives their billion-dollar subsidy for operation and sustainment, the state spaceports should receive some federal funding to support federal government missions. Our congressional delegation agreed and will go forward with \$10M. Campbell expressed appreciation of our Legislators and

noted Senator Sullivan wants to look for programs within the Department of Defense to tie funding to us in a programmatic way so it is not added in as additional line items as it is now.

Future Federal Appropriations Discussion

Due to the way the money was distributed this year, next year we plan to streamline the appropriation. Senators Murkowski and Sullivan would like to make it automatic in the baseline budget. It will be direct to the Air Force then to AAC if the plan plays out according to what was discussed.

Alaska Mapping and Imaging Acquisition Request

We have the contract with BlackBridge to sell imaging of Alaska. United States Geological Survey (USGS) has a state mapping program, and there is a federal program to get the imaging completed and mapped. The state needs \$2.8M to finish the project; we support and have asked our Congressional Delegation to put that insert in the USGS to make the money available.

Alabama Senators Defense Staffers

We met with the staffers of the two Alabama Senators, Sessions and Shelby. Both expressed a strong interest in Alaska, as much of what Missile Defense Agency and Space Missile Defense Command is doing in the Pacific will entail Alaska and Hawaii. My vision is senior Senator Shelby in Appropriations and Senator Murkowski will be able to work directly to get the funding programmatically in for the spaceport so that it becomes part of what the federal government routinely does. It is not earmarked for Alaska, it is a program that supports the national defense program and a portion of that goes to make sure the Pacific Spaceport Complex-Alaska is available for the federal government to use when they need to.

Federal Aviation Administration and Commercial Space Transportation Office

We presented our annual update; they issue our license as well as oversee the environmental assessment of the medium lift, and are the office that does everything we do to advance commercial space. I have advocated they are underfunded, this year \$125M was added to their budget to increase staff. The House cut that portion; however, we continue working to encourage the senate to put it back in.

c. Hawaii Alaska Joint Focus Group May 5-6, 2015 Meeting

Our spaceport in Kodiak is a very good model to replicate in other places. Hawaii allows launches to both the equatorial and polar plane. Would it be possible to have Alaska Aerospace be a spaceport for both Hawaii and Alaska? The Super Strypi is a large sounding rocket being developed to put a small satellite in orbit, with the first test the end of the year from the Navy facility on Kauai, Pacific Range Missile Facility (PRMF). Instead of having Hawai'i develop their own facilities, range and space complex it has tentatively been agreed the Alaska Spaceport would be the Spaceport for both states. We have a site identified on the Big Island on private land that would work very well for the Super Strypi launch facility, and the Hawaiians agree. The idea is you would set a standard price and procedure, you

contract your launch with Alaska Aerospace and you pick where you launch. We benefit no matter where you launch from and we can increase our sales capability because we can now provide equatorial, which is 65% of the orbits that most commercial rockets need. This is good for the Pacific and would be good for us to diversify.

McCOY noted the two launches they are allowed each year could quickly become one, and the Hawaiians are not happy with the arrangement. They do not see a future for PMRF and there is a large chunk of the NASA community that really needs this small rocket. Once this starts to work there could be a real push to start up the small launches, right now there is nothing.

GAMBLE asked who funds spaceport Hawaii. Campbell said it most likely would be private financing.

d. Personnel Reduction- In-Force Plan

Campbell is taking a pro-active approach to reducing personnel costs. Between resignations, retirements and layoff we will be down to sixteen full time employees by September. Senior Staff meetings have been held to discuss how far down can we go and still have a viable workforce at the spaceport. We are taking some of the functions we do not need to have staffed full time and make them contract positions. There is a level you need of people to keep the lights on and generators working. Nine in Kodiak and seven in Anchorage is a good number and we will go through this year with that number. To reduce the cost and still provide service for the things we do not need 40 hours a week, I am putting key people under contract so hours can be increased for launches and reduced when not needed. Campbell looks forward to diversification and more business by the end of the year and adding personnel, not reducing.

DR. WELDON asked if the 16 employees could sustain into next year. Campbell answered he could, next year would depend more on if we have expanded any business or had additional revenue.

e. Narrow Cape Lodge (NCL)

Bernie Carl owns NCL; we have had a contract with him for several years and have paid sustainment money when we are not doing launches. I met with Bernie and asked him to think about renegotiating the contract; he is favorable and understands the problem. We have not come to an agreement yet, he knows it will be far less than \$120,000 for the year. It is my goal to retain the lodge, it is a valuable asset when we are selling launches, and we are looking for the middle ground that we can both live with.

7. Senior Vice President and Chief Operations Officer Report

a. LP-1 Demolition Status Report

Over 90% of the deconstruction work has been completed; contracts were awarded to Premier Mechanical, CEI and Big G Electric, all Alaskan companies. We have spent \$2.3M so far, overall budget is approximately \$30M. To strip the skin from the launch service structure we used Arizona State University Best Value process, they came in \$1M less than the next competitor did, they were on budget and on schedule.

A draft request for proposal was released May 7 for reconstruction, design, engineering and completion by BRPH, our architect and engineer. We continue to work with the insurers making sure they are comfortable with what we are working on vs. what they believe is value added so that when we make changes to the facility, it is because we are replacing out dated equipment with newer equipment.

b. Pacific Spaceport Complex-Alaska (PSCA) Reconstruction

In March we held an industry day in Kodiak, there was enough interest to hold a second industry day in Anchorage followed by a day at the Kodiak site. We refined our draft request for proposal, to make a more clear scope of the job.

SENATOR STEVENS noted the \$2.3M into the economy and asked if the public was aware of that.

CAMPBELL answered his concern is the result of the anomaly is causing us to spend the insurance money, and with no future launch and the budget zeroed out, he has been concerned that those who don't support the PSCA could then start arguing that we should not even be rebuilding, just tear it down. He has consciously not wanted to make a press release out of it because both Governor Walker and Insurance Company have supported the reconstruction, and the customer is looking forward to being reconstructed and I did not want to have a debate.

In the Fall we should be on our way and we will dedicate the Range Control Center to Ed Allen, and at that time we will be well under reconstruction and it will be a good time to have a premier of this new facility and Ed Allen's contribution to it.

KING said the Draft Reconstruction Request for Proposal/Scope of Work is 1,000 pages now; we continue to work on the details. We are on schedule to have an award and Authorization to Proceed (ATP) this summer. We believe time from ATP to buyoff will be six to ten months, dependent on weather.

CAMPBELL clarified the Medium Lift is still under AO271, we are working insurance only to replace what is damaged. We could modify this facility for \$3M or \$4M to accommodate Medium Lift.

c. RSTS Modernization Update

In the FY15 Federal Appropriation, \$2.6M is allocated to modernize our systems, we need increased mobility. Currently systems are based on trucks and hard physical structures that do not fit well for shipping, customers want to use our system but it is expensive to transport. We are looking at equipment to fit inside a conex to cut our transportation costs by a third. We plan to have a significant portion complete by September 2016 using the federal appropriations.

d. FY15 Federal Funding Status

The tasks we are specifying: Telemetry and Flight Termination System upgrades and Commercial Launch Operations Development, virtually every spaceport in the world is operating a Department of Defense like system, which is extremely expensive. We want to use the limits of the FAA Commercial launch operator's license in a slightly different way to meet customer demand. The Security Systems upgrade would allow us to run both commercial and DoD or other classified missions in parallel with each other. We can handle data downlink for a commercial customer easier without shutting one down to support the other, as well as making sure our facility is secure at minimal cost to our site.

HUMMELL asked if these items were completely covered in the \$2.6M federal appropriation. Greby said no, not completely, what is covered is how much we are going to spend and we will get to a useable state at every one of these. I would not call them complete at the end of this period but we will use all the \$2.6M, not go over budget or spending our reserves into that. Our target is to work within those budgets to get to an incrementally useable state.

CAMPBELL clarified telemetry and flight termination as an example, the industry is moving toward autonomous where the rocket will have the ability to destroy itself if it exceeds its parameters, although industry is not there yet. We are looking at working with what the Air Force and NASA are studying for their system so we can have that available here. This part will probably only be the study part, aligning ourselves with what the capability needs would be in the future.

Next year's money will be to continue this, especially with telemetry and flight termination. What systems we have to buy will be more than the \$2.6M to completely equip ourselves, we are not going to spend the whole \$2.6M on telemetry, we will spend half a million on security, cameras, and components. This sets the stage for next year's funding; it is going to be a continuation of what we have learned, what we need, and what you need to fund.

e. Commercial Spaceflight Federation

It is an industry organization, I am chair of the Commercial Spaceports Committee. Previously we have discussed the Commercial Space Launch Act (CSLA) that is up for review before the 2016 Budget, it is similar to the previous one, there will be a few things, one of which they are calling human spaceflight participants. It was mostly about space tourism and those changes have worked their way into the CSLA. The only thing that has

made it into the CSLA recommendation is to encourage discussions on insurance that is related to spaceports.

CAMPBELL said the CSLA states when the federal government is not using their facilities they should allow the commercial sector to use them. When you get a large company that comes in, they do not always pay for the services provided. If they come to Kodiak, I have to charge them for the services, it is an incentive to be on the federal range, and our argument has been consistently to balance it fairly. They should make those facilities available for commercial use and you should charge them for it, so the taxpayer is not subsidizing the commercial business. On the federal side, they are doing everything to cut us out of the business by giving CSLA money and not giving full cost accounting.

STEELE noted we lost a launch to Vandenberg because they significantly undercut our cost by the way they do their cost accounting and do not pass all of their costs on to the customer.

8. Vice President for Business Development

a. National Space Symposium Report – April 13-16, 2015

We had a large presence; the rebranding of the Pacific Spaceport Complex-Alaska was emphasized in our booth and advertisement. Many people were interested in our rebranding and what is going on in Alaska Aerospace. It was very productive; we spoke to several of our primary customers and appreciated Dr. Sega's help at our booth.

b. Business Development Summary

We are submitting proposals and have six being evaluated at this time. The tempo is picking up, this runs on a 24-month cycle and we are in the middle of that now. For capturing new business, we are on target, this fall and toward the end of the year, we should see results in a launch contract.

We have started to do media public relations for two reasons; build a positive image in the aerospace community and the Pacific Spaceport Complex-Alaska as well as build a positive image in the Alaska community. We have changed our name and we are still in business, we want people to know what we do for Alaska not just Kodiak.

GAMBLE noted we should not use the word "still" going forward. Campbell said the industry saw that, no panic, no resistance, they understand we are open for business. Sega noted the perspective going forward is less "shifting" and more "adding" the commercial part of the launch portfolio. Our customers on the government side should see we are still part of that feature, national but the profile going forward should be an add on the commercial side.

c. Media and Press Activities

The name change press release was during the Space Symposium. We are trying to get a broader exposure, to promote inside Alaska, it will be part of our ongoing campaign to raise the positive public image of Alaska Aerospace Corporation.

GAMBLE asked Senator Stevens when would be the time to approach the legislature. Senator Stevens suggested getting someone from the House appointed to the Board, possibly the co-chair of finance. Campbell agreed and would follow up.

9. Financial and Administrative Report

a. BlackBridge Imaging Distribution Report

Hunter traveled to Berlin for additional training, this will be a great benefit for marketing. We donate imagery for educational purposes, and made our first installment to the University of Alaska. We also completed our first sale of imagery to the University of Texas to support the oil industry on the North Slope.

We are developing a state mosaic map. There is not a mosaic map of Alaska, we can get about 97% of the state cloud free and will start tasking satellites to get images to develop the map. Plans are to have it finished early winter.

b. FY15 Budget Year-To-Date Actuals

Through April 30, 81.9% of the budget year has elapsed; we are spending below what our target would be. Equipment is up this year due to updating the RSTS to support the mission.

c. FY15 Deferred Maintenance Status

FY14 appropriation, we have projects moving forward that will be zeroed out. FY15 \$2.4M appropriation, we have ongoing projects and expect to have that expended by the end of the fiscal year.

d. FY16 Budget Request

Governor Walker and legislature gave us the authority to receive \$7.824M in AERO Receipts (receipt authority). Discussion continued on receipts and authority.

e. PSCA Rebuild Contract Update

We have received \$6M to date from insurance, and have expended \$2.5. Campbell added the relationship between the insurers, risk management and AAC is working very well.

f. Procurement/Property Management

We have processed 120 procurement actions for \$2.5M. We are in the process of annual state inventory at Kodiak. Another cost saving measure is releasing the Anchorage suite on the other side of the hall; everything will be moved from Suite 103 to Suite 101.

g. Revised Employee Travel Policy

We have implemented a new travel policy; it is not much different from the current state policy. Our goal is to standardize travel and better control costs, there are contracts the state and federal agencies have that we can take advantage of.

h. Equipment Sales

We identified 15 pieces of equipment ranging from trucks, trailers and a road grader that were over mileage or no longer needed at the launch complex. They were sold by sealed bid on May 1, 2015 and we received \$47,000 for these items.

GAMBLE asked if the vehicle program would now be rentals. Cramer said it cleaned up the site, and we do not have the need for as many vehicles. We had a reduction in force, terminated the commuter program in January, and are getting rid of the equipment we do not need. Campbell said he is shifting the burden to the contract, to drive the expenses to the revenues instead of having a big base we pay for waiting for a customer to come use it.

10. Executive Session

“The Board of Directors goes into Executive Session in accordance with the provisions of AS 44.62.310 and may discuss personnel issues and matters of the immediate knowledge of which would clearly have an adverse effect upon the finances of AAC and matters which involve the trade secrets and confidential information of third parties. The session shall include members of the Alaska Aerospace Corporation and such other staff members as the Chairman may designate and shall last approximately 2 hours. Thus, the open session of the Board of Directors shall resume in this room at approximately 12:10 p.m. This motion is effective 2:45 p.m., on May 18, 2015.”

The Board of Directors went into Executive session at 12:10 p.m. and returned to Public session at 2:45 p.m.

11. Resolutions for Action

a. Resolution #15-03:

Resolution Authorizing Each of the President and CEO and the Senior Vice-President and COO to Enter into a Contract(s) with Nossaman, LLP for Professional Services relating to the potential Privatization of Alaska Aerospace Corporation in an Aggregate Amount that Cause the original Contract Amount for AAC-150478-000-OP To Exceed \$100,000.

WALTERS inquired about timing, Campbell explained if the contract is awarded, they would return to the August meeting and present three in depth studies, three alternatives. Campbell understands the board desires: Status quo, Alaska Railroad or Public/Private Partnership models. In August we will discuss that, if there is one you want to concentrate more on to develop, and come back to the November board and as a board agree to a process forward. We can then present legislation to the administration for action in the next session.

The concept is dependent on timing of future business and what comes in, what might be on the table that makes the difference on any of the concepts; one might be more beneficial depending on how much revenue is determined in the future.

ABEL made the motion to adopt the Resolution #15-03, seconded by McCoy; a roll call vote was taken and the motion passed unanimously.

Resolution Authorizing Each of the President and CEO and the Senior Vice-President and COO to Amend a Contract(s) with Nossaman, LLP for Professional Services relating to the potential Privatization of Alaska Aerospace Corporation in an Aggregate Amount that Cause the Original Contract Amount for AAC-150478-000-OP To Exceed \$100,000.

WHEREAS, the State of Alaska Executive Branch desires that the Alaska Aerospace Corporation (AAC) be divested from its current state ownership structure to an organization which operates in a more independent relationship with the State of Alaska, operating more as a private commercial business no longer dependent upon state operations and sustainment funding; and

WHEREAS, AAC has completed two studies evaluating the potential for privatization and has determined there are a number of viable privatization alternatives which could be implemented; and

WHEREAS, it is the desire of the Board of Directors to have a refined plan developed which presents the most viable alternatives for presentation at the Board's August 2015 meeting; and

WHEREAS, it is expected that following the August Board meeting, a final report will be necessary describing the preferred alternative and presenting a timeline, financial plan, legislative plan, and implementation plan for advancing towards privatization of AAC; and

WHEREAS, the total amount of all contracts required to refine potential alternatives and present a reasonable recommendation is expected to exceed \$100,000; and

WHEREAS, AAC previously awarded a sole source professional services contract (AAC-150478-000-OP) to Nossaman, LLP in March 2015 for \$25,000 to provide an initial overview of privatization issues, limitations, and potential options for presentation to the Board of Directors at the May 2015 board meeting; and

WHEREAS, AS 26.27.100(a)(5) authorizes AAC to "make and execute contracts"; and

WHEREAS, AAC Regulation 1.090(b) requires Board approval of all contracts for non-construction related supplies, services or professional services in an amount exceeding \$100,000.

BE IT RESOLVED, that each of the President and CEO and the Senior Vice President and COO hereby is authorized to issue amendments that will cause the aggregate amount of AAC 150478-000-OP with Nossaman LLP to exceed \$100,000, but not to exceed \$125,000; and that from and after execution and delivery of each such amendment each of the President and CEO and the Senior Vice President and COO hereby is authorized, empowered and directed to do all such acts and things and to execute all documents as may be necessary to carry out and comply with the provisions of such contract as executed for a total duration not to exceed nine months from date of the initial contract.

CAMPBELL thanked the board for their support and noted he did not ever want to portray anxiety or the company is in trouble. I believe the politics is minor and we can weather this, the real issue here is what this company is going to be in the next five years. We had better be proactive or the legislative branch will define it for us. I appreciate the board allowing us to start the initial direction that determines what we think is best.

12. Any Other Matters to Properly Come Before the Board

a. Selection of a New Board Chair

KNIGHT nominated Dr. McCoy, Pearce moved nominations be closed, Walters second.

GAMBLE asked McCoy if he were to have the honor bestowed upon him, would he accept. Dr. McCoy affirmed that he would accept if selected. He then asked if there any objections to voting Dr. Bob McCoy in as the next board chair. Hearing none, Dr. McCoy is the new board chair.

CAMPBELL presented Chairman Gamble with a commemorative Launch Photo and expressed appreciation of Gambles hard work making Alaska Aerospace the strong organization it is.

13. Public Comment

a. None

14. Board Member Comments

Members thanked Chairman Gamble for his leadership and good luck with his retirement.

15. Proposed Future Board Meeting Dates

- a. August 6, 2015 (Anchorage)
- b. November 6, 2015 (Anchorage)

16. Adjournment

A motion was made by Knight, seconded by Gamble to adjourn, no objections, meeting adjourned at 3:05 PM.