



Official Minutes  
**ALASKA AEROSPACE CORPORATION**  
**Board of Directors Meeting**  
August 6, 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 August 6, 2015 at 9:00 a.m. Chairman McCoy called the meeting to order, roll call was taken and a quorum established.

The following Board members were present:

Dr. Robert McCoy; Chair, University of Alaska Fairbanks Geophysical Institute  
Drue Pearce, Vice Chair; Senior Policy Advisor, Crowell & Moring  
Patrick K. Gamble, President, University of Alaska Statewide System  
Bruce Abel; CEO, Don Abel Building Supply  
Lindsay Knight; Owner, Powerhouse Gym Kodiak  
Dr. Ronald M. Segal; Director, Systems Engineering at CSU  
Robert Doehl; Deputy Commissioner - DMVA  
Senator Gary Stevens (Alaska State Legislature), Non-Voting  
Representative Louise Stutes (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; Judith Godin, Finance Division Lead; 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**

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

**3. Approval of the Minutes**

KNIGHT motioned, seconded by Pearce to approve minutes from the May 18, 2015 Board meeting, roll call vote was taken and the minutes were approved.

#### 4. Old Business

None

#### 5. New Business

Dr. McCoy presented Janet Julsen with a 10-year service pin and thanked her for her contribution and service to Alaska Aerospace Corporation.

Campbell introduced interns Jason Sebring and Rocky Powers; they thanked AAC for the opportunity, and spoke of their time at the Pacific Launch Complex-Alaska.

#### 6. President and Chief Executive Officer Report

CAMPBELL noted this was a capstone week as we change into a company that is commercially focused and not dependent on state money, and believes this meeting is one of the most important board meetings AAC has had in years. This week we will select a general contractor for reconstruction; it is a \$20M project and is one of the biggest projects done in this company other than the initial build. We are moving forward with our first international endeavor by working with an overseas company to support aerospace development that will have great benefits to Alaska and AAC in the long term. Campbell believes it will provide a competitive edge of services we can provide if Rocket Lab is successful. Shaun O'Donnell, Vice President of Rocket Lab, was at Kodiak this week looking at our Range Safety Telemetry System to determine what it will take to integrate our facility to what Rocket Lab is doing in New Zealand.

##### *a. DC Trip – June 24*

- 2016 National Defense Authorization Act (NDAA)

CAMPBELL and Cramer traveled to Washington DC to meet with the congressional delegation regarding what our future looks like. Our 2015 appropriation is moving forward and we have a signed contract. We have been working to take the 2015 funding and make that a baseline in the Air Force funding for future years. We were successful in the National Defense Authorization Act to get the specific wording in for the Pacific Spaceport Complex Alaska. It does not say specifically you have to use Wallops and PSCA, but those two nonfederal spaceports are of national interest and the federal government needs to consider that when pursuing operations we can support.

Our congressional delegation supported the federal spaceport funding request, the same request we had last year when we asked for \$10M and it ended up being \$6M split between the two spaceports. They will say this is a reoccurring program, the operation and sustainment of these two spaceports is important for U.S. Strategic interests. Senator Murkowski is supportive and is committed to work with Senator Mikulski of Maryland, to help get it included as a floor amendment to be agreed to by both parties. Indication from our congressional delegation is that with the NDAA recognizing the authorization for two spaceports that it will most likely end up with some funding, following last year's

funding in the 2016 budget. If this happens, we will have set the path for two years in row, and it should be easier to be moved into the baseline. That is the goal, for nonfederal spaceports to have a budget line that helps state spaceports support launches from federal launch sites by providing similar funding.

- 2016 Alaska Imaging Funding Request

The State of Alaska has been working on Statewide Mapping for a number of years, and has a gap in funding from the state. United States Geological Survey (USGS) has a program specifically focused on The Alaska Mapping Program, and needs funding to complete that in coordination with the state. We submitted and supported a request for \$1.2M, which was included in the appropriation bill; it seems to have support and the USGS will receive it. We have the contract with BlackBridge for selling imaging on the marketplace; we would offer our imaging capabilities to the state of Alaska and USGS when the money goes through. This is good for the State of Alaska; we are actively supporting it and will be aggressive on trying to win the bid to provide a product when the money comes through.

SENATOR STEVENS asked Campbell if the \$20M reconstruction project was being spent on Alaskan Companies. Campbell answered all three companies in the final selection are from Alaska. The general contractor will probably be an Alaskan Company, and it may have national offices. But it was Alaskans that came to the interview. In a fair and open competition, these Alaskan companies have won on merits.

*b. Rocket Lab Site Visit*

CAMPBELL introduced Shaun O'Donnell, Vice President of Rocket Lab. O'Donnell provided a briefing on the company and their pursuits to open space to more companies with small satellites. Last year they saw a 300% increase in small satellites and it is a two to three year wait to launch. They would like to get to one launch or more a week, and create the technology to that frequency. The key to supporting the high frequency launch plan is an autonomous flight safety system. O'Donnell said they have to complete the design, and get it qualified; and that is where AAC comes in. As well as launching in New Zealand, they are also looking to launch in the United States and multiple locations around the world.

CAMPBELL stated our interest is to get into autonomous flight termination. If we can reduce the cost of launch by taking out the Range Safety side and allowing it to be done by the onboard system, that makes us more competitive. The system from Rocket Lab will be ours to market for use when Alaska Aerospace launches rockets. If they are successful with the Electron rocket, everything you have heard from Shaun about the rocket demand in the future is true. Once a week sounds great, if we get there and they cannot support it, there will have to be launches in Alaska as well. We have the capability to do it and we get some of their business in the United States.

Campbell said they have signed a Memorandum of Agreement for cooperative support through the first four launches of the Electron rocket and development of the Autonomous

Flight Termination System (AFTS). We will get royalty-free rights to use their system on any launch that Alaska Aerospace does, with the caveat that we cannot use it on anything that is in competition to the Electron Rocket.

CAMBELL reported that he and Chairman McCoy had been to New Zealand, where they met CEO Peter Beck and toured the factory. They had a teleconference with the technical group from Alaska Aerospace to confirm what we have the capability to do, and it was after that that Rocket Lab proposed we move to the Memorandum of Agreement.

*c. Narrow Cape Lodge Update*

When we get a launch, the customer sets up the contract at the lodge. Mr. Karl has traditionally been charging per diem to provide food, services and a room. We have been providing Karl sustainment funds for the last few years because we have not had launches. Our agreement was that he would bring the camp to Kodiak so he could house people for launches. We agreed to keep sustainment payments going on a monthly basis to keep the facility available when we need it. We did use it for the last launch, reconstruction, and cleanup work and as he gets customers, the sustainment payments go down. We would like to reduce the payments but still keep the lodge. We met with Mr. Karl and asked if we could work a deal to acquire the lodge. We did agree to explore how that acquisition would occur at a very low cost and we have initiated talks with Mr. Klinkner, our legal counsel. The last report was Mr. Karl and his attorney were working on it. Our target is to get a contract to bring to the board at the November meeting. We would see tremendous savings if we were the owner of the Lodge. Campbell believes it is a good path if the price is right.

*d. Pacific Spaceport Complex – Alaska Launch Control Operations Center Dedication  
August 24, 2015*

We will have a ceremony and formally dedicate the Launch Operations Control Center (LOCC) in the name of Ed Allen. Ed was one of the most influential people in where we are today as far as being a professional aerospace company with the launch capability in Kodiak. Campbell said Board members were invited as representatives of the corporation and travel would be paid.

## **7. Senior Vice President and Chief Operations Officer Report**

*a. Pacific Spaceport Complex Alaska (PSCA) Reconstruction Status Report*

- PSCA Rebuild Contract Update

GREBY said most of his report was about PSCA reconstruction run by Barry King, Program Manager.

- PSCA Rebuild Timeline

KING said the demolition contract is complete. The painters are on site and electrical and mechanical contracts are ongoing. Reconstruction General Contractor (GC) proposals were received on July 30. We have interviewed all the General Contractors. Our Notice to Proceed will be August 24, and start after Labor Day. Reconstruction is about a 270-day schedule.

- Insurance Payments

We have told the insurance company what we have paid. Initial estimate for total cost was between \$25 – \$30M. Based on the proposal costs received from the General Contractors and spent to date, we are still on target.

*b. FY 2015 Federal Funding Contract Status*

We were allocated \$2.6M from the federal government. We are focusing on three projects: Upgrade of our Telemetry and Flight Termination Systems with two prongs - one going after the autonomous flight termination system and the physical upgrade of our hardware and software capabilities. The second project is commercialized launch processing staffing, a big key to weaning ourselves off the government use and being more commercial and effective. The third project is an upgrade of Site Security Systems and is expected to be completed by September 30, 2016.

*c. New PSCA Range User's Manual*

GREBY reported a new PSCA Range User's Manual has been developed and released with much effort by King. It is not so much as a technical document, but an informational and marketing document.

## **8. Vice President for Business Development**

*a. Business Development Pursuits*

STEELE said the first year was spent identifying key customers. Now he is starting the proposal process, reporting PSCA has had four tours by prospective customers in the last quarter. By next year at this time, we should have some contracts with a diversified customer base so we are not single strength.

## **9. Financial and Administrative Report**

*a. FY15 Budget Closeout Report*

CRAMER said efforts early in the year produced a significant saving for the company.

*b. FY15 Deferred Maintenance Status*

CRAMER reported there are a number of projects associated with the deferred maintenance dollars to be executed this fiscal year. Campbell said we did not receive any deferred maintenance dollars for FY16. Some projects have been pushed back due to the reconstruction.

*c. FY16 Budget Status*

The Governor and Legislature approved \$11.218M budget, however there are no general fund dollars associated with this operating budget. Campbell noted that we asked for \$11M and we are only at \$7.7M. We are downsizing and \$7.7M is a good number. We are trying to get less expensive for our customer and need to reduce our budget. Cramer reported Alaska Aerospace has not passed on the cost of living raises approved by the Governor to stay within our boundaries.

*d. Reconstruction Financial Report*

GREBY and King covered the reconstruction finance report. Insurance proceeds to date are \$11,518,687. Campbell acknowledged State Risk Management and Scott Jordon, Risk Management Director has been doing a phenomenal job in making sure what the insurance companies are doing stays in line with what we need done. This team has also done a tremendous job of getting best value, when we said it's going to be about \$30M – it will be and rebuilt correctly.

*e. Personnel Retirements/Resignations*

Since May we have had a staff reduction of six employees, and are anticipating two more departures. We have let Department of Military and Veterans Affairs (DMVA) know we plan to vacate seventeen Position Control Numbers in the upcoming budget.

*f. State Risk Management Insurance Policy Changes*

Because of the anomaly that took place last year and the insurers having to pay a substantial bill of \$30M, they have asked the state for some changes. The premium for this coming year is \$59,000, almost double last year's premium. That is not solely reflected due to our loss, and there were a number of things in the industry this year across the state due to different disasters.

The State added an endorsement to the policy that requires AAC to have all contractors sign indemnity agreements, and there will be no launch related property coverage within 48 hours of a launch. We are having discussions with what this means to some of our customers. McCoy asked if there was concern this might drive away customers. Cramer said they are always concerned, what we try to do is offer customers the lowest possible safe launch facility they can find anywhere. Greby noted it was hard to compete sometimes with the different standards the government holds itself and its ranges to compared to what is legal for us to do. We will be having a meeting with Scott Jordon regarding the expenses

and it does not appear to be a magnitude that would drive customers away. Campbell noted there were ways to mitigate the cost, the industry is moving that direction, and we will not be out of sync.

*g. Update on current Audits*

Cramer said we are still working the 2008 audit. We have our legal firm employed because of possible implications going forward on 2009. We are in the process that will hopefully be favorable to us on the 2008 audit before the next board meeting. Campbell clarified this is the Federal Audit by the Federal Defense Contract Management Agency. PERS changing is the issue. This is seven years after it was closed out with the Missile Defense Agency. All previous audits allowed it, however now it's being questioned. This may go on for a while.

BDO will be in our office in September to do the independent financial audit for FY2015.

*h. Procurement Report*

We processed 88 procurements for \$3.1M.

*i. BlackBridge Sales Report*

We sold imagery in July and continue to work on business for satellite downlink. Recently BlackBridge reported Planet Labs is acquiring them. BlackBridge sees the acquisition expanding their portfolio, and they tell us they see potential opportunity for other business lines that we can get into. We believe this will lead to some good things for us in the future but I wanted to make you aware of a new business line. We were not informed until the press release was let on this recent development.

*j. Web Site Overview*

We redesigned the website using a local firm to help with the design and rolled it out on July 15. Campbell led the effort, and believes it sends a new and positive message.

*k. AAC Anchorage Office Lease Space Reduction*

CRAMER noted we are terminating the lease on the east side of the building, reducing our footprint by 1500 s.f., thereby decreasing our lease payment by \$4K a month. Campbell said they renegotiated the lease to stay in this building because we get a very low rate. We looked at the market for 4,500 square feet comparable to this, and there was nothing that came close. Most were twice if not three times the expense. We are staying because we could not get anything less expensive.

## 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 12:30 p.m. This motion is effective 11:04 p.m. on August 6, 2015.”

KNIGHT motioned, seconded by Abel, hearing no objection the Board of Directors went into Executive session at 11:04 p.m. and returned to Public session at 2:45 p.m.

## 11. Resolutions for Action

### *a. Resolution #15-04:*

Resolution Authorizing either the President and CEO or the Senior Vice-President and COO to Enter into a Contract(s) with JC Services for Professional Services relating to administrative, personnel, and financial management for Alaska Aerospace Corporation in an Aggregate Amount that Cause the original Contract Amount for AAC-150041-OC Not To Exceed \$199,000 per year.

**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 management has initiated a number of personnel steps to start the transition from state government by reducing the workforce through retirements, resignations and a non-voluntary Reduction–In-Force (RIF) designed to position AAC for an easy and cost effective transition to the private sector; and

**WHEREAS**, AAC requires basic administrative, personnel management, and financial support to maintain daily operations and manage the transition to the private sector; and

**WHEREAS**, AAC senior management concluded that many aspects of the administrative, personnel management, and financial functions did not require state employees to be properly handled, but rather to facilitate any transition to the private sector many of the responsibilities in these areas could be handled by a contractor, and

**WHEREAS**, AAC previously awarded a sole source professional services contract (AAC-150041-OC) to JC Services in May 2015 not to exceed \$100,000 to provide administrative, personnel management, and financial services; and

**WHEREAS**, the total amount of all work required to meet the administrative, personnel management, and financial requirements during this period of transition from a state-owned corporation to a private sector company is expected to exceed \$100,000; 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 either the President and CEO or the Senior Vice-President and COO to Enter into a Contract(s) with JC Services for Professional Services relating to administrative, personnel, and financial management for Alaska Aerospace Corporation in an Aggregate Amount that Cause the original Contract Amount for AAC-150478-000-OP To Exceed \$100,000, but not to exceed \$199,000 and that from and after execution and delivery of each such change order 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. Thereafter, the President and CEO and Senior Vice-President and COO may extend this agreement at one-year increments not to exceed \$199,000 per year for up to three years from approval of this resolution.

KNIGHT motioned to adopt the Resolution #15-04, seconded by Abel, a discussion requesting revisions in the title and the last line to “not to exceed \$199,000 from \$100,000. A roll call vote was taken, the resolution was adopted.

## **12. Any Other Matters to Properly Come Before the Board**

*a. None*

CAMPBELL noted this was President Gamble’s last meeting and thanked him for his service.

## **13. Public Comment**

*a. None*

## **14. Board Member Comments**

Representative Stutes noted she is a real fan of AAC and is delighted now to be part of it, Dr. McCoy replied it was great to have her here.

CAMPBELL will schedule the work session, end of September or into October.

**15. Proposed Future Board Meeting Dates**

- a. November 12, 2015 (Anchorage)
- b. February 11, 2016 (Juneau)
- c. May 12, 2016 (Anchorage)

**16. Adjournment**

A motion was made by Pearce, seconded by Knight to adjourn, no objections, meeting adjourned at 2:51 PM.