



Official Minutes
ALASKA AEROSPACE CORPORATION
Board of Directors Meeting February 23, 2017
Alaska National Guard Juneau Armory - Auke Bay, Alaska

1. Call to Order

Chairman Dr. Robert McCoy called the meeting of the Board of Directors of the Alaska Aerospace Corporation (AAC) to order at the Alaska National Guard Juneau Armory, Auke Bay, Alaska on February 23, 2017 at 9:00 a.m.

2. Roll Call

Roll call was taken and a quorum established. The following Board members were present:

- Dr. Robert McCoy; Chairman, University of Alaska Fairbanks Geophysical Institute
- Lindsay Knight; Owner, Kodiak Athletic Club
- Bruce N. Abel; CEO, Don Abel Building Supply

Via Telephone:

- Dr. Ronald M. Segal; Director, Systems Engineering at CSU
- Thomas Walters; Owner, Maritime Helicopters
- Robert Doehl, Deputy Commissioner DMVA
- Lee Ryan; Vice President, Ryan Air
- Senator Gary Stevens (Alaska State Legislature), Non-Voting

Also present were Craig E. Campbell, President and CEO; John W. Cramer, Finance and Administration; Barbara Bruggenkamp, Administrative Support; Leila Kimbrell, Legal Counsel, Birch Horton Bittner & Cherot.

Mark J. Greby, Sr. Vice President and COO; Judith Godin, Finance Division Lead; Barry King, Director Range Operations Via Telephone.

CAMBELL announced the meeting would be recorded, excluding the Executive Session.

3. Approval of the Agenda

McCOY asked for a motion to approve the agenda. Knight motioned, Abel seconded. Hearing no objection, the agenda was approved.

4. Approval of the Minutes

McCOY asked for a motion to approve minutes from the December 1, 2016 Board Meeting and January 19, 2017 Special Meeting. Knight moved to approve, seconded by Abel. Hearing no objections, minutes were approved as written.

5. Old Business

a. APOC Filing Deadline – March 15, 2017

CAMPBELL said the Alaska Public Office Commission requires an annual financial disclosure report to be filed by March 15. Kimbrell circulated a memo regarding filing requirements.

6. New Business

a. Election of Board Chair and Vice Chairman

A motion by Knight, seconded by Abel to retain Dr. Robert McCoy as Chairman. Hearing no other motions, roll call vote was taken and McCoy was retained as Chairman.

McCOY nominated Lindsay Knight as Vice Chairman, seconded by Abel. Hearing no further discussion or nominations, roll call vote was taken and Lindsay Knight was retained as Vice Chairman.

7. President and Chief Executive Officer Report

a. FAA/AST Commercial Space Symposium, February 7-8, 2017

CAMPBELL and Cramer attended the annual Commercial Space Symposium held in Washington DC where Campbell participated in the Spaceports Panel. He cautioned the group that investing in a saturated market might not produce the results you would expect. The message was to dampen the enthusiasm of everybody trying to build spaceports, such that the money is spread so thin that no one is successful.

b. Congressional Update

CAMPBELL and Cramer met with Senators Murkowski and Sullivan and their staff. They reviewed the proposed Federal Appropriation, suggested 2017 projects and expectations for 2018. The Senators advised them that with a new election and administration they are still trying to understand the priority level of the Trump Administration in funding the Department of Defense Budget.

CAMPBELL is unsure when the DoD Federal Appropriation funds will be released, it could be this fiscal year or possibly next. It causes concern for the projects in the 2017 budget. AAC is looking at how to ensure we have infrastructure capabilities required for our customer this fall. We will wait and see how the 2017 budget goes. It may not go until the fall, so we are exploring other alternatives to provide the liquid fueling capability to meet the customer's expectation.

KNIGHT inquired about the cost of adding liquid capability. Greby said BRPH, our engineering firm quoted \$2M to \$2.5M for the suggested liquid fuel site.

CAMPBELL and Cramer also met with staffers from Congressman Young's office to confirm that when the Senate version passes, the House will concur with the Senate version. Campbell believes the congressional delegation is doing the best they can in these political times, however we have to ensure our budget request remains alive and potentially will pass.

CAMPBELL and Cramer met with staffers from Delegate Sablan's office, the representative from the Northern Mariana Islands. As we move forward with activities at Saipan, his office should be updated.

c. Rocket Lab USA 2017 Contract Update

The Range Safety Telemetry System has been shipped to New Zealand with non-state funds. Unfortunately, for Rocket Lab they did not have any launches in 2016 so it pushed all the launches to 2017. The 2017 contract is to do what we would have done in 2016, to support them with the RSTS. Eventually they will operate from Mahia by themselves.

KING said AAC has four people on site, getting antennas set up and ready to support the launch vehicle by March 4.

CAMPBELL confirmed Rocket Lab has selected Pacific Spaceport Complex – Alaska as their U.S. polar launch site. He is currently negotiating a contract for launches starting in 2018.

d. East Hawaii Equatorial Launch Site Evaluation Review

The Hawaiians on the Big Island are holding community meetings in the Hilo area, talking up the benefit of a launch site in Hawaii. Campbell has made it clear that AAC is interested in working with them by developing a Pacific Spaceport Complex-Hawaii that compliments Alaska. We will be operators, however they need to get the community behind this and provide funding, and they have requested state backing. Because of the environmental challenges and the time it will take we are deferring to Hawaii to take the lead. We have a teleconference every Friday, and it is going well, but it is going to take time. We will watch how Hawaii develops. We need equatorial, both are good sites, and I want to advance both to the best of their ability.

e. Saipan Equatorial Launch Site Evaluation Review

CAMPBELL reported we have a temporary authorization land use permit for the preliminary work at Marpi Point. Sonja Dancoe & Associates a local was hired to do the initial environmental review. My concerns are the ground and the bird sanctuary. This site was actively used in WWII. By the next board meeting Campbell expects to have more clarity if we are going forward with an environmental assessment. We are trying to find something the community embraces and is beneficial to the industry.

CAMPBELL believes this location could happen, although it is far from everywhere and logistics costs are high. The next step could start this summer, that is more marketing. Campbell could then tell the market place we have the site, it is accepted by the community and it is achievable in the next 24 to 36 months. Campbell wants signed letters of intent before taking the next step of using Alaska Aerospace money. He will show a funding stream either through the federal government or the financial institutions to support the development of this site if the customers have letters of intent.

f. Aurora Launch Services, LLC Revised Business Plan Discussion

CAMPBELL reviewed actions for the next three months, noting Cramer is overseeing the establishment of Aurora Launch Services. The next board meeting will be the decision to move forward with ALS. If the board agrees we are taking the right step by establishing a low cost launch services company that will be used in Alaska and we can sell services to other locations. It reduces the cost of the launch and we remain competitive in the small and ultra small market.

CRAMER said it is an exciting opportunity to have the company set up, and expects results quickly. We will use this team for launches not only at PSCA but possibly Wallops. There is a lot of work to be done in the next three months to make sure what we bring back to the board is acceptable.

g. House Finance Subcommittee

On February 9, 2017, Greby gave an overview to the House Finance Subcommittee for Military and Veterans Affairs. Several days after the meeting, the Chairman of the House Finance Subcommittee, Representative Scott Kawasaki from Fairbanks, introduced two amendments.

The first one recommended the statute be changed to allow the authority for Alaska Aerospace to pay dividends to the state of Alaska. The second was recommending a statutory change that would move AAC from the Department of Military and Veterans Affairs to the Department of Commerce and Economic Development.

CAMPBELL testified telephonically on both of these with his nonoccurrence. The State Department of Revenue already has the ability to collect money from AAC. The other reason is we are at the verge of starting to bring in commercial business, and we have a contract with MDA and three commercial customers. Over the last three years, we have depleted our cash reserves, we had no customers and we were paying out of reserves to stay viable while we rebuilt the facility.

CAMPBELL testified his points to the subcommittee - it is not the politics; it is the unintended consequence of the message to the industry. Campbell objected strongly. It passed anyway and is moving forward to House Finance. To have that political message before we even launch puts great risk on our business. Cramer and Campbell will continue to meet with members and make clear it is not the process we are concerned about, it is the message.

On moving us to the Department of Commerce, Community, and Economic Development, we were moved from DCCED six years ago because our customers were primarily Department of Defense. We are housed inside of Military and Veterans Affairs Department for administrative purposes, which gives us ties to the military. They suggest moving us to DCCED because that is where other public corporations are held. Our primary customer is the Missile Defense Agency. Moving forward on the policy change to get dividends, it may look like to the military that they are not considered our primary customer. That could hurt our ability to receive funding.

CAMPBELL added that Major General Hughes, MDA Test Director, is coming to Alaska with a ten year plan. General Hughes wants to expand work in Alaska. Campbell reminded the legislature that we received \$2.5M in infrastructure from the Air Force over the last two years. The message of moving us out of DMVA, tied with the dividend payment to the State is going to be poorly received by our customers. Campbell objected to both, but the second amendment also moved forward. Campbell agrees we need to provide funding back to the state but allow us to build our cash reserve and have the business first. AAC needs to stay with the department it has been successful under.

McCOY agreed with Campbell. Knight asked how it looked to pass the Senate Finance Committee. Campbell said he and Cramer have talked to members and are optimistic the

Senate will not concur with the House. It appears the Senate understands the argument, to allow Alaska Aerospace to mature as a business before we try that next step.

STEVENS concurred, stating they would keep working with members of Finance to make sure AAC has the support it needs. Stevens believes the Senate will support AAC.

CAMPBELL added while he and Cramer were in DC they were invited to a meeting at NASA Headquarters. The members were asking questions about our spaceport, capabilities, structure, and how our board functioned. Later the Sr. Advisor to the Trump Administration transition team for NASA joined the group. This team had never heard of anything like this before, they were familiar with NASA, Cape Canaveral, a bit about Vandenberg. It was clear they were very excited to be learning about a spaceport in the United States that was toward privatization, in small business. We have offered to do any follow ups with them as they build a final plan.

8. Senior Vice President and Chief Operations Officer Report

a. Business Development Pursuits

GREBY reported we have on contract Rocket Lab, MDA THAAD & Program Testing, Vector Space Systems, and “New Space”. “New Space” is an eight-launch contract from December 2017 through 2019, and have already sent a down payment.

AAC is pursuing the Vector Space Systems for additional launches. Space X is putting a tracking antenna on our site. Los Alamos National Labs is looking for a small CubeSat tracking station, and we get continuing interest from U.S. and Foreign launches. The strategy of going smaller, more diverse is paying off.

b. FAA Commercial FSS Safety Approval Application Update

AAC continues to work toward obtaining a Commercial Flight Safety System approval from the FAA. This allows us to market our flight safety system much easier than we could now. The revised application will be submitted to the FAA in March 2017.

9. Director Range Operations Report

a. PSCA Reconstruction Status Report

KING reported the SCAT building is in place, and the 25T crane was installed and mostly complete. The remaining work is on hold pending insurance discussions.

b. FAA Commercial Launch Team

A Telecom was held on February 3, 2017 with the FAA. They are satisfied with the overall Commercial Launch Team Safety Approval Plan. There are a few items to update, and the goal is to have an approved process in the first half of 2017.

ABEL asked about the Safety Certification Board qualifications. King said they proposed to have a certifying board for any candidate going through the training qualification. We put forth three individuals that make up that board. They wanted to see the additional qualifications for our certification, more like a resume, experience, and number of missions conducted. We did not elaborate in our submittal as much as they wanted on the qualifications of the people that would make up that board.

c. Rocket Lab USA New Zealand Operations

The current launch date is March 25. We did not deploy until we were comfortable they had a realistic launch date. AAC and White Sands Missile Range personnel deployed on February 20. We will know more when they get the vehicle together and start testing.

d. MDA Report

Task orders have been awarded, AAC is busy completing. Campbell added the Missile Defense team is very pleased with the mission progress.

10. Financial and Administrative Report

a. Current Fiscal Year Financial Review

CRAMER reported we are on budget at 58% spent, and 58% of the State fiscal year is complete.

b. FY17 Federal Funding Request

Federal Funding Request for 2017 is ongoing, and we have language in the National Defense Authorization Act – NDAA in the Senate.

We hope they will take action later in the year probably May timeframe. We have in a request for 2018, and there is talk about combining 2017 & 2018. We need the dollars, and our delegation is engaged in movement with the new administration desire. We believe we have better than 50/50 chance.

CAMPBELL added there are infrastructure improvements required to support MDA. We are ordering two telemetry antennas that will run us around \$2M. We expected our RSTS to be back in December. The insurance companies have been very challenging; we worked to keep the costs low, supported them with competitive bids and saved at least \$2M. They are disputing a \$2M deficit on the SCAT. If we do not have the money, we will not build it. However we need it for the December customer as well as liquid fuel capability. We expect the insurance company to reimburse \$34.5M. We need those three things completed with capital money. We anticipated the 2017 appropriation would be \$4.5M, and we expected the insurance company to reimburse us at \$34.5. We have explained to our congressional delegation the critical need of the 2017 funding. If by summer it is not combined, I may be pursuing other ways to raise \$2M. We have the customers, we know where the money is supposed to be and it is being tied up for reasons beyond our control.

c. Pasagshak Property Purchase Report

We have closed and have the title. There are plans for remodeling for better utilization of the house.

d. Reconstruction Insurance Report

CRAMER reported AAC is working with insurance carriers and expects settlement within the next 60 to 90 days. In dispute is \$2M of labor, insurers have never paid for existing labor as part of the claim and they are calling it improvements. We utilized AAC employees to do activities related to the loss, insurers said no.

After the anomaly, we estimated the cost of repair was \$34.5M. Without the diligence of the construction management team, those costs could have easily gone up to \$36M to \$38M. We controlled the cost and are sticking with the \$34.5M and will be negotiating with the insurers.

e. BDO Accounting and Finance Assessment Report

AAC commissioned BDO to review our accounting procedures and make recommendations on how we might improve. Among the changes they suggested was to hire a CFO level resource, and identified other ways to streamline. We have been advertising and have received good candidates. We are anxious to get this person on board.

f. Procurement Report

Since November, we have had 91 procurement actions valued \$4.5M.

11. Executive Session

CAMPBELL, President and CEO read the request for Executive Session:

I request that the Chair now entertain a motion that the Board of Directors convene in Executive Session to discuss the following topics:

- MDA Executive Report – Barry (to discuss matters within the contract that are required by law to be kept confidential, matters involving considerations of records that are not subject to public disclosure and involving trade secrets [AS 44.62.310(c)(3), (4), AS 26.27.130, and AAC regulation 1.220])
- Personnel Restructuring Plan – Craig (to discuss matters the immediate knowledge of which would clearly have an adverse effect upon the finances of the public entity [AS 44.62.310(c)(1)])

McCOY asked for a motion to convene in executive session to discuss the topics requested by the President and CEO.

ABEL moved, seconded by Knight that the Board of Directors convene in Executive Session. The session shall include such members of the Corporation staff as the Chair may designate.

A Roll Call vote was taken and passed at 11:50 AM. The Executive Session shall last approximately 1.5 hours. Thus, the public session of this Board meeting shall resume in this room at approximately 1:20 PM.

KNIGHT motioned, seconded by Abel, hearing no objection the Board of Directors came out of Executive Session at 1:32 p.m. to return to Public Session.

12. Resolutions for Action

ABEL motioned: Under article 4, Section 3 of the Bylaws, I (Abel) move to create a compensation committee to make or cause to be made, such special studies and reports pertaining to the salary, benefits and other employment terms and conditions of the President and CEO. Knight seconded. McCoy identified for the record all the board members present and on the telephone today would be part of the committee and Doehl would be appointed. Roll call vote was taken and the motion passed.

13. Any Other Matters to Properly Come Before the Board

None

14. Public Comments

None

15. Board Member Comments

Board members are looking forward to the direction AAC is going. Chairman McCoy thanked all who participated today.

CAMPBELL believes we have come to a point where the company has changed, and we are on the right trajectory. We have customers coming, it is going a good direction, and he thanked the board for the leadership because without a team this does not happen. He has a team in the board that is making sure we are headed the right direction and a staff that is executing properly.

16. Proposed Future Board Meeting Dates

- a.* May 25, 2017 (Anchorage) (Ryan will be unable to make that date)
- b.* August 24, 2017 (Anchorage/Kodiak)

17. Adjournment

CAMPBELL added the Governor is encouraging meetings telephonically as much as possible but the staff does appreciate the board sitting around the table and helping us.

A motion was made by Knight, seconded by Abel to adjourn, hearing no objections the meeting adjourned at 1:43 PM.