



Official Minutes
ALASKA AEROSPACE CORPORATION
Board of Directors Meeting August 17, 2017
Alaska Aerospace Office – Anchorage, 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 Aerospace Corporate Office in Anchorage Alaska on August 17, 2017 at 9:05 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; Vice Chairman, Owner, Kodiak Athletic Club
- Bruce Abel; CEO, Don Abel Building Supply
- Robert Doehl, Deputy Commissioner DMVA

Via Telephone and video conference:

- Dr. Ronald M. Sega; Director, Systems Engineering at CSU
- Thomas Walters; Owner, Maritime Helicopters
- 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; Amy Hillenbrand, Executive Financial Manager; John W. Cramer, Finance and Administration; Barry King, Director Range Operations (Telephone); Barbara Bruggenkamp, Administrative Support; Bill Bittner and Leila Kimbrell, Legal Counsel, Birch Horton Bittner & Cherot.

CAMPBELL announced the meeting would be recorded, excluding 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 February 23, 2017 Board Meeting. Knight moved to approve, seconded by Abel. Hearing no objections, minutes were approved as written.

5. Old Business

a. None

6. New Business

a. None

7. President and Chief Executive Officer Report

a. Washington DC Trip – June 27-29, 2017

CAMPBELL and Cramer traveled to Washington DC. While there, they met with Dale Nash and discussed sharing resources. It was the intent of the Memorandum of Understanding to bring Virginia Space personnel to PSCA to cross train during missions. Virginia does not have the same equipment as PSCA and by cross training we will have their people qualified as an overflow capability.

The group also discussed the federal appropriation; NASA would like the money to move from Air Force to NASA, then to Virginia Space. This is FY17 money to be expended by October 2018.

While in Washington, Campbell and Cramer attended the FAA kick off meeting for Hawaii. They met with Senators Schatz and Hirono (HI) staff to give a status report on AAC's pursuit of an equatorial launch site in East Hawaii. Campbell confirmed the Hawaii delegation understood that AAC's involvement is in the supporting role and it is a Hawaii initiative.

The legislature in Hawaii appropriated \$250K for the Environmental Assessment of the East Hawaii site. Campbell noted Hawaii is sensitive on environmental issues and there is no guarantee the EA will be approved. If it is determined to be a feasible project with public support, AAC may apply for the site application by year-end.

CAMPBELL and Cramer also met with Congressman Young to provide mission updates, and with staff of Senators Murkowski and Sullivan regarding the 2017 Appropriation and AAC's priorities for 2018.

They then met with Daris Meeks, Deputy Assistant to the President and Director of Domestic Policy for the Vice President. They discussed the National Space Council and introduced Meeks to what Alaska provides. Campbell recommended that non-government commercial spaceports have representation on the National Space Council Advisory Group when established.

b. Chief Engineer Recruiting Update

AAC advertised and received five applicants. The two leading candidates were brought to Alaska separately for personal interviews and visited PSCA. Both finalists declined job offers due to the salary offered. Campbell believes it was a lucrative offer however; the competition in the industry is stiff. AAC will be re-advertising the position and expand our coverage area.

c. Chief Financial Officer Status

AAC hired Steve Jordan as our Chief Financial Officer in March. Due to personal reasons Steve has not been able to remain a full-time employee, but he has remained part-time on an as needed basis.

We interviewed and selected a replacement in June, due to the critical need to have a Senior Financial Manager for state budget year-end closeout and AAC's upcoming annual audit. Amy Hillenbrand joined AAC as Executive Financial Manager on a contract basis in July. Hillenbrand's resume is strong, she has familiarity with the state, is a CPA and has the ability to work with the federal and state government as well as in the commercial sector.

d. Director, Facilities Management and Operations Position

Earlier this year management separated Operations and Facilities, with John Cramer leading Facilities and Barry King Operations. We learned during the MDA missions and working in New Zealand at the same time, we stretched people. The facilities needed more attention so as a result we are advertising for a Director, Facilities Management and Operations based in Anchorage. The Director would have Bruce Walter as the senior person in Kodiak. AAC would have one person in Anchorage working at the senior level and one person at PSCA working operational in the facilities.

CAMPBELL is exploring innovative ideas for facilities to standardize our system, and he expects there will be more detail at the November meeting.

e. *Rocket Lab USA 2017 Update*

CAMPBELL said AAC and Rocket Lab have had a relationship since 2015 when we agreed to support them in New Zealand for 2016, and moved onto 2017.

On May 25, 2017, Rocket Lab successfully launched the first Electron rocket called “It’s A Test”. It got off the pad, however FAA categorized it non-successful because it had a number of issues. The flight was terminated and did not meet its objective. AAC provided both range safety and telemetry service at their Mahia New Zealand Launch Complex One, White Sands Missile Range flight safety personnel performed the Flight Safety Officer role.

Rocket Lab intends to conduct a second launch of the Electron rocket from their Mahia facility on or about October 23, 2017. AAC will provide range safety and telemetry services. Their mission goal is for a commercial revenue-paying launch by the end of this year. The third launch is planned before end of year.

f. *“New Space” Customer Update*

AAC has a contract with Astra to support the first four launches of their small liquid fuel commercial launch vehicle from PSCA. The first launch is planned for December 2017.

Our focus at PSCA is toward getting liquid capability to accommodate these “first” liquid fuel launches. This will be a very innovative launch.

Astra requires minimal support, they will use our range but did not request liquid fuel, they will do that on a temporary portable basis. Their intent is to launch every month for the long term, which would involve new infrastructure investments and utilization of our facilities.

Following a meeting in Oakland on July 28th, AAC has initiated the mission planning phase and assigned Barry King as the AAC lead.

Astra is also interested in AAC’s potential development of an equatorial launch site

g. *East Hawaii Equatorial Launch Site Evaluation Update*

Hawaii Legislature appropriated \$250,000 for the environmental review to consider potential development of a small commercial launch facility in East Hawaii. The funds were assigned to the University of Hawaii (UH). We are working with Luke Flynn, UH Spaceflight Laboratories, he is lead for the small commercial launch environmental process.

AAC is providing engineering site design and technical aspects to support the environmental assessment. UH, KFS (environmental consultant) and AAC met with the FAA for the initial environmental kick-off on June 28, 2017.

Following a meeting with Astra on July 28th, a second favorable site has been identified in East Hawaii for potential development of a small commercial equatorial launch facility. Both sites appear to work very well operationally.

CAMPBELL said there is momentum in Hawaii, it may be moving into the first position for the race to equatorial in the Pacific.

h. Saipan Equatorial Launch Site Evaluation Update

Guam and Saipan were being considered together. Guam has a good site, however it is close to Anderson Air Force Base and they are undergoing a major military buildup. On Saipan, the main investment there is Chinese hotels and casinos. There is a lot of support to do this including the governor, house and senate.

AAC hired a local engineer to survey the site, and we negotiated with public lands to get a temporary land use permit for one year to pursue the work. The environmental review revealed the current Marpi Point site is a Formerly Used Defense Site (FUDS) that has not been remediated. The US Corps of Engineers has it listed low on the priority list and funding has not been appropriated for cleanup. AAC will allow the Marpi Temporary Land Use Permit to lapse the end of August. Campbell informed Saipan that we are not walking away from Marpi yet, however we will not assist in the cleanup. Remediation is expected to be expensive and lengthy, therefore the Marpi site has been lowered on the equatorial site selection list.

Land adjacent to the existing Saipan Landfill site is being considered to replace the Marpi site. AAC has contracted with SP Dancoe to conduct an environmental review.

There is a third site on the eastern side of the island south of Marpi Point, it is public land under agriculture lease. The owner has indicated he would relinquish the lease for a launch site.

AAC was planning for a delegation to travel there, Senator Stevens and others and that has been postponed. Campbell believes it is best we take a breath on Saipan and determine if we have a legitimate site. He expects by the November meeting there will be more clarity on Marpi Point vs Hawaii.

i. Aurora Launch Services, LLC Implementation Report

At the February 2017 meeting, the AAC Board of Directors gave staff approval to implement the Aurora Launch Services, LLC Business Plan. The Business Plan was adjusted based on board comments and a review of the market in light of recent positive small commercial launch projections. We moved forward by getting the name reserved and established the process of the Business Plan.

CAMPBELL said the Business Plan was submitted to Birch Horton Bittner and Cherot for review and senior staff is now in discussions with BDO on the initial financial set up. Projected start-up date is January 2018.

j. World Trade Center Anchorage – July 26, 2017 Presentation

CAMPBELL reported AAC now has a good story to tell and he is getting the message out. AAC held a town hall meeting in Kodiak in June and has posted several press releases on our website. CNBC has requested an interview, and Campbell will speak at Rotary next month.

The World Trade Center requested a Meet and Brief presentation at their luncheon due to our business with Rocket Lab, MDA and events in Asia. Campbell said it was a positive response. Tim Bradner, Alaska Journal of Commerce, published an article on August 2, 2017 addressing the turn-around at AAC. Bradner has tracked AAC since the day we started.

ABEL suggested Campbell address the Juneau Chamber after October 1.

8. Administrative Report

a. Reconstruction Insurance Update

CRAMER reported AAC has received all insurance funds \$33.25M, and believes there will be additional funding on subrogation.

b. PSCA Lodging Requirements Industry Day – June 21, 2017 – and RFP

The customer contacted AAC regarding the potential for an additional program. We held an industry day on June 21 for a temporary hard-sided camp. AAC issued an RFP and selected PRL, the same company that built the Life Support Area (LSA) for the past mission, they were low bidder. We coupled that with our package and sent back to MDA for their review and we will go into negotiations with MDA and award the contract.

CRAMER said Narrow Cape Lodge will not support the number of personnel MDA is anticipating for this mission, however it will be used in conjunction with the LSA.

c. Federal FY 2017 Appropriation

AAC expected to receive a \$4.5M appropriation however it will be \$4.2M after handling fees. We have identified six projects to utilize the funding and will start later this month to be completed the end of FY18.

d. Federal FY 2018 Appropriation

A Congressional request was made for the same amount we received in FY17 of \$5M. It was met with favorable consideration and we are hopeful we will see a similar amount appropriated to spaceports in the FY18 budget.

e. FY 17 Balance Sheet

The balance sheet tells a good story, we are coming out of insurance and into operational money.

CAMPBELL said a number of board members have asked for more detail in the budget process. We got away from that when there were no customers and were only doing reconstruction. Campbell noted we have lowered by 50% what appears to be a loss from 2017 to 2018. The same time we have increased the value of our assets and we have customers that aren't paying so we are not in the red. We ended the year in the positive with cash in the bank.

f. FY 17 Income Statement

Insurance proceeds made up a large amount of operating revenue dollars in the previous years. FY18 is now customer based.

DOEHL noted the operating increase is stunning. Cramer noted we are spending a lot of money to do it but it is supporting the Alaskan economy.

g. MDA Total Contract Value

AAC was awarded the MDA IDIQ contract totaling over \$80M in FY16. It is a multi-year contract with multiple programs associated. From Task Order 1 to Task Order 6, there has been a \$16M spend down. MDA is pleased with the work of AAC and sub-contractors.

h. FY 17 Cash Position

FY18 numbers are all projected – with a maximum projected \$4.5M for Federal Appropriation (FFY17).

Data shows our current cash at \$2.9M for FY17 going to \$3.9M in FY18. The depreciation goes up so it appears we have a loss, but the cash balance goes up by \$1M. Campbell would like to see that get better, but noted it is different than ever seen before.

i. FY 18 Operations Budget Estimate

Projected estimate for FY18 is \$7.6M. Previous years subcontractors amount were large due to reconstruction.

CAMPBELL said on the \$7.5M operating budget for the year - if you go back to the annual report, 2011 or 2012 you will see \$11M – to \$12M. We have reduced the cost for operating the company, income is up and we are closing the delta.

CRAMER thanked the board for giving the President and CEO the flexibility to implement innovate ideas that have allowed us to generate revenue and turn the company around.

j. Procurement Report

156 procurement actions completed for goods and services between May 25, 2017 and July 31, 2017 valued at approximately \$1,769,707

9. Director Range Operations Report

a. Kodiak Town Hall Meeting – June 14, 2017

KNIGHT moderated the Town Hall meeting at the Kodiak College on June 14, 2017. Cramer and King provided information to the public regarding the upcoming missions at PSCA. The meeting was well attended and the group appreciated AAC conducting it.

b. MDA THAAD Program Updates

PSCA supported 2 THAAD intercept missions on July 10 & 29, both were successful. A large expansion to the Range was completed on time and under budget in less than 12 months. MG Hughes provided his compliments to LTG Greaves for the job done.

CAMPBELL added that MG Dan Hughes is the director of tests for MDA, and he is directly responsible for these programs. Hughes has been to Kodiak several times and he is a strong advocate for MDA operations at PSCA. LTG Sam Greaves is the new director for MDA and this is one of his first missions as director. It is important we are getting the advocacy within the agency to keep doing what we are doing.

b. MDA Arrow-3 Program Updates

AAC has received Task Order 6 from MDA for 18 months of mission planning; there will be another task order for mission activity. We are on contract to support that mission and have received two additional MDA IP RFPs. One for a life support area, and the second is for site preparations. Both were submitted to MDA for review and we anticipate awards in August while mission planning efforts are ongoing.

c. SpaceX Telemetry Tracking Antenna Contract

AAC has received a contract from SpaceX changing the operational agreement to their Statement Of Work (SOW). Previous SOW was for S-Band TM tracking of their launches and returns from International Space Station (ISS).

The updated SOW includes S-Band TM tracking on missions, land lease for the installation and operation of a SpaceX 3M TM antenna and technical support.

The land lease is \$2,000 per month, technical support will be invoiced separately and this contract runs through 2022.

CAMPBELL added it is a better relationship, previously we used our equipment and were on call, when they would request tracking. As we go operational, we need our people and antennas. Financially and operationally, it is win win for SpaceX and AAC.

d. FAA Commercial Launch Team Safety Approval Application Update

The FAA Commercial Launch Team certification application was submitted on August 1 and we are optimistic we will have approval within 90 days. The intent is to use the FAA certified AAC commercial launch personnel for all launches by the end of the year.

DOEHL asked if the certification was transferrable to Aurora Launch Services? King said the personnel that would be executing this program would be employed by ALS.

10. 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 and as set forth on the agenda approved for today's meeting:

Rocket Lab May 25th Launch Support to discuss matters within the contract required by law to be kept confidential, matters involving consideration of records that are not subject to public disclosure and involving trade secrets.

MDA Arrow-3 Program Update to discuss matters within the contract required by law to be kept confidential, matters involving consideration of records that are not subject to public disclosure and involving trade secrets.

FY2018 Open Contracts to discuss specific confidential contracts with launch customers of which the immediate public disclosure would have an adverse effect on the financial matters of AAC

Executive Overview on Privatization Strategic Direction to discuss confidential corporation strategic direction of which the immediate public disclosure would have an adverse effect on the financial matters of AAC

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

KNIGHT moved, seconded by Abel 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 11:00 a.m. to move to Executive Session. The Executive Session shall last approximately 2 hours. Thus, the public session of this Board meeting shall resume in this room at approximately 1:00 PM.

The Board of Directors came out of Executive Session at 12:35 p.m. to return to Public Session.

11. Resolutions for Action

a. Resolution #17-03 – Passed

KNIGHT motioned, seconded by Abel. Roll call vote was taken and the resolution unanimously passed.

A Resolution authorizing the President and CEO to Enter into a Contract(s) with Amy Hillenbrand for Professional Services relating to financial management for Alaska Aerospace Corporation in an Aggregate Amount Not To Exceed \$140,000 per calendar year for a period not to exceed three years.

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 requires financial support to maintain daily operations and manage the transition to the private sector; and

WHEREAS, AAC's 2016 BDO Audit identified a FINDING in relation to timely close and reconciliation of the corporations general ledger and recommended that AAC evaluate current staffing and supplement as needed, and

WHEREAS, AAC subsequently hired BDO to conduct an Accounting and Finance Organizational Assessment and BDO recommended AAC "Create a Chief Financial Officer ("CFO") or Controller position responsible for achieving the financial and related strategic objectives of the business, while also managing daily operations," and

WHEREAS, AAC senior management concluded that many aspects of the administrative, personnel management, and financial functions did not require full-time 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 on a less than full-time basis, and

WHEREAS, AAC senior management further concluded an Executive Financial Manager position could adequately address the BDO recommendation for a CFO and the position is essential to the corporations abilities to properly manage the administrative, financial, and risk management operations of AAC, compliant with state, federal, and commercial financial requirements, and

WHEREAS, competitively advertised to fill the position, 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.

THEREFORE BE IT RESOLVED, that the President and CEO is authorized to enter into a Contract(s) with Amy Hillenbrand relating to financial management for Alaska Aerospace Corporation in an Aggregate Amount not to exceed \$140,000 per calendar year and that from and after execution and delivery of each such change order the President and CEO 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 may extend this agreement at one year increments not to exceed \$140,000 per year for up to three years from approval of this resolution.

12. Any Other Matters to Properly Come Before the Board

None

13. Public Comments

None

14. Board Member Comments

Comments were made and the board looks forward to the future of AAC.

15. Proposed Future Board Meeting Dates

a. November 2, 2017 (Anchorage)

b. February 1, 2018 (Anchorage)

17. Adjournment

A motion was made by Abel, seconded by Knight to adjourn, hearing no objections the meeting adjourned at 12:51 PM.