



Official Minutes
ALASKA AEROSPACE
Board of Directors Meeting February 23, 2018
Alaska Aerospace Office – Anchorage, Alaska

1. Call to Order

Chairman Dr. Robert McCoy called the meeting of the Board of Directors of Alaska Aerospace to order on February 23, 2018 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, Vice Chairman, Owner Kodiak Athletic Club
- Dr. Ronald M. Sega, Director Systems Engineering at CSU
- Dr. James Hemsath, Director AIDEA
- Dr. James Johnsen, President University of Alaska
- Robert Doehl, Deputy Commissioner DMVA
- Lee Ryan, Vice President Ryan Air

Via Telephone and video conference:

- Bruce Abel, CEO Don Abel Building Supply
- Thomas Walters, Owner Maritime Helicopters

Also present were Craig E. Campbell, President and CEO; Amy Hillenbrand, Executive Financial Manager; John W. Cramer, Chief of Staff; Barry King, Director Range Operations Barbara Bruggenkamp, Administrative Support. Tom Klinkner, Legal Counsel, Birch Horton Bittner & Cherot; and Bruce Walter, Director PSCA Facilities via Telephone.

Public attending from Kodiak Narrow Cape Lodge, LLC were Bernie Karl, Jim Whittaker, Seth Johnsen and Kayla MacDonald. Attending from PRL Logistics was Russell Sell.

3. Approval of the Agenda

CAMPBELL requested the Chairman add two items to the agenda and make one change. Add 6d under New Business “2018 House Session Operating Budget Amendment Proposal”. And 7g is an update on the World Trade Center Anchorage/Japan Business Outlook for 2018.

The request to change the Agenda is for the Kodiak Narrow Cape Lodge bid protest under Executive Session be moved to after minutes are approved. Johnsen moved, Knight seconded, hearing no objections the Agenda was approved as amended.

JOHNSEN requested that while in public session the general council (Tom Klinkner) review the applicable standards for executive session.

WHITTAKER, representing KNKL interrupted requesting the opportunity to present their comments in Public Session. Campbell stated legal counsel has advised the board that as KNCL comments involve a contract they should be addressed in Executive Session.

4. Approval of the Minutes

McCOY asked for a motion to approve minutes from the November 2, 2017 meeting. Knight moved, seconded by Johnsen, hearing no objections minutes were approved.

Bid Protest – Kodiak Narrow Cape Lodge

CAMPBELL 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 topic:

Bid Protest – Kodiak Narrow Cape Lodge - to discuss matters within the contract proposal and award process required by law to be kept confidential, matters involving consideration 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]

McCoy asked for a motion that the Board convene in executive session to discuss the topic requested by the President and CEO.

Before moving to Executive Session Campbell asked for discussion and explanation from Legal Counsel to comply with Johnsen's request.

JOHNSEN said his interest was to insure the interest of the public. However, he wanted to understand from legal counsel the standards that apply. Then he can fairly evaluate and vote on whether this conversation needs to be conducted in public or executive session.

KLINKNER, AAC Legal Counsel addressed the board: "The Bid Protest involves procurement. The concern motivating to go into Executive Session is that this bid protest concerns procurement under a prime contract of the corporation and the terms have confidentiality requirements. It is impossible to predict whether the scope of the bid protest connotation will address some of those issues under which the corporation is under strict obligation of confidentiality to the customer. That is the reason why this is being presented as executive session. If one chooses to take action in response to the presentation, you will be required to go back to public session.

KLINKNER added KNCL objected to the evaluation of the bidder's proposal thereby requesting the opportunity to address the board. Campbell agreed to allow the KNCL request.

McCOY directed the board would go into executive session, hear the presentation and come out of executive session. If it is determined, there is not a confidentiality issue we will return to a public presentation.

A motion by Knight, seconded by Johnsen to go into Executive Session at 9:28 to address specifically the Bid Protest, roll call vote was taken and passed. The board returned to Public Session at 10:51.

Johnsen motioned: To direct Legal Counsel to review the grounds for selection in procurement of 18-007 and report to the Chair whether the grounds for selection provided to Mr. Karl accurately reflected the corporation's decision. The Chair would then communicate the results of this review directly to Mr. Karl.

CAMPBELL concurred with the motion: AAC staff had declared that Kodiak Narrow Cape Lodge had not been responsive. Legal Counsel will determine if AAC actions were proper. Motion seconded by Knight, roll call vote was taken and the motion passed.

Johnsen motioned: asking the Board to direct the CEO to obtain a 3rd party external review of corporate procurement procedures with a report to be presented to the board at its next meeting. Motion seconded by Knight, roll call vote was taken and passed.

Hemsath suggested staff contact other corporations that have similar procedures and offering to be the liaison with AIDEA.

5. Old Business

None

6. New Business

a. New Board Member Introduction

CAMPBELL introduced Jim Hemsath, Jim was appointed by the governor as a public member with aerospace experience. Dr. Hemsath has worked in the Aerospace Industry in the past and is a long term resident of Alaska.

b. Election of Board Chair and Vice Chair officers

CAMPBELL said annually AAC goes through the process of selecting a chair and vice chair, there does not need to be a change but it gives the opportunity to make a change should the board desire.

KNIGHT moved, seconded by Johnsen that Robert McCoy remains as Chairman of the Board. Roll call vote was taken and passed unanimously.

McCOY moved, seconded by Hemsath that Lindsay Knight remains as Vice Chairman of the Board. Roll call vote was taken and passed unanimously.

c. Presentations

McCOY presented Barbara Bruggenkamp with a 5 year certificate and pin from the State of Alaska Governors Office, thanking her for service.

d. State 2018 Session House Operating Budget Amendment Proposal

CAMPBELL read the document into record:

From: House Finance Department of Military & Veterans' Affairs Budget Subcommittee
 To: HB 285/ HB286
 Offered by: Representative Parish
 Department: Department of Military & Veteran's Affairs

Language: It is the intent of the legislature that the department of Military and Veterans' Affairs and the Alaska Aerospace Corporation develop options to realize a return from the State's investment in the Alaska Aerospace Corporation and the associated state assets. The Department of Military and Veterans' Affairs shall submit a preliminary summary of the options and any relevant statute revisions to the House and Senate Finance Committees and to the Legislative Finance Division by September 30, 2018 with a final summary being submitted to the same committees by December 1, 2018.

Explanation: The state is experiencing a fiscal crisis and should begin to realize returns on its investment in the Alaska Aerospace Corporation.

CAMPBELL concurred, adding the head of the House Subcommittee has directed AAC to create a distribution plan of any profits made. Finance is working on that and we expect to have a strategy at the next meeting. For many years we didn't make money, we anticipate by 2019 certainly by 2020 we will have a steady profit stream.

7. President and Chief Executive Officer Report

a. Commercial Customer Site Visits – November 2017

In November, the Senior Management team visited the three companies we have contracts with that are headquartered in California: Rocket Lab, USA; Vector; and a California Commercial Launch Company. The primary objective of the visit was to familiarize AAC senior management with the locations, facilities, and customer management team as well as to discuss bringing launch activities to PSCA in 2018.

The team building process went extremely well. The first day of the trip, AAC Senior Management Team conducted a full day staff retreat to discuss strategic issues and AAC's commercial business development strategy.

b. FAA Commercial Space Transportation Conference - Washington DC – Feb 7-8, 2018

The Commercial Spaceflight Federation, in conjunction with the Federal Aviation Administration (FAA) Office of Commercial Space Transportation (CST), conducted the 21st Annual Commercial Space Transportation Conference February 7-8, 2018 in Washington DC. Campbell and Cramer attended.

The event consisted of panels, speakers, and networking opportunities addressing issues within the commercial space industry. Of interest to AAC was Commercial Government Partnerships. They are exploring government operations that have some potential commercial partnerships associated with it. The government defines the mission and issues the RFP. They are looking for a cost effective launch and that could allow us other opportunities to secure contracts which is different than in the past.

Another item of interest was Space Investments. Billions of dollars are being invested in small commercial space, satellites and launch vehicles and they need a place to launch from. We will reach out to these companies and educate them on our launch capabilities.

c. Congressional Meetings

CAMPBELL visited the Alaska Congressional Delegation offices on November 16, 2017 to provide updates on the Federal Appropriations status and progress. They are very supportive of providing funding for infrastructure that aids the government. Much of what we are doing at PSCA in the infrastructure improvement area is directed toward bringing in new customers. It would appear the government is supporting a private companies, when in fact it is giving the U.S. government the greater capability to launch rockets from Alaska.

AAC again met with the Alaska Congressional Delegation and staff on February 6, 2018 and presented the FY 2019 Federal Appropriations projects and provided an update on current and projected government operations from PSCA.

a. East Hawaii Equatorial Launch Site Evaluation Update

AAC looked at both Hawaii and Saipan and it appeared as if Saipan was going to be the better choice, they could build fast and meet the emerging market. Hawaii has a better industrial base and is closer to the mainland. Although Hawaii is great, it may not happen. That was confirmed when the Hawaii legislature was asked to appropriate \$100K for a site evaluation and they removed it from the budget last year.

The University of Hawaii (UH) Space Flight Laboratory has been working hard to get the Hawaii delegation comfortable with a small launch in Hawaii. This past year the Hawaii legislature added \$250K in the budget specifically for use on conducting an environmental assessment.

The UH is moving forward with an environmental assessment of the proposed site. AAC is an advisor on the technical aspects. Hawaii money, not Alaska Aerospace money is being used to fund the Environmental Assessment. UH Space Flight Laboratory hired KFS, an environmental firm from Huntsville, AL, as they have done a number of environmental projects at Pacific Missile Range Facility (PMRF) in Hawaii and are familiar with rocket launch issues.

The FAA AST Environmental Office has been briefed on the project and the start of the environmental process.

CRAMER attended the Kick-Off Meeting and Public Scoping Meetings conducted January 15 and 16 in Hilo, Hawaii. We expect the first public meeting in April.

AAC will be the operator of the Hawaii spaceport and will secure the spaceport license and market both the Alaska and Hawaii locations as “Pacific Spaceport Complex” with two launch locations, one equatorial and one polar. There will be more polar requirements for the small satellites than equatorial. If a company like Rocket Lab has a site in New Zealand but they also need equatorial and the US Government wants to do it – they could bring their polar and equatorial needs to Alaska and Hawaii. The market value is to capture those that would probably be split between two different companies, two different locations, two different procedures, two different contracts.

b. Saipan Equatorial Launch Site Evaluation Update

CAMPBELL traveled to Saipan on January 22-23, 2018 to discuss status of the potential Saipan equatorial launch site progress with government and private sector businesses. Meetings were held with Governor Torres, other elected and staff officials, members of the Saipan Economic Development Council, and subcontractors concerning the issues with developing an equatorial site in Saipan.

CAMPBELL reported the Saipan situation has changed dramatically in the last six months. We received a temporary land use permit, did environmental evaluation, hired a surveyor, surveyed the land, and the engineer started the environmental evaluation. AAC filed as a foreign corporation in the CNMI, took out insurance and were well on our way to do this project. About a year into it, our consultant mentioned that the primary site, Marpi Point, is a Formally Used Defense Site (FUDS) that requires significant remediation, estimated to take nearly five years to complete. That stopped us. We have looked at different locations and have not found another site that is as good as Marpi Point.

CAMPBELL sent a letter to Governor Torres outlining AAC concerns and advised him that if we are to continue in Saipan, it needs to be a partnership. The Governor was advised that Hawaii appropriated \$250K into the environmental process and has taken the lead in developing the project. For AAC to proceed in the CNMI, a partnership with CNMI must be formed which needs to be led by the Governor's office. To date, we have not received a response. At this juncture, AAC is proceeding with the Hawaii site as the primary alternative, but will continue working with the CNMI as a possible alternative, pending the development of a Memorandum of Agreement between AAC and the CNMI to proceed as a partnership, both in work effort and costs. Campbell wants to keep the CNMI as a possible alternative because he is not convinced Hawaii will get through EA with a Finding of No Significant Impact (FONSI).

c. Employee 2018 Compensation Adjustment

In recognition of the hard work, mission successes and seven years of no pay adjustments, considering AAC made \$500K last year Campbell decided to spend some on employees. Their peer groups in the state have had a number of merit and cost of living increases, Campbell authorized a merit step increase for AAC state employees on January 1. There will be a slight adjustment as well, commensurate with what was provided to state employees, for contractors. Campbell added it is not a lot of cost; it will be approximately \$100K in the end including contractors.

d. 2018 Japan Business Update and Outlook Presentation

The World Trade Center Anchorage (WTCA) invited AAC to give a presentation at the 2018 Japan Business Outlook which is held each year. Traditionally it is centered on natural resources, this year they wanted to add aerospace. The crowd was very interested, we continue with our outreach in Japan and building on what we are trying to accomplish for this

company. Campbell has traveled to Japan previously and their delegation has visited PSCA and are now in discussions for a Memorandum of Agreement for a partnership.

JOHNSON requested from Chairman McCoy in consideration of the guests to move Public Comment portion of the agenda. Hearing no objections the Public Comment portion of the agenda was moved to after Item 7 (President & CEO Report) and would again be taken up at Item 14.

KARL of KNCL expressed his concern on the procurement and award process at AAC. Karl believes an outside legal counsel review is in the best interest of the public.

WHITTAKER of KNCL questioned the way the KNCL proposal was not technically qualified. He presented documents indicating the decision-making process was discredited. This resulted in awarding a contract to a competitor for \$3.5M more than the KNCL proposed cost.

McCOY said the board appreciates Karl comments and we will look into the process and will act upon motions proposed.

WHITTAKER of KNCL reiterated there are two issues: one is the internal issue, and the other is Mr. Karl. He has asked for an acknowledgement that his company did provide a technically qualified proposal and assurance that his company will not be aggrieved again. That would be a memo, signed by the Chairman McCoy. It is the first time in 40 years he has never not been qualified in a proposal, that is wrong and would like that in the form of a memo.

KARL of KNCL offered to host the Board of Directors meeting, adding Kodiak Narrow Cape Lodge is, for where it is, is a first class facility with much thought and care put into it.

MacDONALD of KNCL said she has been to Kodiak and appreciates working for KNCL and does not want this (Bid Protest) to undermine the effort they have made to work with this corporation moving forward.

JOHNSON of KNCL works logistics for Karl's companies and having flown over the site and seeing equipment working the ground before the award was made, he found weird.

8. Director Range Operations Report

a. Government Programs Update

IDIQ TO #6 - Continuing to execute for long-range mission planning and Program Management. TO #7 – New TO issue for Site Preparations which include the building of 2 new areas at PSCA (Area 1 & Alpha Site).

TO #8 – was issued for the Life Support Area (LSA) consisting of space for 210 personnel. PRL Logistics was the selected for being the best value and meeting all RFP requirements. We anticipate the Mission Execution Task Order to be issued in Feb/Mar 2018.

AMRDEC is a R&D division of USA/Redstone Arsenal desiring to conduct a water launch from PSCA/Kodiak in CY19. We have given them a cost estimate and they are evaluating.

KING reported AAC is in discussions on the Targets program, regarding bringing a potential program to PSCA in 2019.

b. Rocket Lab 2017 New Zealand Wrap-Up

Flight 2A - AAC personnel deployed to NZ for Rocket Lab Support and their launch appears to have been a success. The RSTS support was also successful, although we did have a drop out of one of the TM links and that is under investigation, it did not risk flight safety or trajectory.

c. Rocket Lab 2018 New Zealand Operations Contract

The new Operations Support Contract was signed and it establishes a monthly lease rate for the equipment (\$50K) and then additional cost of the 4-5 person mission team and their deployment. Rocket Lab has 7-8 missions scheduled for 2018 with the earliest taking place in April.

d. New Space Launch Program

Our New Space Company continues to progress at an accelerated pace. The site for their Mission Control (MC) has been established and will arrive at PSCA in February. They are aware the last launch opportunity date is May 1, 2018. However due to another other customer mission sliding to the right we may be able to provide them some additional relief.

e. Vector Program Update

AAC has a contract for Phase 3 with Vector for a total budget of approximately \$125K, with a planned launch date sometime in September. We have established and are conducting weekly planning meetings.

f. New Space Commercial Customer

A recent development of a new commercial customer has resulted in another potential contract. They have a new approach for small launch capability and a good test program. The discussions have this New Space Commercial company desiring to develop a site on the lower end of PSCA across Twin Lakes. AAC is in the process of developing a Phase 1 contract for \$50K. We will explore the feasibility of developing the site and conducting this type of launch from PSCA. Campbell added that all discussions with this customer are confidential.

g. FAA Commercial Launch Team Safety Approval Application Update

A Statement of Conformance Revision 3 letter was submitted on November 29, 2017, and we received a reply on January 29. Due to ambiguous feedback, a meeting is required.

King stated if all customers meet their desired number of launches between New Zealand and PSCA, AAC personnel will support between 12-14 missions in 2018. Campbell said it is coming on fast with the competition in the commercial industry. There is a probability that our ops tempo will pick up after the summer launch and the fall will be extremely busy.

9. Director, Facilities Management/Operations

a. PSCA Site Development Projects

WALTER reported the government programs Alpha Site and Area 1 site work started in early January and are progressing well.

“New Space” infrastructure installed their launch command center. The IPF & SCAT Bridge cranes are again certified and operational.

b. Spacecraft and Assembly Transfer Facility Reconstruction Update

WALTER reported the SCAT reconstruction is complete and all systems have been commissioned.

c. LP2 Liquid Fuel Capabilities

WALTERS said the project is going well, concrete and earthen barriers have been built to protect range assets during liquid fuel operations.

10. Executive Financial Manager Report

a. PSCA Facility Rental Rates and Charges Study

HILLENBRAND reported MacSwain Associates, LLC were contracted to conduct the study and expects the final report in February.

CAMPBELL added there would be an external check to compare against the Alaska International Airport System on similar type facilities to make sure the study is comparable to what the aviation industry would expect. We hope by the end of March, to begin to charge for the use of facilities and land in the commercial market. That may be waived for the government initially and incrementally implemented. We will work cautiously with our government customer, and have advised them they will need to start paying like the commercial market for using facilities and land at PSCA.

b. Income Statement

HILLENBRAND reported revenue and expenses are approximately the same as last year. The net operating loss shown is due to building Site 1, Alpha 1, and SCAT reconstruction. The anticipated federal revenue for the next 6 months is \$20M, with \$14M in expenditures.

CAMPBELL added with Federal Appropriation AAC obligates the money prior to billing. We are building and developing for the government customer and expect they will pay this summer.

c. Calendar Year 2018 Cash Position

HILLENBRAND reported federal contracts in the next 12 months are projected to be invoiced \$19M, with a 10% profit margin. Of the 2017 Federal Appropriation, we have used 85% of funds and billed \$3.57M. Conservative estimates for AAC are to invoice \$3M over the next 12 months and expect a \$200K positive cash flow.

RYAN asked if AAC does an annual budget approval process at yearend. Hillenbrand said no, however she is working toward that for FY19.

d. Anticipated Facility Rentals Rates and Charges Study

HILLENBRAND is updating policies and developing an operating reserve policy, a replacement reserve policy and a dividend policy. The replacement reserve policy will focus on a 10-year facilities plan for Sustainment, Modernization and Restoration. Only after reserves are funded would our dividend policy be effective to distribute dividends back to the state. Sega suggested including the next generation of launch services – Internal Research and Development IRAD as well.

11. Chief of Staff – Administrative Report

a. *Federal FY2017 Appropriation Process*

AAC has identified several projects to utilize the appropriation. We had projected to have everything completed by March 31, however that will slide due to workforce and suppliers.

b. *Federal FY2018 Appropriation Request*

AAC made a similar request in 2018 as we did in 2017 and has been included in the federal budget. We anticipate approximately the same dollars. The projects support both commercial and government customers. LOCC “Video Wall” \$500K; Expanded Liquid Fueling Capability \$950K; RSTS #2 Antenna Upgrades \$450K; RSTS #2 Mobility Upgrades \$500,000; Weather Radar Modernization \$1.1M; RMSF mods for multi-customer use \$250K; Upgraded CCTV System \$25K; Building Automation System \$400K.

Due to customer activity, these projects will not be started until fall.

c. *Aurora Launch Services LLC Implementation Report*

CRAMER reported Aurora Launch Services credentials are in order and we will begin hiring specific positions, complete the handbook and establish the bank account in the next quarter.

d. *Procurement Report*

CRAMER reported 147 procurement actions were completed for goods and services between November 2, 2017 and February 2, 2018 valued at approximately \$15,871,388.

12. 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:

- **Government Contracts** - to discuss specific confidential contracts with government launch customers under the terms of which public disclosure by AAC of any information related to the contract and services provided to the government are prohibited and the

immediate knowledge of which would clearly have an adverse effect on the finances of AAC [AS 44.62.310(c)(1), AS 26.27.130, and AAC regulation 1.220]

- **Personnel Succession Plan** - to discuss confidential personnel information the immediate knowledge of which would clearly have an adverse effect on the finances of AAC [AS 44.62.310(c)(1)]

Chair's Response:

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

HEMSATH moved, seconded by Johnsen 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 1:55 p.m. to move to Executive Session. The Executive Session shall last approximately 30 minutes hours. Thus, the public session of this Board meeting shall resume in this room at approximately 2:30 PM.

The Board of Directors came out of Executive Session at 2:18 p.m. to return to Public Session.

13. **Any Other Matters to Properly Come Before the Board**

None

14. **Public Comments**

None

15. **Board Member Comments**

The Directors commented and all look forward to the positive future of AAC.

16. **Proposed Future Board Meeting Dates**

- May 17, 2018 (Anchorage)*
- September, 2018 (Kodiak)*

18. **Adjournment**

A motion made by Johnsen, seconded by Ryan to adjourn, hearing no objections the meeting adjourned at 2:59 PM.