



Official Minutes
Board of Directors Meeting June 21, 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 Corporation (AAC) to order on June 21, 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
- Bruce Abel, CEO Don Abel Building Supply
- Robert Doehl, Deputy Commissioner DMVA
- Lee Ryan, Vice President Ryan Air

Via Telephone and video conference:

- Thomas Walters, Owner Maritime Helicopters
- Senator Gary Stevens
- Representative Louise Stutes

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

Public attending were Russell Sell and Kathleen O’Connell representing PRL Logistics and Russell Pounds from Pacific Rim Media.

3. Approval of the Agenda

CAMPBELL requested the Chairman to add one item, 6a under New Business “Pacific Rim Media”. Knight moved, Abel seconded, and hearing no objections the amended Agenda was approved.

4. Approval of the Minutes

McCOY asked for a motion to approve the minutes from the February 23, 2018 meeting. Knight motioned, seconded by Abel, hearing no objections the minutes were approved.

5. Old Business

None

6. New Business

a. *Pacific Rim Media*

Russell Pounds presented the videos Pacific Rim Media has made for Alaska Aerospace. Campbell hired Pacific Rim Media to build a series of videos to increase public awareness.

b. *Introduce Summer Intern – Tyler Hoover*

CAMPBELL introduced summer intern Tyler Hoover. Hoover lives in Alaska and attends Embry-Riddle Aeronautical University in Prescott Arizona. He is dividing time between PSCA and Anchorage.

c. *Peterson Elementary PSCA “Rocket Day Video*

CAMPBELL said students from Peterson Elementary school in Kodiak launched a rocket from PSCA. It was an excellent learning experience and a video can be viewed on our website.

7. Action Items

a. *Adoption of Alaska Aerospace Corporation Policy Manual*

CAMPBELL presented the updated policy manual. Ryan motioned for purpose of discussion to adopt the AAC policy manual, seconded by Knight. Discussion followed with members recommending changes.

Regarding the dividend policy, Walters questioned if it is required that AAC repay funds received from the state. Campbell said the state has provided \$36M in sustainment funds and each year they have asked about repayment. However, it is Board driven and that is the reason the distribution policy was defined.

STEVENS said there is an expectation that funds will be returned in some amount and it is an obligation that needs to be addressed.

CAMPBELL recommended postponing approval of the Policy Manual to allow staff to make the suggested revisions. Revisions to include Cyber Security, Dividend Distribution Policy, Confidentiality Agreement, Energy Resiliency, Annual Investment Report and Sexual Identification. A motion by Ryan, seconded by Knight to table approval of the Policy Manual until the next meeting. Hearing no objections the motion was tabled.

b. Adoption of Alaska Aerospace Corporation By-Laws

CAMPBELL presented the Revised Bylaws and highlighted some of the updates for 2018. A motion made by Knight, seconded by Abel to approve the Bylaws. Hemsath motioned to amend: Section 12 – Order of Business: Move Item 11 “public comment” to item 5 after “approval of the minutes”; Change “shall to may” and delete “at a minimum”. Roll call vote was taken and the Bylaws were approved unanimously as amended.

c. Contract Approval for Greby Space Services

Ryan motioned to amend and adopt Resolution #18-01 “Amount to Exceed \$100,000 and Not to Exceed \$120,000”. Motion seconded by Knight. Hearing no further discussion, roll call vote was taken and Resolution #18-01 was approved.

8. President and Chief Executive Officer Report

a. Succession Plan Subcommittee Selection Status

CAMPBELL reported the subcommittee included Dr. Bob McCoy, Bob Doehl, Lee Ryan, John Cramer and himself. Six candidates were interviewed and the field was reduced to three finalists. Candidates will be invited to visit PSCA in July and to meet individually with subcommittee members. Campbell plans to have a new President hired in August. The Chief Executive Officer and President responsibilities will be divided and the role of President transitioned to the new hire.

b. PSCA Environmental Assessment Update Report

AAC has started the process to update the current PSCA Environmental Assessment with the FAA. The current annual limit is three medium and six small lift vehicles. The goal is to support multiple “new-space” launches and customers. Campbell is requesting to increase the

permitted number of launches per year, not the current limits of contaminants, only capabilities. He expects it may take a year to get approval.

c. Space Symposium – April 16-19, 2018

The annual Space Symposium was held in Colorado Springs April 16-19, 2018. An estimated 14,000 people attended, a 20% increase over 2017. Campbell said several visitors and at least four new companies came by the AAC booth. Alaska Aerospace staff conducted individual meetings with prospective and established customers. This conference remains Alaska Aerospace's highest priority for participation in future years.

RYAN noted it would be helpful for Board members to attend to get a better understanding of the business. Campbell agreed and would work to make that happen.

d. Saipan/Tinian Congressional Delegation Site Visit March 27-28, 2018

CAMPBELL reported Senator Lisa Murkowski led a Congressional Delegation to Guam and the Commonwealth of the Northern Mariana Islands (CNMI). The Senator learned what would be required for infrastructure investment of potential equatorial launch sites pursued by Alaska Aerospace. Campbell provided presentations on both Tinian and Marpi Point locations regarding developing a small launch facility in the CNMI.

CAMPBELL has scheduled follow up meetings with Senator Murkowski and the Alaska Congressional Delegation while in Washington D.C. June 26, 2018.

e. Commonwealth of the Northern Mariana Islands (CNMI) Governor's Office Staff Visit to PSCA – May 1, 2018

Alaska Aerospace has been pursuing a potential equatorial launch site in the Commonwealth of the Northern Mariana Islands (CNMI) since March 2016. The primary site selected was on Saipan at Marpi Point. In 2016, AAC entered into a one year temporary land use agreement with the CNMI Department of Public Lands to conduct an evaluation of a site in the I MADDOK tract, Public Lands 051 A 01. AAC purchased insurance to proceed with a site survey, environmental evaluation, and obtained a Certificate of Authority to operate as a foreign corporation within the CNMI.

In mid-2017, Alaska Aerospace discovered through the environmental review that the preferred Marpi Point location was a Formerly Used Defense Site (FUDS). Campbell believes that should have been disclosed prior to signing the lease and requested that a Memorandum of Agreement (MOA) be signed between the CNMI and Alaska Aerospace.

The Memorandum would outline an agreement to jointly pursue an equatorial launch site in the CNMI.

Specialists from Governor Torres office visited PSCA to develop the MOA and to work on the financial and environmental feasibility of developing a launch site on Tinian. Initial discussions were conducted on the form of the MOA and the roles and responsibilities of each party. At this time Alaska Aerospace is waiting for the draft MOA from the governor's office, if it is not received AAC will focus on Hawaii.

f. Kodiak Island Borough Zoning Compliance Permit for PSCA

Kodiak Island Borough (KIB) Community Development Department contacted Alaska Aerospace regarding filing for a Zoning Compliance Permit (ZCP) for the Life Support Area (LSA) at PSCA. AAC counsel reviewed requirements and advised that AAC is exempt from local regulations and laws pursuant to Alaska Statute 26.27.120. On April 30, 2018, AAC sent KIB a letter informing them that a ZCP was not required. On May 7, 2018, KIB responded disagreeing with our assessment and requesting that AAC submit the request for a ZCP. On May 24, 2018, AAC again responded, disagreeing with KIB conclusion and citing rational.

CAMPBELL said AAC has always worked closely with the borough and community. He proposed a Board meeting in Kodiak, a summer town hall and a fall Assembly presentation and to make it more routine. Stevens and Stutes agreed and will get the word out.

9. Director Range Operations Report

a. Government Programs Update

A Government Mission is delayed due to technical difficulties. Long range mission planning continues and the scope has expanded.

Area 1 is complete and Alpha Site will be complete June 15. Life Support Area (LSA) is complete and will go into caretaker status.

Discussion is ongoing and a site visit is scheduled in July for another possible Government Mission.

Another Government Program will conduct a mission at PSCA in late summer of 2019. It would be a single water launch with a new customer.

Two additional programs are in discussions. King added there is a lot of interest from the Government side.

b. Rocket Lab Launch Support Update

Flight #3 scheduled for March, was delayed. The AAC team is there now, and all systems are green. Rocket Lab is planning one launch per month starting in August. AAC is prepared to support whatever schedule they require.

c. Commercial Customer Launch (Name NDA restricted) Update

Commercial Customer X has attempted their initial launch twice, April and May without success. Their third attempt is scheduled for the week of July 14 - 20, 2018. They are planning a second launch in September 2018 and an additional launch later this year.

d. Vector Program Status Report

Vector is making progress with development and refinement of CONOPS. The vehicle has arrived at PSCA and the Pathfinder operation is planned for the week of July 9. Vector will conduct their first launch attempt from PSCA this Fall.

e. Potential Future Commercial Customer

AAC has signed a contract with a new commercial customer to conduct research and provide ROM cost estimates for developing a launch facility on the PSCA range. That will be completed in August 2018, and following that, both parties will assess the feasibility of the program at PSCA.

CAMPBELL added that a commercial company could not build and own a facility on state land in keeping our agreement with Department of Natural Resources. If AAC is to own it AAC will seek funding from Alaska Industrial Development and Export Authority (AIDEA).

f. East Hawaii Equatorial Launch Site Environmental Assessment Update

AAC has submitted the launch site design for the most probable launch azimuth corridors for the Environmental Assessment. The development team has designed the site for two separate launch pads within the desired 15 acres for both liquid and solid propellants.

AAC is currently awaiting permission from local government agencies to clear an access road to the site to conduct the environmental and archeological assessments. After that the environmental team will finalize their environmental assessment and move to public scoping.

g. PSCA Launch Site Safety Manual (LSSM) Revision Published

KING said the new PSCA Range Safety Manual has been published and is divided into two parts, a Commercial Launch Site Safety Manual (LSSM) and a Government LSSM. The Commercial LSSM meets the FAA requirements, and the Government LSSM meets the FAA and additional government requirements for government sponsored launches.

h. FAA Commercial Launch Team Safety Approval Application Update

AAC submitted a request to the FAA for a certification program to establish a commercial launch services team. The FAA reviewed the request and recommended minor changes. AAC has made the revisions and have resubmitted to start the formal 180-day approval process. Sega asked if the team would be certified at various sites. King confirmed they are certified as a Flight Safety Officer; however, there may be additional training specific to the equipment.

10. Director, Facilities Management/Operations

a. FAA PSCA Annual Inspection

WALTER reported the FAA inspectors took advantage of the recent commercial mission to observe range safety procedures in real-time. FAA met with PSCA staff to discuss current and future activities regarding our license. They announced that the annual inspection was completed. AAC met all the requirements and the FAA has issued a letter of compliance.

b. FAA PSCA Spaceport Site Operators License Renewal Process

AAC's five-year license to operate the PSCA Launch Site expires in September 2018 and staff has submitted the renewal application.

c. Spacecraft and Assembly Transfer Facility Reconstruction Update

WALTER said the SCAT reconstruction was complete and the building is in use. The initial budget to rebuild the SCAT under the Davis Contract was \$3.8M. AAC assumed construction saving \$600K.

d. Rocket Display and Public Area

The Rocket Display and Public Area enhancements will be completed in July.

e. Life Support Area Construction Status Report

WALTER reported the building is complete. PRL Logistics has two employees maintaining the camp in caretaker status.

11. Executive Financial Manager Report

a. FY 2018 Financial Presentation

HILLENBRAND reported \$89,329,306M in net assets projected for year-end, adding the change in capital assets is the result of reconstruction projects now being depreciated.

b. CY 2018 Cash Position

HILLENBRAND reported anticipated cash inflows of \$31M and an anticipated cash outflows of \$31M. Anticipated cash increase for the calendar year of \$0.5M.

The General and Administrative Breakout of CY2018 totaling \$4.2M was presented.

c. FY 2019 Budget Presentation

HILLENBRAND presented the 2019 Budget noting what has been spent on G&A Costs for the past three years. Hillenbrand reported an operating budget is generated prior to each project start with a fee of 10 – 12% and it is consistent with prior years.

Revenues have increased this year with commercial launches and it was a positive outcome for both commercial and government clients. AAC spent \$1.9M of corporate funds in the final phase of the reconstruction projects. Campbell added AAC is in subrogation with the Government to claim funds paid out for reconstruction by state insurance from the 2014 anomaly.

The General and Administrative Breakout of CY2018 totaling \$4.2M was presented.

Ryan asked what AAC made prior to “book loss”. Hillenbrand reported AAC brought in \$18.7M, outflow \$14M leaving \$4.7M. That is a 12% profit margin adding AAC expects a positive cash flow of about \$400K this calendar year.

d. PSCA Facility Charges and Land Use Agreement Implementation Process

An appraisal has been completed on the facilities and AAC expects to have utilization templates established in the next 60 – 90 days. Equipment will be included in utilizations rates as well.

e. Dividend Distribution Plan

Alaska Aerospace Corporation (AAC) will develop a procedure to distribute a dividend to the State of Alaska in the years the following criteria are met: AAC has a positive net income, a fully funded operating reserve account with a two year rolling average, procedures are developed for a fully funded sustainment, modernization, and restoration reserve account. When the criteria have been met, Senior Staff will present to the Board the audited financial statements. At a subsequent Board meeting the amount of the dividend, for distribution to the State of Alaska, not to exceed 20% of net income will be determined.

HILLENBRAND said for future meetings there will be a budget to actual report on G&A Expenses.

RYAN asked what was forecast to revenues for the 2019 budget. Hillenbrand she has the anticipated cash flow projection, however it is hard to predict.

CAMPBELL said following passage of the Policy Manual, it will include a dividend policy and should be available at the next meeting. At that time, AAC will contact the Kodiak Island Borough with the new policy and start discussing how to make payments equitable for all.

12. Chief of Staff – Administrative Report

a. Federal FY2017 Appropriation Process

CRAMER said the FY2017 Omnibus Appropriations Bill included funds for infrastructure improvements at non-federal spaceports. AAC received \$4.1M. All but two projects have been completed, with the remaining finished by August.

b. Federal FY2018 Appropriation Implementation

Congress passed the FY2018 Appropriations Bill, \$10M was the appropriation requested in the Bill to support infrastructure development at non-federal spaceports that support the National Security Space Program. The funding will be divided between Virginia Space and Alaska Aerospace as in prior years.

CRAMER reported \$4.1M is estimated to be our portion, adding there is an issue with the funding. The money first goes to the Air Force and they are holding the money.

Contract negotiations have started to release the PSCA funding for project work. Campbell and Cramer have meetings in DC later in the week and it will be discussed with the congressional delegation. Projects identified for completion under this appropriation at PSCA include: RSTS Command Destruct System Upgrade; Launch Operations Control Center Video Wall Upgrade; Weather Radar and Systems Modernization; Marine Surveillance

Radar; Purchase of new Mobile Horizontal Processing Fabric Buildings; Rocket Motor Storage Facility Multi-Use Modifications; Closed Circuit Television System Upgrade; Telemetry Instrumentation Field Upgrade and Building Controls Automation Upgrade.

c. Federal FY2019 Appropriation Request

AAC has initiated talks with our congressional delegation regarding infrastructure improvements for consideration in the FY2019 Federal Appropriations Bill. The preliminary FY2019 projects include: Liquid Oxygen (LOX) Production Facility; Expanded LOX Fueling Capability; Purchase of four small unmanned aircraft vehicles; Enhanced security cameras, lighting, fencing, gating, and sensing capabilities; Upgraded hypergolic fuel handling facility; Autonomous Flight Termination System (AFTS) hardware and software requirements.

CRAMER added everything on the FY2017, 18 and 19 request will support government programs as well as assist our commercial customers.

d. Interagency Land Management Agreement (ILMA) with Department of Natural Resources (DNR)

CRAMER said the current ILMA expires in 2024. Preliminary discussions with DNR have focused on current activities at PSCA. With our effort on commercial and government programs, the current agreement may need to be altered. Future meetings will indicate the appropriate type of land use document required. Sega suggested using the Kennedy Space Flight Center in Virginia model as it has both commercial and federal launch contracts on federal government property.

e. Kodiak Island Borough Property Tax

CRAMER reported at the April 29, 2018 Kodiak Island Borough (KIB) Assembly meeting Mayor Dan Rohrer discussed the idea that property tax should be applied to the Life Support Area (LSA) at PSCA. To date, KIB has not contacted AAC directly about paying property taxes at PSCA. Campbell said the Board was reviewing the process of establishing something to offer and AAC will move forward after the policy handbook is passed.

f. Aurora Launch Services, LLC Implementation Report

CRAMER said Aurora plans to hold the first Board Meeting in August in conjunction with the AAC Board of Directors Meeting, and plan to kick off Aurora on July 1.

Aurora Launch Service has obtained an Alaska Business License, Articles of Organization completed, Operating Agreement completed, Drafted Bylaws to be presented to the Aurora Board of Directors for approval, Organization Chart finalized, Job Descriptions developed,

Employee Handbook completed, Business Plan updated, Policy Manual is under development and will be presented to the Aurora Board of Directors for approval, first Board Meeting – TBD.

g. Procurement report

319 procurement actions completed for goods and services between February 3, 2018 and May 30, 2018 valued at approximately \$3,297,435.

13. 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:

- **Kodiak Narrow Cape Lodge Appeal Update** - to discuss matters pertaining to the Kodiak Narrow Cape Lodge bid protest/appeal, the immediate knowledge of which clearly would have an adverse effect on the finances of AAC [AS 44.62.310(c)(1)]
- **Government 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 [AS 44.62.310(c)(3), (4), AS 26.27.130, and AAC Regulation 1.220]

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 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 1:07 p.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 3:00 PM.

The Board of Directors came out of Executive Session at 2:12 p.m. to return to Public Session.

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

CAMPBELL said he received a letter from Governor Walker reappointing Dr. Sega and Bruce Abel to the Board of Directors.

Alaska Space Strategy/Policy

HEMSATH introduced his vision for the creation of the Alaska Space Strategy/Policy and discussions followed. Sega liked the strategy and suggested dropping the policy piece, just explore space. McCoy recommended expanding Space to Aerospace. Campbell said the Alaska Aerospace strategic plan needs to be updated and include global vision. A subcommittee was created with the following members: Hemsath, Sega, Abel and McCoy.

15. **Public Comments**

None

16. **Board Member Comments**

The Directors commented and all look forward to the positive future of. Walters added he appreciated our valued employees.

STEVENS said he looks forward to getting the community together and give them the opportunity to hear what AAC is doing.

STUTES thanked the staff for accommodating tour groups she brings to the range.

17. **Proposed Future Board Meeting Dates**

a. August 23, 2018 (Kodiak)

CAMPBELL said he would work on a date to maximize our time in Kodiak with a Town Hall, Aurora Launch Service Board meeting and possibly a launch.

b. November 8, 2018 (Anchorage)

18. **Adjournment**

A motion made by Ryan, seconded by Hemsath to adjourn, hearing no objections the meeting adjourned at 2:52 PM.