



**Official Minutes**  
Board of Directors Meeting September 26, 2019  
Alaska Aerospace Conference Room  
Anchorage, Alaska

**1. Call to Order**

Chairman McCoy called the meeting of the Alaska Aerospace Corporation (AAC) Board of Directors to order on September 26, 2019 at 9:30 a.m.

**2. Roll Call**

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

- Dr. Robert McCoy, Chairman
- Lindsay Knight, Vice Chair
- Bruce Abel
- Lee Ryan
- Dr. James Hemsath
- Thomas Walters
- Commissioner Tory Saxe, DMVA

Via Telephone:

- Jack Anthony

Also, present were:

- Mark D. Lester, President and CEO
- Craig Campbell, Aurora Launch Services President
- Shanna Bloom, Director of Financial Management
- John Cramer, Executive Consultant
- Brandilynn Trask, Executive Administrative Assistant

Tom Klinkner, Legal Counsel, Birch Horton Bittner and Cherot; via telephone.

Russell Sell, PRL also attended the meeting as a member of the public.

### 3. Approval of the Agenda

McCOY asked for a motion to approve the Agenda. KNIGHT motioned, seconded by ABEL, hearing no objections the Agenda was approved.

### 4. Approval of the Minutes

McCOY asked for a motion to approve the minutes of the June 27, 2019 Regular Meeting. HEMSATH motioned, KNIGHT seconded the motion. McCoy asked if there are any corrections to the minutes. Hearing none, McCoy asked for approval by unanimous consent. With no objections, the motion passed.

### 5. Public Comments

a. None

### 6. Old Business

#### a. *Government Indemnification for Launch Activities*

LESTER reviewed the issue of government indemnification for launches from PSCA. Following the 2014 launch failure, the State required Alaska Aerospace to obtain separate insurance coverage or indemnification for launches from PSCA. Prior to the July 2017 launch activities by the Missile Defense Agency, the government provided indemnification to Alaska Aerospace under existing federal procurement regulations that permitted such indemnification for unusually hazardous risks.

HEMSATH asked if this also covered commercial customers. LESTER said it did not and that commercial customers need to provide proof of insurance prior to launches from PSCA. HEMSATH further asked if the government had reimbursed Alaska Aerospace for the 2014 launch failure. CAMPBELL explained that State insurance covered the PSCA facilities and that the State filed a claim against the government for repayment. That case was settled, but not with full reimbursement to the State by the government. Discussion continued between staff and board members about indemnification for the 2014 launch and concluded with no further action required. Action is closed.

### 7. New Business

#### a. *Governor Dunleavy Appointment of Jack Anthony to the Alaska Aerospace Board of Directors*

LESTER introduced Jack Anthony to the board to replace Dr. Ron Segal in the aerospace industry position. ANTHONY expressed his appreciation for being a new member of the board. McCOY welcomed ANTHONY to the board.

## 8. Action Item

- a. *Resolution #20-01: A Resolution Authorizing the Chief Executive Officer to Increase AAC's Existing IDIQ Contract with Aurora Launch Service (AAC – 190006-OS) to Not Exceed \$8.0 Million through June 30, 2021.*

LESTER explained the need for this change is driven by the increase in work requirements for Aurora Launch Services personnel at PSCA. He stated that Alaska Aerospace was now down to seven state employees. Initially the funding ceiling was \$2.0 Million, which is not sufficient to meet projected PSCA launch support activities. The majority of the previously approved funds were used for this year's launches.

WALTERS moved; KNIGHT seconded a motion to approve Resolution #20-01. HEMSATH stated that the wholly owned subsidiary model and the relationship between Alaska Aerospace as the 100% holder of Aurora Launch Services, LLC is a good business model. He then asked if Aurora Launch Services follows state procurement regulations. CAMPBELL responded that Aurora Launch Services does not use the state procurement system but is in general alignment with state regulations. Maggie MINTON, Alaska Aerospace Contracts Officer stated that Alaska Aerospace flowed their procurement requirements to Aurora Launch Services through the contract process. LESTER informed the board that Aurora Launch Services is strictly a personnel company and that all other procurements, such as capital investments, supplies, and other contractors for services, are completed by Alaska Aerospace.

Discussion between board members and staff continued on the status of state employees versus Aurora Launch Services employees, how the two companies are aligned, and how the long-term development of Aurora Launch Services will be continuing to benefit Alaska. There was consensus that the direction Alaska Aerospace was heading with regard to Aurora Launch Services was very positive.

RYAN asked how the flow-through of cash from Aurora Launch Services benefits Alaska Aerospace under the current IDIQ. LESTER explained how the budget functions between the two companies and that the majority of Aurora Launch Services charges back to Alaska Aerospace are direct charges for services that are invoiced against launch customers. In that way, the requested \$8.0 Million would be paid by launch customers, while a small portion would be paid by Alaska Aerospace for non-launch administrative and facility maintenance services.

McCOY asked for a roll call vote. Motion passed unanimously.

## 9. Chief Executive Officer Report

- a. *Personnel Update*

LESTER provided an overview of personnel changes made to become more efficient in handling launches, such as bringing positions in-house to reduce administrative burden of

sub-contractors. He also explained how personnel are now being cross-trained to do more than one job. Examples were training the janitor to also be a weather balloon launch officer for launches and having a full-time Emergency Medical Technician at PSCA who is also trained in the contracts, procurement, and warehouse inventory work. CAMPBELL explained the objective is to model the spaceport more as an airport and use personnel in a variety of job responsibilities to support both sustainment of the spaceport and operational requirements.

RYAN asked if safety exercises were conducted at PSCA. LESTER confirmed that exercises were always completed prior to a launch. RYAN recommended that Alaska Aerospace consider an annual spaceport emergency exercise. LESTER advised the board that Alaska Aerospace recently realigned a full-time individual to oversee the safety and security program at PSCA. Previously the Facility Security Officer was located in Anchorage. To increase efficiency in the safety and security roles, the FSO position was moved back to Kodiak and combined with the safety responsibilities.

LESTER acknowledged Todd Leitheiser for fifteen years of service with Alaska Aerospace.

*b. PSCA Spaceport Master Plan Update*

LESTER advised the board that the first Spaceport Master Plan Public Informational Meeting was held in Kodiak on June 25, 2019. It was well attended. Both Directors KNIGHT and HEMSATH also attended.

The next step for the master plan is to develop the Facility Requirements and Development Alternatives chapters. These will be distributed to the Spaceport Planning Advisory Group (SPAG) for review. A SPAG meeting is tentatively planned for late November.

CAMPBELL offered to send the chapters to board members for their situational awareness, as well as inviting board members to attend SPAG and public meetings. ABEL asked if the community was becoming more receptive towards PSCA through this process. CAMPBELL affirmed that positive comments and constructive edits have been received; however, there remains a small, vocal opposition group. KNIGHT stated that there has been some positive gains.

WALTERS stated that most people in Kodiak, especially the restaurant, hotel, and construction businesses do not object to PSCA and appreciate the additional income that comes into the community during the off-season. KNIGHT confirmed that a majority of the community is supportive of the spaceport and its continued development.

LESTER mentioned that Alaska Aerospace would be holding an Open House and Town Hall meeting sometime in October. He invited board members to come to Kodiak for the events, if they desired. HEMSATH voiced support for the outreach and engagement with the community.

*c. Industry/Stakeholder Engagement*

LESTER gave an overview of engagements since the last meeting:

- Alaska Aerospace participated in the Space and Missile Command annual conference in Huntsville in August.
- Alaska Aerospace is a member of the Commercial Spaceflight Federation (CSF) and LESTER was invited to be Vice Chair of the CSF Spaceports Committee.
- LESTER advised the board he had been interviewed by the Global Spaceport Alliance (GSA) for their annual spaceport survey and that he would be attending the GSA annual meeting in Houston in November.
- LESTER advised members the Government Accountability Office (GAO) was preparing a report to congress on spaceports and he submitted both written and oral testimony on the operations of both Alaska Aerospace and PSCA.
- LESTER and CAMPBELL briefed Governor Dunleavy on PSCA activities and the future plans for Alaska Aerospace. HEMSATH recommended Alaska Aerospace outreach to the Alaska State Chamber of Commerce to present the benefits of PSCA to that organization and to seek support in commercial development.
- Alaska Aerospace hosted both Senate Armed Services and House Armed Services Committee staffers at PSCA in August. They were very impressed with the modern facilities and capabilities at the spaceport and plan to inform congressional members of the capabilities available to the Department of Defense.
- Staff from the FAA Commercial Space Transportation Office (AST) and the Anchorage Air Route Traffic Control Center (ARTCC) visited PSCA. Primary purpose was to focus on improving air traffic operations at Kodiak and especially to Old Harbor during launch periods. The FAA agreed to staff the issue and get back to Alaska Aerospace with options. There was general discussion about ways to mitigate impacts to aviation at and around PSCA during launch periods.
- Alaska Aerospace is planning to attend the 2020 Commercial Space Transportation Conference in Washington in January. RYAN encouraged Alaska Aerospace to continue working with the American Association of Airport Executives (AAAE) to include spaceports in their overall organizational focus.
- LESTER informed members that Alaska Aerospace would also be a presenter at the Alaska Command (ALCOM) 2019 Arctic Symposium in mid-November, by invitation of Dr. McCOY.

*d. Environmental Assessment Update*

- PSCA Environmental Written Re-Evaluation: LESTER gave an update on the environmental assessment written re-evaluation for PSCA to allow the number of launches to be increased from nine (9) per year to thirty-six (36) per year. Noise monitoring methodology has been approved by the FAA. Alaska Aerospace is also working with the National Marine Fisheries Services on their approvals, to include the monitoring of marine mammals on Ugak Island. While this re-evaluation is focused on small launch vehicles, the re-evaluation is being written to ensure that medium (Minatour-sized) launch vehicles can also still launch from PSCA.
- PSCH Environmental Assessment: LESTER provided a short update on the Environmental Assessment being completed by KFS under contract with the Hawai'i Department of Business, Economic Development, and Tourism (DBEDT) for the East

Hawai'i launch site. A preliminary draft document is being circulated for internal review and the FAA will be providing KFS comments in the next month. There remains commercial industry interest in using East Hawai'i and a renewed interest from our Hawai'i partners on moving this project forward. There are still a number of public meetings that must be completed with completion of the EA expected in late 2020. Protests against the Thirty Meter Telescope on island are still active and causing some concerns on the prospects of securing a Finding of No Significant Impact (FONSI) for this project. CAMPBELL informed the members that Hawai'i has a new Deputy Director for DBEDT who has indicated interest in taking a lead in advocating for this project in Hawai'i. LESTER did confirm that some commercial customers are looking at alternatives to East Hawai'i due to the political environment.

*e. Government Programs Update*

Alaska Aerospace continues supporting Missile Defense Agency (MDA) test launches from PSCA. LESTER confirmed that MDA authorized release of information that a successful Arrow-3 test occurred at PSCA this summer. General discussion by board members and staff on the success of this year's operations and the prospects for increased launches in future years. HEMSATH asked if the spaceport enhancements of the past few years have provided increased capabilities for the government. LESTER affirmed that the improvements directly supported government requirements and has increased capabilities. SAXE asked if there has been any renewed interest by Air Force Space Command in using PSCA. LESTER advised there had not but did say the Air Force has been evaluating rapid launch capabilities and how PSCA may be able to support.

LESTER advised the board there are other government missions being planned, which will be covered in more detail in Executive Session. He also stated that Alaska Aerospace staff has been involved in a lot of mission planning for additional future launches that may happen at PSCA.

*f. Commercial Customer Programs Update*

Vector Launch announced a "pause in operations" in August. LESTER confirmed that John Garvey continues with the company and is evaluating ways to proceed with test and production. His intent is to still launch from PSCA, however at this time it is unknown when that may occur. CAMPBELL reminded the board that Firefly faced the same situation about three years ago; they filed for bankruptcy; closed operations; found new investors; and today is back in business as Firefly Black building a launch pad at Vandenberg AFB with intentions to launch in 2020. Vector is striving to do the same, with launches from PSCA at a later time.

Defense Advanced Research Projects Agency (DARPA) continues with the Launch Challenge project. Target for launches is in the January/February 2020 period. LESTER stated that PSCA has been considered as a potential launch site for the program but launch sites will not be announced until just prior to the actual launch dates. Purpose is to test launch companies of rapid launch capabilities from a variety of sites with minimal notice. HEMSATH reinforced that this was an excellent opportunity for Alaska Aerospace to gain increased public awareness of capabilities.

*g. Off-Site Launch Customer Programs Update*

LESTER advised that Alaska Aerospace anticipates supporting Rocket Lab for another one to two (1-2) launches from Launch Complex One in New Zealand in the final quarter of 2019. He also informed the board that Alaska Aerospace has signed a continuation contract to provide RSTS equipment support through the end of the year. The system has been in New Zealand three years and there is a need to return the system to the US and upgrade the system to be complementary with our upgraded system at PSCA.

WALTERS asked the status of replacing/duplicating the RSTS system for use at both PSCA and off-site. LESTER responded by telling the members that systems one has been upgraded and installed into a fixed facility within the Maintenance Support Facility, with the need remaining to upgrade the mobile system. He continued by advising the board that Alaska Aerospace has increased the number of telemetry antennas by installing two fixed telemetry antennas at PSCA, freeing two mobile antennas for use at other locations without impacting PSCA operations.

*h. 2019 Space Grant Internship Program*

In 2019 Alaska Aerospace hosted two interns. LESTER presented the projects the interns worked on this summer. LESTER advised the board that he has met with Denise Thorsen, Alaska Space Grant Director, to discuss ways Alaska Aerospace can be more active with the program.

*i. Federal FY 2018 Appropriation Implementation Plan*

LESTER presented an update of the 2018 projects following the delayed release of the funds from the federal government. The Air Force and NASA have been briefed on the status of projects and are satisfied with progress made to date.

- Weather radar should be installed by the end of October.
- Flight Analysis Workstation (FAWS) will be tested and operated in shadow mode pending launches next year.
- Command Destruct System (CDS) upgrades will also be completed this year.
- Modification to the Rocket Motor Storage Facility expansion is on-going
- Improvements to the commercial launch pads were completed. A new soft-sided vehicle integration facility was installed that allows for processing at Pad B.
- Pad C is ready for multi-use operations.

*j. Federal FY 2018 Appropriation Implementation Plan*

Funding for the FY 2019 Federal Spaceport Enhancements funding has not yet been released to Alaska Aerospace by KBR Wyle. Funding was delayed for two reasons. The first was the government shutdown earlier in the year delayed processing the funds. The second was the change from LJT to KBR Wyle as the prime contractor for NASA responsible for providing funding to Alaska Aerospace. Alaska Aerospace needed to complete a new contract with KBR Wyle, which has delayed authorization to start project work.

## 10. Executive Financial Manager Report

LESTER introduced SHANNA BLOOM, the new Alaska Aerospace and Aurora Launch Services Director of Financial Management. BLOOM provided board members a short background of her professional experiences prior to joining Alaska Aerospace.

### *a. FY 2019 Financial Presentation*

BLOOM asked Judy Godin to present the FY 2019 budget close-out. GODIN highlighted the original start-up funding provided to Aurora Launch Services. GODIN explained that the spaceport enhancement funding remains in the Capital Improvement Projects list until they are completed. RYAN asked for clarification on unbilled receivables. Godin explained it was caused by a delay in invoicing by the end of the year. Process has been changed to invoice in a timelier manner which resulted in a more accurate balance sheet for the year.

RYAN asked if there were any customers that may be problematic on payments. GODIN advised that follow-up efforts with delayed payments has been successful; however, LESTER advised there was one customer that had serious delayed payments and Alaska Aerospace has worked out a payment plan with that customer. RYAN thanked LESTER for managing Alaska Aerospace as a business.

GODIN informed the board that the decrease in personnel costs was mainly due to the reduction in state employees and the lower cost of using Aurora Launch Services employees, especially using part-time employees on missions. She continued by pointing out that there is a separate line item for customer deposits for reserving launch dates. LESTER confirmed this was an essential tool to manage customers launch schedules, as when they place a deposit, if they do not launch within the window, they lose the cash deposit. This is creating an incentive for companies to only book realistic launch windows, making scheduling a bit easier. There was general discussion amongst board members about the benefits of launch deposits; how this concept works at other locations; the impacts it may have on customers; and ways it may be modified in the future. There was agreement that the concept was a good approach to business.

LESTER talked about future financial planning and creating an ability to have a revolving fund to smooth out the highs and lows of annual budget flows created by an uneven, customer driven launch schedule. He identified the development of a cash reserves for operations and facilities and other means to streamline the budget process for future years.

### *b. FY 2020 Cash Flow*

GODIN presented an overview of the cash flow projections for FY 2020, which identified an ending cash balance of \$3.146 Million, as of August 31, 2019. HEMSATH asked if Alaska Aerospace was in a strong cash position for the 2018 close-out. GODIN responded that the balance sheet was solid for 2018 and improving. RYAN asked if the financial reporting systems of Alaska Aerospace were sufficient of the future. BLOOM replied that



her opinion is that the systems are good, but that Alaska Aerospace needed to better utilize parts of the systems and not duplicate information in redundant systems. She wants to streamline the systems to improve efficiencies. LESTER confirmed and informed the board members that he had brought in his former CFO from another company to give him an audit of Alaska Aerospace functions, reporting, and processes. She reported that the fundamental systems were fine, but process improvement would create more accuracy and timely budgeting information.

*c. FY 2020 Cash Position – General Administrative Breakout*

GODIN presented the overview of the FY 2020 cash position for general administration costs. Payroll stands at \$105,700; General and Administrative Expenses are \$188,500; and Bid and Proposal was \$47,700. There were no questions on this presentation.

**11. Aurora Launch Services**

CAMPBELL provided a status report on Aurora Launch Services. At the August 21, 2019 board meeting, Jack Anthony was appointed to the board; although that action was superseded when Governor Dunleavy appointed Mr. Anthony to the Alaska Aerospace Board of Directors. There remains a need for two new members of the Aurora board. He asked Alaska Aerospace board members for recommendations. HEMSATH stated that for the Aurora Launch Service board a person with more than just personnel experience is necessary, as the people do a lot of technical operational jobs. CAMPBELL agreed.

At the last Aurora Board meeting the Aurora Policy Manual was approved and a re-negotiated Alaska Aerospace Aurora Launch Services Agreement was approved, which was approved by this board today.

CAMPBELL went through a list of new employees that have joined Aurora Launch Services since the last meeting, specifically mentioning the hiring to Shanna BLOOM and the new Spaceport Manager, Rob GREENE, who will be starting the beginning of November.

CAMPBELL explained how the administrative functions were being realigned to increase staff efficiencies and reduce the need to hire additional personnel for administrative (non-launch) functions. CAMPBELL briefed the board on two personnel terminations. As of September 4, 2019 Aurora, Launch Services has twelve (12) full-time employees and twenty-five (25) part-time employees.

A new web site has been active. Goals for the next few months are to implement a medical and life insurance program for full-time employees, as well as a 401-K retirement plan for Aurora employees.

RYAN asked if there was an Aurora Launch Services dividend policy. CAMPBELL advised that Aurora did not have a policy and the Aurora Board had the authority to declare a dividend, which would be paid to Alaska Aerospace. LESTER added that Alaska Aerospace has a seat on the Aurora Board but agreed that it would be good to have a policy in writing. The board members discussed the issue. No motion was offered, but there was consensus that legal counsel should review the issue and report back at the next board meeting.

## 12. Executive Session

Chair McCOY asked for a motion to convene in Executive Session to discuss the following topics:

- a. Spacecraft Assembly and Transfer Facility Structural Issue – To discuss matters which would clearly be detrimental to the finances of Alaska Aerospace under Alaska Statutes 44.62.310 (c) (1) and confidential attorney-client communications.
- b. Discussion on Spaceport Relationship with Kodiak Narrow Cape Lodge – To discuss a conversation between the owner of Kodiak Narrow Cape Lodge and the Alaska Aerospace President and CEO concerning future use and ownership of the lodge involving matters of which the immediate knowledge would clearly have an adverse effect on the finances of Alaska Aerospace under Alaska Statutes 44.62.310 (c) (1).
- c. Business Development Outlook – To discuss the business development outlook for the spaceport involving matters of which immediate knowledge would have an adverse impact on the finances of Alaska Aerospace under Alaska Statutes 44.62.310 (c) (1) and trade secrets and other proprietary technical information that is protected for public disclosure under Alaska Statutes 26.27.130.

McCOY asked for a motion from the board to go into Executive Session. ABEL motioned, HEMSATH seconded the motion. McCOY asked for discussion. Seeing none, a roll call vote was conducted and passed unanimously. The Executive Session will last one hour with the public session of the Board Meeting resuming at 2:10 pm.

The Board of Directors came out of Executive Session at 2:07 pm.

## 13. Any Other Matters To Come Before The Board

None

## 14. Board Member Comments

KNIGHT expressed appreciation that Jack Anthony had joined the board.

RYAN said he appreciated the financial work being done for the company.

ABEL commented that the past couple of years have been enjoyable as Alaska Aerospace rebuilt and has substantially increased launches from Alaska. The prospects look good.

HEMSATH asked that the board consider a work session to go through the policies, regulations, and procedures, as well as to discuss long range planning and business development for the corporation. He requested a draft work session plan be provided for the board to consider at the December board meeting. The intent is to have the board meeting that follows the December board meeting focused on these topics.

McCOY is excited about the direction of the company and the future potential for development.

**15. Proposed Future Board Meeting Dates**

*December 12, 2019 (Anchorage) – Due to board member conflicts, Alaska Aerospace staff will poll board members for an alternate date.*

*March 12, 2020 (Anchorage)*

*June 18, 2020 (Anchorage)*

*September 24, 2020 (Kodiak)*

**16. Adjournment**

HEMSATH motioned to adjourn, seconded by SAXE, hearing no objections the meeting adjourned at 3:05 PM.