

An aerial photograph of a coastal landscape. In the foreground, a steep, rocky cliff face meets the ocean. Above the cliff is a green grassy field. In the middle ground, there are several small buildings and structures, possibly part of an industrial or research facility. In the background, there are large, green mountains under a blue sky with white clouds.

2021 ANNUAL REPORT

ALASKA
AEROSPACE





Alaska Aerospace Corporation

Originally established in 1991 by the State of Alaska as the Alaska Aerospace Development Corporation, the primary purpose of the corporation was to create a viable space industry in Alaska. Construction of the Alaska Orbital Launch Complex started in 1998 at Narrow Cape on the island of Kodiak to primarily support government requirements. It was one of the first Federal Aviation Administration (FAA) Office of Commercial Space Transportation licensed spaceports. Renamed the Kodiak Launch Complex (KLC), in reference to the spaceport location, the first launch occurred on November 5, 1998. This was the first launch from an FAA-licensed launch site not located within the boundaries of a federal facility. The first orbital launch from KLC was an Athena I, launched on September 30, 2001.

In 2014 KLC was renamed the Pacific Spaceport Complex – Alaska (PSCA) to recognize the larger role of the spaceport as one of four full service operational spaceports in the United States. PSCA provides all-indoor, all-weather processing and provides optimal support for small lift rockets and satellites into sub-orbital and polar, sun-synchronous, and highly elliptical orbits over the North Pacific Ocean.

The corporate headquarters is in Anchorage, Alaska.

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Board of Directors



DR. ROBERT P. MCCOY, CHAIR
Director, Geophysical Institute
University of Alaska Fairbanks

Fulfills requirement for the membership of the Geophysical Institute of the University of Alaska



LINDSAY C. KNIGHT, VICE CHAIR
Kodiak Athletic Club, Owner
Past President - Kodiak Chamber of Commerce

Fulfills requirement for a state resident, and a borough resident with significant experience in the business sector



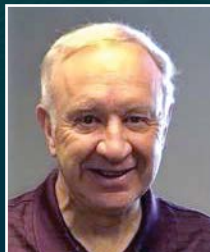
PAT PITNEY
Interim President,
University of Alaska

Fulfills requirement for membership of the president of the University of Alaska



JORG JENSEN
Director of Operations for the
Bering Straits Native Corporation

Fulfills requirement for a public member with significant experience in the Aerospace Industry



COLONEL (RETIRED) JACK ANTHONY

Fulfills the requirement for a professional from the Aerospace Industry



BRUCE ABEL
President, Don Abel Building Supplies
Past President, Juneau Chamber of Commerce

Fulfills requirement for a public member



**MAJOR GENERAL
TORRENCE "TORY" W. SAXE**

The Adjutant General, Alaska National Guard
Commissioner, Department of Military and
Veterans Affairs – State of Alaska

*Fulfills requirement for the membership of
the Commissioner or Designee of the
Department of Military and Veterans Affairs*



HOWIE CHANDLER
Independent Contractor
with Baker Donelson
General, USAF (Retired)

*Fulfills requirement for a member with
private sector business experience*



JANA M TURVEY
President & CEO Leisnoi, Inc. – Alaska
Native Village Corporation

*Fulfills requirement for a public
member with significant experience
in growth and marketing*



GARY L. STEVENS - SENATOR
Ex-Officio
Alaska State Senate

*Fulfills requirement for the membership
of the State Senate*



LOUISE STUTES - REPRESENTATIVE
Ex-Officio
Alaska House of Representatives

*Fulfills requirement for the membership
of the State House of Representatives*



Letter from the Board of Directors Chair

On behalf of the Alaska Aerospace Corporation, it is my pleasure to present Governor Mike Dunleavy, members of the Alaska Legislature, and all Alaskans with Alaska Aerospace Corporations 2021 Annual Report.

Despite the continuing challenges created by the COVID-19 pandemic, Alaska Aerospace's agility to adjust to ever-changing conditions resulted in solid business performance. The launch pace continues to grow. This year Alaska Aerospace conducted three launches from the Pacific Spaceport Complex – Alaska (PSCA), to include both government and private-sector launch operators. While AAC has hosted a large number of launch campaigns over the past twenty-four years, this was only the second year PSCA exceeded two launches. The hard work of the past few years has solidified a strong customer base which will bode well for future launch activities and growth at PSCA.

The dawn of commercial space has arrived. I watched with marvel as Sir Richard Branson achieved sub-orbital flight aboard the rocket-powered spaceplane VSS Unity in July. Then in August, CEO Jeff Bezo's, rode aboard Blue Origins New Shepard as it achieved sub-orbit, only to be followed by a second launch of New Shepard on October 4th which reached an altitude of 68.5 miles. In the meantime, our commercial customer, Astra, merged with Hologic, a special-purpose acquisition company (SPAC) to become a publicly traded company with their Initial Public Offering (IPO) on July 1st. On November 19th, Astra achieved orbit with a successful launch from PSCA, making them only the fourth privately owned company to achieve this feat. Alaska Aerospace is ideally positioned to capitalize on supporting this rapidly emerging market, which has long been an objective of the company.

During the state fiscal year, which ended on June 30, 2021, Alaska Aerospace conducted two commercial launches from PSCA, both in late 2020. Spaceport enhancement work continues at PSCA and mission planning is proceeding for both future government and commercial launches. The state fiscal year ended with a negative change in net position but revenue from the government mission and two commercial launches conducted in the second half of 2021 will be included in the financial balance sheet for the state fiscal year 2021-2022. The financial flexibility established by Alaska Aerospace over the past few years by establishing an investment reserve to off-set periods of slow launch activity allowed the company to remain financially resilient.

This year we had significant changes to our senior leadership team. Governor Dunleavy appointed General (retired) Howie Chandler to the Board of Directors, replacing Tom Walters. General Chandler formerly served as the Commander, Alaskan Command and later with the Pacific Air Forces. Prior to his retirement from the United States Air Force, he served as its 35th Vice Chief of Staff. Howie also brings solid corporate experience to the board, having served as Vice President for Military Business Development and International Programs with Pratt and Whitney. I personally want to welcome Howie to the board and thank Tom Walters for his distinguished service.

I also want to thank board member Jana Turvey for her dedication to Alaska Aerospace. Recognizing her tremendous contributions these past few years and her connections to the community of Kodiak, Governor Dunleavy reappointed her to the board. I am pleased Jana wants to remain on the board as we continue to expand our capabilities and grow market share.

We also experienced a change in company leadership. In June, Mark Lester departed Alaska Aerospace, accepting a position with a new small launch vehicle developer. During his tenure at Alaska Aerospace, Mark was instrumental in expanding our commercial activities. Completing a comprehensive Spaceport Master Plan, Mark laid out a path to expand PSCA with additional launch pads and new commercial customers. He established a mutual service Memorandum of Agreement with Georgia's Spaceport Camden, allowing AAC to continue providing services to other spaceports as was originally pioneered with the mobile Range Safety and Telemetry System (RSTS) services provided to Rocket Lab during their initial development in New Zealand.

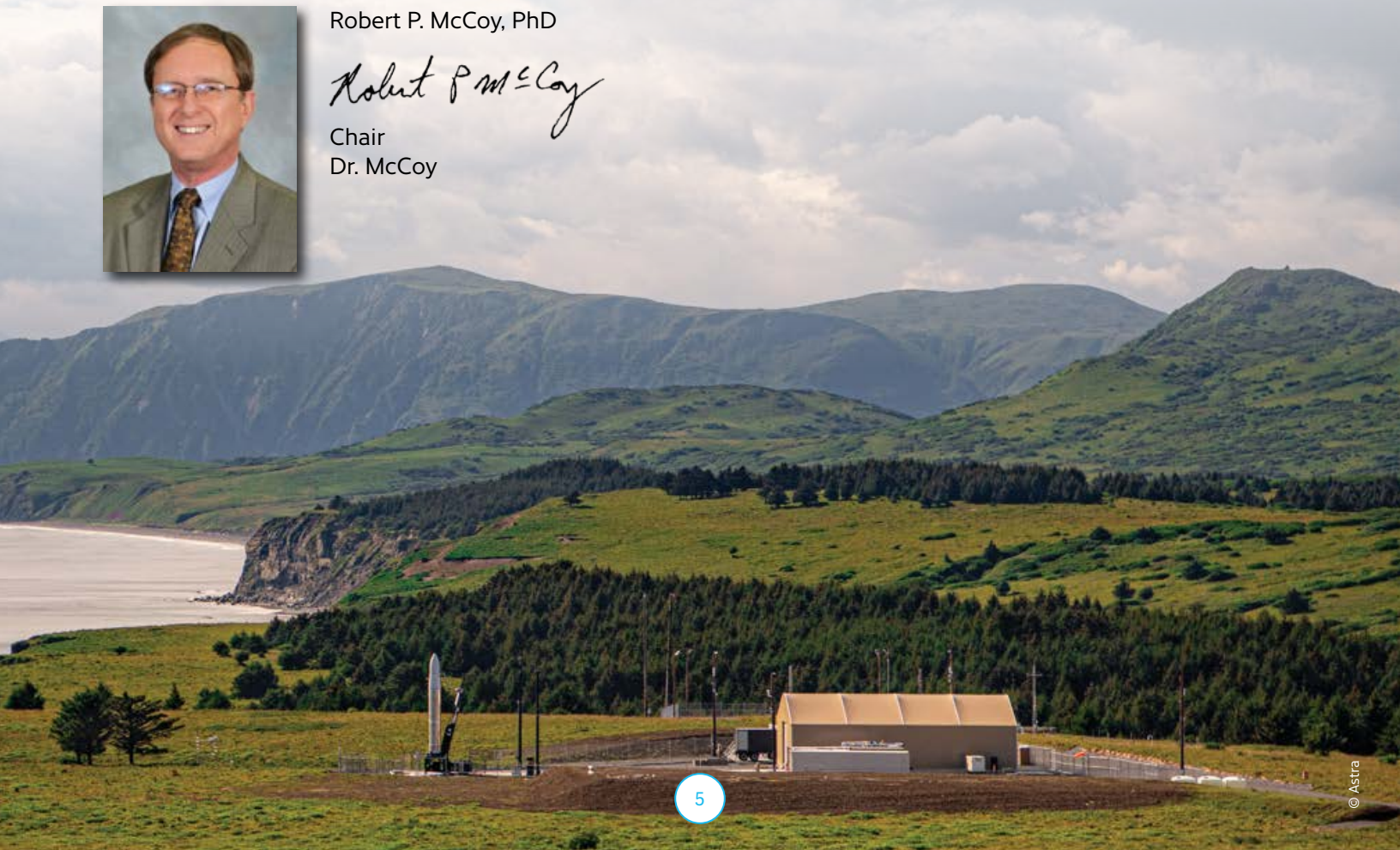
With Marks' departure, we welcomed Milton Keeter as our new President and CEO. Milton started in October. He brings a new generation of leadership to our company, with extensive experience in the small launch vehicle market. Milton is no stranger to Alaska, as he previously worked for two of the current commercial customers at PSCA. In his previous roles, he was at PSCA for five separate launch campaigns. The Board of Directors is pleased that Milton will now lead Alaska Aerospace towards greater achievements in aerospace development in Alaska.

Alaska is fortunate to have extremely talented individuals willing to commit their efforts towards making Alaska Aerospace and PSCA our nation's premier spaceport. With the support of our subsidiary, Aurora Launch Services, we have been able to reduce costs and increase efficiencies. This could only have been realized by the dedication each of our employees have to the success of our business. They are the best!



Robert P. McCoy, PhD

Chair
Dr. McCoy



Letter From the Chief Executive Officer

To Governor Mike Dunleavy, the Alaska Legislature, and all Alaskan residents, it is my pleasure to present the 2021 Alaska Aerospace Corporation Annual Report.

It is with great humility that I have the pleasure of presenting this 2021 Annual Report as the company's new Chief Executive Officer. Leading a twenty-first century aerospace company, located in the pristine frontier of Alaska, is an extraordinary opportunity few are afforded in a career. I want to thank the Board of Directors for having the confidence in my abilities to serve as the Alaska Aerospace CEO.

The Alaska Aerospace and Aurora Launch Services teams are an awesome group of dedicated professionals responsible for our success in delivering launch service excellence to both our government and commercial customers. I am honored for the opportunity to lead this outstanding organization.

Coming from the commercial space industry, my career has focused on launching rockets. Having experience conducting launch operations from every major range in the United States, I can tell you that our capabilities and people are the finest in the industry. PSCA is a gem that offers exceptional opportunities for both government and commercial customers to conduct affordable launch operations on a schedule that is customer driven.

I have been asked several times why I decided to become the CEO of Alaska Aerospace, a state-owned corporation with a spaceport located on Kodiak Island. My answer is simple; Alaska Aerospace operates an industry pioneer, the first Federal Aviation Administration licensed commercial spaceport not collocated on a federal range. In other words, we have the ability to control our own destiny, develop the market optimum to meet customer requirements, and generate economic diversification by expanding aerospace activities in Alaska. For an aerospace career professional, this is a dream job.

As I look towards 2022, it is apparent the emerging small launch vehicle commercial market is maturing and that PSCA is clearly on the radar for becoming a primary commercial spaceport. While we will continue to embrace government missions, the activity level for commercial launches will significantly outpace government launches. With an estimated \$216 Billion in projected satellite manufacturing spending over the next three years and \$40 Billion in US government investments in space, we are on the cusp of achieving the vision originally established for Alaska Aerospace of being an aerospace company that attracts new and innovative technology to our state. From launch operations to telemetry tracking and satellite down-link services, to augmenting other commercial spaceports with personnel and equipment, to supporting our national defense strategy, Alaska Aerospace provides exceptional service which we plan to expand as the market grows.

PSCA is located in a pristine area that offers panoramic scenery, fantastic hiking trails, abundant wildlife and natural beauty. One of our corporate core values is to ensure we are good stewards of the lands we occupy. That requires prudent environmental practices and compliance with state and federal regulations. I am pleased to report that, while PSCA has experienced some launch failures over the past few years, we responded with strict environmental remediation to prevent long term damage to the environment. We will continue being vigilant when it comes to any potential damage to the natural beauty of Narrow Cape. That is one of my highest priorities.

Safety is another Alaska Aerospace corporate core value. Launching rockets is considered traditionally high-risk. I am pleased to report our workforce has achieved a remarkable record of very few work-related injuries and no deaths while conducting launch operations at PSCA. Safety will remain one of our company's most important tenants.

It is a tribute to the hard work of the Alaska Aerospace team that the corporation has not required any state funding since 2014. This is unusual in an industry where most launch complexes receive significant government financial support. Our success is directly attributable to the ideal location of PSCA to meet customer requirements and the exceptional quality of the people who support our customers. As we continue expanding our capabilities and increasing the number of annual launches, we will remain focused on providing the most exceptional customer service in the industry without requiring state financial support.

In closing, I want to thank my predecessor, Mark Lester, for navigating Alaska Aerospace through some turbulent times. His work has set a solid foundation for the future. It holds unlimited potential as the small launch vehicle and satellite market expands with increasing requirements for satellites that require high-inclination orbits. I look forward to the challenges and opportunities ahead in 2022 marking it as the benchmark year for sustained operations and recovering revenues.



Milton Keeter

A handwritten signature in black ink that reads "Milton B. Keeter". The signature is fluid and cursive.

Chief Executive Officer

Executive Summary

Blazing the way for commercial space operations, this year was pivotal for Alaska Aerospace and Aurora Launch Services. Around the globe, space launch operations are expanding at the greatest rate in history. No longer are Cape Canaveral/Kennedy Space Center, Vandenberg AFB, Wallops Flight Facility, Japan's Tanegashima Space Center, Kazakhstan's Baikonur Cosmodrome, Russia's Plesetsk Cosmodrome, China's Jiuquan Satellite Launch Center, or Europe's Guiana Space Centre in French Guiana the mainstay for space launch vehicles. Today, there is a proliferation of spaceports currently active or under development intended to meet the accelerating demand for space access.

The demand for affordable commercial satellites that provide earth observation, telecommunications, navigation, meteorological, and research capabilities is rapidly outpacing government demand. The small satellite, nanosatellite, and microsatellite market is projected to expand at a 20.6% Compounded Annual Growth Rate (CAGR) between 2021 and 2027. Thus,

the demand for development of new spaceports to meet this growth.

As predicted by Kenneth Research earlier this year, "Low Earth Orbit (LEO) is anticipated to retain its dominance from 2018-2025. With the augmentation of small satellites launch in Low Earth Orbit, this segment will experience the fastest growth in the forecast period." The Pacific Spaceport Complex – Alaska (PSCA) is ideally situated to meet the LEO demand for small launch vehicle operators.

To meet this demand, we have created a diversified aerospace company engaged in launch services for both government and commercial operators, a range safety and telemetry service provider, integration and sustainment of state-of-the-industry spaceport capabilities to meet future requirements and involved in preparing for an Alaskan workforce that has the skills to operate in this highly complex field by advancing Science, Technology, Engineering, and Math (STEM) education.



Astra Rocket at PSCA.

This year our activities were dramatically impacted by COVID-19 and resulted in disruptions during the first part of the year. Despite these challenges we witnessed the first successful orbital launch by Astra. Astra is a publicly traded launch company which has invested in the infrastructure at PSCA and currently has an exclusive operating agreement with Alaska Aerospace for the use of Launch Pad B.

Astra joins SpaceX, Rocket Lab, and Virgin Orbit as the only four commercial launch companies to have achieved orbit using a privately-owned rocket. We are very proud that Astra was able to realize their historic achievement from our spaceport.

We are also pleased ABL Space Systems selected PSCA as a launch location for their new RS1 rocket. This year extensive expansion and modifications were made to Launch Pad C to accommodate the unique requirements to support ABL launches, expected in 2022.

Our support to US government programs continues unabated. PSCA is a National Strategic Asset that provides a unique and invaluable launch location for government missions. As such, we continue to make investments in infrastructure improvements that provide increased capabilities for the US government. This year nearly \$5.0 million was invested in new and expanded facilities, programs, and processes specifically tailored to meet future US government program requirements.

With the completion of the 2020-2030 PSCA Spaceport Master Plan, we have identified the projected launch demand and the facility requirements necessary to meet this demand. While significant investment has already been made at PSCA, it is important to maintain and develop the necessary infrastructure to meet both the current and future needs of our customers. Using this master plan as a guide, we will be able to ensure we have the facilities and services available at PSCA to support the projected increased launch operations, as well as being able to attract new customers to launch from Alaska.

As we increase operations at PSCA, we understand the need to be vigilant in protecting the natural beauty of Narrow Cape and the fragile environment in which we operate. While there have been launch failures



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PSCA Launch Pad-1

at PSCA, we are exceedingly proud of our care for the environment. When events have occurred where damage to the environment happened, our team worked with our environmental consultant, the Alaska Department of Environmental Conservation (ADEC), and our contractors to conduct clean-up and remediation that met, or exceeded, all state and federal requirements. As we go forward, we will consistently provide the strictest environmental controls necessary to conduct launch operations. This is as important to us, as it is to our neighbors and the natural environment of Narrow Cape.

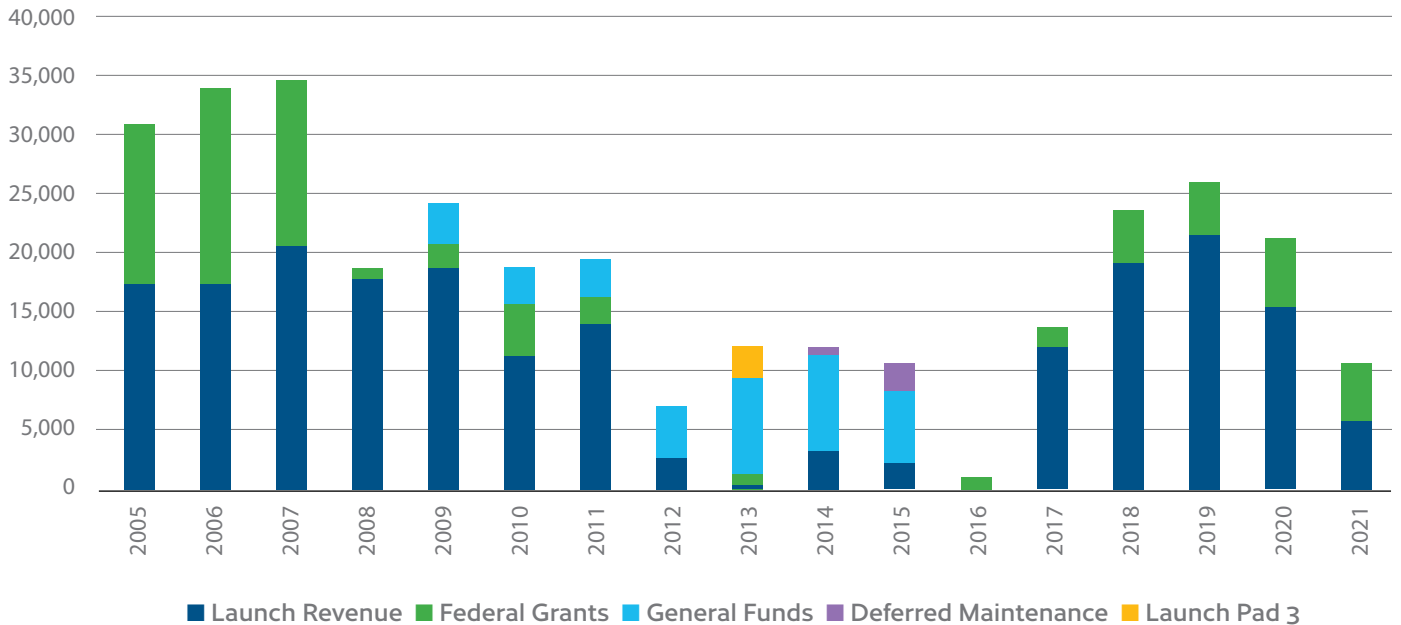
The financial position of Alaska Aerospace remains strong. PSCA is the only spaceport in the United States that does not receive state and/or federal financial support. Alaska Aerospace has operated since 2014 on the revenues earned by services provided. Being a company not requiring government sustainment funding provides us an ability to respond to customer requirements without extensive bureaucratic processes. This results in more nimble and creative solutions for customers, allows for more flexibility in launch operations, and provides a more financially competitive environment for our customers. We are proud we can be an industry leader in bringing affordable launch services to the marketplace.

While COVID-19 had a dampening on activities the first half of the year, the second half of 2021 was robust, with one government launch and two commercial launches, always maintaining the highest level of focus on our customers' missions. This resulted in stronger than expected revenues for the calendar year. We project this momentum will continue into 2022 with an increased number of launches. Our future is bright, and we are prepared to meet the demand.

Operational Highlights

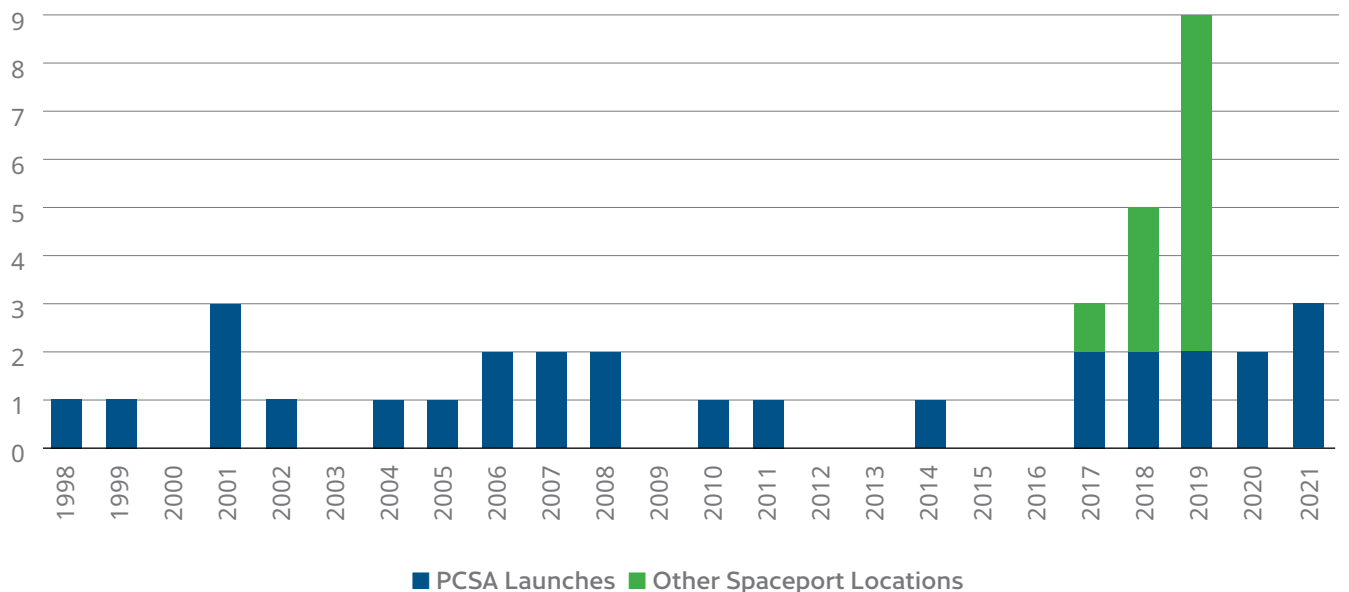
AAC REVENUE HISTORY BY TYPE

▶ Operating revenues for 2021 were \$10.3 million.



NUMBER OF AAC-SUPPORTED LAUNCHES BY CALENDAR YEAR

▶ PSCA conducted three launch campaigns in 2021, one government and two commercial.



Year in Review



LAUNCH SERVICES

Launch services from the Pacific Spaceport Complex – Alaska (PSCA) remains our core business unit for Alaska Aerospace. Historically, PSCA was primarily used by the United States government to conduct launches in support of the National Security Strategy. As we focused on increased government launches and guaranteeing we had the workforce and infrastructure to meet projected demands, Alaska Aerospace also received State of Alaska general government sustainment funding between 2010 and 2014 to support maintaining staff and facilities. We no longer receive State of Alaska funding.

Concurrently, a new commercial small launch vehicle market developed, with a demand for launching commercial satellites into high-inclination orbit. As such, we pivoted, marketing the operational advantages of PSCA to this emerging market while continuing to support our US government customers launch requirements.

In 2018 PSCA hosted the first private sector launches conducted by a new commercial launch vehicle start-up company. This was the beginning of launches by small launch vehicle operators, so over the past three years we have made significant capital investments at PSCA, resulting in two new launch pads, developed specifically to accommodate the launch requirements of the emerging commercial small launch vehicle market. This investment provides us the ability to accommodate a variety of new entrant launch operators. Diversification of our launch service capabilities provided the ability to operate without government sustainment funding and to attract the new commercial small launch vehicle operators to PSCA.

Our aggressive marketing efforts, coupled with the infrastructure improvements, has resulted in PSCA securing commercial launch business that stabilizes our financial position and increases launch activities at PSCA.

COMMERCIAL LAUNCH OPERATIONS



© Astra

Astra launch from PSCA.

The COVID-19 pandemic impacted our commercial customers ability to expedite desired launch activities, resulting in no commercial launches in the first half of 2021. However, in the second half of the year Astra accomplished two launches from PSCA. On August 28th, Astra conducted the first of two launches for the US Space Force. This was followed by a second launch on November 19th.

Astra's persistence to effectuate launches during a period of government mandates in response to the pandemic demonstrated an agile ability to adapt to external unexpected circumstances and achieve success. While the August launch was terminated at main engine cut-off, the flight provided immense data and information to Astra, resulting in a successful orbital launch to an inclination of 86.00 on November 19th.

Astra has made a significant commitment to PSCA, investing in development of Pad B and working with Alaska Aerospace to increase operational capabilities to support their long-term business plan and mission to improve life on earth from space. These launch campaigns marked a significant milestone for Alaska Aerospace in supporting sustained operations for our anchor customer, Astra.

The demand for low-cost launch of small commercial satellites provides PSCA with a distinct advantage over federally operated ranges. ABL is another new entrant launch vehicle operator focused on an affordable high cadence launch rate. We were pleased that ABL selected PSCA this year for initial test launches and potential long-term operations for satellites that require high-inclination, sun-synchronous orbits.

We worked with ABL in the planning and preparation stages for eventual launches in 2022. This included facility modifications and expansion to the Pad C area providing ABL with maximum flexibility to meet their customer's low-cost requirements with launch assurance. This further diversifies our customer portfolio and expands the positive economic impacts to both Alaska Aerospace and Kodiak.

As the year came to an end, we were pursuing additional commercial launch opportunities which have the potential of making 2022 a landmark year for launch activities at PSCA.

US GOVERNMENT OPERATIONS

In the second half of 2021, PSCA hosted a US government mission. In addition, we submitted a series of proposals to secure additional US government launches. At year end, no decisions had been made by the government on launch locations for these launches.

PSCA SPACEPORT MASTER PLAN 2020 - 2030

Initiated by the Alaska Aerospace Board of Directors in late 2018, the PSCA Spaceport Master Plan 2020 – 2030 was finalized this year. The master plan used a Spaceport Planning Advisory Group, comprised of technical and local community members, to help guide the process and ensure community interests and concerns were addressed. Public informational workshops were conducted to furnish information pertaining to the planning process and to solicit community input.

Setting the stage for future growth in the commercial launch market, the master plan established a comprehensive review of potential commercial demand for PSCA. It concluded that launch demand may increase up to 36 launches per year. Therefore, the final plan created a template for future development at PSCA, based on the projected increase in demand, for both government and commercial launches over the planning period.

Highlights of the plan include:

- Modifications to Launch Pad 1 to allow for both liquid and solid fuel rocket launches
- Concentrating small lift commercial launch pads west of the Launch Pads 1 and 2 sites with sufficient separation to allow for concurrent processing and increasing to three pads in the future
- Concentrating telemetry, weather, and tracking antennas in the vicinity of the existing PSCA antenna field
- Retaining areas 1 and 2 for future government operations
- Reserving an area by the Rocket Motor Storage Area for future launch vehicle propellant storage
- Reserving an area for future development of light manufacturing and warehouse storage units
- Constructing a new Fire Response Facility
- Acquiring the current US Coast Guard LORAN C lease land for future PSCA use
- Ensuring future vehicular access between Pasagshak and the Burton Ranch
- Retaining the current public trail system across Narrow Cape and mark trails in the vicinity of PSCA facilities to protect the public
- Reducing the amount of time for airspace closures, especially the low-level routes between Kodiak and Old Harbor
- Working with the commercial fishing industry to minimize conflict between launch schedules and commercial fishing operations

PSCA hosted the Commissioners of the Department of Natural Resources and Department of Revenue during the summer to brief on the future development plans for PSCA. Discussion of the master plan and the Interagency Land Use Management Agreement (ILMA) was productive. With the Masterplan and customer planned growth, we will negotiate an extension of the existing ILMA with the state Department of Natural Resources (DNR) to ensure long term viability of PSCA.



© Alstra

PSCA Pad B with Ugak Island in background.

SPACEPORT ENHANCEMENTS

Maintaining the most technologically advanced spaceport requires infrastructure investments to modernize older systems and add capacity. As a national asset for space access assurance to complement the capabilities at Vandenberg AFB, as well as to meet launch requirements that cannot be met at other Department of Defense ranges, both the 2020 and 2021 National Defense Appropriation Acts included funding for spaceport infrastructure support at PSCA.

The impact of COVID-19 slowed down our ability to complete some 2020 appropriation projects as originally planned due primarily to supply chain delays and rising prices. However, this year we made substantial progress at completing those projects while concurrently initiating work on the 2021 projects.

One of the more extensive projects involved completing a second mission control center, identified as the Expanded Mission Control Center (EMCC). Using a vacant building adjacent to the Launch Control Center, the EMCC was outfitted with new displays, video controllers, communications capabilities, and consoles, allowing this expanded space to be used by either government or commercial customers.

To improve the working environment for customers operating from Launch Pad 1, extended thermal enclosures were installed on the upper levels of the launch structure. Installation of these enclosures provides significant benefit to personnel and Launch Vehicles inside the structure during winter months when wind and cold temperature conditions can have a negative impact on productivity. The improvements allow the Launch Vehicle to be maintained within both temperature and humidity, while using less electricity consumption for efficiency.

Finally, power supply requirements have been a challenge. PSCA receives commercial power from the Kodiak Electric Association (KEA). To ensure uninterrupted power, a new 300Kw generator was acquired for the spaceport to take the place of independent generators installed at critical PSCA facilities. By combining these areas into a singular generator the site can be more efficient by having one generator to supply needed back up power.



Building of the Tower for thermal insulation.



PSCA Pad B with Ugak Island in background.



© Alaska Aerospace

EMCC modifications.

The generators being replaced were then repurposed, which allows back up power at other areas that did not have that ability. With the earlier installation of the new weather radar at PSCA, a new Uninterrupted Power Supply (UPS) was acquired to support the Antenna Field which houses the Weather Radar. Upgrading this UPS allowed this area to be covered under one system, instead of multiple for efficiency. Separately, we made substantial investments in equipment, such as replacement pick-up trucks, an excavator, medical gurney, and firefighting personal protection equipment (PPE).

The highest priority project for the 2021 appropriation was range safety and security enhancements to ensure we remained compliant with federal requirements for government launch operations. Launch operations is a complicated and integrated process that requires extensive coordination between various personnel and agencies. Ensuring that everyone involved has access to the same information is critical.

In 2020, we field tested with the Department of Defense and Department of Homeland Security a Team Awareness Kit (TAK) designed to provide a Common Operating Picture (COP) for security and safety at PSCA during launch operations. PSCA was the first spaceport to use TAK as a fully digital COP. The test went extremely well with reduced time for personnel accountability, improved marine vessel tracking, and improved security capabilities. Work this year included a continuation of work initially started under prior year appropriations to develop and verify electronic-based spaceport procedures with COP.



© Alaska Aerospace

Electrical upgrades at the MSF/Antenna Field with new excavator.

To further protect the public, fencing and security additions are being installed. Additionally, to enhance the transportability of the Range Safety and Telemetry System (RSTS), the T2 system is being converted into a streamlined transportable system.

Weather conditions can have profound impacts on launch schedules. As such, enhanced weather reporting capability upgrades to the meteorological processing connections, servers, and computer systems were initiated to provide more timely accuracy in weather predictions. This includes improvements to the meteorological sensor and data collection systems, which addressed upgrading the X-band radar data collection capabilities. Improvements to the weather balloon deployment facility were also initiated this year.

Transporting rockets, equipment, and propellants to Kodiak Island with delivery to PSCA is a critical function of every mission. To increase efficiencies and reduce transportation costs, staff is developing a logistics processing handbook which will identify transportation options that provides customers with a selection of alternatives based on type of transportation utilized, transit time requirements, and costs restrictions. Additionally, we continue to work with government service providers to refine procedures and practices to support a newly developed Minotaur IV-like mechanical moving and stacking system. This ensures PSCA is fully capable to support future Minotaur IV-like vehicle launches.

APRIL WIND DAMAGE

Located at Narrow Cape on Kodiak Island, PSCA can encounter extreme weather conditions. Therefore, facilities are built to withstand the weather environment experienced at Narrow Cape. Following the 2014 launch failure, the Space Craft Assembly and Transfer (SCAT) facility was completed rebuilt.

A major windstorm on April 8-9 caused the one of the SCAT's east-facing 30' fabric doors to come loose and damage both that door, the adjoining door and siding. The doors were temporarily repaired to keep the weather from damaging the interior of the SCAT. State Risk Management was advised, and an insurance claim has been filed for replacement of the doors.



© Alaska Aerospace

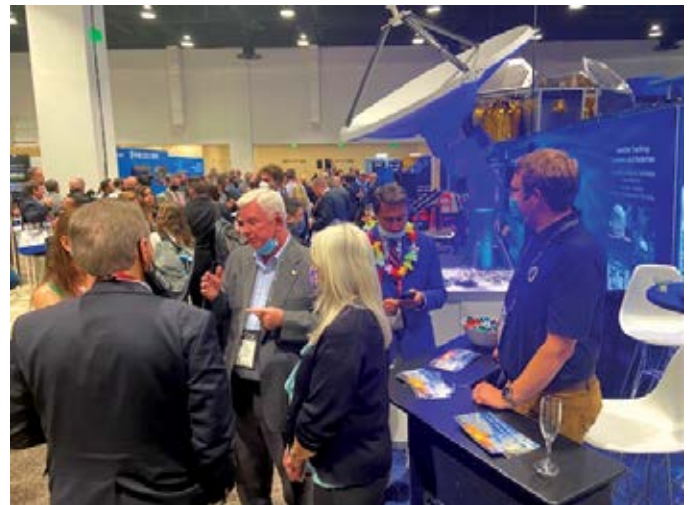
Repair to door, with damage at top of building.

36TH SPACE SYMPOSIUM 2021

After the 2020 Space Symposium was cancelled due to the coronavirus pandemic, the Space Foundation held the 36th Space Symposium this year in Colorado Springs, August 23-26. The Space Symposium is the premier US space policy and program forums and attracts a wide range of aerospace professional, companies, agencies, and organizations representing all segments of the space sector. We returned to the event this year with a new display booth, located in the Main Exhibit Hall and co-located with Virginia Space. This year's event was limited to approximately fifty percent of past shows. Nonetheless, over 8,000 were in attendance.

We offered an innovative career development incentive this year bringing employees to the symposium who had not previously had the opportunity to participate. Led by Alaska Aerospace Interim President/CEO John Cramer, he was joined by Shanna Marie Bloom, Mark Greby, and Wyatt Rehder. In addition, Jack Anthony from the Alaska Aerospace Board of

Directors attended the event. Exposing staff to the dynamic environment created by one of the world's largest space exhibitions had a positive impact on everyone and reflected well on the company with potential customers.



Alaska Aerospace Team at 36th Space Symposium.

OUR PEOPLE

Alaska Aerospace and Aurora Launch Services are committed to providing our people a safe working environment, with positive career opportunities. We value everyone's unique qualities and capabilities that make our team the finest spaceport team in the world. This can only be accomplished when every employee and customer feel safe, respected, and appreciated. It is through this commitment to our people that Alaska Aerospace has some of the finest professionals in the space launch business employed by both Alaska Aerospace and Aurora Launch Services.

As a state-owned company, we are committed to expanding the Alaskan economy, which means hiring Alaskans. Our full-time workforce is 98% Alaskan residents, while our part-time workforce exceeds 95% Alaskans. Due to the highly specialized requirements for launch operations, we employ a small contingency of people who reside out-of-state but provide the necessary unique skills not available within the Alaskan workforce. As our business increases, we look forward to reducing the need for out-of-state employees by training Alaskans to fill these unique work requirements. Today many of our employees are Kodiak residents.

This was a year of significant leadership changes. In June, our President and CEO, Mark Lester, departed for a new career opportunity with Phantom Space, located in Tucson, Arizona. Phantom Space is an emerging space transportation company, building both launch vehicles and satellites. Mark joined Phantom Space as Vice President for Launch Operations.

With Marks' departure the Board of Directors conducted a nation-wide search to select the new President and CEO. Led by Board member Jack Anthony, the board selected Milton Keeter. Milton started with Alaska Aerospace in October. Milton has over thirty years aerospace experience. Prior to becoming the Alaska Aerospace CEO, he was the Director of Launch Safety and Licensing for ABL. His previous experience included time as Vice President of Launch Operations and Head of Safety and Launch Licensing for Astra Space, Inc, and working for both Orbital ATK and Raytheon.



KayDee Hughes and Paul Pena supporting unload of C17 at State Airport Kodiak.

During the selection process time, John Cramer returned to Alaska Aerospace as the interim President and CEO. John's experience with Alaska Aerospace and Aurora Launch Services allowed for a seamless transition period between CEO's. John returned to retirement in October.

That same month our Chief of Staff departed Alaska Aerospace. We were fortunate that our prior President and CEO, Craig Campbell, agreed to return to Alaska Aerospace as President. Craig will serve in this position temporarily, providing Milton Keeter leadership transition consistency.

With the increasing activities at PSCA, we increased our spaceport staff and hired KayDee Hughes in Facilities Maintenance and Manilyn Alcaide as Administrative Support. In Anchorage, Bill Storey joined as the new financial officer. We welcome these new additions to the Aurora Launch Service team.

In addition, Aurora Launch Services employed many part-time employees, primarily in the security and administrative roles to support the US government mission this year. Having a large part-time workforce has provided us flexibility in controlling personnel costs which has resulted in costs savings for our customers, keeping our service cost competitive with other spaceports.

As we look to the future, we will continue to balance our full-time and part-time workforce with the projected launch demands to ensure we maintain an adequate workforce to meet mission requirements.

GOVERNMENT AFFAIRS

As a Federal Aviation Administration licensed commercial spaceport that provides services to both government and commercial customers, it is imperative we maintain a positive relationship with our state and federal government partners. We welcome visitors to PSCA and encourage tours to familiarize people with the extensive capabilities provided at our spaceport.

This year we were honored to host a visit from members and staff of both the United States Senate Appropriations and Commerce Committees. We also hosted two separate visits from members and staff of the United States House of Representative Armed Services Committee. These visits are invaluable in showing members of congress and staffers the capabilities available for US government launches conducted from PSCA.

With the formation of the United States Space Force (USSF), it was important that Alaska Aerospace show senior leaders the capabilities available at PSCA. This summer we were pleased Senator Lisa Murkowski and General John “Jay” Raymond had the opportunity to visit Kodiak and receive a tour of our spaceport. General Raymond is the first Chief of Space Operations, USSF. His visit provided us the chance to show him the spaceport infrastructure that has been constructed at PSCA as a direct result of the federal spaceport enhancement funds appropriated over the past years as part of the National Defense Authorization Acts and Defense Appropriations.

Speaker of the Alaska State House of Representatives, Louise Stutes, brought a delegation of five House members to Kodiak. During their visit, they toured PSCA and received a presentation on the purpose and operations of Alaska Aerospace. As a state-owned corporation, we appreciate opportunities to keep state elected officials fully informed on the value Alaska Aerospace and PSCA provides to the state.

SPACE GRANT INTERNS

This year we hosted four Cadets from the United State Military Academy, partnering with the West Point Space Engineering and Applied Research (SPEAR) program. They assisted with the Government mission. All cadets had clearances which allowed them to respond to after hour alarms in the different areas that required the heightened security. They enjoyed their time on Kodiak, and the Spaceport, with all the spaceport activity and the government mission they were exposed to many different aspects of a Launch Campaign. One of the cadets decided he would work in space once he graduated. During the Annual Crab Festival, they participated in the survival suit race, placing second, behind the Coast Guard Rescue Swimmer team, impressive.



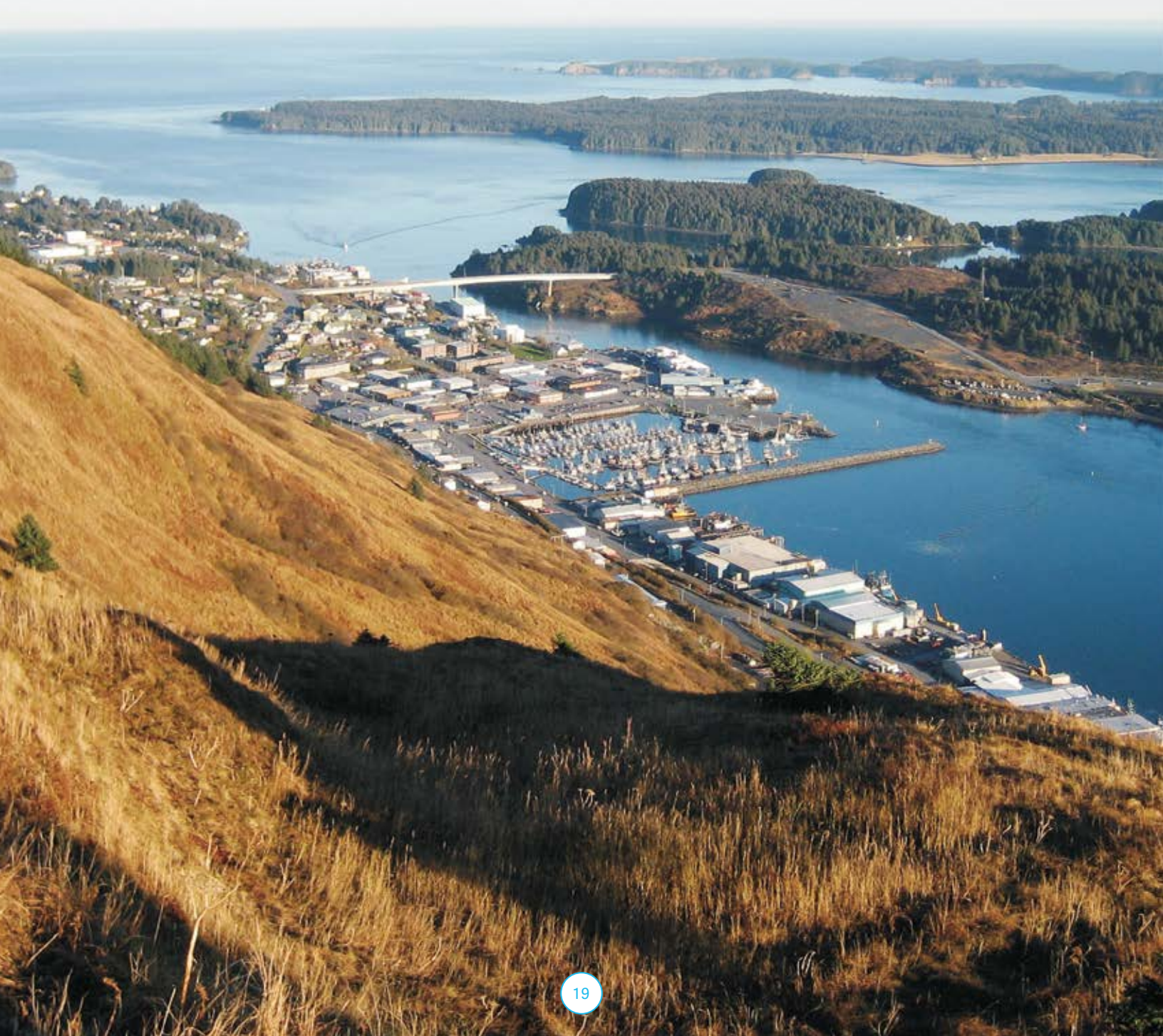
2021 Space Grant interns from the US Military Academy.

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COMMUNITY INVOLVEMENT

Alaska Aerospace remained committed to supporting community activities. We were poised to sponsor the Narrow Cape Run with the Whales in the spring, unfortunately for the second year, the run was cancelled due to Covid. We look forward to supporting in the future.

Participation in the local business community is a core value of our company. Alaska Aerospace has been a member of the Kodiak Chamber of Commerce since 2015, maintaining our membership in the Partners in Kodiak Economy (PIKE) program at the Crown level. This is the highest membership level for the Kodiak Chamber and reflects our commitment to expanding the Kodiak economy and being a good neighbor. It is AAC's intent to continue growing our relationship with Kodiak and the Chamber of Commerce by exploring purposeful opportunities to expand our community outreach.



Financial Review

State Fiscal Year 2021 was a challenging revenue year, with the full effects of the COVID-19 pandemic coming to a peak. Federal agencies were delayed in contract awards, and commercial launch vehicle operators slowed development due to staffing limitations and travel concerns. In the second half of the fiscal year, we saw a resumption in government contracting activity and our launch cadence.

This resulted in Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of \$3,075,979. Operating revenues of \$10.3M were 49% lower than 2020, with operating expenses of \$13.9M million dropping 21.6%. As a result, in FY2021, AAC saw a -\$3.5M decrease in our Net Position from FY 2020.

At fiscal year-end, our current assets position decreased 21.8% to \$8.1 million, with a significant decrease of liabilities by 75% to \$1.4 million. On June 30, 2020, AAC had \$82.6 million in net capital assets

On June 30, 2021, AAC has \$78 million in net capital assets at its locations in Anchorage and Kodiak that support the mission to foster the aerospace industry

in the State of Alaska. This amount is net of accumulated depreciation and amortization and represents a decrease in net capital assets of \$2.6 million, or a -3.2% decrease from FY2020.

AAC continued cost savings and labor reductions implemented in FY20 throughout the first half of the fiscal year to conserve cash. These cuts combined with the operational reserves provide AAC with much-needed cash availability during the COVID-related slowdown. Unfortunately, AAC was not eligible for any CARES act funding and has not received any COVID relief funding to date.

During FY2021, AAC again received no funding from the State of Alaska toward the operations and sustainment of the Pacific Spaceport Complex – Alaska (PSCA). The COVID-19 pandemic is anticipated to continue to have a negative financial and operational impact on FY 2022 as government program operations and testing are still being determined. We expect a similar financial picture for FY22 with a strong outlook in FY23 as normal operations resume.

CONSOLIDATED HISTORIC REVENUES



46%

Launch
Revenue
\$227,125,796

34%

Federal
Grants
\$167,590,6561

8%

State O&S
Investments
\$37,255,500

5%

State Capital
Investments
\$24,040,819

7%

LP-3
Reconstruction
\$34,857,079

FINANCIAL PERFORMANCE

Statement of Net Position

JUNE 30, 2021 (WITH COMPARATIVE AMOUNTS FOR 2020)

<i>Years Ended June 30,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$3,380,655	\$6,714,680
Accounts receivable	3,853,485	406,696
Inventory		11,793
Prepaid expenses	70,702	98,054
Unbilled receivables	1,550,698	846,125
Total Current Assets	8,855,540	8,077,348
Noncurrent Assets		
OPEB Asset	35,010	8,195
Capital assets not being depreciated	371,610	2,258,836
Capital assets being depreciated/amortized, net	78,353,905	80,346,990
Total Noncurrent Assets	78,760,525	82,614,021
Total Assets	87,616,065	90,691,369
Deferred Outflows of Resources		
Related to pensions	49,977	151,757
Related to OPEB	25,052	99,883
Total Deferred Outflows of Resources	75,029	251,640
Total Assets and Deferred Outflows of Resources	\$87,691,094	\$90,943,009
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$1,025,491	\$467,286
Accrued leave and compensation	394,294	176,166
Unearned revenue	672,642	752,642
Total Current Liabilities	2,092,427	1,396,094
Noncurrent Liabilities		
Net OPEB liability	699	44,253
Net pension liability	420,807	1,339,555
Total Noncurrent Liabilities	421,506	1,383,808
Total Liabilities	2,513,933	2,779,902
Deferred Inflows of Resources – related to pensions		
Related to pensions	2,999	53,847
Related to OPEB	28,062	49,201
Total Deferred Inflows of Resources	31,061	103,048
Net Position		
Net investment in capital assets	78,725,515	82,505,826
Unrestricted (deficit)	6,420,584	5,454,230
Total Net Position	85,146,100	88,060,056
Total Liabilities, Deferred Inflows of Resources and Net Position	\$87,691,095	\$90,943,006

Financials are consolidated with wholly owned subsidiary Aurora Launch Services, Inc.

FINANCIAL PERFORMANCE

Statements of Revenues, Expenses, and Changes in Net Position

JUNE 30, 2021 (WITH COMPARATIVE AMOUNTS FOR 2020)

Years Ended June 30,	2021	2020
Operating Revenues	\$10,344,525	\$20,336,257
Operating Expenses		
Personnel services	2,591,480	947,756
Travel	130,486	460,654
Contractual services	3,283,089	10,311,903
Supplies	251,154	381,858
Equipment	172,560	362,959
Depreciation and amortization	6,492,955	5,286,317
Total Operating Expenses	12,921,724	17,751,447
Net operating loss	(2,577,199)	2,584,810
Nonoperating Revenues (Expenses)		
Investment income (loss) unrestricted	29,888	54,220
PERS relief from State of Alaska	22,503	59,691
Loss on disposal of capital assets	(389,148)	(283,467)
Insurance proceeds, net of loss on impairment		290,000
Total Nonoperating Revenues (Expenses)	(336,757)	120,444
Income (loss) before capital contributions	(2,913,956)	2,705,254
Change in Net Position	(2,913,956)	2,705,254
Net Position , beginning of the year	88,060,056	85,354,802
Net Position , end of the year	\$85,146,100	\$88,060,056

Financials are consolidated with wholly owned subsidiary Aurora Launch Services, Inc.





