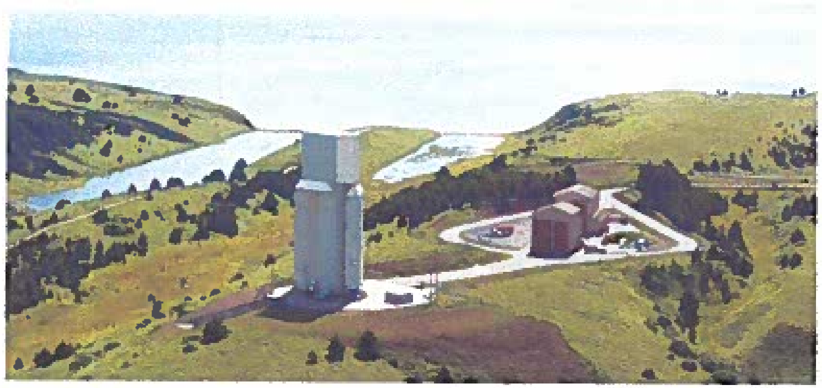
ALASKA AEROSPACE



2014 Alaska Legislative Presentation

FY15 Governor's Budget Request

February 28, 2014

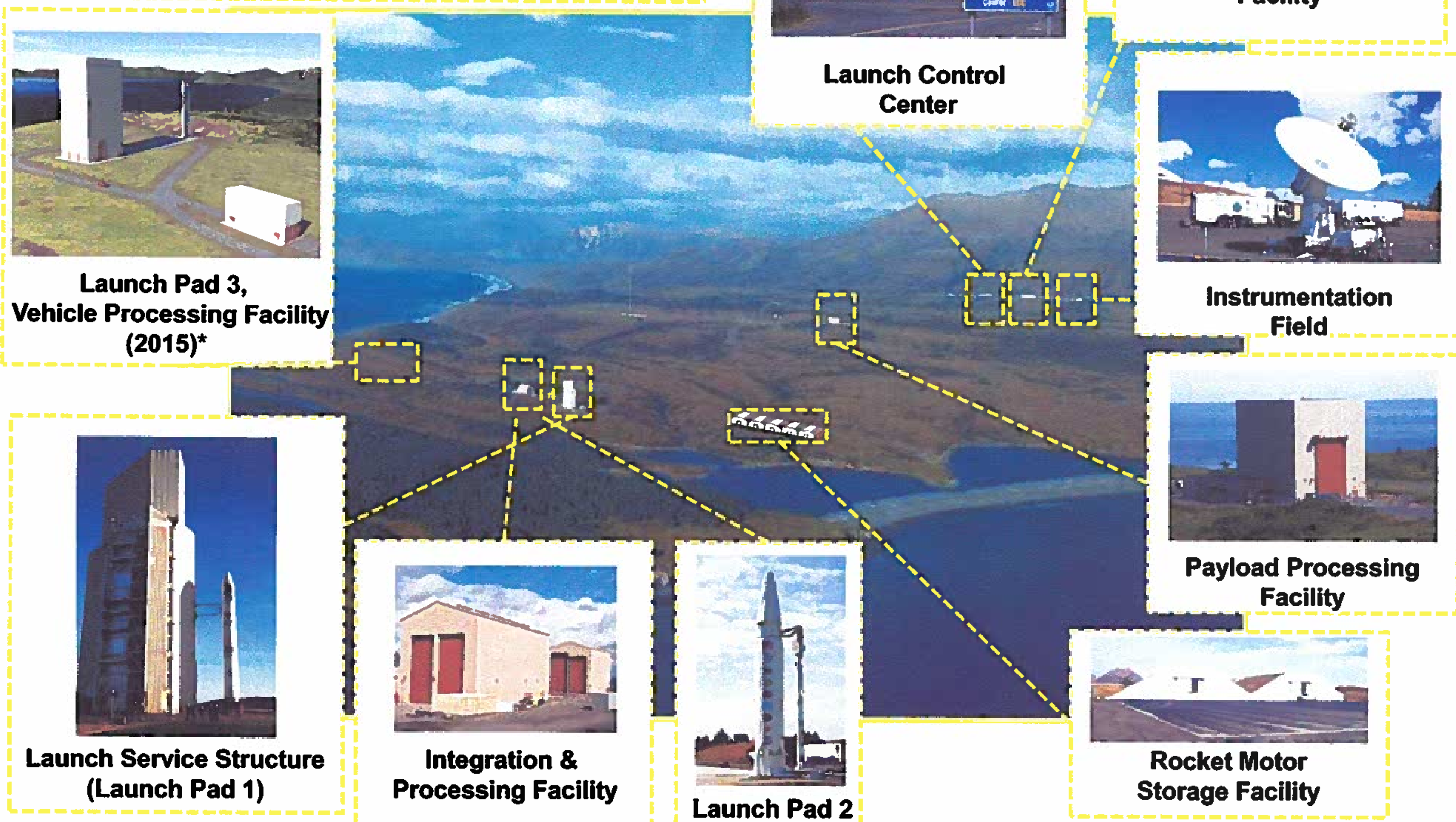
Alaska Aerospace Corporation
4300 B Street, Suite 101
Anchorage, Alaska 99503
907-561-3338

Kodiak Launch Complex – Overview

- About 44 road miles south of Kodiak, Alaska
- On 3,700 acres of state owned land
- Focused on providing responsive, efficient launch capability for polar, sun synch, and high inclination orbits

Launch Control Center

Maintenance Support Facility



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FY14 Operating Budget Amendment

Legislative Action in Last Session:

Amend Sec 17 – DMVA

"(b) If the Alaska Aerospace Corporation does not secure a multi-year commercial launch service contract for the Kodiak Launch Complex on or before June 30, 2013, the appropriation from the general fund to the Alaska Aerospace Corporation, Alaska Aerospace Corporation allocation in sec 1 of this Act shall be reduced by $3,000,000."

Result:

Alaska Aerospace Corporation signed a multi-year commercial service launch contract with Ducommun Miltec of Huntsville, Alabama on May 10, 2013.

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CY 2013 Accomplishments

- Secured Multi-Year Commercial Service Launch with Miltec.
- Secured and completed Commercial Service Contract with Lockheed Martin to support arctic testing of the Mobile User Objective System (MUOS) in 2013.
- Continued Commercial Service Contract providing tracking services for Space Exploration Technologies Corp (SpaceX) resupply of the International Space Station, using AAC's Range Safety and Telemetry System (RSTS).
- Partnered with the University of Alaska, Fairbanks on the successful proposal to establish Alaska, Hawaii, and Oregon as one of the six FAA Unmanned Aerial Systems (UAS) test ranges.

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CY 2013 Accomplishments, Continued

- Teamed with Rocketplane Global to propose on a Defense Advanced Research Projects Agency (DARPA) solicitation for a new concept vehicle to place satellite into orbit. Expected selection date is end of March 2014.

- Following the signing of the Memorandum of Understanding between Governor Parnell (AK) and Governor McDonnell (VA), AAC initiated discussions with the Virginia Commercial Spaceflight Authority to establish a partnership relationship between the Kodiak Launch Complex and the Mid Atlantic Regional Spaceport.

- Signed Memorandum of Understanding with the Hawaii Office of Aerospace Development establishing a Joint Focus Team to identify projects that support Pacific region operations.

CY 2013 Accomplishments, Continued

- Renewed FAA commercial spaceport license for KLC.
- Secured International Traffic Arms Regulation certification, allowing KLC to conduct international business.
- Supported USCG LORAN tower removal from KLC.
- Supported “Kulluk” recovery for Shell.
- Supported National Secretaries of State Conference in Anchorage for Lt Governor’s office.
- Feature article in May edition of Alaska Magazine, highlighting our KLC location.

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CY 2013 Initiatives

- Increased participation in the National Space Symposium.
- Initiated contract with Wyoming Aerospace to evaluate potential organization changes for AAC and to identify potential new markets for business development.
- Initiated contract with Peak3 to refine potential business model for AAC operation of the Global Hawk UAS.
- Initiated discussions with Pacific Command for support in theater defense.
- Initiated discussions with the University of Hawaii to support small launch operations in both Hawaii and Alaska.
- Joined the Commercial Spaceflight Federation (CSF) and secured a seat on the Board of Directors.
- Rejoined the Missile Defense Advocacy Alliance (MDAA) to focus on potential new business with the Missile Defense Agency.
- Initiated concept development of a CubeSat launch program from KLC.

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CY 2013 Cost Saving Efforts

- Consolidated Anchorage offices and reduce office space by 25%.
- Did <u>not</u> implement FY14 State cost of living increases.
- Reduced company travel expenses FY12 to FY13 by nearly 14%.
- Reduced participation in conferences determined to not be value added for AAC.
- Eliminated printed copies of 2013 Annual Report. Available on website and distributed electronically only.
- Reductions in utilities, supply and material purchases, and facilities work.
- Established a telecommunications contract to increase capabilities and reduce AAC staff requirements, allowing two positions to be internally reassigned to engineering and launch support reducing need to hire positions in support of upcoming launch and proposal development.
- Reduced other sub-contract work, brought some work in-house.
- Greater utilization/integration into State purchasing contracts.

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CY 2014 Focus

- Alaska Radar System Contract.
- Develop RSTS as separate business unit to market services worldwide.
- Initiate discussions with potential international customers.
- Establish virtual office in Huntsville, Alabama.
- Pursue a UAS commercial operations business unit.
- Request Federal matching funds for KLC operations and sustainment.
- Diversify business model by expanding into non-traditional business lines such as:
  - Partnering with Federal agency for weather tracking
- Aggressively market KLC capabilities to new potential customers, both government and commercial.
  - Continue pursuit of Launch Pad 3 and expand use to support multi rocket systems.

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FY15 Baseline Budget

- FY15 Request is $6.0 Million, General Funds in operating budget
  - AAC is requesting $2.0 Million reduction from FY14 funding.
    - Current launch contract allows for reduction
  - Assumes there will be no Federal O&S funding for spaceport maintenance and operations until FY16.
    - Requesting Federal funds starting in federal budget year 2015
  - Current workforce is maintained
  - No expansion of operations at KLC.
    - Launch Pad 3 not operational
  - KLC maintained in operational status to support current launch contract.

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FY14 to FY15 Budget Comparison

General Funds (RDU Totals)

FY14 Management Plan	FY 15 Governor Budget	FY14 Management Plan to FY15 Governor Request
$8,129.2	$6.084.3	-$2,044.9 (-25.2%)

GF & Other Funds (RDU Totals)

FY14 Management Plan	FY 15 Governor Budget	FY14 Management Plan to FY15 Governor Request
$10,618.9	$10,125.5	-$493.4 (-4.6%)

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FY15 Deferred Maintenance Request

- **Deferred Maintenance Projects Include:**
  - ***Range Safety and Telemetry System (RSTS) Modernization***. New equipment needed to increase flight safety, increase thermal capability, and expand capabilities to handle advanced mission requirements.
  - ***Telemetry Data Processors***. Software configuration changes in the system require re-engineering to meet mandatory flight safety requirements.
  - ***Emergency Power Generation Capacity Expansion***. The current system has inadequate capability to meet the expanded requirements of the RSTS.
  - ***Technical Control Facility Air Conditioning Upgrade***. Upgrade required in the Launch Control Center to meet mission requirements.
  - ***Operational Intercom System Upgrade***. A mission critical communications system for vehicle flight communications.

- **FY 15 Funding Request for Kodiak Launch Complex**
  - $2,405,900