

## Selection Statement

for

### Lease of Launch Complex 39A

(Announcement Number AFP-KSC-LC39A)

On September 16, 2013, I, as the designated Selection Authority, along with other senior officials of the National Aeronautics and Space Administration (NASA), received a briefing from the members of the Proposal Evaluation Panel (PEP). The PEP presented its findings on the proposals submitted in response to the Launch Complex 39A Announcement for Proposals (AFP) for the use of Launch Complex (LC) 39A.

#### **I. Background and Evaluation Process:**

In January 2011, NASA began its process of identifying assets that were no longer required as a result of the conclusion of the Space Shuttle program. Through a Notice of Availability (NOA), NASA Kennedy Space Center (KSC) sought potential industry interest in KSC assets, including LC-39A. Based on interest expressed by industry, NASA determined to pursue a competitive solicitation for lease of LC-39A to ensure that all interested parties had an opportunity to present proposals.

An initial synopsis of the intent to compete the lease was issued on May 17, 2013. The AFP for LC-39A was released to industry on May 23, 2013. Proposals were due July 5, 2013. The AFP stated the Government's objective was to

[E]valuate the Proposer's overall understanding of the objective and the adequacy of the proposed approach to meeting that objective, i.e., the company which has the best demonstrated capability to assume full financial and technical responsibility for operations and maintenance of LC-39A for a term during which the company will make use of LC-39A in a manner that supports the fullest commercial use of space.






The AFP stated the intent of the competition was "to establish a Public-Private or Public-Public Venture to grant a partner(s) an interest in real property ... through an instrument(s) such as a lease, a use permit, or other form of property out grant term." While the AFP did not specify the type of agreement, it identified the Commercial Space Launch Act (CSLA) or the National Aeronautics and Space Act as possible authorities for the resulting agreement.

The AFP identified two factors that would be used to evaluate meeting the Government objective: Financial Capability and Technical Approach. The AFP stated that in terms of relative importance, Financial Capability was approximately equal to Technical Approach. In addition to these two factors, the AFP stated NASA would evaluate the proposed length of the lease agreement and the type of proposed use, i.e., exclusive use or multi-use.

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The AFP provided the PEP would assess each proposal, ascertain its strengths and weaknesses, and assign a Level of Effectiveness for each Factor in accordance with the following:

Color	Criteria
	<b>Very High Level of Effectiveness:</b> The proposal is very highly effective in meeting the Government objective.
	<b>High Level of Effectiveness:</b> The proposal is highly effective in meeting the Government objective.
	<b>Moderate Level of Effectiveness:</b> The proposal is moderately effective in meeting the Government objective.
	<b>Low Level of Effectiveness:</b> The proposal has low effectiveness in meeting the Government objective.
	<b>Very Low Level of Effectiveness:</b> The proposal has very low effectiveness in meeting the Government objective.

Additionally, the AFP provided that the proposals would be evaluated for confidence of successful performance of their proposed approach for both Financial Capability and Technical Approach using the following criteria:

Confidence	Criteria
<b>High</b>	The proposal demonstrates that the Proposer is very likely to successfully perform the proposed effort.
<b>Medium</b>	The proposal demonstrates that the Proposer is likely to successfully perform the proposed effort.
<b>Low</b>	The proposal demonstrates that the Proposer is less likely to successfully perform the proposed effort.

KSC received timely proposals from the following companies (Participants):

Blue Origin, LLC  
 Space Exploration Technologies  
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The PEP completed its review for acceptability on July 12, 2013; completed its initial evaluation on July 16, 2013; completed due diligence on July 30, 2013; received responses to due diligence on August 4, 2013, and completed the final evaluation on August 9, 2013.

## **II. PEP Evaluation after Due Diligence**

### **Blue Origin**

For the Financial Capability factor, Blue Origin received a Level of Effectiveness color rating of “**WHITE**” and a “**MEDIUM**” Level of Confidence Rating.

**Strengths:** Blue Origin proposes to operate and maintain LC-39A beginning no later than October 1, 2013. Blue Origin demonstrates its financial commitment by proposing [REDACTED] LC-39A O&M expenses. In addition, Blue Origin proposed a substantial amount for capital investments to modify the pad for multi-use. Blue Origin has demonstrated its past performance in the development and testing of four suborbital launch vehicles as well as the development of its West Texas Launch Site (WTLS) and manufacturing and testing facilities. The cost of these facilities has exceeded [REDACTED] million and is indicative of Blue Origin’s corporate ability to make the necessary investments in launch infrastructure. Blue Origin will also bear the market risk as a site operator to attract, accommodate and implement a multi-user approach.

**Weaknesses:** Blue Origin did not substantiate its plans to make LC-39A a multi-use launch facility. Blue Origin plans to use LC-39A no earlier than [REDACTED] for the Blue Origin Orbital Launch Vehicle (OLV), and anticipates other users will contract for use of LC-39A. There are no signed customers or scheduled launches, except for the Blue Origin OLV. Blue Origin’s plan for launches as early as 2015 is partially dependent on SpaceX as a customer of this multi-use pad based on its statement that “SpaceX could be a significant user of LC-39A with its Falcon series of launch vehicles as early as 2015.” Blue Origin includes [REDACTED] SpaceX launches on its projected manifest between 2015 and 2019. However, no statement of interest was provided by Blue Origin for SpaceX. According to Blue Origin’s due diligence response, “[w]e reached out to SpaceX, but they are currently focused on their own bid for exclusive use of the LC39A.”

For the Technical Approach evaluation, Blue Origin received a Level of Effectiveness color rating of “**WHITE**” and a “**MEDIUM**” Level of Confidence rating.

**Strengths:** Beginning in [REDACTED], Blue Origin plans its launch site operations to minimize the time the Orbital Launch Vehicle (OLV) spends on the pad ([REDACTED]). At the planned ultimate launch rate of [REDACTED] OLV launches per year in 2021, the pad would be nominally utilized [REDACTED] per year and is available for other users and facility maintenance more than [REDACTED] per year. In addition, Blue Origin proposes to develop a standard user interface and procedures for rapid turnover of the launch pad between launch vehicles and service

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providers. This technical and marketing approach increases the opportunities for other users and could lower the cost for new or emerging companies to access launch pad facilities and enable a multi-use strategy. Blue Origin's demonstrated launch operations experience and the size, scale and complexity of its WTLS are relevant to operations and modifications at LC-39A. Blue Origin successfully launched a sub-orbital vehicle from its WTLS approximately ten months after breaking ground.

**Weaknesses:** The architecture and requirements of other potential users is not identified, which adds to the schedule risk.

## **SpaceX**

For the Financial Capability evaluation, SpaceX received a Level of Effectiveness color rating of "BLUE" and a "HIGH" Level of Confidence Rating.

**Strengths:** SpaceX proposes to operate and maintain LC-39A, beginning no later than October 1, 2013, and has proposed a substantial amount of working capital available for pad modification, construction and operations and maintenance. SpaceX clarified that the working capital available to the company is not exclusive to modifying LC-39A in due diligence. However, SpaceX has more than sufficient capital to support existing requirements. The launch manifest identified a diverse customer base of government and commercial customers, with over 40 total launches under contract. Past performance as a launch service provider includes development and testing of their Falcon and Dragon vehicles, successful commercial launches and NASA cargo flights to and from the International Space Station. SpaceX's proposal demonstrates a solid business case with significant corporate financial ability to achieve and sustain launch operations at LC-39A.

No weaknesses were identified for SpaceX under financial capacity.

For the Technical Approach evaluation, SpaceX received a Level of Effectiveness color rating of "GREEN" and a "MEDIUM" Level of Confidence rating. The PEP identified the following strengths.

**Strengths:** SpaceX demonstrates early and frequent utilization of the pad by proposing [REDACTED] launches from LC-39A of their Falcon family of launch vehicles in 2015 ([REDACTED] under contract), [REDACTED] launches in 2016 ([REDACTED] under contract) and [REDACTED] launches in 2017 ([REDACTED] under contract), specifically identified by customer and mission. While location of these launches is subject to negotiation with its customers, SpaceX is proposing all [REDACTED] launches from LC-39A which demonstrates a credible approach to maximize the use of LC-39A and expeditiously commence launch operations.

SpaceX's proposed marketing approach is to continue pursuing a diverse customer base that includes Commercial, U.S. Government and International Government launch requirements. SpaceX has demonstrated a level of success in its marketing approach by

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capturing new customers that were previously purchasing launch services from foreign providers. Based on its proposed manifest for Falcon 9, Falcon 9/Dragon and Falcon Heavy, SpaceX has projected backlog and needs additional launch pad capability to support Commercial Crew, Commercial Resupply Services, and other commercial launches. SpaceX's proposed use of LC-39A, factors into its marketing plan to increase its share in the global launch market and should allow the company to expand its U.S. competitiveness in commercial space and increase its launch rate.

SpaceX's launch operations at Space Launch Complex (SLC)-40 (at Cape Canaveral Air Force Station) and SLC-4E (at Vandenberg Air Force Base) provide directly relevant experience and knowledge of systems needed for launch vehicle processing, and how to modify, activate and utilize LC-39A expeditiously. SpaceX has experience reactivating previously used government launch facilities and ground systems comparable in function and complexity to LC-39A. SpaceX provided a sound architecture with detailed modification plans and cost and schedule estimates at the system level. Previous experience in converting SLC-40 (25 months) and SLC-4E (██████████) demonstrates SpaceX's ability to construct and operate launch facilities.

No weaknesses for the Technical Approach factor were noted.

### **III. Selection Decision**

On September 16, 2013, the PEP presented their findings to me. My advisors and I reviewed the AFP and the proposal materials prior to the presentation. I understand I am required to exercise independent judgment when making my selection determination. I am aware that the exercise of independent judgment permits me either to adopt the findings of the PEP without exception or to disagree with any findings or conclusions presented by the PEP. I also recognize I can base my selection on my own analysis of the proposals as well as the findings of the PEP. I held an executive session with my advisors to discuss the evaluation results and to ask my advisors for their opinions, comments, objections, or concerns.

The AFP states the order of relative importance of evaluation factors is:

The Financial Capability factor is approximately equal to Technical Approach factor.

NASA will evaluate the proposed length of the lease agreement for the sufficiency of its rationale only in terms of meeting the Government's objective.

NASA will evaluate the proposed use of LC 39A (exclusive or multi-use) only in terms of meeting the Government's objective. If a multi-user facility is proposed, NASA will evaluate the proposed methodology for accommodating and managing multiple users. If an exclusive use is proposed, NASA will evaluate the sufficiency of rationale provided as to why exclusive use is needed.

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In its initial presentation package<sup>1</sup>, the PEP had not specifically addressed the length of lease or type of use. As part of the updates to the final presentation charts, I requested the PEP provide me with the facts pertaining to these factors. I concluded the AFP requires I evaluate these factors and gives me the flexibility to determine what weight these factors should have in my selection decision.

## PROPOSALS

### **Blue Origin**

Blue Origin proposes to be the site operator for LC-39A providing common infrastructure and services to multiple launch vehicle operators, each of which will provide the vehicle-specific equipment to plug into a standard interface. Blue Origin intends to work with launch vehicle operators to develop standard interface adapters for launch vehicles where all vehicle-specific interfaces will be on mobile ground support equipment. Blue Origin also proposes being a user of LC-39A beginning in [REDACTED]. This proposal assumes a nominal launch operation will [REDACTED] and Blue Origin intends to reserve [REDACTED] of the capacity of LC-39A for other users. Blue Origin stated it will bear the financial risk if site utilization is lower than projected. Blue Origin proposed to operate LC-39A beginning no later than October 1, 2013 and acknowledged the terms and conditions in the lease agreement found at Attachment C of the AFP.

Evaluation Criteria in AFP: I was aware the PEP scored Blue Origin “White” representing a moderate level of effectiveness for Financial Capability and Technical Approach. The PEP also gave Blue Origin a “Medium” level of confidence to accomplish Financial Capability and Technical Approach indicating the proposer is likely to successfully perform the proposed effort.

Under the criteria for financial capability, the AFP stated NASA would evaluate the proposers’ financial ability to achieve and sustain launch operations at LC39A; evaluate the proposers’ demonstrated business case, including its projected launch manifest operations, marketing, and phasing; and evaluate the proposer’s past performance in testing and launch successes. I agreed with the PEP’s strength under this criterion. Blue Origin demonstrated a commitment to fund operations and maintenance of LC-39A as evidenced by proposing [REDACTED] for such expenses. I also found the [REDACTED] Blue Origin proposed for capital investments was reasonable, recognizing Blue Origin included percentages for an uncertainty factor and included a reserve in the amount it proposed for capital investments. Additionally, the Blue Origin proposal stated it would bear the market risk as a site operator. I concurred that the Blue Origin proposal demonstrated relevant past performance by developing and testing four

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<sup>1</sup> I met with my advisors on September 9, 2013 to discuss the proposals KSC received for the lease of LC-39A. My advisors and I were provided with copies of the AFP, the proposals, the participant’s responses to due diligence, and draft presentation charts prior to this preliminary meeting. I requested the PEP update its presentation charts based on this pre-meeting.

suborbital launch vehicles as well as its development of its West Texas Launch Site and its manufacturing and testing facilities.

The PEP gave Blue Origin a weakness under financial capability due to its near term projected launch manifest. Blue Origin proposed a manifest of [REDACTED] launches from 2015 to 2019 which included [REDACTED] launches for Blue Origin and [REDACTED] launches for other companies, [REDACTED] of which were proposed for SpaceX. The launch manifest Blue Origin proposed did not have signed customers until [REDACTED] when Blue Origin proposed to use LC-39A to launch [REDACTED] of its OLV launch vehicles. Blue Origin's initial proposal contained letters of interest from two other companies, [REDACTED], expressing support in converting LC-39A into a multi-user facility. Blue Origin's due diligence response referenced an additional letter of interest from [REDACTED] and a Memorandum of Agreement (MOA) from [REDACTED]. I noted there was no firm commitment to use LC-39A in either the letters of support or the referenced MOA. Blue Origin's proposal did not contain a letter of interest from SpaceX. It was unclear whether SpaceX would elect to use LC-39A if Blue Origin were selected as the site operator.

The second criteria for technical approach involved operating and maintaining LC-39A as a commercial launch platform with the following subfactors listed in descending order of importance: Assessment of Maximization and Expediency of Planned LC-39A usage; Assessment of Ground Systems Architecture Approach; and Assessment of Mitigation of Potential Adverse Effects and Innovative Approaches. The PEP gave Blue Origin one strength under the Maximization and Expediency of Planned LC-39A Usage subfactor for its multi-user approach. Blue Origin expects to occupy LC-39A [REDACTED]. The Blue Origin proposal stated its own flights were projected to grow to a projected rate of [REDACTED] or more flights per year by 2021. At this plan for OLV launches, Blue Origin should have approximately [REDACTED] available for other users. According to its due diligence response, Blue Origin projected having a total launch rate of [REDACTED] in 2019 [REDACTED] to [REDACTED] launches per year.

Blue Origin intended to accomplish this launch rate by developing a standard user interface and procedures for rapid turnover of the launch pad between launch vehicles and service providers. I agreed with the PEP finding that this approach could increase opportunities for other users and could lower the cost for new and emerging companies to access launch pad facilities. The PEP found that Blue Origin's past performance was relevant to successfully implementing its multi-use strategy.

The PEP found a weakness in Blue Origin's proposal under the Assessment of Ground systems architecture and implementation approach subfactor. Blue Origin's proposal stated it would fund the modifications to LC-39A for multi-use, but launch vehicle operators would be required to develop their own facilities and vehicles interfaces to use LC-39A. Blue Origin's proposal did not identify the architecture and requirements of the other launch vehicle operators. I concurred with the PEP's assessment that this was a weakness.

Assessment of Length of Lease: Blue Origin stated it needed a 20-year lease to recoup the large capital investment necessary to modify and activate the pad for multi-user operations. I agreed with the PEP's assessment that the length of the lease was appropriate and necessary to recover

capital investment costs. I was aware that Blue Origin's business case assumed pad occupancy fees from multiple vehicle operators; however, its business case also indicated that capital investments could be recovered under a 20-year lease if Blue Origin was the only launch vehicle using LC-39A.

Assessment of Proposed Use: The AFP stated NASA would evaluate multi-use only in terms of meeting the Government's objective. If a multi-user facility were proposed, the AFP stated NASA would evaluate the proposed methodology for accommodating and managing multiple users. The PEP found that Blue Origin's approach for multi-use was appropriate and necessary to achieve a projected launch rate of ■■■ to ■■■ launches per year. While Blue Origin quoted a reasonable charge to use the pad, other launch vehicle operators could be responsible for significant investments in ground support equipment and facilities. The PEP found that Blue Origin's proposal for multi-use supported one interpretation of the objective for the fullest commercial use of space; however, I believed this approach contained uncertainties regarding the extent to which other vehicle operators would use LC-39A if Blue Origin were to operate LC-39A.

Assessment of Proposal: For purposes of my selection decision, I viewed financial capability in two categories: financial capability to operate and maintain LC-39A and the demonstrated business case, including projected launch manifest operations, marketing, and phasing. Based upon the strength the PEP gave Blue Origin, I had a high level of confidence the company has the financial capacity to operate and maintain LC-39A and I would have scored Blue Origin higher than "White" or "Moderate" for this part of financial capability. I took note of the fact Blue Origin stated it would bear the market risk as a site operator. However, I had a lower level of confidence with regard to Blue Origin's demonstrated business case for projected launches. With regard to technical approach, the PEP gave Blue Origin a weakness in its near term launch manifest based upon the fact Blue Origin included SpaceX as a significant user. I also was concerned the potential users cited by Blue Origin either had their own launch pads or their vehicles were in development. Additionally, the PEP believed uncertainty existed regarding the extent to which other users would be required to make significant investments in processing and assembly infrastructure and ground support equipment to use LC-39A, costs that were independent of the fee for launch pad usage. I agreed with the PEP's assessment that this uncertainty was another weakness under technical approach.

Furthermore, while I agreed with the PEP's rating of "White" for Blue Origin's technical approach, I did not agree to the PEP's rating of medium confidence for this factor. After due diligence, the PEP raised the confidence level to medium based on additional information about Blue Origin's capital improvement; addition information on its manifest, modification schedule and phasing plan; and moderately more tangible level of interest from other launch providers. I disagreed that Blue Origin's due diligence response justified raising the level of confidence. I believed most of the information from due diligence affected Blue Origin's level of effectiveness and concurred with increase from "Yellow" to "White." I still had reservations regarding Blue Origin's ability successfully to attract other users required to maximize the use of LC-39A for the reasons stated above.

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## SpaceX

SpaceX proposes to be the Launch Operator for LC-39A under an exclusive user approach. SpaceX requested either a 20-year exclusive lease or a 5-year lease with three five-year options. The SpaceX proposal stated the options would be exercised at the discretion of SpaceX. SpaceX proposed to operate LC-39A beginning no later than October 1, 2013 and acknowledged the terms and conditions in the lease agreement found at Attachment C of the AFP.

Evaluation Criteria in AFP: I was aware the PEP scored SpaceX “Blue” representing a very high level of effectiveness for Financial Capability and “Green” representing a high level of effectiveness for Technical Capability. The PEP also gave SpaceX a “High” level of confidence for Financial Capability indicating the proposer is very likely to successfully perform the proposed effort and a “Medium” level of confidence for its Technical Approach indicating the proposer is likely to successfully perform the proposed effort.

Under the criteria of financial capability, the PEP found one strength regarding SpaceX’s funding and projected launch manifest. SpaceX proposed to make [REDACTED] worth of capital improvements to modify and activate the pad for its Falcon 9 and Falcon Heavy launch vehicles and has sufficient capital to fund the proposed capital improvements to LC-39A. During due diligence, SpaceX indicated that its [REDACTED] of working capital was not exclusive to its proposal. However, SpaceX indicated it had sufficient capital to support the requirements for LC-39A. The SpaceX proposed launch manifest identified a diverse customer base. In its proposal, SpaceX projected 61% of its launches would be commercial with the remainder being for International and US Government customers. The PEP found that SpaceX’s past performance was relevant with the development and testing of its Falcon and Dragon vehicles, its successful commercial launches, and the NASA cargo flights to and from the International Space Station.

Under the criteria of technical capability, the PEP gave SpaceX three strengths, with two strengths under the subfactor, Maximization and Expediency of Planned LC 39A Usage. SpaceX’s approach demonstrated early and frequent utilization of the pad by proposing a manifest of [REDACTED] launches from 2015 to 2019. This manifest involved [REDACTED] launches in 2015, [REDACTED] launches in 2016, [REDACTED] launches in 2017, and [REDACTED] launches in both 2018 and 2019. [REDACTED] of the launches in 2015 and 2016 were under contract.<sup>2</sup> SpaceX’s manifest identifies specific customers and missions. Although the location of these launches is subject to negotiation, SpaceX proposed all of the launches would be from LC-39A. The proposal stated “with the SpaceX operations tempo, our nominal plan is to conduct [REDACTED] launches per year at LC-39A beginning in 2017 and to build in the capacity to conduct up to [REDACTED].” I concurred with the PEP’s assessment that SpaceX demonstrated a credible approach to maximize the use of LC-39A and expeditiously to commence launch operations.

The second strength under this subfactor involved SpaceX’s demonstrated level of success in capturing new customers that previously were procuring launch services from foreign providers.

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<sup>2</sup> After my initial review of the proposals, I directed the PEP to revise pages 24 and 38 of its presentation to reflect accurately the manifest schedules each offeror proposed.

I found that SpaceX's ability to capture customers previously using foreign launch providers would expand U.S. competitiveness in commercial space.

The final strength SpaceX received was under the subfactor Ground Systems Architecture and Implementation Approach. The PEP looked at SpaceX's past performance with Space Launch Complex (SLC-40) at Cape Canaveral Air Force Station and SLC-4E at Vandenberg Air Force Base. SpaceX's previous experience demonstrates it converted SLC-40 in 25 months and it is projected to convert SLC-4E in [REDACTED] months. I concurred with the PEP's assessment that SpaceX's past performance evidenced a very high likelihood that it could successfully convert LC-39A according to its proposed plan.

Assessment of Length of Lease: SpaceX proposed two lease terms: 1) a 20-year lease term or 2) a 5-year lease with three 5-year options where the options would be exercised at the discretion of SpaceX. I determined the 5-year lease terms with options exercised at the discretion of SpaceX was not in the best interest of the Government since competition provided the best environment to negotiate favorable terms and conditions of the lease. Also, SpaceX indicated that a 5-year agreement would limit its ability to sell launch services since missions typically are purchased two to three years prior to launch. I believed a 20-year length was necessary to recover investment given the amount SpaceX proposed to invest. I noted SpaceX proposed to invest [REDACTED] in LC-39A compared to the [REDACTED] Blue Origin proposed and Blue Origin also believed its business case required a 20-year lease. I recognized the PEP found that a 20-year lease would provide the fullest commercial use of space by enabling investments to achieve a nominal launch rate of [REDACTED] flights per year by 2017 with the potential to increase the flight rate to [REDACTED] launches a year.

Assessment of Proposed Use: The AFP provided that NASA would evaluate exclusive use in terms of meeting the Government's objective. If an exclusive use is proposed, NASA would evaluate the sufficiency of rationale provided as to why exclusive use is needed. SpaceX stated that exclusive use was needed: 1) to recoup its substantial investment in LC-39A, 2) to efficiently manage scheduled activities at LC-39A to enable a launch rate of approximately [REDACTED] launches a year with a potential for [REDACTED] launches a year, 3) to support its multiple launches and extensive prelaunch testing conducted for each launch, and 4) to avoid priority issues associated with a multi-use arrangement. I agreed with the PEP's assessment that SpaceX's request for exclusive use was appropriate and supported the Government's objective for the fullest commercial use of space by enabling its proposed manifest.

Assessment of Proposal: I concurred with the PEP's evaluation that SpaceX's financial capability had a very high level of effectiveness with a high level of confidence. I also concurred with the PEP's evaluation of technical approach having a high level of effectiveness. I saw a difference in the level of confidence in technical approach between SpaceX and Blue Origin as explained in the comparative assessment.

### COMPARATIVE ASSESSMENT

I began my assessment identifying areas that were not discriminators for selection. I thought both Blue Origin and SpaceX demonstrated the financial ability to achieve and sustain launch

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operations at LC39A. I believed Blue Origin and SpaceX submitted adequate business cases to justify their requests for a 20-year lease. Since the PEP did not have any findings for the subfactor Mitigation of Potential Adverse Effects and Innovative Approach, I did not find this to be a discriminator. I knew the factor of financial capability involved evaluating the proposer's past performance of development testing and launch success. Although I had a higher level of confidence in SpaceX's past performance finding its experience more relevant to using LC-39A, I did not rely on this difference to distinguish the proposers.

Although I recognized the PEP gave Blue Origin a weakness for not identifying the architecture and requirements of other users and SpaceX received a strength for its successful past performance converting launch pads, I believed these findings were best used as an indicator for confidence level.

The evaluation factors I viewed as discriminators were: 1) the proposers' demonstrated business case, including its projected launch manifest operations, marketing, and phasing; 2) the assessment of maximization and expediency of planned LC-39A usage; and 3) the proposed use of LC-39A (exclusive or multi-use) in terms of meeting the Government's objective. I recognized that these evaluation factors involved an interpretation of the Government objective to achieve the "fullest commercial use of space." I found the AFP permitted two interpretations of "fullest commercial use of space" and considered both interpretations in comparing the proposals. One interpretation involved only evaluating the number and frequency of projected launches. This interpretation is supported by the evaluation criteria on the proposer's demonstrated business case including its projected launch manifest as well as the subfactor to assess the maximization and expediency of planned LC-39A usage. The second interpretation also would include evaluating the number of potential users. This interpretation is supported by the fact the AFP requested proposers provide rationale explaining why exclusive use was needed. Proposers with a multi-use approach, on the other hand, were evaluated on their proposed methodology for accommodating and managing multiple users.

Each proposer presented a different vision of meeting the "fullest commercial use of space." Blue Origin proposed a multi-user approach while SpaceX proposed exclusive use. My advisors and I focused upon the proposed LC-39A manifest for both proposers. (Pages 24 and 38 in the PEP Presentation.) These manifests for 2015 to 2019 provided the best evidence of near term use, which I assessed as part of the subfactor maximization and expediency of planned LC-39A. The manifest for SpaceX indicated it would have [REDACTED] launches in this timeframe, [REDACTED] of which are under contract. Blue Origin's manifest had [REDACTED] launches for 2015 to 2019, which involved [REDACTED]. However unlike SpaceX, Blue Origin does not have any launches under contract, or firm statements of commitment for other launches on the manifest. A comparison of the proposals revealed SpaceX's manifest maximized the usage of LC-39A in the near term much more so than Blue Origin's proposed manifest did.

I also examined the projected usage as proposed by SpaceX and Blue Origin. SpaceX stated its nominal plan was to conduct [REDACTED] launches per year at LC-39A beginning in 2017 building in the capacity to conduct up to [REDACTED]. Blue Origin's proposal projected having a total launch rate of [REDACTED] in 2019 [REDACTED] to [REDACTED] launches per year. I believed the long term

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projected rate of usage was approximately the same for both proposers: Blue Origin proposed [REDACTED] at [REDACTED] launches a year while SpaceX planned to have the capacity to conduct up to [REDACTED] launches a year.

I considered information on level of confidence when I examined each proposer's approach "to expeditiously commence launch operations from LC-39A." I recognized the PEP rated both proposers a "Medium" level of confidence for technical approach, indicating that both proposers were likely to successfully perform the proposed effort. When questioned about this, the PEP informed me the AFP constrained the evaluation by providing only three different levels of confidence. The PEP explained it had a high medium level of confidence with SpaceX's technical approach while it had a low medium level of confidence with Blue Origin's technical approach. The PEP did not identify any weaknesses for SpaceX regarding its proposed manifest unlike the weaknesses the PEP identified for Blue Origin's technical approach. The PEP also did not provide different levels of confidence for near term manifests and long term manifests.

I was aware the Falcon Heavy launches SpaceX proposed would benefit from the unique features of LC-39A. The proposal from SpaceX indicated [REDACTED] of the proposed launches for LC-39A in SpaceX's manifest were under contract. I found it credible that SpaceX could successfully negotiate with its payload customers to use LC-39A for Falcon 9 and Falcon Heavy launches. In addition, SpaceX demonstrated success capturing new customers that previously were procuring launch services from foreign providers.

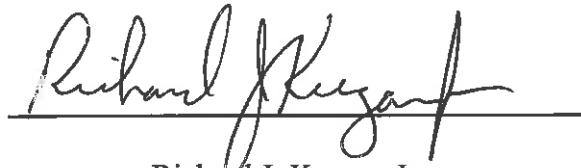
On the other hand, the near term manifest from Blue Origin included [REDACTED] launches for SpaceX, but Blue Origin did not provide any indication that SpaceX would use LC-39A if Blue Origin were the site operator. Given the multi-factor rationale provided by SpaceX as to why an exclusive pad use arrangement was necessary to support its concept of operations, I found there is a significant possibility SpaceX would choose not to use LC-39A as a part of a multi-user arrangement. Blue Origin's own use of LC-39A was for a vehicle still under development. Development of new launch vehicles can slip. I knew Blue Origin had [REDACTED] letters of interest and [REDACTED] MOA from other vehicle launch providers. [REDACTED] had [REDACTED]; however, its MOA indicated a possibility of using the pad as early as [REDACTED]. [REDACTED] still was developing the vehicle Blue Origin included in the manifest. [REDACTED]; however, stated LC-39A would provide a [REDACTED]. I realized Blue Origin's projected five-year use of LC-39A could decrease due to the potential for development delays and the lack of committed users.

Additionally, the requirement to make investments prior to using LC-39A as a multi-user added to the uncertainty of the manifest Blue Origin proposed. I considered Blue Origin's multi-user approach to be a strength. However, this strength was offset by the fact other launch vehicle operators would be required to develop vehicle interfaces before they could use LC-39A. Other launch vehicle operators also might be required to modify or construct facilities near LC-39A. Blue Origin's proposal did not adequately describe the architecture and requirements of the other launch vehicle operators. I questioned the extent other users would use LC-39A if Blue Origin were the site operator given the requirement to develop vehicle interfaces and the fact

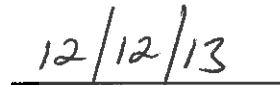
other users had to make significant investments beyond LC-39A. Based on this, I had a lower level of confidence Blue Origin could achieve its short term manifest.

Due to the specific and firm nature of the SpaceX short term manifest, I had a slightly higher level of confidence in their manifest moving into the longer term. However, as projections extended out to 20 years, I had a similar level of confidence for both manifests because I knew uncertainty is inherent in any manifest extending that long.

My selection was between SpaceX's proposal for exclusive use and Blue Origin's proposal for multi-use. I found that SpaceX amply justified its need for its approach involving exclusive use. I recognized the potential benefits of Blue Origin's proposed approach for multi-use and accepted Blue Origin's proposed methodology for accommodating and managing multiple users. SpaceX demonstrated a clear advantage with regard to a 5-year term manifest. Blue Origin's multi-use approach projected a similar number of launches in the out years as SpaceX's exclusive use. However, Blue Origin's multi-use approach involved uncertainty regarding the extent other users would use the pad. In contrast, SpaceX's approach for exclusive use and its proposed manifest was specific, firm, and included customers on contract. I determined the certainty and number of launches associated with SpaceX's proposal outweighed the potential benefits associated with Blue Origin's multi-use approach. I had a high level of confidence that SpaceX was very likely to successfully achieve its near term manifest. Therefore, I concluded SpaceX's proposal better met the Government objective of the "fullest commercial use of space" with its early, consistent, and more certain launch manifest. Consequently, I select SpaceX to enter into successful negotiations with KSC for the lease of LC-39A.



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Date

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