

BEAL AEROSPACE

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**STATEMENT FROM ANDREW BEAL
CHAIRMAN AND FOUNDER OF BEAL AEROSPACE TECHNOLOGIES, INC.**

Beal Aerospace regrets to announce that it is ceasing all business operations effective October 23, 2000.

Beal Aerospace has made significant advances in low cost hydrogen peroxide propulsion systems and continues to believe that low cost and reliable space launch systems are viable and producible by relatively small commercial companies. Despite our experience with cost overruns and schedule delays, we were confident of our ability to ultimately succeed in the development of our BA-2C rocket launch system. The BA-2C program was the largest privately funded program ever in existence to build a large capacity space launch system.

Unfortunately, development of a reliable low cost system is simply not enough to insure commercial viability. Several uncertainties remain that are totally beyond our control and put our entire business at risk. The most insurmountable risk is the desire of the U.S. government and NASA to subsidize competing launch systems. NASA has embarked on a plan to develop a "second generation" launch system that will be subsidized by U.S. taxpayers and that will compete directly with the private sector. In my capacity as founder and chairman of Beal Aerospace, I previously testified to a congressional subcommittee that government subsidies to competing launch providers constituted the private sectors biggest business risk. Nonetheless, NASA remains committed to such an effort, and congress last week approved an initial \$290 million to begin an effort that NASA declares will result in the government funding of one or two human rated subsidized launch systems within 5 years. While Beal Aerospace recognizes the need for NASA to develop a human rated launch capability for space station and other human

missions, we find it inexcusable and intolerable that NASA intends for these subsidized systems to additionally compete for non-human rated missions including cargo for the space station and commercial satellite missions.

We wonder where the computer industry would be today if the U.S. government had selected and subsidized one or two personal computer systems when Microsoft, Inc. or Compaq, Inc. were in their infancy.

Other significant and uncontrollable risks we face include (1) federal laws mandating our potential liability for pre-existing environmental contamination at the only available cape canaveral launch pads, and (2) uncertainty over U.S. government state department approval to launch from our own launch facilities in the foreign country of Guyana. In spite of these additional risks which we have faced for some time, we would have remained in business if the government would have simply guaranteed that NASA's subsidized launch systems would never be allowed to compete with the private sector.

There will never be a private launch industry as long as NASA and the U.S. government choose and subsidize launch systems. While Boeing and Lockheed are private entities, their launch systems and components are derivatives of various military initiatives. Very little new effort takes place without significant government subsidy, control, and involvement. While we believed we could compete successfully against the government subsidized EELV launch vehicles, the characteristics and depth of subsidy for NASA's new initiative as well as its ultimate performance are impossible to determine or evaluate.

Once it became clear that NASA and Congress intended to proceed with their new competing launch systems, our only remaining choice was whether to cease operations entirely, or to evolve into a government contractor role like Boeing and Lockheed and seek government contracts to assist the development of the NASA system. We have elected to cease operations.

Sincerely,

Andrew Beal