



**BOARD OF SUPERVISORS AGENDA ITEM REPORT
CONTRACTS / AWARDS / GRANTS**

Requested Board Meeting Date: December 13, 2016

or Procurement Director Award

Contractor/Vendor Name (DBA): Vector Launch, Inc.

Project Title/Description:

25 year ground lease in the Aerospace, Defense for the development and operation of a minimum 60,000 square foot headquarters and missile manufacturing facility.

Purpose:

As the second tenant in the Aerospace, Defense and Technology Business and Research Park, Vector Launch, Inc. will construct at least a 60,000 square foot headquarters and manufacturing building which will generate revenue to the County in the amount of \$8,000 per month or \$96,000 per year which will be adjusted every five years based on the Consumer Price Index. This is a market rate lease based on an independent appraisal of the property. At the end of the 25-year lease, the building ownership will revert to Pima County.

Procurement Method:

Program Goals/Predicted Outcomes:

Public Benefit:

Metrics Available to Measure Performance:

Retroactive:

No

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To: COB. 12-8-16 (2)
Ver. - 1
pgs. - 15
Addendum

Procure Dept 12/08/16 PM 04:37

Original Information

Document Type: CTN Department Code: CA Contract Number (i.e., 15-123): 17-120

Effective Date: 12-13-2016 Termination Date: 12-13-2041 Prior Contract Number (Synergen/CMS): _____

Expense Amount: \$ _____ Revenue Amount: \$ 2,400,000.00

Funding Source(s): _____

Cost to Pima County General Fund: _____

Contract is fully or partially funded with Federal Funds? Yes No Not Applicable to Grant Awards

Were insurance or indemnity clauses modified? Yes No Not Applicable to Grant Awards

Vendor is using a Social Security Number? Yes No Not Applicable to Grant Awards

If Yes, attach the required form per Administrative Procedure 22-73.

Amendment Information

Document Type: _____ Department Code: _____ Contract Number (i.e., 15-123): _____

Amendment No.: _____ AMS Version No.: _____

Effective Date: _____ New Termination Date: _____

Expense Revenue Increase Decrease Amount This Amendment: \$ _____

Funding Source(s): _____

Cost to Pima County General Fund: _____

Contact: Deseret Romero

Department: County Administrator's Office Telephone: 724-8450

Department Director Signature/Date: _____

Deputy County Administrator Signature/Date: _____

County Administrator Signature/Date: C. Romero 12/8/16
(Required for Board Agenda/Addendum Items)

**GROUND LEASE
PIMA COUNTY AND VECTOR LAUNCH**

This Lease is entered into, effective as of December 13, 2016 (the "Effective Date"), by and between Pima County, a political subdivision of the state of Arizona (the "County"), and Vector Launch, Inc., a Delaware corporation ("Vector").

1. Background and Purpose.

- 1.1. The County has authority, under A.R.S. § 11-254.04, to engage in economic development activities, including specifically the acquisition, improvement, leasing or conveyance of real or personal property.
- 1.2. The County owns unimproved land, approximately 15 acres in size, as illustrated on Exhibit A (the "Land"), in an area designated by the County as an Aerospace, Defense, and Technology Business and Research Park (the "Aerospace Park").
- 1.3. As part of its economic development efforts, the County is making this and neighboring land in the Aerospace Park available for development and use by private-sector high-tech aerospace companies.
- 1.4. Vector has developed rocket technology, and a business model, that allows for rapid and economical commercial deployment of micro-satellites. It is in the process of expanding its business significantly. Vector explored several possible sites for its operations outside of Arizona, but has agreed to locate its rocket-development-and-manufacturing operation within the Aerospace Park. It would not have agreed to do this without County's willingness to enter into and fulfill its obligations under this Lease.
- 1.5. The County's Board of Supervisors (the "Board") has found and determined that leasing the Land to Vector for development and use will assist in the creation and retention of jobs in the community and will otherwise improve the economic welfare of the inhabitants of the County.

2. Premises.

- 2.1. Lease of Premises. County hereby lets to Vector, and Vector leases from County, the Land, together with all improvements now on or later located on the Land (the "Premises"), for the Term, under the terms and conditions set forth in this agreement (the "Lease").
- 2.2. Condition of Land. Vector is fully familiar with the physical and legal condition of the Land. County makes no representation or warranty with respect to the condition or state of the land or its fitness or availability for any particular use, and county will not be liable for any latent or patent defect. Vector's use of the Premises is subject to all existing easements, rights-of-way and set-backs existing as of the Effective Date of this Lease.
- 2.3. Quiet Enjoyment. County covenants and agrees that upon Vector paying the Rent and performing and observing all of the Vector's obligations under this Lease, Vector may peaceably and quietly have, hold and enjoy the Premises for the Term, without hindrance or molestation by anyone claiming paramount title or claims through County.

3. **Term.** This Lease will be for a period of twenty-five years from the Effective Date (the "Term").

4. **Rent.**

4.1. Base Rent. Vector will pay County, in advance, in equal monthly installments, rent in the amount of \$96,000 per year. Base Rent will be adjusted every five (5) years based on the change in the Consumer Price Index during the previous 5 years.

4.2. Taxes.

4.2.1. Government Property Lease Excise Tax. Vector will promptly pay when due any applicable property taxes or government property lease excise taxes ("GPLET") (A.R.S. §§ 42-6201 through 42-6210) with respect to the Premises.

4.2.2. Rental Taxes and Assessments. Vector will pay, or will reimburse County for its payment of, any taxes or assessments related to this Lease, the Premises, or the rent paid to County.

5. **Construction of Project.**

5.1. Project. Vector will construct a building (the "Building"), together with related parking, landscaping, driveways, and other improvements (together, the "Project") on the Land. The Building must be a complete independent building containing approximately 60,000 square feet of interior space. It must be designed and constructed using the U.S. Green Building Council's LEED Silver standard as a design guideline, but Vector is not required to obtain LEED certification. No portion of the Project, including the Building, may be more than 40 feet in height. Deviations must be approved by County in consultation with the Raytheon Review Team.

5.2. Location. The Project must be located so that no facing wall of any structure is within 15 degrees of perpendicularity to the west corner of Building 849, as shown on Exhibit A. If any walled structure is "L" or "U" shaped, the inside corners of the shape must face south. Vector will furnish to the County, on request, a topographic survey of the Premises, prepared by a licensed surveyor, showing the location of all Project elements, including the Building, in relation to the perimeter of the Premises. Deviations must be approved by County in consultation with the Raytheon Review Team.

5.3. Off-Site Improvements. Any off-site public improvements required as a result of Vector's construction of the Project or use of the Premises will be solely the responsibility of Vector, except that the County will construct the public roadway extensions shown on Exhibit A, which will provide access to the Land. Ingress and egress from the Land must be over this roadway which is scheduled for completion in Spring, 2018

5.4. Plans and Specifications. Vector must obtain the County's approval of plans and specifications for the Project. County will not unreasonably withhold its approval of plans and specifications, will communicate its approval or disapproval in writing, and will explain the grounds for any disapproval. If County disapproves of submitted plans and specifications, Vector will submit revised plans and specifications addressing the

County's concerns. The Director of the County's Facilities Management Department is authorized to conduct the review and give approvals and disapprovals on behalf of the County.

- 5.4.1. Preliminary Plans. Vector will deliver to County three full hard-copy sets, and an electronic (AutoCAD) set of preliminary construction plans and specifications for the Project, no later than 2 months after the Effective Date. The plans must be prepared by an architect or engineer licensed to practice in Arizona, and must include preliminary grading and drainage plans, soil tests, utilities, sewer and service connections, locations of ingress and egress to and from public thoroughfares, curbs, gutters, parkways, street lighting, designs and locations for outdoor signs, storage areas, and landscaping. The plans must be sufficiently clear and detailed for the County make an informed judgment about the design and quality of construction, and about the impact of the Project on adjacent and nearby properties.
- 5.4.2. Final Plans. Within 2 months after County's approval of the preliminary plans, Vector will prepare and deliver to County three full hard copy sets and one electronic (AutoCAD) set of final plans and specifications ("Final Plans") substantially conforming to the preliminary plans previously approved by County.
- 5.4.3. Plan Modifications. Any subsequent modification of the Final Plans must be submitted for County review and approval.
- 5.5. Conditions Precedent for Construction. Vector will not commence construction or have building materials delivered to the Land until each of the following has occurred:
 - 5.5.1. Plan Approvals. The County approves the Final Plans.
 - 5.5.2. Lender Approval. Vector delivers to County the written approval of the Final Plans by the financial institution that has agreed to provide financing for the Project, unless Vector is not obtaining financing but is instead funding the Project with cash on hand. If Vector is funding the Project with its own money, Vector must furnish, at County's request, proof that it has sufficient available funds to finish the Project.
 - 5.5.3. Contract. Vector provides to County a copy of Vector's contract with the general contractor that will construct the Project. The contract must give County the right, but not the obligation, to assume Vector's obligations and rights under that contract if Vector defaults.
 - 5.5.4. Insurance. Vector furnishes County with proof that Vector has obtained the liability and worker's compensation insurance required under Section 12 below.
 - 5.5.5. Builder's Risk Insurance. Vector furnishes County with proof that Vector, or Vector's contractor, has obtained "all risks" builder's risk insurance including vandalism and malicious mischief, in broad form and with a company reasonably acceptable to County, covering improvements in place and all material and equipment at the job site furnished under contract, but excluding contractor's, subcontractor's and construction manager's tools and equipment

and property owned by contractor's or subcontractor's employees, with limits of at least \$6,000,000 per loss single limit for all work at the job site. Vector must maintain this insurance in effect until the Project is complete and a permanent Certificate of Occupancy has been issued for the Project.

- 5.5.6. Payment and Performance Bonds. Vector will deliver to County payment and performance bonds meeting the requirements of Title 34 of the Arizona Revised Statutes, issued by a surety company licensed to do business in the State of Arizona, running to County as obligee, conditioned on the completion of the Project in accordance with the Final Plans and the provisions of this Lease, free and clear of all mechanics' and other liens.
- 5.6. Liens. Vector will timely pay all contractors, subcontractors, mechanics, laborers, and materialmen providing materials or services with respect to the Premises, and will not permit any lien to attach to the Premises or any interest in the Premises, except as permitted by Section 6 below.
- 5.7. Commencement of Construction. Vector will commence construction of the Project within 2 months after County's approval of the Final Plans. Construction of the Project will be deemed to have commenced when Vector begins grading of the Project. If Vector fails to commence construction in a timely manner (without regard to delays occasioned by "force majeure"), County will have the right as its sole and exclusive remedy to cancel this Lease by written notice to Vector, in which event this Lease will terminate 30 days after the giving of such notice, unless Vector, prior to that date, commences construction of the Project. After construction is commenced, Vector will continue it diligently, in accordance with the Final Plans, in a good workmanlike manner, and in compliance with all applicable codes, laws and regulations.
- 5.8. County Inspection. County representatives may, but are not obligated to, inspect the Project as it is being constructed, and Vector will provide them access to the work for that purpose.
- 5.9. Substantial Completion. Construction must be substantially completed within 12 months after it commences, subject to delays occasioned by "force majeure." If it is not substantially completed in a timely manner, the County may cancel this Lease by written notice to Vector. The Project will be deemed to be substantially complete when all of the following has occurred:
- 5.9.1. Interior. The interior of the Project has been sufficiently completed that the Project can be utilized by Vector for all permitted uses under this Lease, notwithstanding that minor or insubstantial details of construction, mechanical adjustment or decoration remain to be performed, the non-completion of which does not interfere with the opening of the Project for business.
- 5.9.2. Exterior. The parking areas and driveways have been paved and striped and the parking lot lighting installed and operating.
- 5.10. Final Completion. Notwithstanding that the Project has been substantially completed, Vector will diligently proceed to complete the Project and obtain a permanent certificate of occupancy for the Project.



- 5.11. Title to the Project. Vector will own the Project as it is built, "brick by brick." At all times during the Term, title to the Project will belong solely to the Vector. Upon termination or expiration of this Lease, title to the Project then situated will pass automatically to County.
6. Leasehold Mortgage. Vector may give a mortgage or deed of trust on its leasehold interest to a lending institution (the "Lender") to secure a loan, the proceeds of which will be used entirely to pay for design and construction of the Project (the "Leasehold Deed of Trust"). The Leasehold Deed of Trust must be in a form, and contain terms, that are reasonably satisfactory to County.
- 6.1. Cure. If the Lender forecloses upon Vector's leasehold interest, or takes an assignment of this Lease in lieu of foreclosure, Lender must promptly cure any defaults, pay any sums due under this Lease, and attorn to County.
- 6.2. New Lease. If this Lease is terminated by County for a default by Vector before Lender forecloses or takes an assignment in lieu of foreclosure, County will enter into a new lease with the Lender for the remainder of the Term, effective as of the date of such termination, on the same terms and conditions of this Lease, provided that the lender (a) requests such a new lease from County, in writing, within thirty (30) days after the termination date, (b) pays County any sums then due it under the Lease and thereafter pays all amounts as they come due, and (c) cures any other Vector defaults. The Premises may only be sublet, or the new lease assigned, to a domestically owned and controlled company.
- 6.3. Notice of Default. If, before any default occurs under this Lease, the Lender gives County a written request to do so, County will give Lender, at the address provided by Lender, a copy of any default notice sent by County to Vector at the same time that County gives such notice to Vector. County will accept performance by the Lender of any Vector obligation, just as if performed by Vector, provided that at the time of such performance County is furnished satisfactory evidence that the person or entity tendering such performance is in fact at that time the holder of the Leasehold Deed of Trust. This will not operate to extend any cure periods.
7. Alterations. Vector, after completion of the Project, may from time to time during the Term make changes, alterations, additions, substitutions or improvements to the Premises and the Project (collectively, "Alterations"), at Vector's sole cost and expense, as set forth below:
- 7.1. Minor Alterations. Vector may make any non-structural Alterations as Vector reasonably considers necessary or desirable to adapt or equip the Project for Vector's use and occupancy, except as set forth below.
- 7.2. Substantial Alterations. Vector may not, without the County's prior written consent, make an Alteration that will (i) cost in excess of \$100,000; (ii) involve structural work or changes; (iii) involve work or changes to the electrical, plumbing, or HVAC systems; or (iv) involve the installation or construction of a new structure on the Premises ("Substantial Alterations"). Vector will provide County with plans and specifications for the proposed Substantial Alteration, for County's review. County's approval will not be unreasonably withheld or delayed. The requirements applicable to the initial construction of the Project, as set forth in Section 5 above, including but

not limited to insurance and bonding requirements and approval of plans and specifications, apply to Substantial Alterations.

8. Fixtures and Furnishings. Vector will retain ownership of all personal property, fixtures, equipment and furnishings (collectively, "Fixtures") from time to time installed in the Premises by Vector. Vector may remove any Fixtures at any time during the Term and will remove all Fixtures prior to the expiration of the Term, except those Fixtures that County agrees, in writing, may be left on the Premises. Any Fixtures not removed at the expiration of the Term will, at the election of County, become the property of County without payment to Vector, or be deemed abandoned and (if Vector did not have County's written permission to leave the Fixtures in place) removed by County at Vector's expense. Upon any removal of Fixtures, Vector will promptly repair any and all resulting damage to the Premises. Vector will reimburse County for any costs and expenses in removing any Fixtures that are left in place by Vector without County's prior written permission, and repairing any resulting damage; this covenant will survive the termination of the Lease.
9. Use of Premises.
 - 9.1. Permitted Uses. Vector will at all times during the Term use the Premises, and may *only* use the Premises, for its business as described in Section 1.
 - 9.2. Expense of Vector. Vector will conduct all of its operations at the Premises at its own expense and without contribution from County. Vector will not suggest, state or imply that County will participate, guarantee or otherwise assist in any financial obligation undertaken by Vector with respect to its operations on the Premises.
 - 9.3. Compliance with Laws. Vector will, at its sole cost and expense, promptly comply with all applicable laws, rules and regulations, whether federal, state or local, in connection with its use of the Premises. The judgment of any court of competent jurisdiction or the admission of Vector in any action against Vector, whether County is a party thereto or not, that Vector has violated any law, will be conclusive of that fact as between County and Vector.
 - 9.4. Site Radio Frequency Emissions. Site radio frequency emissions must be reviewed by Pima County in conjunction with the Raytheon Review Team.
 - 9.5. Prohibited Activities. Vector will not permit any unlawful activities on the Premises, or any activities that unduly interfere with activities on, or unduly disturb the quiet enjoyment of, neighboring properties. Vector will not permit anything to be done in or on the Premises that would in any way (i) violate any of the covenants, agreements, provisions and conditions of this Lease; (ii) violate the certificate of occupancy for the improvements; (iii) make it difficult to obtain fire or other insurance required by this Lease; or (iv) constitute a public or private nuisance.
 - 9.6. Employment. Vector must, by the 4th anniversary of the Effective Date, and at all times thereafter, employ at least 200 full-time-equivalent employees at the Premises, with an average annual wage, including benefits, of at least \$75,000. Beginning on the 4th anniversary of the effective date, and on a quarterly basis thereafter, Vector will provide County a sworn affidavit, signed by Vector's chief financial officer, stating

the number of full-time-equivalent employees currently employed on the Premises, and their average annual wages.

10. **Environmental Compliance.**

10.1. Hazardous Materials Prohibited. Vector will not cause or permit any Hazardous Material (as defined below) to be brought upon, kept, or used in or about the Premises without the prior written consent of County, other than such Hazardous Materials as are customarily necessary or useful to the type of operations permitted under this Lease and actually being carried out by Vector on the Premises, such as liquid oxygen, propylene, and other standard industrial gases, all of which will be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Materials.

10.2. Indemnity. If (i) Vector breaches the obligations stated in the preceding paragraph, (ii) the presence (whether consented to by County or otherwise) of Hazardous Material on the Premises or on or in the soil or ground water under or adjacent to the Premises is caused or permitted by Vector, its agents, employees, contractors or invitees, (iii) contamination of the Premises or soil or ground water under or adjacent to the Premises by Hazardous Material otherwise occurs for which Vector is legally liable, or (iv) contamination occurs elsewhere in connection with the transportation by Vector of Hazardous Material to or from the Premises, then Vector will indemnify, protect, defend and hold County harmless from any and all claims, judgments, damages, penalties, fines, costs, expenses, liabilities or losses (including, without limitation, diminution in value of the Premises or any part thereof, damages for the loss or restriction on use of usable space or of any amenity of the Premises or any part thereof, damages arising from any adverse impact on marketing of space with respect to the Premises or any part thereof, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arose or arises during or after the term of this Agreement as a result of such contamination. The foregoing obligation of Vector to indemnify, protect, defend and hold County harmless includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, restoration or other response work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present, as a result of any action or inaction on the part of Vector, its agents, employees, contractors or invitees, in the Premises or the soil or ground water on, under or adjacent to the Premises, or elsewhere in connection with the transportation by Vector of Hazardous Material to or from the Premises.

10.3. Clean-Up. Without limiting the foregoing, if the presence of any Hazardous Material on or in the Premises, or the soil or ground water under or adjacent to the Premises caused or permitted by Vector, or its agents, employees, contractors or invitees results in any suspected contamination of the Premises, the soil or ground water under or adjacent to the Premises, Vector will promptly notify County in writing and take all actions at its sole expense as are necessary to return the Premises, or such soil or ground water to the condition existing prior to the introduction of any such Hazardous Material to the Premises, or to such soil or ground water; provided that County's approval of such actions will first be obtained, which approval will not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises.

- 10.4. Pre-existing Contamination. County agrees that any Hazardous Materials contaminating the Premises prior to possession of the Premises by Vector will not result in liability for Vector under this Paragraph except to the extent such contamination is aggravated by the action or inaction of Vector.
- 10.5. Notices Regarding Environmental Conditions. Vector will, within ten (10) business days following receipt thereof, provide County with a copy of (i) any notice from any local, state or federal governmental authority of any violation or administrative or judicial order or complaint having been filed or about to be filed against Vector or the Premises alleging any violation of any local, state or federal environmental law or regulation or requiring Vector to take any action with respect to any release on or in the Premises or the soil or ground water under or adjacent to the Premises of Hazardous Material, or (ii) any notices from a federal, state or local governmental agency or private party alleging that Vector may be liable or responsible for cleanup, remedial, removal, restoration or other response costs in connection with Hazardous Material on or in the Premises or the soil or ground water under or adjacent to the Premises or any damages caused by such release.
- 10.6. Hazardous Material. As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of Arizona or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance that is (i) defined as a "hazardous waste" under NRS 459.400 et. seq., (ii) petroleum, (iii) asbestos, (iv) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. 1321), (v) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. 6901 et. seq. (42 U.S.C. 6903), (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et. seq. (42 U.S.C. 9601) or (vii) defined as a "regulated substance" pursuant to Subchapter IX, Solid Waste Disposal Act (Regulation of Underground Storage Tanks), 42 U.S.C. 6991 et. seq.
- 10.7. Survival. Vector's obligations under this Section 9 will survive the expiration or earlier termination of this Lease and vacating of the Premises.

11. Repair, Maintenance, Taxes and Utilities.

- 11.1. Entry by County. County may enter and inspect the Premises from time to time. If such entry is outside of normal business hours, County will give Vector at least twenty-four (24) hours advance written notice. County will use its reasonable best efforts to not interrupt Vector's business at the Premises. County may use any and all means that County deems proper to open gates or doors in an emergency in order to obtain entry to the Premises, without liability to Vector, except for any failure to exercise due care for Vector's property. Any such entry will not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Vector from the Premises or any portion of the Premises.
- 11.2. Maintenance and Repairs. Vector will keep the Premises in good order and repair and will make all repairs and replacements—ordinary, as well as extraordinary,

foreseen and unforeseen, structural or otherwise—that are necessary to do so, except as provided in Section 11.3 below. If Vector fails to make needed repairs, the County may make the repairs, in which case Vector will reimburse the County for all its costs, within 10 days after billed by County.

11.3. Damage from Casualty. If any improvement on the Premises is damaged or destroyed by any cause whatsoever during the Term, Vector will, with reasonable promptness, repair and replace the same at its own expense, to at least the condition existing immediately prior to the damage or destruction, and will do so even if the proceeds of any insurance policies covering the loss are insufficient to cover the cost, and Vector's obligations under this Lease will not be terminated or suspended; *except that*, that if the Building is substantially destroyed by fire or other casualty at any time during the last five (5) years of the Term, then Vector may terminate this Lease by written notice given to County within sixty (60) days after the date of such destruction, and Vector will be discharged from responsibility to repair the damage, but Vector will in that event, at Vector's sole cost and expense, clean and clear the site of all debris and repair the site and install landscaping therein so that the Premises blends in reasonably well with the surroundings.

11.4. Utilities. Vector will, at its sole cost and expense, arrange for the furnishing of all utilities, including electricity, gas, water and sewer, and telecommunication services, fire protection lines and hydrants, that are necessary for its operations on the Premises, and will pay when due all charges for such utilities and services. County will not be liable in any way to Vector for any failure or defect in the supply or character of utilities or telecommunications services furnished to the Premises for any reason.

12. Insurance; Indemnification.

12.1. Types of Insurance Required. Vector will procure, prior to beginning any activities on the Premises, and maintain throughout the term of this Lease, the following insurance from an insurance company or companies reasonably acceptable to County:

12.1.1. Commercial General Liability (CGL): Occurrence Form covering liability arising from premises, independent contractors, personal injury, bodily injury, broad form contractual liability and products-completed operations with minimum limits not less than \$2,000,000 Each Occurrence and \$2,000,000 General Aggregate.

12.1.2. Business Automobile Liability: Coverage for any owned, leased, hired, and/or non-owned autos assigned to or used in connection with the Premises, with minimum limits not less than \$1,000,000 Each Accident.

12.1.3. Workers' Compensation (WC) and Employers' Liability: Workers' Compensation with Employers Liability limits of \$1,000,000 each accident and \$1,000,000 each employee – disease. Workers' Compensation statutory coverage is compulsory for employers of one or more employees.

12.1.4. Property: Commercial Property, Boiler and Machinery insurance with coverage at least as broad as ISO forms CP 00 01 and BM 00 20, covering the full replacement cost of all improvements on the Premises.

12.2. Additional Coverage Requirements:

12.2.1. Claims Made Coverage: If any part of the required insurance is written on a claims-made basis, any policy retroactive date must precede the effective date of this Lease, and Vector must maintain such coverage for a period of not less than three (3) years following expiration or termination of this Lease.

12.2.2. Insurer Financial Ratings: Coverage must be placed with insurers acceptable to County with A.M. Best rating of not less than A- VII, unless otherwise approved by County.

12.2.3. Additional Insured: The General Liability policy must be endorsed to include Pima County and all its related special districts, elected officials, officers, agents, employees and volunteers (collectively "County and its Agents") as additional insureds with respect to liability arising out of the activities performed by or on behalf of Vector. The full policy limits and scope of protection must apply to County and its Agents as an additional insured, even if they exceed the limits required by this Lease.

12.2.4. Wavier of Subrogation: Commercial General Liability and Workers' Compensation coverages must each contain a waiver of subrogation in favor of County and its Agents for losses arising from work performed by or on behalf of Vector.

12.2.5. Primary Insurance: The required insurance policies, with respect to any claims related to this Lease or the Premises, must be primary and must treat any insurance carried by County as excess and not contributory insurance. The required insurance policies may not obligate the County to pay any portion of Vector's deductible or Self Insurance Retention (SIR).

12.3. Verification of Coverage:

12.3.1. Certificates. Vector's Insurer or Broker must evidence compliance with the insurance requirements by furnishing certificates of insurance executed by a duly authorized representative of each insurer. Each certificate must include a notation of policy deductibles or SIRs relating to the specific policy, and must specify that the policy is endorsed to include additional insured and subrogation wavier endorsements for the County and its Agents.

12.3.2. Renewal Certificate: A renewal certificate must be provided to County not less than 15 days prior to the policy's expiration date, along with actual copies of the additional-insured and wavier-of-subrogation endorsements.

12.3.3. Policies: County reserves the right to, at any time, require complete copies of any or all required insurance policies.

- 12.3.4. Cancellation Notice: Vector must notify the County in advance, in writing, if a required insurance policy will expire, be cancelled, be suspended, or be materially changed. The notice must be provided to the County by the earlier of (a) 30 days before the change will take effect, and (b) 2 business days after Vector receives notice of the change from its insurer. For cancellation for non-payment, Insurer must provide County with written notice ten (10) days prior to cancellation of policy.
- 12.3.5. Approval and Modifications: The Pima County Risk Manager may approve a modification of the above insurance requirements without the necessity of a formal Contract amendment, but the approval must be in writing. Neither the County's failure to receive a required insurance certificate or endorsement, the County's failure to object to a non-complying insurance certificate or endorsement, or the County's receipt of any other information from the Contractor, its insurance broker(s) and/or insurer(s), constitutes a waiver of any of the Insurance Requirements.
- 12.4. Indemnification. To the fullest extent permitted by law, Vector will indemnify, defend, and hold harmless County, its officers, employees and agents from and against any and all losses, costs, or expenses (including reasonable attorney fees) incurred or suffered by County as a result of any damages to property or injuries to persons (including death), or any suits, actions, legal administrative proceedings, claims or demands and costs attendant thereto, arising out of or directly related to any act, omission, fault or negligence by the Vector, its agents, employees, invitees, contractors or anyone under its direction or control or acting on its behalf, or anyone permitted by Vector to conduct any activity on the Premises, or in connection with any use or occupancy of the Premises under the terms of this Lease.
13. Default/Termination. Either party may present written notice of default or non-performance to the other party.
- 13.1. Vector Default. The occurrence of any one or more of the following events will constitute a default and breach of this Lease by Vector for which County may terminate this Lease:
- 13.1.1. Operation of Premises. The vacating or abandonment of the Premises, or cessation of activities thereon, or any portion thereof, by Vector, where such abandonment will continue for a period of ten (10) calendar days after notice of such default is sent by County to Vector.
- 13.1.2. Monetary Obligations. The failure by Vector to make any payment required to be made by Vector hereunder, as and when due, where such failure will continue for a period of ten (10) calendar days after notice from County that such payment is due.
- 13.1.3. Insurance. The failure by Vector to maintain insurance policies as set forth above for any period of time, in which event Vector must immediately cease all operations at the Premises until such insurance is obtained. In the event of such a default, County may, in County's sole discretion, obtain necessary insurance coverage in which event Vector will, within five (5) days of demand,



reimburse and pay to County the full amount of any costs and premiums expended by County to obtain such coverage.

13.1.4. Violation of Law. Violation of any law by Vector, or the conduct of any unlawful activities on the Premises that are permitted by Vector, either tacitly or explicitly, or which Vector has not taken reasonable means to prevent after Vector becomes or in the exercise of reasonable diligence should have become aware that such activities are being conducted.

13.1.5. Health and Safety Violation. Any action or omission by Vector that, in the County's reasonable judgment, causes a threat to the health or safety of the general public.

13.1.6. Other Covenants. The failure by Vector to observe or perform any other of the covenants, conditions or provisions of this Lease to be observed or performed by Vector, where such failure will continue for a period of thirty (30) days after written notice thereof by County to Vector; provided, however, that if the nature of Vector's default is such that more than thirty (30) days are reasonably required for its cure, then Vector will not be deemed to be in default if Vector commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

13.2. County Default. County will be in default if it fails to comply with any material obligation under this Lease, and fails to cure that failure within 30 days after receiving a written default notice from Vector detailing the nature of the obligation. If, however, the nature of County's default is such that more than 30 days are reasonably required for its cure, then County will not be deemed to be in default if County commences such cure within that period and thereafter diligently prosecutes such cure to completion.

13.3. Remedies. Either party may pursue any remedies provided by law and in equity for the breach of this Lease, including termination of the Lease. No right or remedy is intended to be exclusive of any other right or remedy and each will be cumulative and in addition to any other right or remedy existing at law or in equity or by virtue of this Lease.

14. **Notices**. Any notices required hereunder will be delivered personally or by certified mail, directed as follows:

If to County:

Director
Pima County Facilities Management
150 West Congress St., 5th Floor
Tucson, Arizona 85701

If to Vector:

James Cantrell
824 E. 16th Street
Tucson, AZ 85719

After Vector has occupied the Premises, notices may be mailed to Vector at that location.

15. **Assignment/Subletting**. Vector will not assign or encumber this Lease or any interest in it, except as permitted under Section 6 above, and will not sublet the Premises in whole or in part, or allow any other person (the employees, agents, servants and invitees of Vector

excepted) to occupy or use any part of the Premises, without first obtaining the written consent of County. Vector acknowledges that County has approved this Lease based on the economic benefits that the Board believes will be provided by Vector's operations, and that County may therefore withhold consent to a proposed sublease or assignment if in County's reasonable judgment the operations of the proposed subtenant or assignee do not provide the same type and level of public benefit. Moreover, any subtenant or assignee must be a domestic corporation. Consent to one assignment, subletting, occupation or use by any other person will not be deemed to be consent to any other assignment, subletting, occupation, or use by another person. Consent to any such assignment or subletting will in no way relieve Vector of any liability under this Lease and will not impose any additional burden or obligation on County. Any such assignment or subletting without such consent will be void, and will constitute a default under the terms of this Lease.

16. **Surrender of Premises; Holding Over.** On the last day or earlier termination of the Term of this Lease, Vector will quit and surrender the Premises, together with the Project and all Alterations, in good condition and repair (except as provided in Section 11.3 above), normal wear and tear excepted. Any holding over with the consent of County after the termination of the Term will be construed to be a tenancy from month-to-month upon the same terms and conditions as provided in this lease, to the extent applicable.
17. **Cancellation for Conflict of Interest.** This Lease may be cancelled for conflict of interest pursuant to A.R.S. § 38-511, the provisions of which are incorporated herein by this reference.
18. **Vector not an Agent of County.** Vector is not an agent of County for any purpose under this Lease or otherwise. Vector will control activities on the Premises, and County will not control those activities. Vector's employees and servants will not be under the control of County.
19. **Non-Discrimination.** Vector will comply with applicable local, state and federal laws, rules and regulations concerning equal employment opportunity and non-discrimination. Vector will further comply with the Americans with Disabilities Act, to the extent applicable to Vector's operation and the Premises.
20. **Choice of Law.** The laws of the State of Arizona will apply to any action relating to this Lease and any court action will be brought in a court in Pima County, Arizona.
21. **Non-Waiver.** The failure of either party to insist in any one or more instances upon the full and complete performance of any of the terms and provisions of this Lease to be performed by the other party, or to take any action permitted as a result thereof, will not be construed as a waiver or relinquishment of the right to insist upon full and complete performance of the same or any other covenant or condition either in the past or in the future. The acceptance by either party of sums less than may be due and owing to it at any time will not be construed as an accord and satisfaction.
22. **Entire Agreement.** This Lease will constitute the entire contract between County and Vector with respect to the Premises and no modification hereof will be binding unless in writing and signed by both parties.

23. **Amendment.** This Lease will not be amended except by a written instrument duly bthe prior written consent of the holder of the Leasehold Deed of Trust provided that County has notice of such secured party's interest in this Lease.

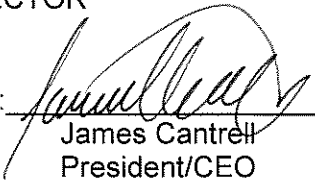
LANDLORD:

TENANT:

PIMA COUNTY, ARIZONA

VECTOR

By: _____
Sharon Bronson
Chair of the Board of Supervisors

By: 
James Cantrell
President/CEO

Date: _____

Date: 8 Dec 2016


ATTEST:

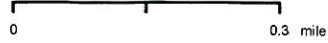
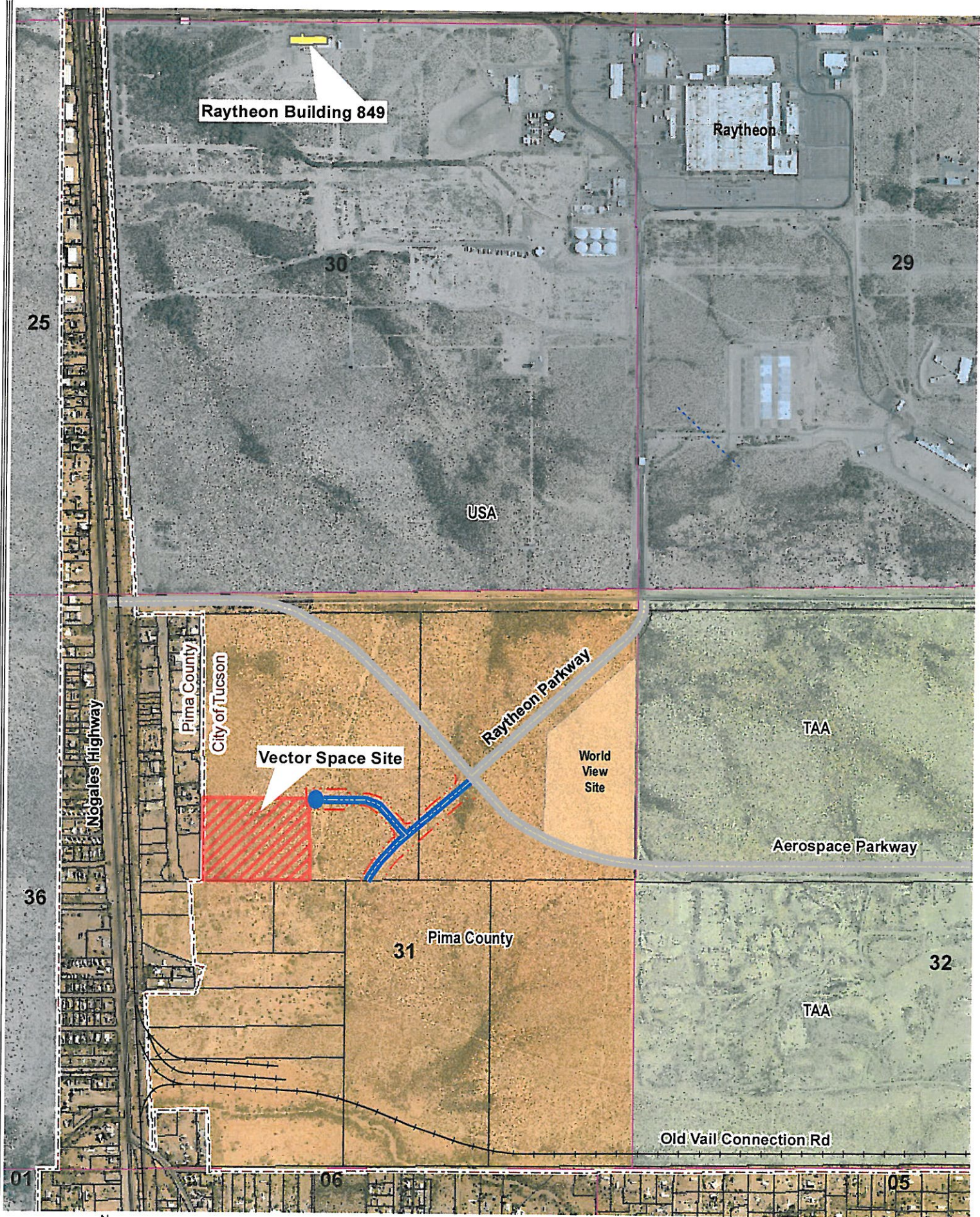
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

By: 
Director, Facilities Management Department

APPROVED AS TO FORM:

By: 
Deputy County Attorney
REGINA NASSEN



Raytheon Building 849 & Vector Space

- Tucson Airport Authority INC
- Pima County
- United States of America

