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# Board of Supervisors Memorandum

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January 19, 2016

**World View Enterprises, Inc. Corporate Headquarters in the County  
Aerospace, Defense and Technology Research and Business Park**

## Introduction

For the last six months, Pima County and Sun Corridor Inc. have been working to retain a technology company in Pima County. The codename for the company has been "Project Curvature." The County, City of Tucson, Sun Corridor Inc., and the Arizona Commerce Authority have all cooperated to provide Project Curvature certain economic development benefits to expand their facilities in Pima County (Attachment 1). The company name is World View Enterprises, Inc. The entrepreneurs that established World View previously launched another successful space research company in Pima County known as Paragon Space Development Corporation.

Pima County and the State of Arizona competed with the Florida Space Coast, as well as the State of New Mexico's Space Port America near White Sands. In the Florida case, Enterprise Florida assembled a package that included building and equipment financing, attractive lease rates, tax refunds and property tax abatements. New Mexico offered similar incentives and also included a substantial expenditure from their "deal closing" funds. Both locations had existing space ports with little need by the company or the jurisdiction to build additional resources or infrastructure.

There were advantages for World View to remain in southern Arizona and avoid moving costs, but the gap between the offer assembled by Sun Corridor Inc. and the economic development organizations in Florida and New Mexico was still in the \$15 to \$20 million range. For World View to retain their small but steadily growing operation in Tucson, the State and local governments needed to provide additional resources and incentives to keep the company from relocating.

We were notified on December 23, 2015 that World View had accepted the County's incentive proposal, as well as those of the Arizona Commerce Authority and the City of Tucson (Attachment 2). World View's acceptance of Pima County's proposal was contingent upon the County making its best efforts to deliver the manufacturing site by November 2016.

## World View – A Space Technology Corporation

World View is a Tucson-based company pioneering the development of suborbital space flight, utilizing proprietary high-altitude balloon technology with parafoil controlled recovery

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to launch and recover from the same geographic area. This makes research, scientific and ultimately tourism flights more affordable, as well as minimizes risk to sensitive research equipment that exists with rocket-powered space flight and recovery.

World View has recently successfully negotiated multimillion dollar contracts with the National Aeronautics and Space Administration (NASA) and Northrop Grumman. World View anticipates significant additional demand based on commercial application of their suborbital space technology for tactical communications and surveillance. In addition, untapped potential exists with regard to space tourism.

The World View senior management team consists of Jane Poynter, Chief Executive Officer and Taber MacCallum, Chief Technology Officer; both founders of Tucson based Paragon Space Development Corporation and members of the first crew to live in Biosphere 2 for two years. Chief Scientist is Dr. Alan Stern, former NASA Associate Administrator for Science, and the Director of Flight Crew Operations is Astronaut Mark Kelly. Their advisory team includes many of the world's leading experts on nearspace science and balloon technology.

World View appears to have a business competitive space advantage to attract additional commercial clients, as well as aerospace and research institutions as the company has demonstrated the ability to a) provide suborbital, orbital, or a stationary instrument platform; b) maintain a sustained presence with continuous observation while far above controlled airspace; c) deploy quickly with flexible launch locations; and d) minimize deployment costs and recover the payload.

They will also have an advantage in space tourism because of a) non-traumatic launch to the edge of space in a unique eight-person sealed capsule; b) no significant health requirements or special suits; c) less expensive, safer, and gentler alternative; d) the ability to spend hours aloft; and e) gentle, controlled descent.

#### World View Job Growth Schedule

World View has selected Tucson and Pima County as their world corporate headquarters, and their primary employment base will reside within Pima County. Based on scheduled deliverable contract obligations, World View employment will grow substantially in the next five years. World View is expected to grow from over 25 employees to over 400 employees within the next five years and will pay on average \$55,000 per year, or 150 percent of the current annual wage in Pima County. These jobs are export-based jobs that have been our priority for job growth as designated in the County adopted Economic Development Plan for 2015 through 2017.

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### Economic and Revenue Impacts of the Project

Pima County, through its partnership with Sun Corridor Inc., requested an independent, third-party analysis of the economic and revenue impacts of World View's proposed operation. The analysis, conducted by Phoenix-based Applied Economics, estimated the total economic impact of World View's operations at approximately \$3.5 billion over the next 20 years.

Including the previously noted 400-plus direct jobs created by World View, the company's operations would directly and indirectly support a total of 840 jobs created in Pima County and generate an estimated \$38.7 million in annual personal income in our region. The 400-plus direct jobs expected to be employed by World View in 2020 would result in an annual payroll of in excess of \$25.3 million; and the additional 400 indirect jobs created in Pima County businesses would support an estimated \$13.5 million in payroll during that same time period. Construction of the new facility is expected to create 100 new direct construction jobs and 50 indirect jobs in Pima County and generate an estimated \$13.5 million in new construction activity. This would result in a one-time economic impact to our region of an estimated \$19.5 million.

In addition to its important stimulus of the local economy, World View's operations would also provide significant tax revenues to local governments during the 20-year period analyzed by Applied Economics. The direct and indirect revenue impacts to Pima County alone are estimated at \$10.7 million, with additional revenue for the City of Tucson, Regional Transportation Authority, Pima Community College and Sunnyside Unified School District.

Applied Economics' analysis concluded that World View's operation would provide significant economic development benefits for Pima County and create a large number of high paying jobs for our region. The complete economic and revenue analysis is Attachment 3 to this memorandum.

### World View Headquarters Site Selection

As stated previously, Pima County has been working with World View for over six months on a proposal to retain them within the region. We have worked very closely with their Real Estate Representative, PICOR, to find a site that would be acceptable to World View. Of all the various sites reviewed, World View has chosen a location within the County's planned Aerospace, Defense and Technology Business and Research Park. The property

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selected consists of 28 acres adjacent to the newly constructed Aerospace Parkway and south of Raytheon's new main south entry. The County has coordinated closely with Raytheon to ensure a new user such as World View is compatible with their operations. They have wholeheartedly endorsed the location of World View at the selected site. World View has had multiple discussions with the Air Traffic Control branch of the Federal Aviation Administration regarding the suitability of this site for launch operations.

The World View business model is consistent with our tenant goals for the Aerospace, Defense and Technology Business and Research Park. Their international clientele and involvement with a wide range of aerospace companies and the potential to attract suppliers make them a good initial tenant for the Park. World View also stands to be a major contributor to regional tourism with their international investors and client base and will be a high-profile tenant positioned along the Aerospace Parkway. Our property location very near Tucson International Airport is also beneficial for their client and investor base and is expected to contribute to Tucson Airport Authority and Fixed Base Operator revenues.

#### Facility Improvements Necessary to Retain World View in Pima County

As part of the County offer and incentive for World View, the County has proposed to construct a 120,000 square foot standard steel frame facility to accommodate light manufacturing operations on approximately 12 acres. The facility will include a 15,000 square foot mezzanine within the overall structure for office and support operations, for a total of 135,000 square feet of leasable space. The worksite will include parking and storage, as well as a 700-foot diameter launch pad. The total cost of the new facility – including all permitting fees, fees to be paid to the City of Tucson for transportation impact, payment for fixtures, furniture, equipment that are affixed to the structure – as well as facility construction, is estimated to be \$15 million and will be limited to no more than \$15 million – \$14.5 million for the manufacturing and administrative building and \$500,000 for the space port.

In our proposal, the County will finance this facility to be repaid by World View through annual lease and/or rent payments. The Lease/Purchase Agreement and legal description are Attachment 4 to this memorandum. Annual lease and/or rent payments are identified in Table 1 below and are compared with the County financing of the capital facilities, which will be through a 15-year Certificate of Participation financing agreement. The lease payments from World View will be over a 20-year period, with an option to purchase.

**Table 1: Building Financing and Lease Payments.**

Year	Paid by Pima County (at the end of the year)		Lease Rate per square foot	Paid by World View  Lease Payment	Excess (Deficit) of Amounts Paid by World View to Amounts Paid by Pima County	
	Principal	Interest			Period Deficit	Cumulative Deficit
1	\$ 749,116.51	\$ 600,000.00	\$ 5.00	\$ 675,000	(\$674,116.51)	(\$674,116.51)
2	779,081.17	570,035.34	5.00	675,000	(674,116.51)	(1,348,233.01)
3	810,244.41	538,872.09	5.00	675,000	(674,116.51)	(2,022,349.52)
4	842,654.19	506,462.32	5.00	675,000	(674,116.51)	(2,696,466.02)
5	876,360.36	472,756.15	5.00	675,000	(674,116.51)	(3,370,582.53)
6	911,414.77	437,701.73	8.00	1,080,000	(269,116.51)	(3,639,699.03)
7	947,871.36	401,245.14	8.00	1,080,000	(269,116.51)	(3,908,815.54)
8	985,786.22	363,330.29	8.00	1,080,000	(269,116.51)	(4,177,932.04)
9	1,025,217.66	323,898.84	8.00	1,080,000	(269,116.51)	(4,447,048.55)
10	1,066,226.37	282,890.13	8.00	1,080,000	(269,116.51)	(4,716,165.06)
11	1,108,875.43	240,241.08	10.00	1,350,000	883.49	(4,715,281.56)
12	1,153,230.44	195,886.06	10.00	1,350,000	883.49	(4,714,398.07)
13	1,199,359.66	149,756.84	10.00	1,350,000	883.49	(4,713,514.57)
14	1,247,334.05	101,782.46	10.00	1,350,000	883.49	(4,712,631.08)
15	1,297,227.41	51,889.10	10.00	1,350,000	883.49	(4,711,747.58)
16			12.00	1,620,000	1,620,000.00	(3,091,747.58)
17			12.00	1,620,000	1,620,000.00	(1,471,747.58)
18			12.00	1,620,000	1,620,000.00	148,252.42
19			12.00	1,620,000	1,620,000.00	1,768,252.42
20			12.00	1,620,000	1,620,000.00	3,388,252.42
	\$15,000,000.00	\$5,236,747.58		\$23,625,000	\$3,388,252.42	

The financing and rent is based on an assumed financing interest rate of four percent. By cursory examination of Table 1 above, the County is front-ending the capitalization of the building and facilities and fully recovering our investment, with an excess payment of nearly \$3.4 million over a 20-year lease period. The option to purchase between Years 10 and 17 will include a requirement that should World View opt to purchase the building, the accumulated deficit in our advancement of principal and interest payments must be fully repaid with interest over the period we have incurred a deficit at the stated long-term government investment pool rate. This is the interest rate the County would have received

on all funds, such as the fund balance or other funds reserved for purposes other than annual expenditure. In essence, the County is being made financially whole regardless of the option selected by World View; an early lease purchase or a full-term 20-year lease. Included in the \$15 million is not only the capital construction to build the facility, but all fees paid to the City and the County. Notable conceptual fee payments from this \$15 million are shown in Table 2 below. These estimates are relatively accurate but may vary.

**Table 2: World View Headquarters Fee Payments.**

<b>Description</b>	<b>Amount</b>
Wastewater Connection Fees	\$ 27,030
Water Connection Fee	10,600
Building/Site Development Permit Fees	446,000
Southland Impact Fees	566,370
<b>Total</b>	<b>\$1,050,000</b>

The building/site development permit fees will be paid to the County's Development Services Department. The Southland Impact Fees will be paid to the City of Tucson. The City Manager has committed these fees to the transportation facilities in the Sonoran Corridor.

In addition, the County has assigned a market value of the land being purchased through the possible lease/purchase of this site at approximately \$37,000 per acre, which compares to the initial purchase price of the property of \$16,000 per acre. Hence, amplifying the economic benefits associated with the County's acquisition of these lands to ensure future commercial and industrial users that are compatible with Raytheon operations.

#### Development of Pima County SpacePort Tucson

Of the 28 acres being occupied for World View expansion, 12 acres are dedicated to the manufacturing, assembly and administrative building of 135,000 square feet, plus site parking and an area for future building expansion. Sixteen acres are being set aside for a 700-foot diameter concrete launch pad. The World View building and manufacturing site will be under an operating agreement for World View uses. The launch pad will be used by World View for their purposes of vehicle launch, and they will have priority use of the launch pad. The SpacePort Operating Agreement and legal description are Attachment 5 to this memorandum. The launch pad will remain a public asset and be available for other commercial near-space or stratospheric uses consistent with Federal Aviation Administration (FAA) regulations and under the control of FAA Air Traffic Control. The process for federal spaceport approval has been initiated.

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A 450-foot asphalt launch pad was originally planned; however, an optional 700-foot launch pad is desired. The County will prioritize development of the 700-foot diameter launch pad, and we intend to pursue grant opportunities to construct this larger launch pad. A larger pad will significantly increase the user base; not only for balloon flight operations, but also for the ability to launch and recover a variety of experimental vehicles. Likely most significant for World View is that the larger pad accommodates heavy-lift launches and human flights, which the smaller pad would not. A large, flat, protected and secured area is difficult to find, especially one that can be scheduled for use over periods of days and has utilities. The larger launch pad will be an asset to the Aerospace Park and southern Arizona in general, since the launch pad would qualify the site as a spaceport similar to other designations in other states that are home to space industry operations.

#### Selection of Project Architect and Contractor

During the recruitment process to offer World View facilities in Pima County, it was necessary to quantify their exact architectural program and space needs, as well as provide them with a reliable cost estimate for building construction. The County initially selected Swaim Associates, Ltd. Architects, AIA, with Principal Phil Swaim as the Lead Architect. Swaim Associates is the firm that provided architectural services for the integrated medical facilities at The University of Arizona, which included complex laboratory, aerospace and science facilities. The architectural services required by World View are closely aligned and technically similar to the work performed by Swaim for the University.

Barker Morrissey was selected during the proposal development process, since the firm has significant complementary project experience to that required by World View. Such projects include a two-phase new construction and renovation for Texas Instruments comprised of laboratory (including Class 1000 clean room space) and research and development space, as well as office space. Barker Morrissey also completed a 65,000 square foot research and development facility for Sion Power and a 60,000 square foot medical logistics and distribution center in the Marana area.

These two firms provided months of substantial services without compensation to provide the necessary architectural programming and design and cost models to determine the reliable size, configuration and cost of constructing World View's headquarters in Pima County.

Given the required facility delivery date of November 2016 and because of their prior involvement and detailed understanding of World View requirements, the County will now select Swaim Associates, Ltd. as the Project Architect and Barker Morrissey Contracting as the Contractor using the authority granted under A.R.S. § 34-606 Emergency Procurement and Section 11.12.060 of the Pima County Procurement Code, whereby the County has

determined that due to the compressed timeframe for design and construction of this facility, compliance with the full provisions of the statute is impracticable and contrary to the public interest . It has been determined the most expedient contract methodology for delivery of the facility is award of the Architectural Design Contract to Swaim Associates, Ltd. and a Construction Manager at Risk Contract to Barker Morrissey Contracting, Inc. for phased construction with multiple Guaranteed Maximum Price proposals as the project design progresses.

#### Arizona, Pima County and Tucson Achieve SpacePort Designation

Throughout the United States (US) there are a limited number of states that have any major entry into space technology. On a map of the US showing states that have entered the space technology industry, Arizona is noticeably absent (Attachment 6). Adding the World View facility and the 700-foot diameter spaceport launch pad makes Arizona, Pima County and Tucson viable competitors in the space technology industry. The facility will be named "SpacePort Tucson."

#### Recommendation

I recommend the Board of Supervisors take the following actions:

1. Approve the Lease/Purchase Agreement, including the Purchase Option, between Pima County and World View Enterprises, Inc. for the development of their manufacturing and administrative headquarters in the Aerospace, Defense and Technology Business and Research Park. The Lease/Purchase Agreement contains a provision for a separate first right of refusal purchase option for six acres immediately west of World View's manufacturing and administration complex for future expansion.
2. Approve the issuance of Certificates of Participation in an amount not to exceed \$15 million for the development, design, and construction of the World View Enterprises, Inc. manufacturing and administrative headquarters.
3. Approve the SpacePort Operating Agreement related to World View's operation of the spaceport on behalf of Pima County and authorize all necessary actions of the County to apply for a space port license and approval from the Federal Aviation Administration, as well as a construction-in-aid grant from the Aeronautic Division of the Arizona Department of Transportation to supplement County funding for construction of the spaceport.
4. Make the following awards:



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A. Swaim Associates, Ltd. Architects, AIA (Headquarters: Tucson, Arizona); Not to Exceed \$850,000, including a \$50,000 contingency; Contract term January 19, 2016 through February 28, 2017; for Architectural and Engineering Design Services.

B. Barker Morrissey Contracting, Inc. (Headquarters: Tucson, Arizona); Not to Exceed \$12,400,000, including attached fixtures and equipment and an \$800,000 Contingency; Contract term January 19, 2016 through February 28, 2017; for Construction Manager at Risk Services for both preconstruction and construction services.

The County will pay all fees now estimated at approximately \$1,050,000, as well as nongovernmental utility extensions estimated at \$700,000.

In order to expedite construction under these contracts, the Board of Supervisors approves the Procurement Director to execute any and all contracts, amendments and change orders to the contracts listed above within the dollar and term limits awarded by this action. Any amendment or change order resulting in a contract value or term in excess of the Board award will be submitted to the Board for approval.

Respectfully submitted,



C.H. Huckelberry  
County Administrator

CHH/mjk – January 13, 2016

Attachments

# ATTACHMENT 1



## COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER  
130 W. CONGRESS, FLOOR 10, TUCSON, AZ 85701-1317  
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY  
County Administrator

October 23, 2015

Jane Poynter, CEO  
World View Enterprises Inc.  
4605 S. Palo Verde, Suite 605  
Tucson, Arizona 85714

**Re: World View Lease/Purchase Proposal**

Dear Ms. Poynter:

I understand World View desires to locate a manufacturing office/launch site for their business operations related to development of sub-orbital space flight using high altitude balloon technology.

The location for this proposed facility is in the County Aerospace, Defense and Technology Business and Research Park. The approximate location is shown in Exhibit 1 and includes approximately 28 acres of property off the newly constructed Aerospace Parkway.

A new building consisting of approximately 135,000 square feet is proposed for a manufacturing facility, which will contain a 25,000 square foot mezzanine and 10,000 square feet of open architecture office space. It is assumed the cost to purchase the property, build the facility, connect to all necessary utilities and provide minimal building fixtures, furniture and equipment will be approximately \$15 million.

Pima County proposes that World View lease/purchase such a facility from the County in accordance with the rent schedule and payments outlined below. The schedule assumes occupancy of the building in 2017 and the term of the lease/purchase agreement to be 20 years, with rent graduating from the initial 5-year period at \$5 per square foot to \$12 per square foot at the end of the 20-year lease in 2037. The table below shows the incremental lease rates for the 20-year period.

Ms. Jane Poynter  
Re: **World View Lease/Purchase Proposal**  
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<b>Incremental Lease Rates, 20-year Period.</b>	
<b>Lease Increment</b>	<b>Rate Per Square Foot</b>
Years 1 through 5	\$ 5.00
Years 6 through 10	8.00
Years 11 through 15	10.00
Years 16 through 20	12.00

The County would construct and finance the facility and lease it to World View in accordance the above rent schedule. In consideration of providing the facility to World View on a lease/purchase basis, the County would require the following employment and average income obligations over the term of the lease:

- Upon opening of the facility, employ at least 100 employees with an average annual salary of \$50,000;
- at the beginning of the 5th year, employ 200 employees at an average sairy of \$50,000;
- at the beginning of the 10<sup>th</sup> year, employ 300 employees with an average annual salary of \$55,000; and
- at the beginning of the 15<sup>th</sup> year, employ 400 employees at an average annual salary of \$60,000.

The attached Exhibits 2 and 3 are an architect's concept rendering and a conceptual site plan for the proposed facility.

I look forward to discussing this proposal with you at our meeting on October 27, 2015.

Sincerely,

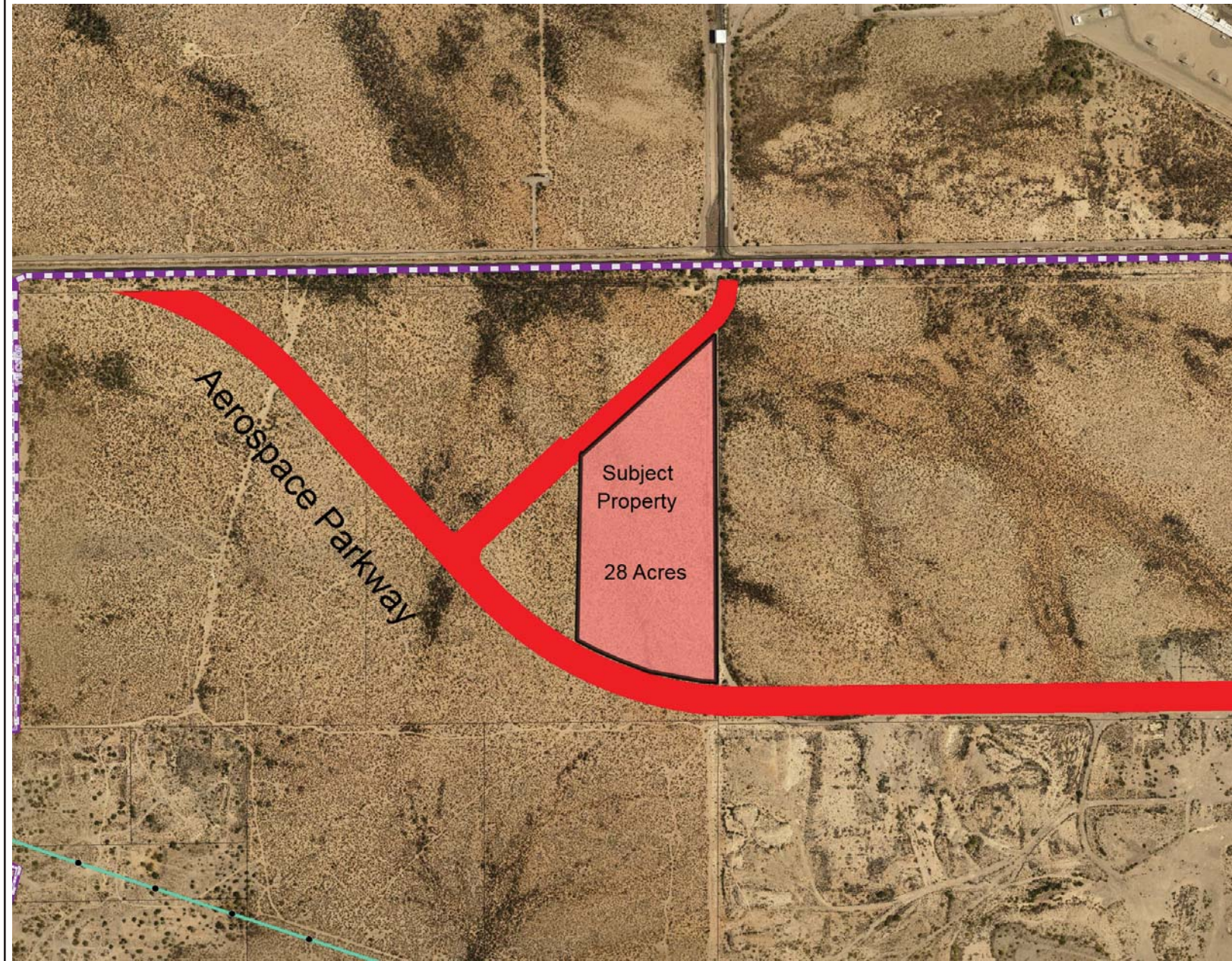


C.H. Huckelberry  
County Administrator

CHH/anc  
Attachments

c: The Honorable Ramon Valadez, District 2 Supervisor, Pima County Board of Supervisors  
Dr. John Moffatt, Director, Pima County Office of Strategic Planning  
Patrick Cavanaugh, Business Services Coordinator, Pima County Economic Development and Tourism

# Exhibit 1: Proposed World View Headquarters



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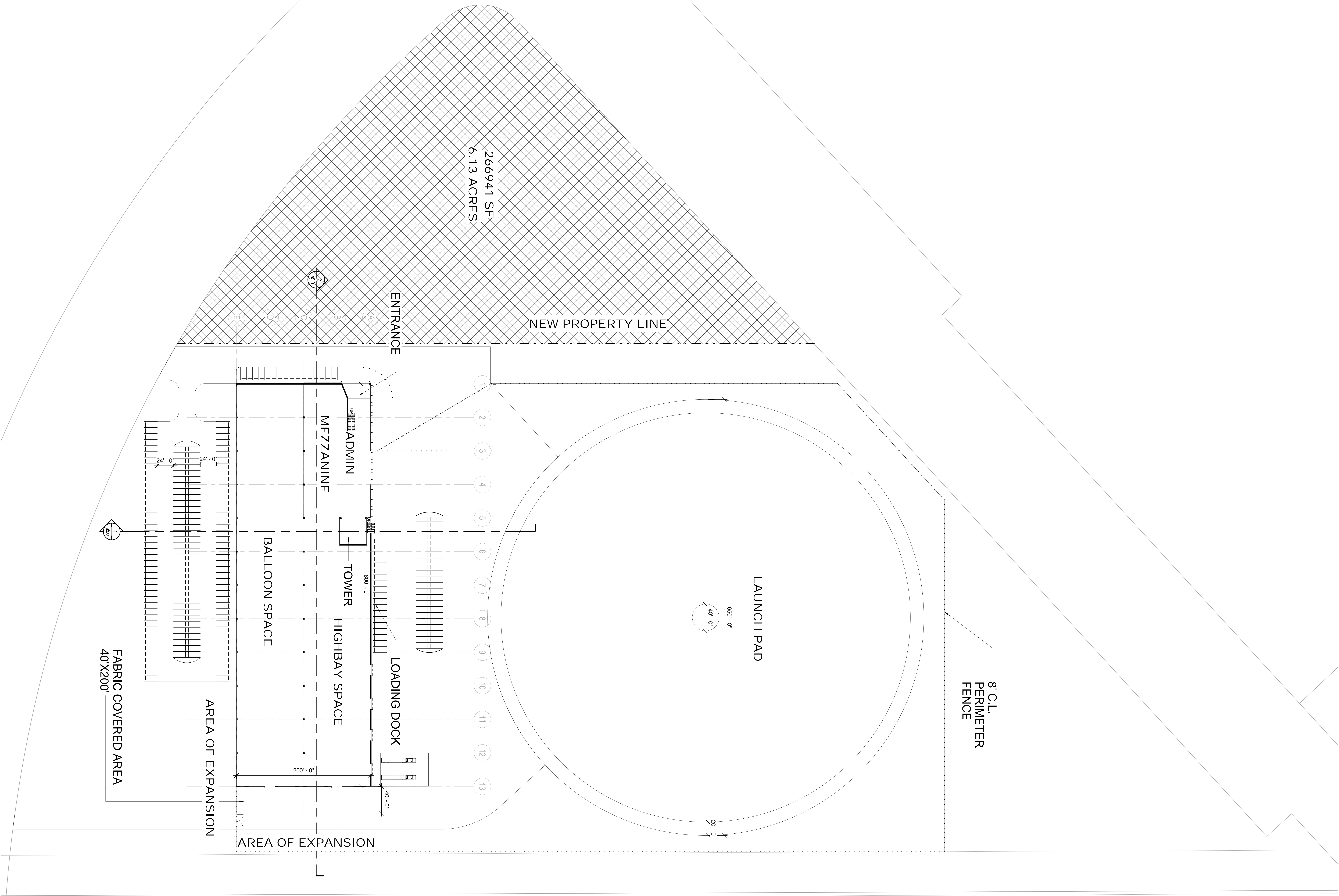
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832.14

Feet



This map is a user generated static output from an Internet mapping site and is for reference only. Data layers that appear on this map are subject to Pima County's ITD GIS disclaimer and use restrictions.





**EXHIBIT 3**

# ATTACHMENT 2





December 23, 2015

Chuck Huckelberry  
Pima County Administrator  
130 W. Congress Street 10<sup>th</sup> floor  
Tucson, AZ 85701

Dear Chuck,

It is with gratitude, excitement and appreciation that I write to announce and inform you that after an exhaustive and competitive site selection process between Arizona, New Mexico and Florida, World View Enterprises, Inc has elected to call Arizona home and make it the world headquarters for the company. We therefore accept your Project Curvature Offer dated October 23, 2015 given the conditions in this letter derived from our work with the Pima County, Arizona Commerce Authority, Sun Corridor and the municipalities.

In light of on-going discussions and final contract documentation with the Arizona Commerce Authority, Pima County, the City of Tucson, the City of Page Arizona, Coconino County and the Sun Corridor, I am providing this letter to you as a contract point of reference to memorialize and ensure that both World View and all stakeholders have clear understanding of the terms, conditions and contract requirements.

### **Assumptions, Terms & Conditions for Project Curvature Contract Acceptance**

#### **Pima County Proposal:**

World View accepts the Pima County proposal with the follow assumptions, contract terms and conditions. The company will move into a new building under lease contract with Pima County to be located at the Pima County Aerospace, Defense and Technology Business and Research Park by approximately November 2016. All launch pad expenditures including land and required improvements, grading, sealing etc. for the 700-foot diameter pad, appropriately spaced from the World View facility, will not be the responsibility of World View and will therefore not be included in the Pima County \$15M building financing package. We agree that Swaim Associates will be the architect and Barker Morrissey the builder. Additionally, we agree to enter into a lease that meet the specified details State of Arizona as described below. World View understands that the operational date for the new facility is as of the effective date of the Arizona Commerce Authority contract thereby qualifying for the tax credit program for 2016 and beyond.

Further, World View expects that the Pima County Building Lease Contract will fully qualify for the Arizona Qualified Facility Refundable Tax Credit Program. World View will become qualified upon the effective date of the contract.

**City of Tucson:**

World View accepts the City of Tucson proposal including that that the City of Tucson will work with Pima County and private contractors to provide all required water infrastructure development.

**Arizona Commerce Authority Proposal:**

World View accepts the Arizona Commerce Authority proposal dated December 9th 2015 with the following assumptions, contract terms and conditions.

**A. Launch Pad**

The World View Headquarters, as specified during the proposal discussions and negotiation, will require a 700ft Launch Pad to be constructed in conjunction with the new building and to be operational no later than the time of moving into the new building.

It is our understanding that the Arizona Commerce Authority will assure that a Launch Pad construction project is funded in a timely manner in accordance with the overall building schedule to be completed in approximately November of 2016. All Launch Pad costs will be funded separately from the Pima County financing proposal for building construction. While Pima County may be the owner of the Launch Pad, the Arizona Commerce Authority will assure that the launch pad is constructed and paid for. The launch pad is to be a facility for the general use of the Aerospace and Defense community and a business attraction for southern Arizona. As part of World View's building lease, World View will provide for the safe operation of the facility by entities wishing to use it for a variety of compatible purposes on an as-available and operationally safe basis.

**B. Arizona Competes Fund**

World View understands that the Arizona Commerce Authority will provide milestone payments that include CapEx. World View understand that the operational date for the new facility is as of the effective date of the contract there by qualifying for the Arizona Competes Fund for 2016 and beyond. World View expects that the Pima County Building Lease Contract will fully qualify for the Arizona Competes Fund.

**Sun Corridor, Inc.:**

Upon signature and acceptance of the proposed contracts by all parties, Sun Corridor will remain actively engaged so as to ensure contract support and compliance as necessary.

**Contract Implementation, Schedule, Timing & Compliance:**

World View anticipates being operational and 'fully moved in' to the new corporate headquarters in approximately November 2016. All jurisdictions will assure their terms and conditions are aligned to ensure that World View customer contracts and requirements are fully met. The World View Point of Contact for Contract Implementation will be Maricela Solis and can be reached directly at 520-850-5967 or maricela@worldviewexperience.com.

Finally, our team at World View is grateful to the Pima County, all stakeholders and supporters for helping the company decide to stay in Tucson. We look forward to working with you and our community to make southern and northern Arizona a prosperous globally recognized center for the rapidly growing commercial space industry.

To Your Stratospheric Success,

A handwritten signature in blue ink, appearing to read 'Jane Poynter', with a long horizontal line extending to the right.

Jane Poynter  
Chief Executive Officer

# ATTACHMENT 3



**APPLIED ECONOMICS**

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**ECONOMIC AND REVENUE IMPACTS  
OF PROJECT CURVATURE  
ON PIMA COUNTY**

**JANUARY 2016**

**PREPARED BY:**

**APPLIED ECONOMICS  
11209 N. TATUM BLVD, SUITE 225  
PHOENIX, AZ 85028**

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# INTRODUCTION

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Applied Economics has been contracted to perform a third party economic and revenue analysis of the operations of Project Curvature on Pima County. This innovative company has selected Pima County as the location of its headquarters and manufacturing operations and is currently considering a site in the Pima County Aerospace and Defense Corridor.

Project Curvature is pioneering the development of suborbital space flight using proprietary high-altitude balloon technology. The company's technology integrates high-altitude balloon flight with a controlled recovery that allows for launch and recovery from the same location. The technology provides a cost effective option for both scientific research applications and ultimately for space tourism. The non-traumatic launch and controlled descent that are part of this new technology minimize the impact to scientific equipment and makes the balloons usable for passengers. The company has successfully negotiated contracts with federal agencies, research universities and private sector defense contractors for use of this new technology and they anticipate significant additional demand from other commercial applications of suborbital space technology for tactical communications and surveillance.

Project Curvature would utilize a new manufacturing facility and adjacent launch pad on a 24 acre site currently owned by Pima County in the Pima County Aerospace and Defense Corridor on the east side of the Nogales Highway, south of Hughes Access Road along Aerospace Parkway. The County would provide financing for the construction, which the company would re-pay through a proposed improvement lease over a term of 20 years.

This study is intended to assist the County in assessing the value of the company's proposed operations so that the County may determine whether the benefits it will receive are proportionate or disproportionate to the benefits provided by Project Curvature. This analysis projects the impacts of Project Curvature's operations over the next 20 years.

The company is projected to create 448 jobs over the next five years. Since they are new to the region, all of the jobs associated with this venture would be net new jobs. They would lease land and cause the construction of a new 135,000 square foot building. A total capital investment of approximately \$15.0 million for land and construction is anticipated over the next year in connection with the project (Figure 1). In addition, the company would invest \$32.3 million in equipment over the next five years.

**FIGURE 1  
PROJECT DESCRIPTION  
PROJECT CURVATURE**

Year	Operations		Capital Investment		
	Jobs	Payroll	Construction Cost	Permanent Equipment	FF&E Expenditures
2016	24	\$1,960,000	\$13,500,000	\$1,500,000	\$800,000
2017	131	\$7,485,000	\$0	\$0	\$7,140,000
2018	298	\$16,225,000	\$0	\$0	\$6,156,000
2019	342	\$19,325,000	\$0	\$0	\$9,170,000
2020	448	\$25,330,000	\$0	\$0	\$9,000,000
2021 and beyond	448	\$25,330,000	\$0	\$0	\$0
<b>Total</b>			<b>\$13,500,000</b>	<b>\$1,500,000</b>	<b>\$32,266,000</b>

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. Estimates made in this analysis are based on hypothetical assumptions, current tax policies, and the current economic structure of the region. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the estimates and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and, as noted is intended to aid Pima County in quantifying Project Curvature’s impacts on the local economy. Applied Economics will not be liable for any damages resulting from the use of the report. This report may be used only by the County for the purposes that it was intended.

## PROJECT CURVATURE IMPACT SUMMARY

### Jobs and Payroll

New Jobs Created	448
Total Annual Payroll	\$25.3 M

### Capital Investment

Building Construction	\$15.0 M
Equipment Purchases	\$32.3 M

### 20 Year Economic Impacts

Economic Impact of Construction	\$19.5 M
Total Job Impacts of Construction	100 Direct/50 Indirect
Economic Impact of Operations	\$3.5 B
Total Job Impacts of Operations	448 Direct/400 Indirect

### 20 Year Revenue Impacts\*

Revenue Impact to Pima County	\$10.7 M
Revenue Impact to City of Tucson	\$5.6 M
Revenue Impact to Other Local Governments	\$16.4 M

\*Includes direct and indirect (employee-driven) revenues. Indirect revenue impacts to Other Local Governments include sales taxes to the RTA.



# IMPACT SUMMARY

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The operations of Project Curvature in Tucson would provide a variety of economic benefits to the region. Economic impacts measure the effects of economic stimuli, or expenditures, in the local economy. These impacts include direct and indirect jobs, personal income, and economic activity, or output that are generated by Project Curvature's operations. Indirect and induced impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees that would benefit from this new company. Revenue impacts, which are in addition to the economic impacts, are defined as tax revenues to the city and county that flow directly and indirectly from direct expenditures made by the company as well as and income received by local residents.

Project Curvature would be an excellent fit for the Pima County Aerospace and Defense Corridor which is designed to grow and retain new high technology aerospace and defense jobs and to encourage science and technology-based job growth. This innovative project would support the county's economic development initiative to further the growth of aerospace as a key target industry for the region and state. It would also bring high end tourists to Tucson to experience this unique space tourism opportunity. These tourist impacts would be above and beyond the operations impacts quantified in this report.

## **Incentive Justification**

Over the next 20 years, Project Curvature is projected to generate \$10.7 million in direct and indirect revenues to Pima County. The project could also generate an estimated \$5.7 million to the City of Tucson and \$16.4 million to the RTA, school district and other local taxing districts over 20 years. The direct and indirect revenue to Pima County over the next 20 years would more than offset a \$4.7 million potential (maximum) "incentive" of the type currently under discussion and reflected generally in the draft Development Agreement to be considered by the County Board of Supervisors. A.R.S. 9-500.11 provides some guidance by analogy. In transactions that are subject to that statute, it is required that any proposed tax incentive raise more revenues than the amount of the incentive within the duration of the agreement. The second component of A.R.S. 9-500.11 requires that the project would not have occurred in the same time, place or manner in the absence of a tax incentive. The Project Curvature would satisfy both of these requirements, whether or not applicable. The proposed incentive will allow the company to expand and produce long term benefits for the region.

## **Economic Impacts**

- **Overall Operations Impacts of Expansion.** In total, Project Curvature could create an economic impact of \$3.5 billion for Pima County over the next 20 years. The company's operations would directly and indirectly support an approximately 840 jobs (including 448 direct jobs) and generate \$38.7 million in annual personal income in the county.

- **Jobs and Income.** The company would directly employ about 448 people by 2021 with an annual payroll of \$25.3 million. Through the multiplier effect, approximately 400 additional jobs and \$13.4 million in annual payroll could be supported at other local businesses in Pima County. The additional jobs and payroll at other local businesses stem from indirect and induced impacts of supplier demand created by Project Curvature and consumer demand created by its employees.
- **Construction Impacts.** About 100 direct construction jobs and 50 additional indirect jobs would be created in Pima County through the \$13.5 million in new construction activity associated with the expansion. This would result in a one-time economic impact of \$19.5 million to the county. A total of about \$125,000 in one-time construction sales tax to the city would also be generated during the construction phase. These construction impacts are in addition to the operations impacts detailed in this study.
- **Supported Population.** The 448 direct jobs and 400 indirect jobs associated with Project Curvature’s local operations would support a population (including families) of about 1,900 people in Pima County. A large portion of that population is likely to live in the City of Tucson based on local commuting patterns.

## Revenue Impacts

- **Direct Revenue Impacts.** Project Curvature’s operations would also generate tax revenues to the City of Tucson and Pima County, in addition to the economic impacts described above. Although the property would be exempt from real property tax during the term of the lease, it would generate one-time construction sales tax and impact fees to the City of Tucson estimated at \$466,000. It would also generate \$3.9 million in lease excise taxes over the 19 year lease term based on a rate of \$1.52 per square foot for a 135,000 square foot industrial building. According to statute, 13 percent of the lease excise taxes would go to the county with the remainder going to the city, school district and community colleges. Additionally, the \$32.3 million in equipment purchased by the company would result in \$2.3 million in personal property taxes over 20 years.
- **Indirect Revenue Impacts.** In addition to direct revenues, Project Curvature and its employees would generate indirect property and sales tax revenues in Tucson and Pima County. Indirect revenues from the company’s operations are estimated at \$26.1 million over 20 years, including \$10.0 million in revenues to the county and RTA, and \$16.0 million in revenues to the city, school district and other special districts.

- **Total County Revenues.** Over the 20 year period, the company could generate a total of \$10.7 million in new direct and indirect revenues to Pima County based on 448 direct jobs and a capital investment of \$47.3 million.

Project Curvature would be a significant contributor to the region's economy. The 448 high-paying jobs associated with the company's operations would be net new jobs thereby growing the economy both locally and nationally. The growth of this company in Pima County could also support a significant amount of additional economic activity, jobs and payroll at related local supplier and consumer businesses throughout the region, plus it will attract additional visitors to the area who are interested in space tourism. Supporting manufacturing operations in the aerospace industry is critical to maintaining Pima County's future role in the global aerospace industry.

## ECONOMIC IMPACT ANALYSIS

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The economic benefits resulting from Project Curvature in Pima County can be measured in terms of both the one-time construction impacts and on-going operations impacts. These impacts include direct and indirect jobs, personal income and economic activity, or output that would be generated by the project. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and employees in the region that would benefit from this company.

### Construction Impacts

Project Curvature will invest (or facilitate the investment by others) approximately \$15.0 million in the construction of a new facility in Tucson in 2016, including \$13.0 million for the building, \$1.5 million in permanent equipment and \$500,000 for a launch pad adjacent to the manufacturing facility. Of this total, \$13.5 million will create local impacts in the construction industry. The multiplier effect of this \$13.5 million in capital investment would result in a total increase in economic activity of about \$19.5 million in Pima County. The approximately 160 direct and indirect jobs created in the region by the construction project could result in close to \$6.9 million in personal income over the construction period. Total personal income, or earnings, and the total increase in economic activity from new construction expenditures are shown in Figure 2.

**FIGURE 2**  
**CONSTRUCTION IMPACT OF PROJECT CURVATURE ON PIMA COUNTY**

	Direct			Indirect and Induced			Total		
	Construction Expenditures	Jobs	Personal Income	Output	Jobs	Personal Income	Output	Jobs	Personal Income
2016	\$13,500,000	104	\$5,184,868	\$6,047,962	52	\$1,692,553	\$19,547,962	156	\$6,877,421

Note: Construction expenditures exclude \$1.5 million in equipment that will be installed in the facility, but does not create local impacts.

### Operations Impacts

The on-going economic impacts on the county from the Project Curvature's operations are shown in Figure 3. The company currently has 24 employees working in research and development with an annual payroll of \$2.0 million. Over the next four years, they would ramp up to a total of 448 new jobs and \$25.3 million in payroll.

Through their local supplier purchases, as well as employee spending, Project Curvature could create an annual economic impact of \$214.9 million in Pima County by 2021 or \$3.5 billion over 20 years (Figure 3). The company would directly and indirectly support about 820 jobs and

\$37.9 million in annual payroll through its manufacturing activities. Should the number of direct jobs increase, the economic impact would likely increase proportionally.

The new jobs generated directly and indirectly by Project Curvature would support a resident base in Pima County of about 1,900 people by 2021. This includes families of direct employees, as well as families of employees at related supplier and consumer businesses.

The secondary or indirect/induced impacts described here are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output (defined as wages plus supply costs plus profits) into a corresponding increase in jobs and personal income. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.

The multipliers used in this analysis are from IMPLAN, a national vendor of economic impact software, and are specific to the economic base of Pima County. Industry specific multipliers for the plastic products industry and for industrial construction were used in the analysis. The output multiplier for this industry for Pima County is 1.34. This means that for every \$1 million of output created by the company, an additional \$340,000 in economic activity is generated in the local economy, along with about 5 jobs and about \$262,000 in payroll.

**FIGURE 3  
ANNUAL OPERATIONS IMPACT OF PROJECT CURVATURE  
PIMA COUNTY**

	Direct			Indirect and Induced			Total		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income	Output	Jobs	Personal Income
<b>20 Year Total</b>	<b>\$2,620,891,727</b>	<b>448</b>	<b>\$450,275,000</b>	<b>\$895,008,044</b>	<b>395</b>	<b>\$237,444,801</b>	<b>\$3,515,899,771</b>	<b>843</b>	<b>\$687,719,801</b>
2016	\$6,173,935	24	\$1,960,000	\$2,108,336	17	\$559,340	\$8,282,271	41	\$2,519,340
2017	\$43,654,936	131	\$7,485,000	\$14,907,720	117	\$3,955,004	\$58,562,656	248	\$11,440,004
2018	\$94,629,437	298	\$16,225,000	\$32,314,997	253	\$8,573,139	\$126,944,434	551	\$24,798,139
2019	\$112,709,638	342	\$19,325,000	\$38,489,203	301	\$10,211,150	\$151,198,841	643	\$29,536,150
2020	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2021	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2022	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2023	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2024	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2025	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2026	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2027	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2028	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2029	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2030	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2031	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2032	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2033	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2034	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136
2035	\$147,732,736	448	\$25,330,000	\$50,449,237	395	\$13,384,136	\$198,181,973	843	\$38,714,136

## Revenue Impacts

In addition to supporting jobs and output at related businesses in the county through multiplier effects, Project Curvature will generate local tax revenues for Pima County, as well as for the City of Tucson and other local governments. In total, the company could generate over \$32.7 million in direct and indirect tax revenues to local governments over the next 20 years, based on the assumptions used in this analysis.

Although the company would be exempt from real property taxes because the property would be owned by the county during the term of the lease, they would be subject to government property lease excise taxes. The 2016 rate for industrial buildings is \$1.52 per square foot which would be applied to the proposed 135,000 square foot facility for a total of \$3.9 million in lease excise tax revenues over the term of the lease (Figure 4). Of that total, 13 percent or \$507,000 would be distributed to the county with the remainder going to the City of Tucson (7 percent), the Sunnyside Unified District (72 percent) and Pima Community College District (13 percent). There would be additional personal property taxes on equipment owned by the company that are estimated at \$2.3 million over 20 years, of which \$1.1 million would go to the county. Personal property taxes are based on the annual depreciated value of new equipment. For purposes of this analysis, all equipment is depreciated based on a 10 year life. Accelerated depreciation is also applied in the first five years, per state statute. No additional equipment purchases are assumed after the first five years, although replacements will likely be necessary and will increase the amount of property tax revenues generated.

In addition to property taxes, Project Curvature would generate one-time sales taxes and impact fees to the City of Tucson from new construction estimated at \$466,000. In total, it is anticipated that Project Curvature will directly generate about \$6.6 million in sales, lease excise and property tax revenues over the next 20 years.

**FIGURE 4  
ANNUAL LOCAL DIRECT REVENUE IMPACT OF PROJECT CURVATURE**

Year	City of Tucson			School/Other		Pima County/RTA		Total Direct Revenues
	Const. Sales Tax & Impact Fees	Property Tax <sup>1</sup>	Lease Excise Tax	Property Tax <sup>2</sup>	Lease Excise Tax	Property Tax	Lease Excise Tax	
<b>20 Year Total</b>	<b>\$446,000</b>	<b>\$202,914</b>	<b>\$272,916</b>	<b>\$956,267</b>	<b>\$3,119,040</b>	<b>\$1,123,746</b>	<b>\$506,844</b>	<b>\$6,627,727</b>
2016	\$446,000	\$69	\$0	\$325	\$0	\$382	\$0	\$446,776
2017	\$0	\$3,353	\$14,364	\$15,802	\$164,160	\$18,569	\$26,676	\$242,924
2018	\$0	\$8,333	\$14,364	\$39,273	\$164,160	\$46,151	\$26,676	\$298,957
2019	\$0	\$15,301	\$14,364	\$72,110	\$164,160	\$84,740	\$26,676	\$377,351
2020	\$0	\$23,655	\$14,364	\$111,480	\$164,160	\$131,005	\$26,676	\$471,341
2021	\$0	\$28,629	\$14,364	\$134,917	\$164,160	\$158,546	\$26,676	\$527,291
2022	\$0	\$29,935	\$14,364	\$141,074	\$164,160	\$165,782	\$26,676	\$541,991
2023	\$0	\$28,811	\$14,364	\$135,775	\$164,160	\$159,555	\$26,676	\$529,341
2024	\$0	\$25,338	\$14,364	\$119,409	\$164,160	\$140,322	\$26,676	\$490,269
2025	\$0	\$19,064	\$14,364	\$89,840	\$164,160	\$105,575	\$26,676	\$419,678
2026	\$0	\$12,047	\$14,364	\$56,775	\$164,160	\$66,719	\$26,676	\$340,741
2027	\$0	\$6,428	\$14,364	\$30,293	\$164,160	\$35,598	\$26,676	\$277,519
2028	\$0	\$1,951	\$14,364	\$9,194	\$164,160	\$10,804	\$26,676	\$227,150
2029	\$0	\$0	\$14,364	\$0	\$164,160	\$0	\$26,676	\$205,200
2030	\$0	\$0	\$14,364	\$0	\$164,160	\$0	\$26,676	\$205,200
2031	\$0	\$0	\$14,364	\$0	\$164,160	\$0	\$26,676	\$205,200
2032	\$0	\$0	\$14,364	\$0	\$164,160	\$0	\$26,676	\$205,200
2033	\$0	\$0	\$14,364	\$0	\$164,160	\$0	\$26,676	\$205,200
2034	\$0	\$0	\$14,364	\$0	\$164,160	\$0	\$26,676	\$205,200
2035	\$0	\$0	\$14,364	\$0	\$164,160	\$0	\$26,676	\$205,200

Note: All figures are in constant 2016 dollars.

<sup>1</sup> Although the property would be owned by the county and exempt from real property tax, the company would be personal property taxes on its equipment.

<sup>2</sup> Includes school district, community colleges and other special districts.

Along with the direct taxes paid by the company, there would also be indirect taxes generated by employees. Using the results from the economic impact analysis, it is possible to estimate indirect tax impacts which total \$26.1 million over 20 years.

The company could generate about \$21.8 million in indirect property tax revenues for all jurisdictions combined over 20 years. Indirect property tax revenues were based on average residential assessed value per capita in Tucson, times the annual supported population and average commercial/industrial assessed value times the number of indirect and induced jobs. In total, indirect property taxes are estimated at about \$538,000 per year to the county and an additional \$761,000 per year to the city and school district (Figure 5).

Indirect sales taxes to the City of Tucson and the RTA are estimated at \$257,000 per year, or a total of \$4.3 million over 20 years. Indirect sales tax revenues include sales taxes from household spending by direct employees and employees at supported local businesses.

Indirect sales taxes are estimated based on multiplying total personal income times 31 percent (share of taxable expenditures), times the local sales tax rate.<sup>1</sup>

**FIGURE 5  
ANNUAL LOCAL INDIRECT REVENUE IMPACT OF PROJECT CURVATURE**

Year	City of Tucson		School/Other	Pima County/RTA		Total Indirect Revenues
	Sales Tax	Property Tax	Property Tax <sup>1</sup>	Sales Tax	Property Tax	
<b>20 Year Total</b>	<b>\$3,295,521</b>	<b>\$1,403,763</b>	<b>\$11,348,401</b>	<b>\$1,005,959</b>	<b>\$9,020,172</b>	<b>\$26,073,815</b>
2016	\$0	\$0	\$0	\$0	\$0	\$0
2017	\$12,793	\$3,882	\$31,542	\$3,905	\$25,071	\$77,193
2018	\$58,090	\$24,660	\$199,304	\$17,732	\$158,415	\$458,201
2019	\$125,920	\$54,465	\$440,630	\$38,437	\$350,230	\$1,009,683
2020	\$149,979	\$63,939	\$516,887	\$45,781	\$410,843	\$1,187,428
2021	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2022	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2023	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2024	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2025	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2026	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2027	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2028	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2029	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2030	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2031	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2032	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2033	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2034	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
2035	\$196,583	\$83,788	\$677,336	\$60,007	\$538,374	\$1,556,087
<b>20 Year Direct + Indirect</b>	<b>\$3,741,521</b>	<b>\$1,879,594</b>	<b>\$15,423,707</b>	<b>\$1,005,959</b>	<b>\$10,650,762</b>	<b>\$32,701,543</b>

Note: All figures are in constant 2016 dollars. Analysis assumes 82% of employees live in the City of Tucson for the calculation of indirect revenues to the city.

<sup>1</sup> Includes school district, community colleges and other special districts.

## Summary

The operations of Project Curvature described in this analysis would create significant economic benefits for the County. Under the contemplated Development Agreement, the company would not only create a large number of high-paying jobs in Tucson, but would also create additional demand for other local businesses based on supplier purchases and employee spending. It is also likely that investing in this new manufacturer in the Aerospace and Defense Corridor will seed additional related economic development activity both locally and regionally.

Along with supporting economic activity in the private sector, Project Curvature's operations will also generate new local tax revenues to the county, as well as to other local taxing entities,

<sup>1</sup> According to the Census Bureau Consumer Expenditure Survey, persons in the median income range spend about 31 percent of their income on taxable goods. A residency rate of 82 percent is also applied to sales tax calculations for the City of Tucson.



in the form of increased sales and property taxes. The proposed \$4.7 million (maximum) “incentive package” is less than the amount of direct and indirect revenues that Project Curvature would bring to the county over the next 20 years, and is significantly less than the amount of revenues to all jurisdictions combined.

### **Applied Economics Background**

Applied Economics is an economic consulting firm, based in Phoenix, Arizona, specializing in economic development, economic and fiscal impact assessment, socioeconomic modeling, urban planning and custom software applications. Applied Economics conducts economic and fiscal impact studies and develops models to measure the effects of a wide variety of activities. These activities include development land use and policy changes, business-driven economic impacts, incentives, and program-driven economic and fiscal impacts. The partners at Applied Economics have worked together for more than twenty five years, and are very experienced in working with local and regional planning and development issues. Applied Economics was formed in 1995 and specializes in the technical aspects of economic development.

# ATTACHMENT 4

## LEASE-PURCHASE AGREEMENT

This Lease Agreement (this "Lease") is entered into, effective as of January 19, 2016 (the "Effective Date"), by and between Pima County, a political subdivision of the State of Arizona ("County") and World View Enterprises, Inc., a Delaware corporation ("World View").

### 1. Background and Purpose.

- 1.1. World View is a near-space exploration company that utilizes proprietary high-altitude balloon technology to lift people and scientific payloads as much as twenty miles above earth for purposes of space tourism, other commercial applications, and scientific research.
- 1.2. County owns a parcel of land, approximately 12 acres in size, which is legally described on Exhibit A and depicted on Exhibit B (the "Building Parcel"), which is within an area designated by the County as an Aerospace, Defense, and Technology Business and Research Park. The Building Parcel has a value of approximately \$430,000.
- 1.3. County is willing to construct certain improvements on the Building Parcel in an accelerated manner, at a cost of up to \$14,500,000, and lease the improved Building Parcel (the "Premises") to World View, in order to enable World View to commence operations on the site as soon as November 2016.
- 1.4. County is also willing to construct a publically available, 700-foot diameter launch pad (the "Space Port") for launching of high-altitude balloons, on a parcel of land adjacent to the Building Parcel (the "Space Port Parcel"), as shown on Exhibit B, at a cost of up to \$1,500,000. The parties are, contemporaneously with the approval and execution of this Lease, entering into an agreement in which World View agrees to operate and maintain the Space Port, making it available for use by others, in exchange for the right to use it on a nonexclusive basis in connection with its operations on the Building Parcel (the "Space Port Agreement"). Ownership of the Space Port will be retained by the County for public use consistent with its purpose.
- 1.5. World View is aware of the proximity of the Space Port Parcel to both Tucson International Airport and Davis Monthan Air Force Base, and has determined that it can safely, and in compliance with all FAA and all other applicable governmental laws and regulations, launch its balloons from that location.
- 1.6. The County will apply for \$1,000,000 in aviation grant funding from the Arizona Department of Transportation (ADOT). If ADOT awards County that funding, County will use such funds toward or to reimburse itself for the cost of constructing the Space Port.
- 1.7. World View explored several possible sites for its operations outside of Arizona, but has agreed to locate its expanded operation in Tucson. It would not have agreed to do this without County's willingness to enter into and fulfill its obligations under this Lease and the Space Port Agreement.
- 1.8. The Pima County Board of Supervisors (the "Board") has authority under A.R.S. § 11-254.04 to engage in any "activity that the board of supervisors has found and

determined will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants of the county,” including specifically the “acquisition, improvement, leasing or conveyance of real or personal property.” Based on an economic impact study by Applied Economics, commissioned by Sun Corridor, Inc., which takes into account World View’s anticipated employment and salary levels, the Board has determined that World View’s operations, and hence this lease and the Space Port Agreement, will have a significant positive impact on the economic welfare of Pima County’s inhabitants.

2. Lease. County demises and lets to World View, and World View leases and hires from County, the Premises, under the terms and conditions stated in this Lease (the “Lease”).
3. Term. This Lease will be for a term of 20 years (the “Term”) commencing on the Commencement Date as defined in Section 5.1 below, subject to early termination as provided in Sections 4 and 11 below.
4. Economic Performance.
  - 4.1. Employees & Salaries. Subject to Paragraph 4.2.5 below, County may terminate this Lease at any time if World View fails to maintain the employment and salary level applicable at that time, as set forth below (collectively, the “Employment Targets”):
    - 4.1.1. First Five Years. For a 4-year period starting on the one year anniversary of the Commencement Date, World View must employ at least the number of FTE Employees shown in Line 1 of Exhibit E at the Premises on average over each Measuring Period, and those employees—or the top-paid number of FTE Employees shown in Line 1 of Exhibit E if World View has more than the minimum number—must have an Average Annual Salary over each Measuring Period of at least the amount shown in Line 2 of Exhibit E.
    - 4.1.2. Years 6-10. For the next 5 years following the time period in Paragraph 4.1.1, World View must employ at least the number of FTE Employees shown in Line 3 of Exhibit E at the Premises on average over each Measuring Period, and those employees—or the top-paid number of FTE Employees shown in Line 3 of Exhibit E if World View has more than the minimum number—must have an Average Annual Salary over each Measuring Period of at least the amount shown in Line 4 of Exhibit E.
    - 4.1.3. Years 11-15. For the next 5 years following the time period in Paragraph 4.1.2, World View must employ at least the number of FTE Employees shown in Line 5 of Exhibit E at the Premises on average over each Measuring Period, and those employees—or the top-paid number of FTE Employees shown in Line 5 of Exhibit E if World View has more than the minimum number—must have an Average Annual Salary over each Measuring Period of at least the amount shown in Line 6 of Exhibit E.
    - 4.1.4. Years 16-20. For the next 5 years following the time period in Paragraph 4.1.3, World View must employ at least the number of FTE Employees shown in Line 7 of Exhibit E at the Premises on average over each Measuring Period, and those employees—or the top-paid number of FTE Employees shown in Line 7 of Exhibit E if World View has more than the minimum number—must have an

Average Annual Salary over each Measuring Period of at least the amount shown in Line 8 of Exhibit E.

4.2. Definitions. For purposes of this Section 4:

- 4.2.1. Average Annual Salary. "Average Annual Salary" means World View's total payroll for all employees at the Premises, including salaries, wages, and cash bonuses, divided by the total number of FTE Employees at the Premises.
- 4.2.2. FTE Employees. "FTE Employees" means the number of full-time equivalent employees at the Premises determined in accordance with 26 C.F.R. 54.4980H-3.
- 4.2.3. Measuring Period. A "Measuring Period" is the twelve (12) month period prior to the date of each Certification as defined below, beginning with the first Certification following the second anniversary of the Commencement Date.
- 4.2.4. Calculation and Reporting. World View will give County, on a quarterly basis during the entire Term, beginning on the Commencement Date, a sworn affidavit, signed by World View's chief financial officer, stating the number of FTE Employees currently employed on the Premises, and their Average Annual Salary (a "Certification"). If World View at that time employs more than the minimum number of FTE Employees listed above, it will also provide the Average Annual Salary of the highest paid employees as provided above.
- 4.2.5. Right to Cure. If any such Certification shows that World View has underperformed the applicable employment target by less than ten percent (10%), and such failure is due to a Force Majeure or other circumstances beyond World View's reasonable control (including, without limitation, unforeseeable economic conditions or inability to recruit qualified personnel), County will have no right to terminate this Lease so long as World View uses commercial best efforts to promptly and fully comply with the applicable Employment Target. County agrees not to terminate this Lease unless and until a Certification shows that World View has underperformed the applicable employment target by more than ten percent (10%), or World View has failed to meet an Employment Target by any amount due to circumstances within its reasonable control, and such failure continues for at least two successive Certifications.

- 5. Construction of Improvements; Commencement Date. County will construct a building (the "Building"), together with a parking lot and other exterior areas, on the Building Parcel, which will be a part of the Premises, generally as provided in the conceptual drawings and diagrams attached as Exhibit B (the "Project"). The Building will be a steel structure approximately 200' x 600', with 120,000 square feet of space on the ground floor and 15,000 square-feet of space on a second floor mezzanine, for a total of approximately 135,000 square-feet of usable space, as such design may be modified by the parties as the Project progresses. The structure will be designed for light manufacturing, storage of raw materials and operational equipment, as well as administrative and engineering functions. The administrative areas will have an open architecture floor plan.

- 5.1. Maximum Cost. County's total cost for design and construction of the Project, including all site-preparation work, permitting, fees, plan review, County's construction-oversight costs, fixture costs, and the cost of any necessary off-site work (but excluding the cost of extending public sewer and water lines to the Building Parcel), cannot exceed \$14,500,000 (the "NTE Amount"); County has no obligation to expend more than the NTE Amount on the Project.
- 5.2. Project Liaisons. County and World View will each designate a project liaison who will coordinate with one another and with architects, engineers, construction contractors, and consultants involved in the Project to ensure that it runs smoothly. Notwithstanding Section 12, the project liaisons have the authority to give and receive the notices and approvals required by this Section 5. The World View project liaison may attend, along with other appropriate World View representatives, all project meetings between the County and the design and construction professionals on the Project
- 5.3. Design and Construction. County will contract for the Project with design and construction professionals acceptable to World View. Subject to the Purchase Option, County will be the owner of the Project as it is built and thereafter.
- 5.4. Plans and Specifications. Construction will not begin until final plans and specifications have been approved by both County and World View. County and World View will work together closely to review and comment on preliminary and final plans and specifications as they are produced and modified. Such review will be done as expeditiously as reasonably possible in order to keep the Project on schedule for completion by the end of November, 2016. The parties will "value engineer" the design as necessary to ensure that the total cost remains within the NTE Amount.
- 5.5. FF&E. County will provide and install, as part of the Project, systems furniture, fixtures, and equipment that will be affixed to the Building ("County-Provided FF&E"), but only to the extent that the cost is within the NTE Amount. World View can add to the County-Provided FF&E as the project progresses if it becomes clear that more can be spent on FF&E within the NTE Amount.
- 5.6. Plan Modifications. Either party may, at any time during the course of construction, propose modifications to the plans. The other party will not unreasonably withhold consent to a proposed modification, so long as it will not create an unreasonable delay or increase the cost of the Project over the NTE Amount.
- 5.7. Inspections. World View may inspect the construction as it progresses and may designate a representative to participate in County inspections of the Project. World View may attend and participate in weekly construction meetings. Inspections will be coordinated with the County and with contractors to ensure they do not interfere with the work.
- 5.8. Commencement Date and Move-In. County will notify World View, in writing, thirty (30) days in advance of when County reasonably anticipates that construction will be Substantially Complete and will notify World View if that date changes. "Substantially Complete" means that the construction is complete in all material respects in accordance with the approved plans, subject only to punch list items (meaning minor corrections of construction or decoration details, and minor mechanical adjustments, to conform to the approved plans, that do not materially interfere with World View's use,

occupancy or operation of the Premises). Substantial Completion includes issuance of at least a temporary certificate of occupancy. The date that County delivers the Premises to World View with construction Substantially Complete will be the "Commencement Date." World View may begin moving into the Premises as of the date that is fourteen (14) days prior to the anticipated Commencement Date, provided that it does not interfere with work needed for final completion of the Project. Before moving in, World View must furnish County with proof that it has the insurance coverage required by Section 10 below.

5.9. Amendment of Lease. After final completion of the project, the parties will enter into a formal amendment or supplement to this Lease that memorializes the Commencement Date, establishes the square footage of the finished Building for purposes of Rent calculations, and contains an inventory of the County-provided FF&E.

5.10. Naming of the Project. World View may name the Project and Space Port, subject to County's reasonable approval, and use such name for advertising and other related purposes.

6. Rent; Conveyance.

6.1. Rent. Rent will begin accruing on the Commencement Date, and will be paid by World View on a monthly basis throughout the Term, at the annual rates stated below, based on the gross square footage of the finished Building, with the first month prorated if the Commencement Date is other than the first day of a month. The first payment of rent is due within 10 days after the Commencement Date. Subsequent rent payments (each 1/12 of the applicable annual amount) are due on or before the first of each month after the Commencement Date.

6.1.1. Commencement Date, through the end of the month in which the fifth anniversary of the Commencement Date falls: \$5.00 per square foot.

6.1.2. Five-year period following expiration of the initial period in Paragraph 6.1.1: \$8.00 per square foot.

6.1.3. Five-year period following expiration of the period in Paragraph 6.1.2: \$10.00 per square foot.

6.1.4. Remainder of the Term following expiration of the period in Paragraph 6.1.3: \$12.00 per square foot.

6.2. Determination of Square Footage. Upon Substantial Completion, County will cause the architect to measure the Premises to determine the square footage of the Premises for purposes of calculating rent. Such measurement must be conducted in accordance with ANSI/BOMA Z.65.2 – 2012, Standard Methods of Measurement for Industrial Buildings.

6.3. Conveyance. Upon the Effective Date of this Lease, the County and World View will enter into the Purchase Option (the "Purchase Option") attached as Exhibit C. At all times during the Term, County will hold title to the Premises, subject to World View's exercise of the Purchase Option. County will also give World View a right-of-first

refusal, in a form reasonably acceptable to both parties, on the 6-acre parcel adjacent to the Building Parcel and Space Port Parcel.

#### 6.4. Taxes

6.4.1. Government Property Lease Excise Tax. The parties believe that the Premises is exempt from the state government property lease excise tax ("GPLET") (A.R.S. §§ 42-6201 through 42-6210) because it will be "used for or in connection with aviation" within the meaning of A.R.S. § 42-6208(5), but neither is warranting this to the other. World View must keep and maintain the information required by A.R.S. § 42-6204, and must comply with the GPLET statutes, and pay GPLET, if the Premises is found to be not exempt. Failure by World View to pay any GPLET that a court of competent jurisdiction has determined is owed with respect to the Premises constitutes a default of this Lease. County agrees to cooperate with World View in pursuing any defense of the GPLET exemption, and to participate as needed in such defense, at no out-of-pocket cost to County.

6.4.2. Rental Taxes and Assessments. In addition to any other sums due under this Lease, World View will reimburse County for any taxes or assessments that County is required to pay related to this Lease, the Premises, or the rent paid to County under this Lease. The County does not currently pay City of Tucson transaction privilege taxes on rental income received by County and has received no demand from the City of Tucson that it do so.

#### 7. Operation of Premises

7.1. Permitted Uses. World View will use the Premises for, and only for, the operation of its business as generally described in Section 1.1 above. This includes research and development, engineering and light manufacturing activities as permitted by applicable zoning, payload integration, launch preparation, mission control, marketing and administrative operations.

7.2. Laws and Regulations. World View must, at its own cost, comply in all material respects with all government laws and regulations applicable to its use and occupancy of the Premises and its use of the Space Port. World View may not commit or allow to be committed any waste or other nuisance on the Premises or the Space Port. World View must obtain any necessary FAA and Air Traffic Control approvals for its activities on the Space Port, and must coordinate those activities with the Tucson Airport Authority.

#### 7.3. Hazardous Materials

7.3.1. Hazardous Materials Prohibited; Compliance with Environmental Laws. World View may not cause or permit any Hazardous Materials to be brought upon, kept, or used in or about the Premises by World View, its agents, employees, contractors, or invitees, without the prior written consent of County, other than such Hazardous Materials that are necessary or useful to World View's business and will be used, kept, stored and disposed of in a manner that complies with all laws regulating any such materials or substances. World View's operations on the Premises must comply with all applicable provisions of environmental laws



and regulations, including but not limited to the Resource Conservation and Recovery Act (RCRA) (40 U.S.C. 260 et seq. and Arizona Revised Statutes, Title 49, Chapter 4), and the Clean Air Act (42 U.S.C. 7401 et seq. and Arizona Revised Statutes, Title 49, Chapter 3). As used in this Lease, the term "Hazardous Material" means any toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous substance, material or waste that is, or during the Term becomes, regulated under any applicable local, state, or federal law or regulation, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302 and amendments thereto).

7.3.2. Pre-existing Hazardous Materials; Indemnification. County represents and warrants to World View that, as of the Commencement Date, and except as may be disclosed in that certain Expanded Phase I Environmental Site Assessment for Raytheon Buffer Zone – Auriga Properties, Prepared by EEC for County Project 309025.11, dated 3/27/2012, it has no actual knowledge of the presence of any Hazardous Materials on, under or about the Premises. County will indemnify, defend (by in-house counsel or by other counsel acceptable to World View), and hold World View, and each of World View's directors, officers, employees, agents, and shareholders, harmless, from and against any and all claims, liabilities, penalties, fines, judgements, forfeitures, losses, costs, or expenses (including attorneys' fees, consultant fees, and expert fees), arising from or caused in whole or in part, directly or indirectly, by County's breach of its representation in this Section 7.3.2. County's obligations under this Section 7.3.2 also include any and all costs of any investigation, repair, remedial planning, cleanup, detoxification, or decontamination of the Premises (including, without limitation, the soil and ground water on or under the Premises), that is required by a regulatory authority or court of competent jurisdiction. County may, at its own cost, challenge any such order. County's obligations extend only to any condition that existed in, on, under, about or from the Premises prior to the Commencement Date (including aggravation of any such condition), of which County had actual knowledge and that it did not disclose as provided in this Paragraph. County's obligations under this Paragraph 7.3.2 will survive the expiration or termination of this Lease. "Actual knowledge" of the County, for purposes of this paragraph, means the actual knowledge of the County Administrator, any Deputy County Administrator, or any County department head, and any fact that is readily ascertainable by review of files related to the County's acquisition and use of the Building Parcel, which are accessible to those individuals on the Effective Date of this Lease.

7.4. Utilities. World View will pay before delinquent all charges for all utilities used by World View or charged to the Premises, including (without limiting the generality of the foregoing) water, electricity, sewer, and telephone and data services.

7.5. Repair and Maintenance. World View will maintain, repair and, when necessary, replace, every part of the Premises, including all Building systems, plumbing, lighting, fixtures, plate glass, heating and cooling equipment, and all County-Provided FF&E. World View will keep every part of the Premises, and all County-Provided FF&E in

good order, condition and repair, reasonable wear and tear excepted, and in a clean, sanitary and safe condition and in accordance with all applicable laws, ordinances and regulations of any governmental authority having jurisdiction, all at World View's sole cost and expense.

- 7.6. Damage from Casualty. If any part of the Premises, including the Building or the County-Provided FF&E, is damaged or destroyed by any cause whatsoever (other than the negligent or willful acts or omissions of County), during the Term of this Lease, World View 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 World View's obligations under this Lease will not terminate; *except that*, (a) if such damage or destruction is due to the County's negligent or willful acts or omissions, World View will have no obligation to repair or replace the Premises, World View may terminate this Lease upon sixty (60) days' notice to County and World View will have no obligation to pay any insurance proceeds to County; (b) if World View maintained the insurance required by Section 10 of this Lease at the time of such destruction and despite World View's commercially reasonable efforts, such insurance proceeds are unavailable or are insufficient to rebuild the Building in a manner reasonably acceptable to County and World View, World View may terminate this Lease upon sixty (60) days' notice to County and World View will, at its sole cost and expense, clean and clear the site of all debris, repair the site and install landscaping so that the Building Parcel blends in reasonably well with the surroundings, and pay all remaining insurance proceeds to the County; and (c) if the Premises are substantially destroyed by fire or other casualty at any time during the last five (5) years of the Term, then World View may terminate this Lease by written notice given to County within sixty (60) days after the date of such destruction, and World View will be discharged from responsibility to repair the damage, but World View will, in that event, at World View's sole cost and expense, clean and clear the site of all debris, repair the site and install landscaping so that the Building Parcel blends in reasonably well with the surroundings, and pay all remaining insurance proceeds to the County.
8. Alterations. World View may from time to time during the Term make changes, alterations, additions, substitutions or improvements to the Premises (collectively, "Alterations"), at its sole cost and expense, as set forth below:
- 8.1. Minor Alterations. World View may make any non-structural Alterations that it deems necessary or desirable to adapt the Premises for World View's use and occupancy, provided the cost is below the dollar threshold set out below.
- 8.2. Substantial Alterations. World View may make no Alterations that will (i) cost in excess of \$200,000; or (ii) involve structural work or changes (including removing walls, changing ceilings, constructing new or closing off existing interior door openings, making any changes to the exterior, or installing anything on the roof); or (iii) involve changes to the electrical, plumbing, security, fire sprinkler, or HVAC systems, unless World View first obtains County's written approval of plans and specifications for the Alterations. County will not unreasonably withhold, delay or condition its approval.
- 8.3. Manner of Construction. All Alterations will be carried out by World View using licensed contractors and subcontractors in good standing with the Arizona Registrar of Contractors, who are reasonably acceptable to County and are selected in compliance with Title 34 of the Arizona Revised Statutes. The work will be done in a manner that

does not materially interfere with the business of any adjacent land owner or with the use of the Space Port. The work will be completed promptly and in a good and workmanlike manner in compliance with the approved plans and specifications, and with all governmental permits and requirements. World View will require all of its contractors to name the County as additional insured and additional indemnitee on all insurance policies covering work performed, and will require them to furnish payment and performance bonds.

8.4. Liens. World View will timely pay all contractors, subcontractors, mechanics, laborers, or materialmen providing materials or services with respect to the Alterations, and will discharge or bond any lien to attach to the Premises or any interest therein within ten (10) days after the filing thereof, and will indemnify and defend County against all legal costs and charges resulting from any such lien not so discharged or bonded.

8.5. County Inspection. During construction, the Alterations will be subject to inspection by representatives of County who will be permitted access and the opportunity to inspect the Alterations at all reasonable times, but this provision will not in any way whatsoever create any obligation on County to conduct such an inspection.

9. Inspections by County. County and World View acknowledge that World View will have substantial proprietary and confidential data, materials and methods at the Premises and may enter into contracts with the United States government requiring that certain areas of the Premises be kept off-limits and restricted pursuant to federal law. Accordingly, as of the Effective Date, County and World View will enter into the Non-Disclosure Agreement attached as Exhibit D and County will otherwise keep any proprietary information, trade secrets or federally-restricted information strictly confidential, subject to applicable Arizona law not preempted by federal law. County reserves the right to enter the Premises to inspect its condition, provided that, except in case of emergency, (a) County will give World View at least twenty-four (24) hours advance written notice, (b) County representatives must be accompanied by a representative at World View at all times, and (c) all County representatives and agents entering the Premises must be citizens of the United States. If World View contracts with the United States and such contracts require certain areas of the Premises be restricted, World View will promptly notify County of such restrictions and County thereafter agrees to strictly follow such restrictions in accordance with federal law. County will use reasonable efforts to not interrupt World View's business at the Premises. County may, in the event of an emergency, use any means necessary to open gates or doors in order to obtain entry to the Premises, without liability to World View except for damage caused by a failure of County to exercise reasonable care for World View's property, subject to federal law.

10. Insurance and Indemnity.

10.1. Indemnity. To the fullest extent permitted by law, World View will defend, indemnify and hold County harmless from and against all claims arising out of or relating (directly or indirectly) to any activities conducted, or conditions existing, on the Premises during the Term, except to the extent caused by County's negligence or intentional misconduct.

10.2. Liability Insurance Requirements. World View will, at its own expense, obtain and maintain during the Term the insurance coverages listed below. County may from time

to time review and reasonably adjust the types or limits of insurance required. All policies will name County as an additional insured.

10.2.1. Commercial General Liability coverage. Policy will include bodily injury and property damage coverage with limits of \$1,000,000 Each Occurrence and \$2,000,000 General Aggregate.

10.2.2. Auto Liability coverage of \$1 million for vehicles used on or in connection with World View's use of the Premises.

10.2.3. As required by law, Workers' Compensation coverage.

10.3. Additional Insurance Requirements.

10.3.1. World View will provide County with current certificates of insurance annually. All certificates of insurance must provide for guaranteed thirty (30) days written notice to the County of cancellation or non-renewal.

10.3.2. World View's liability insurance must be primary insurance and non-contributory with respect to all other available sources.

10.4. Property Insurance. World View will obtain and keep in force during the entire Term a policy of insurance covering loss or damage to the Premises and the County-Provided FF&E in the amount of the full replacement value thereof, providing protection against all vandalism, malicious mischief, special extended perils (all risk) and will deliver to County a Certificate of Property insurance, with County named as additional insured. Said Certificate must be satisfactory to County. World View will provide a copy of World View's policy of property insurance to County annually.

11. Default/Termination. Either party may present written notice of default or non-performance to the other party.

11.1. World View Default. The occurrence of any one or more of the following events constitutes a default and breach of this Lease by World View for which County may terminate this Lease (each an "Event of Default"):

11.1.1. Default of Space Port Operating Agreement. Any default beyond any applicable cure period of the Space Port Agreement entered into contemporaneously with this Lease.

11.1.2. Monetary Obligations. The failure by World View to make any payment required to be made by World View under this Lease, as and when due, where such failure continues for a period of 10 calendar days after notice from County that such payment is due.

11.1.3. Insurance. The failure by World View to maintain insurance policies as set forth above for any period of time, in which event World View must immediately cease all operations at the Premises until such insurance is obtained, provided that the failure to maintain insurance will not be a default and breach of this Lease so long as World View ceases all operations and thereafter procures such insurance within thirty (30) days of the termination or cancellation of the

applicable policy. In the event of such a default, County may, in County's sole discretion, obtain necessary insurance coverage in which event World View will, within 5 days of demand, reimburse and pay to County the full amount of any costs and premiums expended by County to obtain such coverage.

11.1.4. Violation of Law. World View's material violation of any law applicable to the Premises, Building or World View's operation or occupancy thereof, or the conduct of any unlawful activities on the Premises that are permitted by World View, either tacitly or explicitly, or that World View has not taken reasonable means to prevent after World View becomes or in the exercise of reasonable diligence should have become aware that such activities are being conducted, where such violation or conduct continues for more than thirty (30) days after written notice from County.

11.1.5. Other Covenants. The failure by World View to observe or perform any other covenant, condition or provision of this Lease to be observed or performed by World View, where such failure continues for a period of 30 days after written notice of the failure by County, provided, however, that if the nature of World View's default is such that more than 30 days are reasonably required for its cure, then World View will not be in default if World View commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

11.2. County Default. Failure by County to comply with its obligations under this Lease, within 30 days after County's receipt of written notice from World View detailing the nature of the obligation, will constitute an Event of Default by County, except that if the nature of County's default is such that more than 30 days are reasonably required for its cure, then County will not be in default if County commences the cure within 30 days and thereafter diligently prosecutes the cure to completion.

### 11.3. Remedies

11.3.1. All Remedies Available. Except as provided elsewhere in this Lease, either party may pursue any remedies provided by law or in equity following an Event of Default, including termination, injunction, specific performance and damages. Except as provided elsewhere in this Lease, no right or remedy is intended to be exclusive of any other right or remedy and each is cumulative and in addition to any other right or remedy.

11.3.2. No Consequential Damages. Notwithstanding anything to the contrary in this Lease, neither County nor World View will be liable to the other for any consequential, special or indirect damages (in each case, regardless of whether such damages are foreseeable).

11.3.3. Cure by County. If World View fails to perform in a timely manner any of its obligations under this Lease following any applicable notice and cure periods County may (but is not obligated to) perform those obligations and charge World View for the costs, together with interest at the statutory rate for interest on judgments, from the date the expense was incurred until it is paid by World View.

11.3.4. Cure by World View. If County fails to perform in a timely manner any of its obligations under this Lease following any applicable notice and cure period, World View may (but is not obligated to) perform those obligations and offset rent coming due by the reasonable out-of-pocket amount incurred by World View in undertaking such performance.

12. Notices. Except as otherwise specifically provided, all notices to be given under this Lease must be in writing and be either served personally or sent by certified or registered mail, return receipt requested, to the parties at the addresses indicated below or to such other persons or addressees as either party may designate in writing to the other party:

If to County:

Pima County Administrator  
130 W. Congress, 10<sup>th</sup> Floor  
Tucson, AZ 85701

If to World View:

Chief Executive Officer  
World View Enterprises, Inc.  
1840 E. Valencia Rd., Bldg. 8, Ste. 123  
Tucson, AZ 85706

With a copy to:

Cooley LLP  
4401 Eastgate Mall  
San Diego, CA 92121  
Attn: Samantha M. LaPine

13. Assignment & Subletting. Except as expressly provided below, World View does not have the right to assign its rights or obligations under this Lease, or sublease the Premises in whole or in part, without the prior written consent of the County. The County will not unreasonably withhold, condition, or delay its consent to a proposed assignment or sublease, but World View acknowledges that it is reasonable for the County to do so if, in the County's reasonable business judgment, the intended sublessee or assignee has not demonstrated that it has the financial and operational capacity to match the actual (not merely the required) employment and salary levels likely to be achieved by World View under Section 4 above, and to perform all of World View's obligations under this Lease. No consent by County to an assignment or subletting will release World View from any of its obligations under this Lease. Notwithstanding the foregoing, World View may without County's prior consent, but upon not less than fifteen (15) days prior written notice to County, (1) assign this Lease or sublet the Premises to any entity controlling, controlled by or having fifty percent (50%) or more common control with World View, or resulting from a merger or consolidation with World View or acquiring all of the assets and/or stock of World View; provided that any such entity assumes all obligations under this Lease, including, without limitation, the obligation to meet the Employment Targets (each a "Permitted Transfer"). Except in connection with a Permitted Transfer, if County consents to an assignment or sublet of this Lease or the Premises, World View must pay to County any "Transfer Premium" received by World View from such assignee or subtenant. "Transfer Premium" means all rent, additional rent or other consideration payable by such assignee or subtenant (but not including consideration for any business services provided by World View that are not offered by County) in excess of the rent and any other sums payable by World View under this Lease, on a per rentable square foot basis if less than all of the Premises is sublet, after deducting the following costs: (A) any reasonable brokerage commissions in connection with the assignment or sublet; (B) any reasonable advertising and/or marketing

costs incurred by World View in connection with the assignment or sublet; and (C) any reasonable attorneys' fees paid by World View in connection with the assignment or sublet. "Transfer Premium" also includes, but is not limited to, key money and bonus money paid by an assignee or subtenant to World View in connection with such assignment or sublet, and any payment in excess of fair market value for services rendered by World View to such assignee or subtenant, or for FF&E transferred by World View to such assignee or subtenant in connection with such assignment or sublet.

14. Surrender of Premises; Holding Over. If this Lease is terminated without World View taking title to the Premises, World View will quit and surrender the Premises, together with all Alterations, and all FF&E provided by County, in good condition and repair, normal wear and tear excepted. Any holding over with the consent of County after the termination will be deemed to be a tenancy from month-to-month upon the same terms and conditions as provided in this Lease, to the extent applicable. World View may remove from the Premises all furnishings, fixtures, and equipment installed in the Premises by World View. However, in removing any such furnishings, fixtures, or equipment, World View will make repairs at World View's expense so the Premises are left in "rentable" condition, or at World View's option and with County's approval, will leave said items in place and they will become the property of County.
15. 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 in this Lease by this reference.
16. World View not an Agent of County. World View is not an agent of County for any purpose under this Lease or otherwise. World View will control activities on the Premises and on the Space Port, and County will not control those activities. World View's employees and servants are not under the control of County.
17. Non-Discrimination. World View will comply with applicable local, state and federal laws, rules and regulations concerning equal employment opportunity and non-discrimination; with the Americans with Disabilities Act, to the extent applicable to World View's operation and the Premises; and with all provisions and requirements of Arizona Executive Order 75-5, as amended by Executive Order 2009-09, which is incorporated into this Lease.
18. Non-Appropriation. County's performance of its obligations under this Lease may be dependent upon the appropriation of funds by the Board of Supervisors of the County, or the availability of funding from other sources. Should the Board fail to appropriate the necessary funds, or if funding becomes otherwise not legally available to the County for the purpose of fulfilling County's obligations under this Lease, County will be relieved of that obligation and World View may terminate this Lease.
19. Choice of Law. The laws of the State of Arizona apply to any action relating to this Lease and any court action must be brought in a court in Pima County, Arizona.
20. Non-Waiver. The failure of either party to insist in any one or more instances upon the full and complete performance of any term of this Lease to be performed by the other party, or to take any action permitted as a result of that failure, 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 does not constitute an accord and satisfaction.

21. Entire Agreement. Except as otherwise provided, this Lease, together with its exhibits and the Space Port Agreement, constitute the entire agreement between County and World View with respect to the Premises.
22. Force Majeure. A party's nonperformance of an obligation under this Lease is excused for the time period, and to the extent, that the performance is prevented or delayed by strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, or any other cause beyond the reasonable control of that party, except World View's obligations to pay rent or other monetary sums due under this Lease (collectively, the "Force Majeure"), and except as provided in Section 4.
23. Amendment. This Lease may not be amended except by a written instrument duly executed by both parties.
24. Recording. Either party may record a memorandum of this Lease, the Space Port Agreement and/or the Memorandum of Purchase Option (which is attached to the Purchase Option) in the real property records for Pima County, at the party initiating the recording's expense.
25. Authorization. County and World View each warrant to the other that the individuals executing this Lease on behalf of that party are duly authorized to do so.

WORLD VIEW ENTERPRISES, INC.,  
a Delaware corporation

PIMA COUNTY, a political subdivision  
of the State of Arizona

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Chair of the Board of Supervisors

Date: \_\_\_\_\_

Date: \_\_\_\_\_


ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

  
\_\_\_\_\_  
C.H. Huckelberry, County Administrator

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Regina Nassen, Deputy County Attorney





**POLARIS  
LAND  
SURVEYING, LLC**

3528 N. FLOWING WELLS RD  
TUCSON, ARIZONA 85705  
TEL: 520-322-6400  
FAX: 520-322-6401

**LEGAL DESCRIPTION – POLARIS JOB NO. 15271**

January 12, 2016

EXHIBIT A - PARCEL 2:

That portion of the Northeast quarter of Section 31, Township 15 South, Range 14 East, Gila and Salt River Meridian, Pima County, Arizona, being more particularly described as follows:

Commencing at the Northeast corner of said Section 31, said corner being a 2-1/4 inch steel capped pipe in concrete marked "T15S, 30, 29, 31, 32, R14E", from which the East one-quarter corner of said Section 31 bears South 00°13'54" East, 2670.77 feet distant, said corner being a 1-1/2 inch aluminum cap marked "1/4, 31, 32";

Thence South 00°13'54" East 1766.06 feet upon the East line of the Northeast quarter of said Section 31 to the **Point of Beginning**;

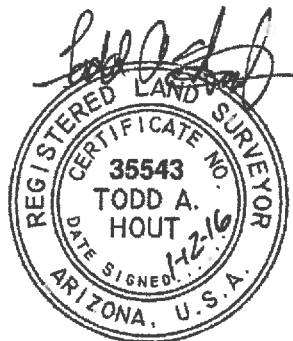
Thence continue South 00°13'54" East 727.84 feet upon said East line to the North right-of-way of Aerospace Parkway per Book 26 at Page 13 of Road Maps, Sequence No. 20140980052, Pima County Records to a curve, turning to the right, concave to the North from which the radius point bears North 04°12'51" East, 1915.00 feet distant;

Thence Northwesterly upon said curve, upon said North right-of-way, through a delta angle of 26°02'03" and an arc length of 870.14 feet;

Thence North 00°13'54" West 468.96 feet;

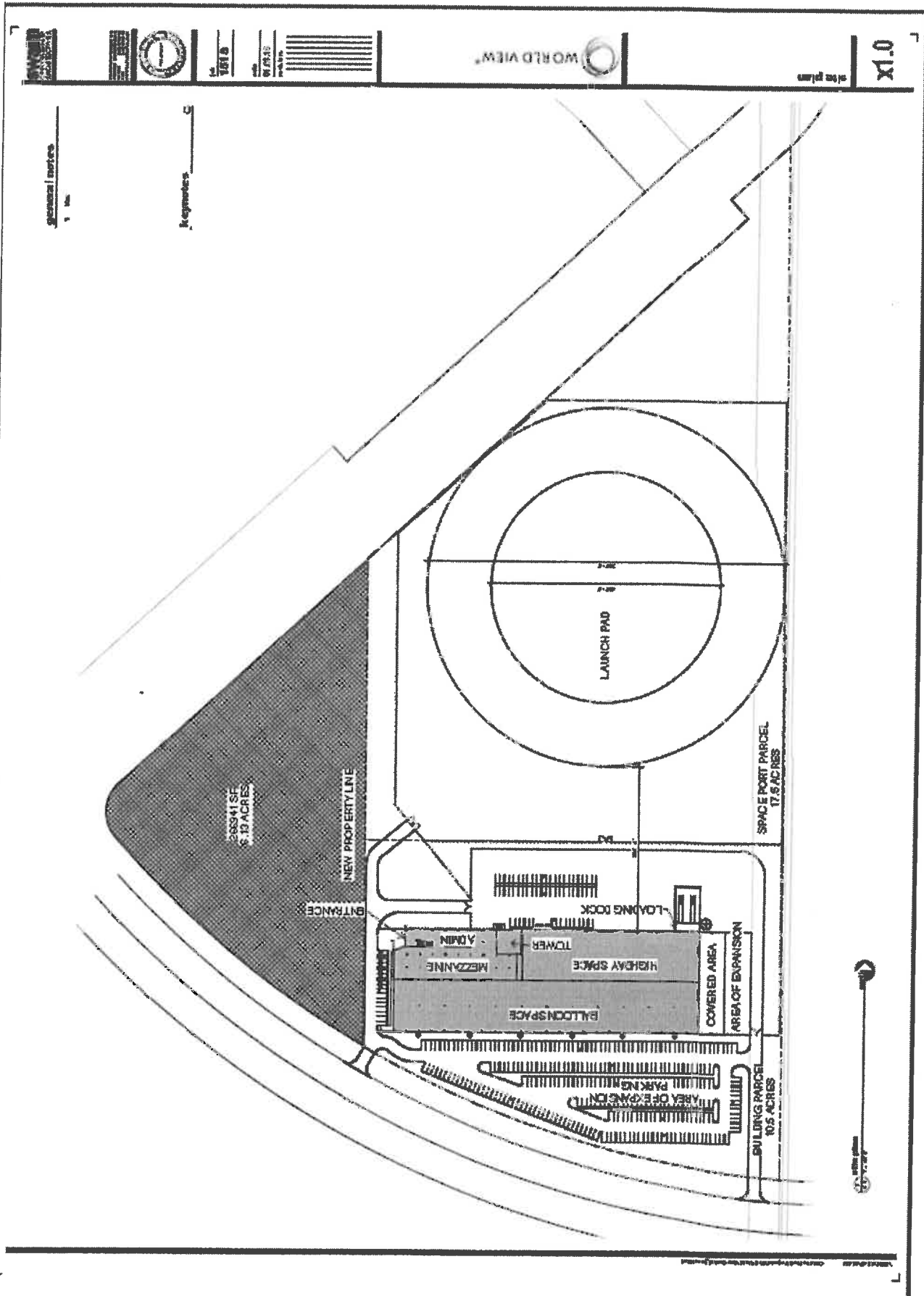
Thence North 89°46'06" East 822.92 feet to the **Point of Beginning**.

The area of said Parcel 2 contains 520,808.9 square feet or 11.96 acres, more or less.



EXPIRES 12-31-18

EXHIBIT B - SITE PLAN



**EXHIBIT C**  
**PURCHASE OPTION**

This Purchase Option ("**Agreement**") is entered into, effective as of January 19, 2016 (the "**Effective Date**"), by and between Pima County, a political subdivision of the State of Arizona ("**County**") and World View Enterprises, Inc., a Delaware corporation ("**World View**").

**RECITALS**

- A. County owns, and World View leases from County, a parcel of real property located in Pima County, Arizona, approximately 12 acres in size, which is legally described on Exhibit A to this Agreement (the "**Property**"), which is within an area designated by the County as an Aerospace, Defense, and Technology Business and Research Park.
- B. County has agreed in a Lease Purchase Agreement of even date herewith (the "**Lease**"), to construct improvements on the Property and lease the Property, as improved, to World View.
- C. The County, in the Lease, has agreed to grant World View an option to purchase the Property, and a right of first refusal, under the terms and conditions set forth in this Agreement.

NOW THEREFORE, for valuable consideration, the receipt of which is hereby mutually acknowledged, the parties agree as follows:

1. **Recitals.** The foregoing recitals are incorporated into this Agreement.
2. **Definitions.**
  - 2.1. "**Option Holder**," with respect to an option, means World View or the person to whom World View has assigned that option in compliance with the terms of this Agreement.
  - 2.2. "**First Option Term**" means the period between the later of the 9<sup>th</sup> anniversary of the Commencement Date of the Lease and the first early redemption date on the COPs, and the date that is 6 months after the 17<sup>th</sup> anniversary of the Commencement Date.
  - 2.3. "**First Option Price**" means (i) the principal amount required, as of the Closing date, to fully redeem any outstanding certificates from that certain 2016 series of taxable certificates of participation issued by County in the original principal amount of \$15,000,000 to fund construction of improvements required by the Lease (the "**COPs**"), plus (ii) the amount by which all principal and interest payments made on the COPs since issuance through the Closing date exceed the total of all rent payments made under the Lease through the Closing Date, plus (iii) an amount equal to the interest that could have been earned by investing, in the State Treasury of Arizona's long-term investment pool, on each COPs payment date since issuance, an amount equal to the difference between the COPs debt service payment and all rent paid under the lease since the prior COPs payment date.

- 2.4. **"Second Option Term"** means the period between the date that is six (6) months after the nineteenth (19<sup>th</sup>) anniversary of the Commencement Date, and the twentieth (20<sup>th</sup>) anniversary of the Commencement Date.
- 2.5. **"Second Option Price"** means ten dollars (\$10) and full performance of all World View's obligations under the Lease.
- 2.6. **"Option"** means the First Option or Second Option, as defined below.
- 2.7. **"Purchase Price"** means, with respect to an Option, the associated option price.
- 2.8. **Other Capitalized Terms.** Each capitalized term not defined in this Agreement has the meaning assigned to that term in the Lease.

### 3. **First and Second Options.**

- 3.1. **Grant of Options.** Provided there is no Event of Default under the Lease at that time, the Option Holder may elect to purchase the Property for the First Option Price by giving County written notice of that election during the First Option Term (the **"First Option"**), or for the Second Option Price by giving County written notice during the Second Option Term (the **"Second Option"**). Upon exercise of an Option, the Option Holder will be obligated to purchase the Property from County, and County will be obligated to sell the Property to the Option Holder, for the price and in the manner and subject to the contingencies set forth in this Agreement. On the closing of a purchase of the Property after exercise of an Option (a **"Closing"**), the Lease and any un-accrued tenant obligations will terminate. Each Option will expire as of the end of the applicable option period if it has not been timely exercised.
- 3.2. **Payment of Purchase Price.** The Purchase Price must be paid all by check or wire transfer at the Closing. Option Holder's obligation to pay the Purchase Price at the Closing will be absolutely contingent on Option Holder's ability to obtain adequate financing, and in the event Option Holder cannot obtain adequate financing before the Closing, the Option will terminate and World View will have no obligation to purchase the Property. The Closing will be conducted through a mutually acceptable escrow company as provided in **Section 3.6** below.
- 3.3. **Closing Costs.** Option Holder will pay all closing costs, including any applicable recording fees and charges, regardless of local custom, except the following costs, for which County is responsible: (a) cost to remove title exceptions that are not Permitted Exceptions under **Section 3.4** below, (b) any tax imposed on a deed grantor by the State of Arizona, (c) repaying any indebtedness secured by the Property, (e) any costs associated with the preparation of the deed, (f) any capital gains taxes, income taxes or similar taxes owing as a result of the sale (g) County's attorneys' fees, (h) real estate taxes and assessments accrued on the Property that are unpaid through the date of the Closing and are attributable to the period prior to the Commencement Date.
- 3.4. **Title.** At the Closing, County will convey fee title in a condition that is insurable under an owner's standard title insurance policy, subject only to (1) assessments, restrictions, easements, covenants, and reservations (**"Encumbrances"**) of record on the Effective Date of the Lease; (2) any Encumbrances of which Option Holder or any predecessor Option Holder has actual notice or could ascertain through an inspection of the

Property; (3) any liens or Encumbrances created by or with the consent or as a result of the action or inaction of the Option Holder or any predecessor Option Holder; and (4) any additional Encumbrances that do not materially and adversely affect the use of the Property in the ordinary course of Option Holder's business or the value of the Property ("**Permitted Exceptions**"). "Permitted Exceptions" does not include any monetary liens and encumbrances created by County, and County will cause any such monetary liens and encumbrances to be removed at Closing. County will cooperate with Option Holder to resolve objections to the state of title raised by Option Holder's lender, provided it is at no out-of-pocket cost to County. County will convey title by a special warranty deed with standard and customary covenants of title subject to the Permitted Exceptions. Promptly after Option Holder becomes aware of any Encumbrance that is not a Permitted Exception, Option Holder will give notice of such exception to County and County will promptly use good faith diligent efforts to correct the Encumbrance and, if County fails to cure, Option Holder will have the right to cancel the purchase.

3.5. **Deadline to Close.** Closing will occur no later than 180 days after the notice of exercise is given; provided, however, that if an Encumbrance has arisen that is not a Permitted Exception, and if such Encumbrance cannot be removed through escrow procedures at Closing, then the deadline for the Closing will be automatically delayed up to 30 days while actions are taken to remove the Encumbrance

3.6. **Place of Closing.** Closing will be handled through an escrow agent at an office in Arizona of the title company that will issue the owner's title insurance policy to Option Holder.

4. **Assignment; Successors.** All of the terms, provisions and conditions of this Agreement are binding upon and inure to the benefit of the heirs, successors and assigns of the respective parties. World View's rights under this Agreement may only be assigned as part of an assignment of World View's rights and obligations under the Lease.

5. **Notices.** Any notices required or permitted to be given under the terms of this Agreement, or by law, must be in writing and may be given by personal delivery or certified mail, directed to the parties at the following addresses, or such other address as any party may designate in writing prior to the time of the giving of such notice, or in any other manner authorized by law:

**County:** Pima County Administrator  
130 W. Congress, 10<sup>th</sup> Floor  
Tucson, AZ 85701

**World View:** Chief Executive Officer  
World View Enterprises, Inc.  
1840 E. Valencia Road, Building 8, Suite 123  
Tucson, AZ 85706

With copy to: Cooley LLP  
Attn: Samantha LaPine  
4401 Eastgate Mall  
San Diego, CA 92121

Any notice given shall be effective when actually received, or if given by certified mail, then 72 hours after the deposit of such notice in the United States mail with postage prepaid.

6. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Arizona.
7. **Default.** If either party fails or refuses to carry out any provision hereof, the other party will be entitled to such remedy or remedies for breach of contract as may be available under applicable law, including without limitation the remedy of specific performance, if such other party has fully performed all of its obligations hereunder. Time is of the essence hereof.
8. **Grantor's Warranty.** County warrants that it has good title to the Property as of the Effective Date and that execution of this Agreement has been duly authorized by the Pima County Board of Supervisors.
9. **Modification.** This Agreement may not be modified except by a written agreement executed by all parties.
10. **Jurisdiction and Venue.** This Agreement must be construed in accordance with Arizona law. Jurisdiction for any dispute or claim raised under this Agreement or proceeding brought to interpret the Agreement will lie solely in the State of Arizona, with venue in Pima County.
11. **Recording.** Upon the execution of this Agreement Buyer and Seller will execute a Memorandum of Agreement in the form of **Exhibit B** and record it in the Pima County Recorder's Office.
12. **Further Assurances.** Each party will take, or cause to be taken, any reasonable actions that are necessary to ensure that both parties' rights and interests in and under this Agreement are valid and enforceable, including: (i) execute and deliver any other documents, certificates, instruments, or agreements reasonably necessary to close the transactions contemplated by this Agreement; (ii) through the expiration of the Second Option Term, maintain in County good, valid and marketable title in and to the Property, free and clear of all Encumbrances other than Permitted Exceptions.
13. **Entire Agreement.** This Agreement, together with the Lease and documents related to the Lease, sets forth the entire understanding of the parties with respect to the subject matter of this Agreement, and supersedes any and all prior understandings and agreements, whether written or oral, between the parties with respect to such subject matter.

[signature pages follow]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date first set forth above.

**GRANTOR:**

PIMA COUNTY,  
a political subdivision of the State of Arizona  
By \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Name:  
Title:

APPROVED AS TO FORM:

\_\_\_\_\_  
Deputy County Attorney

STATE OF ARIZONA )  
  ) SS.  
COUNTY OF PIMA     )

The foregoing instrument was acknowledged, subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_.

My commission expires: \_\_\_\_\_

-----  
Notary Public  
Printed Name: \_\_\_\_\_

[signatures continue on next page]

**GRANTEE:**

WORLD VIEW ENTERPRISES, INC.,  
a Delaware corporation

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
  ) SS.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged, subscribed and sworn to before me this  
\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_, of  
World View Enterprises, Inc, a Delaware corporation, on behalf of the corporation.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_

[signatures continue on the following page]

EXHIBIT ONLY - NOT FOR EXECUTION



**EXHIBIT A**

[legal description of Property]

EXHIBIT ONLY - NOT FOR EXECUTION

**EXHIBIT B**

[Memorandum of Agreement]

**When Recorded Return To:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attn: \_\_\_\_\_

*For Recorder's Use*

**MEMORANDUM OF OPTION AGREEMENT**

This Memorandum of Option Agreement is made and effective as of \_\_\_\_\_, 2016 (the "Effective Date"), by and between Pima County, a political subdivision of the State of Arizona ("**Seller**") and World View Enterprises, Inc., a Delaware corporation ("**Buyer**").

Seller and Buyer have entered into a Purchase Option, dated concurrent herewith (the "Option Agreement"), under which Seller has granted an option to Buyer to purchase the real property described in Exhibit A attached hereto and by this reference incorporated herein (the "Property"). Seller and Buyer desire to give notice to third parties of the existence of the Option Agreement.

THEREFORE, Buyer and Seller hereby agree as follows:

1. Notice. Notice is hereby given that, pursuant to the Option Agreement, Buyer has the right to purchase the Property in accordance with the terms, conditions and provisions of the Option Agreement.

2. Information. Legitimately interested parties may request information about the Option Agreement from Buyer or Seller at the following address:

Seller: Pima County Administrator  
130 W. Congress, 10<sup>th</sup> Floor  
Tucson, AZ 85701

Buyer: Chief Executive Officer  
World View Enterprises, Inc.  
1840 E. Valencia Road, Building 8, Suite 123  
Tucson, AZ 85706

3. Conflicts. This Memorandum is not intended to, and shall not, change any of the terms or provisions of the Option Agreement. In the event of any conflict between the provisions of this Memorandum and the Option Agreement, the Option Agreement shall control.

4. Counterparts. This Memorandum may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The partially executed signature page of any counterpart of this Memorandum may

be attached to any other partially executed counterpart of this Memorandum without impairing the legal effect of the signature(s) on such signature page.

[signature pages follow]

EXHIBIT ONLY - NOT FOR EXECUTION

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date first set forth above.

**GRANTOR:**

PIMA COUNTY,  
a political subdivision of the State of Arizona

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Name:  
Title:

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Deputy County Attorney

STATE OF ARIZONA )

) SS.

COUNTY OF PIMA )

The foregoing instrument was acknowledged, subscribed and sworn to before me this  
\_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_, as \_\_\_\_\_, of  
\_\_\_\_\_.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_

[signatures continue on next page]

**GRANTEE:**

WORLD VIEW ENTERPRISES, INC.,  
a Delaware corporation

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
  ) SS.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged, subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_, the \_\_\_\_\_, of World View Enterprises, Inc, a Delaware corporation, on behalf of the corporation.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_

EXHIBIT ONLY - NOT FOR EXECUTION

**EXHIBIT A  
TO  
MEMORANDUM OF OPTION AGREEMENT**

Legal Description of Property

EXHIBIT ONLY - NOT FOR EXECUTION

## EXHIBIT D

### NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

This Non-Disclosure and Confidentiality Agreement (this "**Agreement**") is entered into January 19, 2016 (the "**Effective Date**") by and between Pima County, a political subdivision of the State of Arizona with offices at 130 W. Congress, 10<sup>th</sup> Floor, Tucson, AZ 85701 ("**County**") and World View Enterprises, Inc., a Delaware corporation with offices at 1840 E. Valencia Road, Building 8, Suite 123, Tucson, AZ 85706 ("**World View**"). County and World View are sometimes referred to individually as a "**Party**" and collectively as the "**Parties**".

#### RECITALS

WHEREAS, World View is a near-space exploration company that utilizes proprietary high-altitude balloon technology to lift people and scientific payloads as much as twenty miles above earth for purposes of space tourism, other commercial applications, and scientific research;

WHEREAS, County owns a parcel of land, approximately 16.2 acres in size (the "**Space Port Parcel**"), which is within an area designated by the County as an Aerospace, Defense, and Technology Business and Research Park. The Space Port Parcel is adjacent to a 12 acre parcel (the "**Building Parcel**"). The Parties are, contemporaneously with the approval and execution of this Agreement, entering into (i) that certain Lease Purchase Agreement of even date herewith (the "**Lease Agreement**") leasing the Building Parcel to World View, and (ii) that certain Space Port Operating Agreement of even date herewith (the "**Space Port Agreement**") in which World View agrees to operate and maintain the Space Port Parcel, making it available for use by others, in exchange for the right to use it on a nonexclusive basis in connection with its operations on the Building Parcel;

WHEREAS, County is agreeing, in the Lease Agreement, to construct certain improvements on the Building Parcel in an accelerated manner (the "**Building**") in order to enable World View to commence operations on the site as soon as November 2016.

WHEREAS, County is also willing to construct, as part of the Project, a publicly available launch pad (the "**Space Port**"; together with the Building, the "**Project**"), for launching of high-altitude balloons, on the Space Port Parcel, to be utilized on a non-exclusive basis by World View in exchange for World View's maintenance and operation of it.

WHEREAS, World View is aware of the proximity of the Space Port Parcel to both Tucson International Airport and Davis Monthan Air Force Base, and has determined that it can safely, and in compliance with all FAA and all other applicable governmental laws and regulations, launch its balloons from that location.

WHEREAS, World View explored several possible sites for its operations outside of Arizona, but has agreed to locate its expanded operation in Tucson. It would not have agreed to do this without County's willingness to enter into and fulfill its obligations under this Agreement, the Space Port Agreement, and the Lease Agreement.

WHEREAS, The Pima County Board of Supervisors (the "**Board**") has authority under A.R.S. § 11-254.04 to engage in any "activity that the board of supervisors has found and determined will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants of the county," including specifically the "acquisition, improvement, leasing or conveyance of real or personal property." Based on an economic impact study by Applied Economics, commissioned

by Sun Corridor, Inc., the Board has determined that World View's operations, and hence this Agreement, the Space Port Agreement and the Lease Agreement, will have a significant positive impact on the economic welfare of the County's inhabitants.

WHEREAS, for the purposes of entering into the Lease Agreement and Space Port Agreement, and for County's construction of the Project and subsequent role as landlord under the Lease Agreement (together, the "**Purpose**"), County may gain access to materials and information of World View, or its agents or affiliates, which are non-public, confidential or proprietary in nature; and

WHEREAS, the Parties recognize the critical importance of preserving the non-public, confidential or proprietary nature of any such materials and information to the full extent permitted by law.

NOW THEREFORE, the Parties agree, each with the other, as follows:

1. Confidential Information. Except as set forth in Section 2 below, "**Confidential Information**" means all non-public, confidential or proprietary information either disclosed intentionally or unintentionally (i) before, and (ii) on or after the Effective Date, by or on behalf of World View, its agents or its affiliates to County, its agents or its affiliates (or otherwise discovered by County, its agents or affiliates without any disclosure by World View), whether disclosed orally or in written, electronic or other form or media, and whether or not marked, designated or otherwise identified as "confidential," including, without limitation: scientific, technical, financial and business information and know-how, business proposals, presentations, analyses, studies, patents, patent applications, inventions, discoveries, financial information, information concerning product differentiation, merchandising, samples, designs, product positioning, strategic and market research information, development plans for the Project, Project financials and budgets, rent, sales prices or market data related to the Project, the names of World View's present and prospective customers and suppliers, information relating to World View's customers, including, but not limited to, buying patterns, histories, trends, past orders, future needs, requirements and contact persons, production, costs, profit and margin information, including the prices and other terms upon which World View intends to sell, sells or has sold its products or at which it intends to buy, buys or has bought materials, ingredients, components, supplies, advertisements, displays, customer lists, supplier lists, pricing, other relevant marketing information, data, research, technical advantages, third-party contracts, any other information that would reasonably be considered non-public, confidential or proprietary given the nature of the information and World View's businesses, and all notes, analyses and other materials that contain, are based on, or otherwise reflect or are derived from, in whole or in part, any of the foregoing.

2. Exclusions from Confidential Information. Except as required by applicable federal, state or local law or regulation, the term "**Confidential Information**" as used in this Agreement shall not include information that:

(a) at the time of disclosure is, or thereafter becomes, generally available to and known by the public other than as a result of any breach of this Agreement by County;

(b) at the time of disclosure is, or thereafter becomes, available to County on a non-confidential basis from a third-party source, provided that such third-party is not and was not, to County's knowledge, prohibited from disclosing the information to County by any legal, fiduciary or contractual obligation;

(c) was known by or in the possession of County, as established by documentary evidence, prior to being disclosed by or on behalf of World View to County or otherwise discovered by County in



the possession of World View;

(d) was independently developed by County, as established by documentary evidence, without reference to or use of, in whole or in part, any of World View's Confidential Information; or

(e) is required to be disclosed by County pursuant to the Arizona Public Records Law, A.R.S. §§ 39-101 to -161, or any similar state or federal public-records or government-transparency laws (a "**Required Disclosure**"), provided that County must provide written notice of the fact of such disclosure and the proposed contents thereof to World View prior to making any Required Disclosure. Because World View may contract with the United States Government, including the Department of Defense, in the course of its use of the Project, some of World View's Confidential Information may be subject to federal law or contractual obligations to the United States requiring that certain Confidential Information remain strictly confidential, meaning that it not be disclosed even if it would otherwise be required to be made public under the Arizona Public Records Law, or any similar state or federal public-records or government-transparency laws (collectively "**Public Records Laws**"), to the extent federal law or orders of the United States Government preempt such Public Records Laws. The required procedures before County may make a Required Disclosure are set forth in Section 3 below.

3. Procedures Before Required Disclosure. County may disclose Confidential Information, without violating the obligations of this Agreement, to the extent such disclosure is required by law or regulation or by a subpoena or other validly issued administrative or judicial process. If County receives a public records request to which all or part of the Confidential Information in the County's possession may be responsive, the County will notify World View of the request in writing and the Confidential Information that the County believes is responsive. World View will notify County as soon as reasonably possible thereafter regarding which materials World View believes are protected from disclosure by this Agreement and the legal basis for withholding them. County will withhold any records that World View convincingly demonstrates are protected by federal laws or orders of the U.S. Government. County will be free to disclose to the requestor any other responsive Confidential Information, without liability to World View, unless World View, within ten (10) days after the date of County's written notification, obtains an order from a court of competent jurisdiction enjoining the County from disclosing the Confidential Information.

4. County Obligations. County shall:

(a) use the same degree of care to protect the Confidential Information from unauthorized disclosure and use as County uses to protect its own confidential information from unauthorized disclosure and use (but in no event less than a reasonable degree of care);

(b) not use the Confidential Information, or permit it to be accessed or used, for any purpose other than the Purpose or any related transactions between the Parties;

(c) not disclose the Confidential Information to any person or entity, except to County's agents and advisors who: (i) need to know the Confidential Information to assist County, or act on its behalf, in relation to the Purpose; (ii) are informed by County of the confidential nature of the Confidential Information; and (iii) are subject to confidentiality duties or obligations to County that are no less restrictive than this Agreement (each an "**Authorized Party**");

(d) be solely responsible for ensuring, and shall exercise a reasonable degree of care in order to ensure, that the provisions of this Agreement are performed by the Authorized Party; and

(e) promptly notify World View upon discovery of any unauthorized disclosure of Confidential Information and reasonably cooperate with World View in any effort undertaken by World View to enforce its rights related to any such unauthorized disclosure.

5. No World View Representations or Warranties; Disclaimer of Liability. World View makes no representation or warranty as to the accuracy of any Confidential Information disclosed to or discovered by County. World View shall not be liable to County for any losses relating to or resulting from County's use of any of the Confidential Information or any errors therein or omissions therefrom, except as may be provided in a subsequent written agreement.

6. Termination; Survival of Obligations; Return or Destruction of Confidential Information. This Agreement will terminate five (5) years after the termination of the Lease Agreement, or may be earlier terminated by a written agreement signed by both Parties. County's obligations to protect any Confidential Information previously received from World View shall survive five (5) years following any termination or expiration of this Agreement. At any time during or after the term of this Agreement, at World View's written request, County shall promptly destroy all copies, whether in written, electronic or other form or media, of World View's Confidential Information and certify in writing to World View that such Confidential Information has been destroyed; provided that County shall not be required to destroy electronic copies of any portions of the Confidential Information created pursuant to standard archival or back-up procedures and not available to end users, or as may be required pursuant to Public Records Laws.

7. Proprietary Interest. County understands and agrees that County shall not obtain any proprietary interest in any Confidential Information developed or acquired in the course of its association with World View. This Agreement shall not operate in a way to grant or confer any right or license in any of the Confidential Information, nor as a consent by World View to County for County's use of any Confidential Information which may become public knowledge through any breach of this Agreement by or on behalf of County.

8. No Further Agreement. Nothing in this Agreement shall be construed as representing any commitment by either Party to enter into any other agreement, whether relating to the Purpose or otherwise. Neither the execution and delivery of this Agreement nor the delivery of any Confidential Information hereunder shall be construed as granting to County by implication, estoppel or otherwise, any right in or license under any present or future invention, trade secret, trademark, copyright, or patent, now or hereafter owned or controlled by World View.

9. Remedies. County acknowledges and agrees that the Confidential Information is a valuable, special and unique asset of World View's business which gives World View an advantage over World View's actual and potential competitors and any unauthorized disclosure or unauthorized use of the Confidential Information may irreparably injure World View. If any action should have to be brought by World View against County to enforce the provisions of this Agreement, County recognizes, acknowledges and agrees that World View shall be entitled to seek all of the civil remedies provided by federal, state and local law, including without limitation, preliminary and permanent injunctive relief restraining County from any actual or threatened unauthorized use or disclosure of any Confidential Information, in whole or in part. Nothing in this Agreement shall be construed as prohibiting World View from pursuing any other legal or equitable remedies available for breach or threatened breach of this Agreement.

10. Assignability. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, and shall be freely assignable by World View to any assignee of its interest under the Lease.

11. Notice. Any and all notices or other communications or deliveries required or permitted to be given or made pursuant to any of the provisions of this Agreement shall be deemed to have been duly given or made for all purposes: (i) if hand delivered, on the day delivered; (ii) if sent by a nationally recognized overnight courier, costs prepaid, on the next business day after being deposited with such courier, or (iii) if sent by email during normal business hours on a business day, on the day sent, provided that the sender promptly delivers a hard copy to the recipient by the method set forth in (i) or (ii), in each case to the applicable addresses set forth below or to such other address as such Party has designated by notice so given to the other Party:

If to County: To County's address set forth above  
Attention: Pima County Administrator

If to World View: To Company's address set forth above  
Attention: Chief Executive Officer

With a copy to: Cooley LLP  
Attention: Samantha LaPine  
4401 Eastgate Mall  
San Diego, CA 92121

12. Rules of Construction.

(a) This Agreement shall be governed and construed in accordance with the statutory and common law of the State of Arizona and applicable federal law, without regard to any conflicts of law principles that. Any actions brought to enforce or interpret this Agreement shall be brought only in a court of competent jurisdiction in Pima County, Arizona.

(b) No change, modification or termination of any other terms, provisions, or conditions of this Agreement shall be effective unless made in writing and signed or initialed by both Parties to this Agreement. The waiver by a Party of a breach or a threatened breach of any provision of this Agreement by the other Party shall not be construed as a waiver of any subsequent breach.

(c) Each provision of this Agreement shall be valid and enforced to the fullest extent permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

(d) This Agreement constitutes the entire Agreement between the Parties pertaining to the subject matter hereof, and it supersedes all negotiations, preliminary agreements, and all prior and contemporaneous discussions and understandings of the Parties in connection with the subject matter hereof.

(e) This Agreement may be executed in any number of counterparts, and by facsimile or electronically transmitted signature and each such counterpart and signature shall be deemed to be an original and all of which shall constitute one agreement that is binding on all Parties hereto.

[signature page to follow]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date first set forth above.

**WORLD VIEW  
ENTERPRISES, INC.,** a  
Delaware corporation

**PIMA COUNTY,** a political  
subdivision of the State of  
Arizona

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: President  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Chair of the Board of  
Supervisors  
\_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Name:  
Title:

APPROVED AS TO FORM:

\_\_\_\_\_  
Deputy County Attorney

# ATTACHMENT 5

## SPACE PORT OPERATING AGREEMENT

This Space Port Operating Agreement (this "Operating Agreement") is entered into, effective as of January 19, 2016 (the "Effective Date"), by and between Pima County, a political subdivision of the State of Arizona ("County") and World View Enterprises, Inc., a Delaware corporation ("World View").

### 1. Background and Purpose.

- 1.1. World View is a near-space exploration company that utilizes proprietary high-altitude balloon technology to lift people and scientific payloads as much as twenty miles above earth for purposes of space tourism, other commercial applications, and scientific research.
- 1.2. County owns a parcel of land, approximately 16.2 acres in size, which is legally described on Exhibit A and depicted on Exhibit B (the "Space Port Parcel"), which is within an area designated by the County as an Aerospace, Defense, and Technology Business and Research Park. The Space Port Parcel is adjacent to a 12 acre parcel (the "Building Parcel"). The parties are, contemporaneously with the approval and execution of this Operating Agreement, entering into an agreement (the "Lease Agreement") leasing the Building Parcel to World View.
- 1.3. The County is agreeing, in the Lease Agreement, to construct certain improvements on the Building Parcel in an accelerated manner (the "Project") in order to enable World View to commence operations on the site as soon as November 2016.
- 1.4. County is also willing to construct, as part of the Project, a publically available launch pad (the "Space Port"), for launching of high-altitude balloons, on the Space Port Parcel, as shown on Exhibit B, to be utilized on a non-exclusive basis by World View in exchange for World View's maintenance and operation of it.
- 1.5. World View is aware of the proximity of the Space Port Parcel to both Tucson International Airport and Davis Monthan Air Force Base, and has determined that it can safely, and in compliance with all FAA and all other applicable governmental laws and regulations, launch its balloons from that location.
- 1.6. World View explored several possible sites for its operations outside of Arizona, but has agreed to locate its expanded operation in Tucson. It would not have agreed to do this without County's willingness to enter into and fulfill its obligations under this Operating Agreement and the Lease Agreement.
- 1.7. The Pima County Board of Supervisors (the "Board") has authority under A.R.S. § 11-254.04 to engage in any "activity that the board of supervisors has found and determined will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants of the county," including specifically the "acquisition, improvement, leasing or conveyance of real or personal property." Based on an economic impact study by Applied Economics, commissioned by Sun Corridor, Inc., the Board has determined that World View's operations, and hence this Operating Agreement and the Lease Agreement, will have a significant positive impact on the economic welfare of Pima County's inhabitants.

2. Term. This Operating Agreement will be for a term of 20 years (the "Term") commencing on the Commencement Date as defined in Section 3.4 below. If, however, the Lease Agreement is for any reason terminated prior to the expiration of the Term, this Operating Agreement will also terminate at the same time.
3. Construction of Space Port. County will construct the Space Port on the Space Port Parcel. Unless enlarged as provided in Section 3.2 below, the Space Port will consist of a 700-foot diameter reinforced concrete slab, generally as depicted in the conceptual diagram attached as Exhibit B.
  - 3.1. Maximum Cost. County's total cost for design and construction of the Space Port, including all site-preparation work, permitting, plan review, County's construction-oversight costs, and the cost of any necessary off-site work, cannot exceed \$1,500,000 (the "NTE Amount"), and County has no obligation to expend more than the NTE Amount on design and construction of the Space Port.
  - 3.2. Additional Funding. The County is applying for \$1,000,000 in grant funding from the Arizona Department of Transportation in order to partially reimburse the County for the cost of building the Space Port. World View understands that the Space Port must be operated as a public aviation facility, and it will reasonably assist the County in obtaining the ADOT funding, provided that in no event will that assistance include incurring any out-of-pocket expenses.
  - 3.3. Construction as Part of Project. Design and construction of the Space Port will be done as part of the Project. Section 5 of the Lease Agreement is incorporated into this Operating Agreement by reference.
  - 3.4. Commencement Date. County will notify World View, in writing, thirty (30) days in advance of when County reasonably anticipates that construction of the Space Port will be Substantially Complete (as defined in the Lease) and will notify World View if that date changes. The date that County opens the Space Port for use, with construction Substantially Complete, will be the "Commencement Date." World View may have access to the Space Port as of the date that is fourteen (14) days prior to the anticipated Commencement Date, in order to conduct any pre-operational set-up activities or preparations, provided that it does not interfere with work needed for final completion of the Space Port. Before doing so, World View must furnish County with proof that it has the insurance coverage required by Section 6 below.
4. Operation of Space Port. World View will, during the Term, operate and maintain the Space Port at its own expense as provided below.
  - 4.1. Permitted Uses; Third-Party Users. The Space Port may only be used by World View, and by others with World View's oversight, for launching of high-altitude balloons and associated payloads. World View will make the Space Port available to others for the permitted uses whenever the Space Port is not being actively utilized by World View itself. World View will have sole but commercially reasonable discretion to issue criteria from time to time for the use by third parties of the Space Port, including, without limitation, insurance requirements in excess of those required by this Operating Agreement and criteria related to experience, safety, financial capacity and FAA authorization, and will provide notice of such criteria to County from time to time. World View may also require that any third-party users enter into commercially reasonable

use, license, waiver, indemnification, non-disclosure and similar agreements with World View. World View may, in its sole but commercially reasonable discretion, set restrictions on the time and manner of use, temporarily close the Space Port to all use, and may restrict or limit use as is necessary to comply with local, state and federal law. World View may, in its commercially reasonable discretion, prohibit users who do not meet such criteria or who do not agree to enter into such agreements from using the Space Port.

- 4.2. Fees. World View may charge other users a fee based on a reasonable apportionment of operating costs incurred by World View under this Operating Agreement, including, without limitation, maintenance and repair expenses, insurance expenses, utility expenses and casualty costs. All fees collected for use of the Space Port must be utilized by World View for operation and maintenance of the Space Port. World View will annually report to County the amount of fees collected and how they were expended.
- 4.3. Laws and Regulations. World View will comply in all material respects, and will use commercially reasonable efforts to ensure that other Space Port users comply in all material respects, with all government laws and regulations applicable to use and operation of the Space Port. World View will not commit or allow to be committed any waste or other nuisance on the Space Port. World View must obtain any necessary FAA and Air Traffic Control approvals for its activities on the Space Port, and must use commercially reasonable efforts to ensure that any other user has obtained any such necessary approvals. World View must coordinate the activities on the Space Port with the Tucson Airport Authority.
- 4.4. Hazardous Materials Prohibited; Compliance with Environmental Laws. World View may not cause or knowingly permit any Hazardous Materials to be brought upon, kept, or used in or about the Space Port by World View, its agents, employees, contractors, or invitees, without the prior written consent of County, other than such Hazardous Materials that are necessary or useful to World View's business and will be used, kept, stored and disposed of in a manner that complies with all laws regulating any such materials or substances. World View's operations at the Space Port must comply with all applicable provisions of environmental laws and regulations, including but not limited to the Resource Conservation and Recovery Act (RCRA) (40 U.S.C. 260 et seq. and Arizona Revised Statutes, Title 49, Chapter 4), and the Clean Air Act (42 U.S.C. 7401 et seq. and Arizona Revised Statutes, Title 49, Chapter 3). As used in this Operating Agreement, the term "Hazardous Material" means any toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous substance, material or waste that is, or during the Term becomes, regulated under any applicable local, state, or federal law or regulation, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302 and amendments thereto).
- 4.5. Hazardous Materials Indemnification. County represents and warrants to World View that, as of the Commencement Date, and except as may be disclosed in that certain Expanded Phase I Environmental Site Assessment for Raytheon Buffer Zone – Auriga Properties, Prepared by EEC for County Project 309025.11, dated 3/27/2012, it has no actual knowledge of the presence of any Hazardous Materials on, under or about the



Space Port. County will indemnify, defend (by in-house counsel or by other counsel acceptable to World View), and hold World View, and each of World View's directors, officers, employees, agents, and shareholders, harmless, from and against any and all claims, liabilities, penalties, fines, judgements, forfeitures, losses, costs, or expenses (including attorneys' fees, consultant fees, and expert fees) (collectively, "Claims"), arising from or caused in whole or in part, directly or indirectly, (a) by County's breach of its representation in this Section 4.5, and (b) Claims resulting from the presence of Hazardous Material on, under or about the Space Port after the Commencement Date unless resulting from World View's breach and any and all costs of any investigation, repair, remedial planning, cleanup, detoxification, or decontamination of the Space Port (including, without limitation, the soil and ground water on or under the Space Port), that is required by a regulatory authority or court of competent jurisdiction. County may, at its own cost, challenge any such order. County's obligations extend only to any condition that existed in, on, under, about or from the Space Port prior to the Commencement Date (including aggravation of any such condition), of which County had actual knowledge and that it did not disclose as provided in this Paragraph. County's obligations under this Section 4.5 will survive the expiration or termination of this Operating Agreement. "Actual knowledge" of the County, for purposes of this paragraph, means the actual knowledge of the County Administrator, any Deputy County Administrator, or any County department head, and any fact that is readily ascertainable by review of files related to the County's acquisition and use of the Space Port Parcel, which are accessible to those individuals on the Effective Date of this Operating Agreement.

- 4.6. Utilities. World View will pay before delinquent all charges for all utilities used for operation of the Space Port.
- 4.7. Repair and Maintenance. World View will, at its own expense, maintain, repair and, when necessary, replace, every part of the Space Port, and will keep it in good order, condition and repair, reasonable wear and tear excepted, and in a clean, sanitary and safe condition, in accordance with all applicable laws, ordinances and regulations of any governmental authority having jurisdiction.
- 4.8. Damage from Casualty. If any part of the Space Port is damaged or destroyed by any cause whatsoever (other than the negligent or willful acts or omissions of County or of any third-party user of the Space Port), during the Term of this Operating Agreement, World View 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 World View's obligations under this Operating Agreement will not terminate; *except that*, (a) if such damage or destruction is due to the County's negligent or willful acts or omissions, World View will have no obligation to repair or replace the Space Port, World View may terminate this Operating Agreement upon sixty (60) days' notice to County and World View will have no obligation to pay any insurance proceeds to County; (b) if World View maintained the insurance required by Section 6 of this Operating Agreement at the time of such destruction and despite World View's commercially reasonable efforts, such insurance proceeds are unavailable or are insufficient to rebuild the Space Port in a manner reasonably acceptable to County and World View, World View may terminate this Operating Agreement upon sixty (60) days' notice to County and World View will, at its sole cost and expense, clean and clear the site of all debris, repair the site and install landscaping so that the Space Port Parcel blends in reasonably well with the

surroundings, and pay all remaining insurance proceeds to the County; and (c) if the Space Port is substantially destroyed by fire or other casualty at any time during the last five (5) years of the Term, then World View may terminate this Operating Agreement by written notice given to County within sixty (60) days after the date of such destruction, and World View will be discharged from responsibility to repair the damage, but World View will, in that event, at World View's sole cost and expense, clean and clear the site of all debris, repair the site and install landscaping so that the Space Port Parcel blends in reasonably well with the surroundings, and pay all remaining insurance proceeds to the County.

5. Inspections by County. County reserves the right to enter the Space Port to inspect its condition, provided that, except in case of emergency, (a) County will give World View at least twenty-four (24) hours advance written notice, (b) County representatives must be accompanied by a representative of World View at all times, and (c) all County representatives and agents entering the Space Port must be citizens of the United States. If World View contracts with the United States and such contracts require certain areas of the Space Port be restricted in entirety or at certain times, World View will promptly notify County of such restrictions and County thereafter agrees to strictly follow such restrictions in accordance with federal law. County will use reasonable efforts to not interrupt World View's business at the Space Port. County may, in the event of an emergency, use any means necessary to open gates or doors in order to obtain entry to the Space Port, without liability to World View except for damage caused by a failure of County to exercise reasonable care for World View's property, subject to federal law.
6. Insurance and Indemnity.
  - 6.1. Indemnity. To the fullest extent permitted by law, World View will defend, indemnify and hold County harmless from and against all claims arising out of or relating (directly or indirectly) to any activities conducted, or conditions existing, on the Space Port during the Term, except to the extent caused by County's negligence or intentional misconduct.
  - 6.2. Liability Insurance Requirements. World View will, at its own expense, obtain and maintain during the Term the insurance coverages listed below, which may be included in the policies that World View is required to carry under the Lease Agreement with respect to the Premises. County may from time to time review and reasonably adjust the types or limits of insurance required. All policies will name County as an additional insured.
    - 6.2.1. Commercial General Liability coverage. Policy will include bodily injury and property damage coverage with limits of \$1,000,000 Each Occurrence and \$2,000,000 General Aggregate.
    - 6.2.2. Auto Liability coverage of \$1 million for vehicles used on or in connection with World View's use of the Premises.
    - 6.2.3. As required by law, Workers' Compensation coverage.

6.3. Additional Insurance Requirements.

6.3.1. World View will provide County with current certificates of insurance annually. All certificates of insurance must provide for guaranteed thirty (30) days written notice to the County of cancellation or non-renewal.

6.3.2. World View's liability insurance must be primary insurance and non-contributory with respect to all other available sources.

6.4. Property Insurance. World View will obtain and keep in force during the entire Term a policy of insurance covering loss or damage to the Space Port in the amount of the full replacement value thereof, providing protection against all vandalism, malicious mischief, special extended perils (all risk) and will deliver to County a Certificate of Property insurance, with County named as additional insured. Said Certificate must be satisfactory to County. World View will provide a copy of World View's policy of property insurance to County annually.

6.5. Users' Insurance. World View will, before allowing any other individual or entity to utilize the Space Port, obtain proof that the user has in place liability coverage at least as broad as the policies listed above, which have been endorsed to name World View and County as additional insureds.

7. Default/Termination. Either party may present written notice of default or non-performance to the other party.

7.1. World View Default. The occurrence of any one or more of the following events constitutes a default and breach of this Operating Agreement by World View for which County may terminate this Operating Agreement (each an "Event of Default"):

7.1.1. Default of Lease Agreement. Any default beyond any applicable cure period of the Lease Agreement entered into contemporaneously with this Operating Agreement.

7.1.2. Insurance. The failure by World View to maintain insurance policies as set forth above for any period of time, in which event World View must immediately cease all operations at the Space Port until such insurance is obtained, provided that the failure to maintain insurance will not be a default and breach of this Operating Agreement so long as World View ceases all operations and thereafter procures such insurance within thirty (30) days of the termination or cancellation of the applicable policy. In the event of such a default, County may, in County's sole discretion, obtain necessary insurance coverage in which event World View will, within 5 days of demand, reimburse and pay to County the full amount of any costs and premiums expended by County to obtain such coverage.

7.1.3. Violation of Law. World View's material violation of any law applicable to the Space Port or World View's operation or occupancy thereof, or the conduct of any unlawful activities on the Space Port that are knowingly permitted by World View, either tacitly or explicitly, or that World View has not taken commercially reasonable means to prevent after World View becomes or in the exercise of reasonable diligence should have become aware that such activities are being

conducted, where such violation or conduct continues for more than thirty (30) days after written notice from County.

7.1.4. Other Covenants. The failure by World View to observe or perform any other covenant, condition or provision of this Operating Agreement to be observed or performed by World View, where such failure continues for a period of 30 days after written notice of the failure by County, provided, however, that if the nature of World View's default is such that more than 30 days are reasonably required for its cure, then World View will not be in default if World View commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

7.2. County Default. Failure by County to comply with its obligations under this Operating Agreement, within 30 days after County's receipt of written notice from World View detailing the nature of the obligation, will constitute an Event of Default by County, except that if the nature of County's default is such that more than 30 days are reasonably required for its cure, then County will not be in default if County commences the cure within 30 days and thereafter diligently prosecutes the cure to completion.

7.3. Remedies.

7.3.1. All Remedies Available. Except as expressly provided elsewhere in this Operating Agreement, either party may pursue any remedies provided by law or in equity following an Event of Default, including termination, injunction, specific performance and damages. No right or remedy is intended to be exclusive of any other right or remedy and each is cumulative and in addition to any other right or remedy.

7.3.2. No Consequential Damages. Notwithstanding anything to the contrary in this Operating Agreement, neither County nor World View will be liable to the other for any consequential, special or indirect damages (in each case, regardless of whether such damages are foreseeable).

7.3.3. Cure by County. If World View fails to perform in a timely manner any of its obligations under this Operating Agreement following any applicable notice and cure periods County may (but is not obligated to) perform those obligations and charge World View for the costs, together with interest at the statutory rate for interest on judgments, from the date the expense was incurred until it is paid by World View.

7.3.4. Cure by World View. If County fails to perform in a timely manner any of its obligations under this Operating Agreement following any applicable notice and cure period, World View may (but is not obligated to) perform those obligations and offset rent coming due under the Lease Agreement by the reasonable out-of-pocket amount incurred by World View in undertaking such performance.

8. Notices. Except as otherwise specifically provided, all notices to be given under this Operating Agreement must be in writing and be either served personally or sent by certified or registered mail, return receipt requested, to the parties at the addresses indicated below

or to such other persons or addressees as either party may designate in writing to the other party:

If to County:

Pima County Administrator  
130 W. Congress, 10<sup>th</sup> Floor  
Tucson, AZ 85701

If to World View:

Chief Executive Officer  
World View Enterprises, Inc.  
1840 E. Valencia Rd., Bldg. 8, Ste. 123  
Tucson, AZ 85706

With a copy to:  
Cooley LLP  
4401 Eastgate Mall  
San Diego, CA 92121  
Attn: Samantha M. LaPine

9. Assignment. Except as expressly provided below, World View does not have the right to assign its rights or obligations under this Operating Agreement, in whole or in part, without the prior written consent of the County. World View may only assign this Operating Agreement concurrently with an assignment of the Lease Agreement. County will not unreasonably withhold, condition, or delay its consent to a proposed assignment, but World View acknowledges that it is reasonable for County to do so if, in County's reasonable business judgment, the intended assignee has not demonstrated that it has the financial and operational capacity to match the actual (not merely the required) employment and salary levels likely to be achieved by World View under the Lease Agreement, and to perform all of World View's obligations under this Operating Agreement. No consent by County to an assignment will release World View from any of its obligations under this Operating Agreement. Notwithstanding the foregoing, World View may without County's prior consent, but upon not less than fifteen (15) days prior written notice to County, (1) to assign this Operating Agreement to any entity controlling, controlled by or having fifty percent (50%) or more common control with World View, or resulting from a merger or consolidation with World View or acquiring all of the assets and/or stock of World View; provided that any such entity assumes all obligations under this Operating Agreement.
10. Cancellation for Conflict of Interest. This Operating Agreement may be cancelled for conflict of interest pursuant to A.R.S. § 38-511, the provisions of which are incorporated in this Operating Agreement by this reference.
11. World View not an Agent of County. World View is not an agent of County for any purpose under this Operating Agreement or otherwise. World View will control activities on the Premises and on the Space Port, and County will not control those activities. World View's employees and servants are not under the control of County.
12. Non-Discrimination. World View will comply with applicable local, state and federal laws, rules and regulations concerning equal employment opportunity and non-discrimination; with the Americans with Disabilities Act, to the extent applicable to World View's operation and the Premises; and with all provisions and requirements of Arizona Executive Order 75-5, as amended by Executive Order 2009-09, which is incorporated into this Operating Agreement.

13. Non-Appropriation. County's performance of its obligations under this Operating Agreement may be dependent upon the appropriation of funds by the Board of Supervisors of the County, or the availability of funding from other sources. Should the Board fail to appropriate the necessary funds, or if funding becomes otherwise not legally available to the County prior to the Commencement Date for the purpose of fulfilling County's obligations under this Operating Agreement, County will be relieved of that obligation and World View may terminate this Operating Agreement.
14. Choice of Law. The laws of the State of Arizona apply to any action relating to this Operating Agreement and any court action must be brought in a court in Pima County, Arizona.
15. Non-Waiver. The failure of either party to insist in any one or more instances upon the full and complete performance of any term of this Operating Agreement to be performed by the other party, or to take any action permitted as a result of that failure, 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 does not constitute an accord and satisfaction.
16. Entire Agreement. Except as otherwise provided, this Operating Agreement, together with its exhibits, and the Lease Agreement and its exhibits, constitutes the entire agreement between County and World View with respect to the Space Port.
17. Force Majeure. A party's nonperformance of an obligation under this Operating Agreement is excused for the time period, and to the extent, that the performance is prevented or delayed by strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, or any other cause beyond the reasonable control of that party, except World View's obligations to pay rent or other monetary sums due under the Lease Agreement (collectively, the "Force Majeure").
18. Amendment. This Operating Agreement may not be amended except by a written instrument duly executed by both parties.
19. Authorization. County and World View each warrant to the other that the individuals executing this Operating Agreement on behalf of that party are duly authorized to do so.

[Signatures Follow]

WORLD VIEW ENTERPRISES, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
President

Date: \_\_\_\_\_

PIMA COUNTY, a political subdivision  
of the State of Arizona

By: \_\_\_\_\_  
Chair of the Board of Supervisors

Date: \_\_\_\_\_

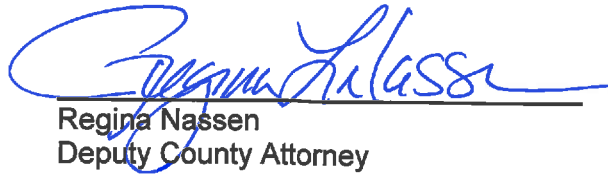
ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

  
\_\_\_\_\_  
C.H. Huckelberry  
County Administrator

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Regina Nassen  
Deputy County Attorney



3528 N. FLOWING WELLS RD  
TUCSON, ARIZONA 85705  
TEL: 520-322-6400  
FAX: 520-322-6401

**LEGAL DESCRIPTION – POLARIS JOB NO. 15271**  
January 12, 2016

EXHIBIT A - PARCEL 1:

That portion of the Northeast quarter of Section 31, Township 15 South, Range 14 East, Gila and Salt River Meridian, Pima County, Arizona, being more particularly described as follows:

Commencing at the Northeast corner of said Section 31, said corner being a 2-1/4 inch steel capped pipe in concrete marked "T15S, 30, 29, 31, 32, R14E", from which the East one-quarter corner of said Section 31 bears South 00°13'54" East, 2670.77 feet distant, said corner being a 1-1/2 inch aluminum cap marked "1/4, 31, 32";

Thence South 00°13'54" East 473.52 feet upon the East line of the Northeast quarter of said Section 31 to the **Point of Beginning**;

Thence continue South 00°13'54" East 1292.54 feet upon said East line;

Thence South 89°46'06" West 822.92 feet;

Thence North 00°13'54" West 474.84 feet to the Southeast right-of-way of South Access Road per Book 26 at Page 13 of Road Maps, Sequence No. 20140980052, Pima County Records;

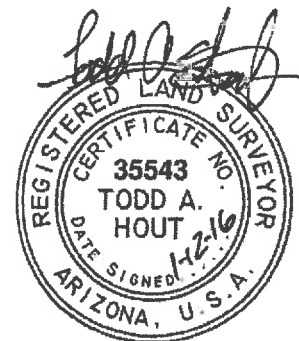
Thence North 47°26'07" East 1003.92 feet upon said Southeast right-of-way;

Thence North 42°33'53" West 50.00 feet upon said Southeast right-of-way;

Thence North 47°26'07" East 139.20 feet upon said Southeast right-of-way to a curve, turning to the left, concave to the Northwest with a radius of 431.00 feet;

Thence Northeasterly upon said curve, upon said Southeast right-of-way, through a delta angle of 2°06'47" and an arc length of 15.90 feet to the **Point of Beginning**.

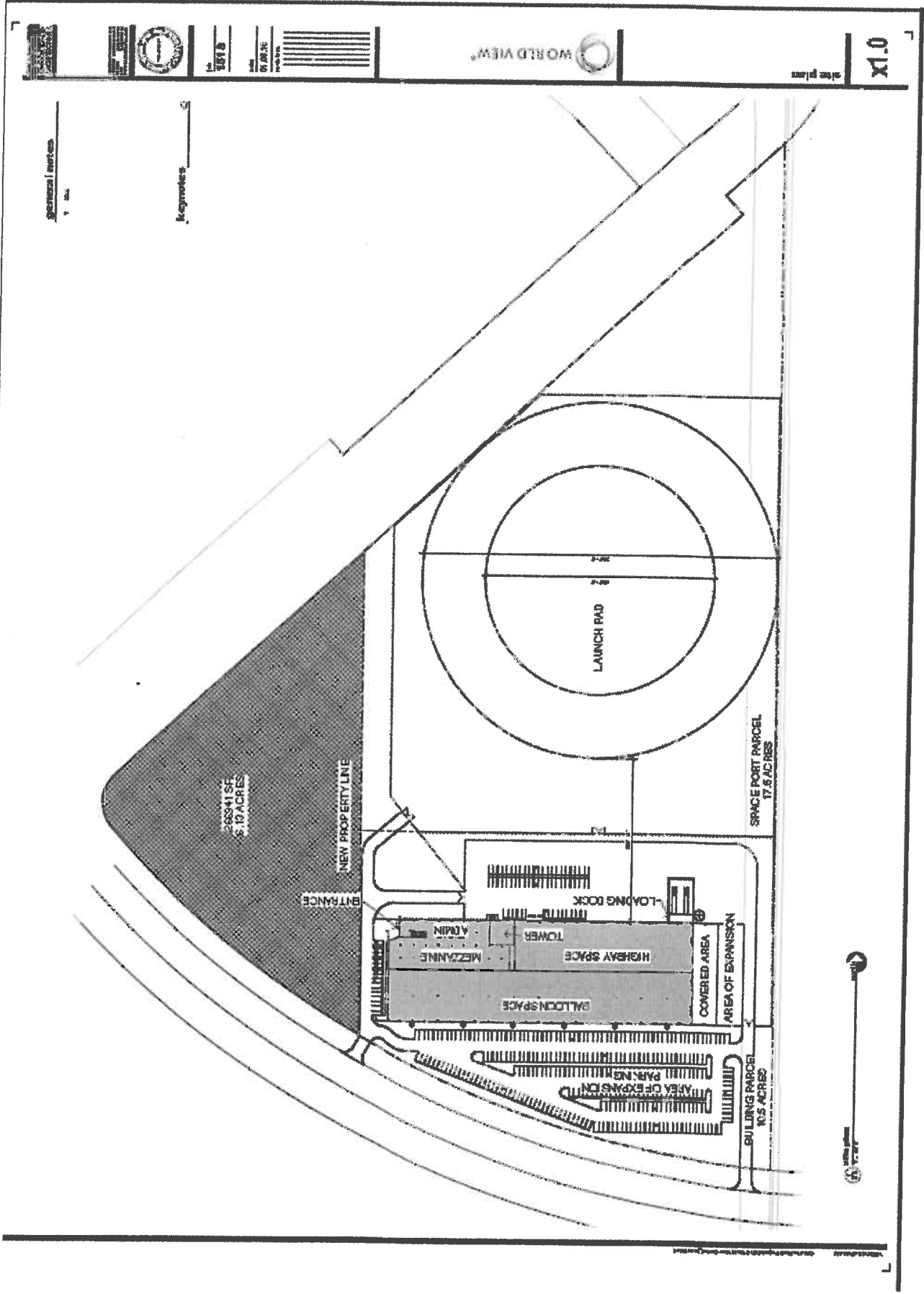
The area of said Parcel 1 contains 705,815.8 square feet or 16.20 acres, more or less.



EXPIRES 12-31-18



EXHIBIT B - SITE PLAN



# ATTACHMENT 6

# Space Industry Competition



Other spaceports have been proposed by: Alabama, Colorado, Florida, Hawaii, Indiana, Puerto Rico, Texas (multiple locations), Washington, Wisconsin, and Wyoming.