



MEMORANDUM

Date: August 10, 2018

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Insurance Requirements for World View Enterprises, Inc. Lease Purchase Agreement**

At the August 7, 2018 Board of Supervisors Meeting, Supervisor Ally Miller placed an item on the Agenda to discuss World View. During the discussion, an issue was raised regarding the adequacy of insurance. The insurance requirements are attached for your review on Pages 9 and 10 of World View's Lease/Purchase Agreement. (Attachment 1)

The second sentence of the insurance requirements makes it clear the County had authority to increase the insurance requirements above those stated in the lease. The highlighted areas on Pages 9 and 10, Item 10.2 of World View's Lease/Purchase Agreement indicates the County may periodically review and adjust the types and limits of insurance requirements. It states,

"... County may from time to time review and reasonably adjust the types or limits of insurance required."

Risk Management and the County's insurance broker reviewed the coverage and required the \$5,000,000 in general liability and aviation coverages.

The 2018 liability policy provides commercial general liability (CGL) coverage up to \$5,000,000 per occurrence. The liability policy also covers both aviation general liability and aircraft liability exposures. The CGL policy has no policy limits as reflected in the certificate of insurance and verified by the broker. Therefore, the only limit is the \$5,000,000 per occurrence and not the number of occurrences during the policy year.

World View's detailed insurance requirements were reported on Page 4, Item 7, of my February 8, 2018 memorandum (Attachment 2).

These requirements were based on an industry review associated with aviation and based on the fact World View was not a licensed commercial carrier who could not carry passengers and their vehicles/flight operations included low risk aeronautical operations, that are not mechanically powered by internal combustion engines or jet engines.

The Honorable Chairman and Members, Pima County Board of Supervisors
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Our Risk Manager, Lauren Eib, has reviewed the insurance requirements with World View's insurance broker to ensure that the 2018 insurance provided is appropriate to the County's insurance requirements. The current liability policy for 2018 provides the requested combination of insurance and limits for World View's general liability, aviation and aircraft business liability exposures (Attachment 3).

I trust this information resolves any concerns regarding the adequacy of the insurance requirements of World View. We will not pursue or ask for any alteration of these requirements at this time.

CHH/anc

Attachments

c: Jan Leshar, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
John Voorhees, Assistant County Administrator
Lauren Eib, Risk Manager, Finance and Risk Management

ATTACHMENT 1

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

ATTACHMENT 2

useful to WV's business..." Hence, written consent for the use of hydrogen is not required; as it is used as part their business.

We are not aware of any regulated hazardous materials present at the site that would require written consent from the County.

7. Insurance

The following information is regarding certificates and/or evidence of insurance (Attachment 4), both liability and property, that are in place for World View Enterprises:

- Commercial General Liability Insurance is listed as \$5 million for each occurrence; including no-fault medical expense coverage for \$5,000 per person; and personal and injury insurance t \$3 million per occurrence.
- Workers Compensation Insurance as required by Arizona statue for coverage by employer for any employee's work related injury and Employers' Liability Insurance with policy limits of \$1 million for each accident and for each employee.
- Property Insurance coverage for replacement cost of the building with the insurance value of \$12.2 million and the SpacePort insured at \$2.2 million. Pima County is also a loss payee. Policy also includes insurance coverage for World View's business personal property with limits of \$3 million.

In addition, the replacement cost of the building is insured at \$12.2 million; SpacePort insured at \$2.2 million; and Business Personal Property insured at \$3 million with Pima County as a Loss Payee on the policy.

8. Vehicles

There were no County vehicles used at the World View facilities. World View vehicles are all gasoline or diesel, with internal combustion engines.

9. Related Economic Development benefits of World View

The location of World View kicked off a number of space related businesses seeking to relocate or expand in Pima County. Vector Space was a direct attraction initiated by World View senior management's meetings with Vector that included positive comments on the County's support and the development of the Aerospace Research Campus. World View's customer list includes the "Who's Who" of the space business with many coming to Spaceport Tucson to collaborate on and participate in mission development and launches.

ATTACHMENT 3

