

ARTICLE 6 - COMPLIANCE WITH LAWS, OPERATION OF BUSINESS, ETC.

6.1 COMPLIANCE WITH LAWS

- (a) Subject to Section 5.15, the Sublessee shall, at its sole cost and expense, promptly observe and comply with all provisions of law including, without limitation, all requirements of all governmental authorities, including federal, provincial and municipal legislative enactments, bylaws and other regulations now or hereinafter in force which pertain to or affect the Subpremises, the Sublessee's use of the Subpremises or the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the Subpremises and the Sublessee shall observe and comply with all police, fire and sanitary regulations and recommendations imposed by any governmental authorities including federal, provincial or municipal, and carry out all modifications, alterations or changes of or to the Subpremises (subject to obtaining the prior consent of the Sublessor), which are required by such authorities as a result of the Sublessee's occupation and use of the Subpremises or the business conducted therefrom as if the Subpremises were subject to the jurisdiction of provincial and municipal law and the Sublessor may require compliance with those laws whether or not, as a matter of law, those laws apply to the Subpremises or the business conducted therefrom and the Sublessor may enter into such agreements or arrangements with any governmental authority with respect to the application or enforcement of those laws and the Sublessee shall attorn to the jurisdiction of such governmental authority in accordance with any such agreements or arrangements.
- (b) Except for constitutional or other challenges arising out of the fact that the Subpremises are located on lands owned by the Crown Canada, which challenges are hereby prohibited without the written consent of the Sublessor which may be unreasonably withheld, the Sublessee may appeal or challenge any law, order or ruling in its own name or, subject to the Sublessor's approval not to be unreasonably withheld, in the Sublessor's name if required, upon agreeing to indemnify the Sublessor with respect to such action and all costs relating thereto, with security, and the Sublessor hereby agrees to bring or join in any such proceeding.

- (c) The Sublessee shall fully comply and shall ensure that any assignees or approved SubSublessees fully comply with any zoning regulations enacted pursuant to the Aeronautics Act, R.S.C. 1985, c. A-2 including the Victoria International Airport Zoning Regulations, as amended or replaced from time to time, as if the Subpremises were not a part of the "airport" within the meaning of the Aeronautics Act and the Victoria International Airport Zoning Regulations, as amended or replaced from time to time. Notwithstanding the above, no zoning regulation shall apply to or in respect of a use of land, buildings, structures or objects or a building, structure or object that, on the Day on which the zoning regulation comes into force, exists as a use, building, structure or object that does not conform with the zoning regulations.

6.2 OPERATION OF BUSINESS

The Sublessee shall conduct its business in an efficient, businesslike, lawful and ethical manner and shall not carry on or permit on the Subpremises any noisome or offensive trade or business and no act or conduct whatsoever shall at any time during the Term or any renewal be done which may in the reasonable opinion of the Sublessor cause annoyance, nuisance, grievance or damage to the Sublessor, the public, other sublessees, other occupiers, or owners of adjoining lands or properties, or which may make void or voidable any policy of insurance carried by the Sublessor or which may result in any increase of premium for any such policy of insurance.

6.3 RULES AND REGULATIONS

The Sublessee agrees to abide by any and all reasonable rules and regulations imposed by the Sublessor from time to time pertaining to vehicular and pedestrian traffic control, airport security, refuse compacting, collection and disposal, sanitation, care and use of common and outside areas, and other similar matters for the good, welfare and benefit of all persons using or visiting Airport Lands generally. The Sublessee expressly acknowledges that the Sublessor may impose parking and other charges relating to the use of off-Subpremises areas, whether or not such areas have been designated or used as "common areas".

ARTICLE 7 - BUILDER'S LIENS, MORTGAGES AND ENCUMBRANCES, AND RENT, ETC.

7.1 BUILDER'S LIENS

The Sublessee shall procure the discharge, at its expense, of all liens claimed in respect of the Subpremises for work, labour, services or materials ordered by it or any of its approved SubSublessees or licensees during the Term or any renewal of this Sublease or for the cost of which it, or its approved SubSublessees or licensees, may in any way be obligated. The Sublessor may file in the Victoria Land Title Office a Notice of Interest pursuant to the provisions of the Builders Lien Act of British Columbia.

7.2 MORTGAGES AND ENCUMBRANCES

- (a) The Sublessor shall give to any subleasehold Encumbrancer who has advised the Sublessor of its name and address for service (the "**Encumbrancer**"), notice of any default by the Sublessee in connection with this Sublease where any action is proposed to be taken by the Sublessor as a result thereof.
- (b) In the event of any breach or default of any of the covenants, terms and conditions of this Sublease by the Sublessee, an Encumbrancer (in order of priority of date of instrument if more than one) shall be entitled, in order to avoid a forfeiture of this Sublease, to make any and all payments and do and perform all acts or things which may be necessary or required to prevent such forfeiture.
- (c) If by reason of default by the Sublessee this Sublease shall be liable to be terminated before its expiration date, the Sublessor shall offer to enter into a new Sublease of the Subpremises with an Encumbrancer for the period that but for such termination would have been the remainder of the Term or any renewal, such new Sublease to become effective immediately upon such termination, at the rent and upon all of the terms, provisions, covenants and agreements contained in this Sublease, in which regard:
 - i. the Encumbrancer shall make written request to the Sublessor for such new Sublease within 60 Days next after the date of receipt of notice as aforesaid, and such request is accompanied by an undertaking to cure any default and to pay to the Sublessor all sums then due to the

Sublessor under this Sublease together with the expenses of the Sublessor including reasonable legal and administration fees and expenses in connection with any of the foregoing and in connection with the proposed new Sublease; and

- ii. the Encumbrancer shall pay to the Sublessor at the time of the execution and delivery of the new Sublease all sums which would at the time of the execution and delivery of the new Sublease be due under this Sublease but for such termination, or if this Sublease shall have been terminated by reason of any default, the curing of which requires that the Encumbrancer be in possession, so long as the Encumbrancer shall, immediately upon taking possession of the Subpremises, commence and diligently prosecute the curing of such default and pay to the Sublessor all expenses including reasonable legal and administration fees and expenses incurred by the Sublessor by reason of such default.
- (d) Notwithstanding the foregoing, subject to compliance with the terms of this Sublease relating to transfers and the like, the liability of any Encumbrancer pursuant to the terms of this Sublease or a new Sublease with such Encumbrancer shall cease upon transfer of such Encumbrancer's interest to another party who assumes the obligations of the Sublessee as contained in this Sublease or any new Sublease.
- (e) If the Sublessor shall have re-entered the Subpremises prior to the date on which the new Sublease shall be executed and delivered, and shall have collected the rent from any approved sub-Sublessee or occupant, there shall be deducted from any sums due to the Sublessor upon the execution and delivery of the new Sublease an amount equal to the net income, if any, collected by the Sublessor from the date of termination of this Sublease to the date of execution and delivery of the new Sublease, but if such collections shall not equal or exceed the expense of operation of the Subpremises during the period of the Sublessor's occupancy, such Encumbrancer shall pay the Sublessor the amount of such deficiency.

- (f) The failure of an Encumbrancer to execute and deliver to the Sublessor a new Sublease within sixty (60) Days after it is tendered by the Sublessor or to comply with any of the other provisions and conditions herein specified shall conclusively be deemed an abandonment and waiver on the part of such Encumbrancer of all rights to obtain a new Sublease and of any and all rights against the Sublessor.

7.3 PAYMENT

All rent and other payments payable by the Sublessee to the Sublessor or others shall be paid by the Sublessee without variation, set-off or deduction whatsoever. If requested by the Sublessor, the Sublessee shall deposit with the Sublessor at the beginning of each Sublease Year post-dated cheques for rent and estimated additional rent.

7.4 RENT

- (a) The Sublessee during the Term or any renewal will pay to the Sublessor rent ("**Rent**") in accordance with the terms and conditions as described in Schedule "D".
- (b) In addition, promptly when due, the Sublessee shall also pay to the Sublessor as additional rent, unless direct payments are made, with the approval of the Sublessor, to third parties, firstly: all business or other taxes, levies, or other charges or license fees which are or may become chargeable and/or which are directly or indirectly related to the Subpremises, the use and occupation of the Subpremises or the rental thereof (including without limitation GST, real property taxes, and corporation capital tax and charges similar thereto), whether payable by the Sublessee or the Sublessor, but not including the Sublessor's income taxes; and secondly: any other costs, charges and expenses as are specifically provided herein.
- (c) To the extent that the Subpremises are not separately assessed for property tax purposes, the Sublessee's share of such taxes shall be allocated as though the Subpremises were separately assessed, using the same methodology as used by the appropriate assessing authority. As for example, if the Airport Lands are assessed using the "income approach", then the Subpremises shall be

separately valued for assessment purposes using that methodology with taxes being allocated accordingly. If the Airport Lands are assessed using the "depreciated cost approach", then the Subpremises shall be separately valued for assessment purposes using that methodology, and so on.

- (d) The amount of additional rent which the Sublessee is to pay shall be estimated by the Sublessor for such period as the Sublessor may determine. The Sublessee agrees to pay to the Sublessor such amount in monthly installments in advance on the Day designated by the Sublessor, and at the end of the period for which such estimated payments have been made, the Sublessee shall be advised of the actual amount required to be paid as additional rent and if necessary an adjustment shall be made between the parties.

ARTICLE 8 - INSURANCE

- (a) The Sublessee shall effect and keep in force during the Term or any renewal of this Sublease, insurance protecting both Sublessor and Sublessee against Claims for personal injury, death, property damage, or third party or public liability Claims arising from any accident or occurrence upon the Subpremises from any cause to an amount of not less than \$5,000,000 (or such greater or lesser amount as shall be determined from time to time by the Sublessor acting reasonably), for personal injury, death, property or other Claims in respect of any one accident or occurrence.
- (b) The Sublessee shall not later than the commencement of construction of any building (or at the commencement of the Term or any renewal if there is an existing building on the Subpremises) purchase, provide and keep in force during the Term or any renewal of this Sublease "All Risks" coverage in a form not more restrictive than the then most recent edition of the I.B.C. Commercial Building, Stock and Equipment Broad Form, or any replacement thereof, at the time the insurance is acquired.

Such insurance shall provide coverage in an amount not less than the Replacement Cost of all such Sublessee insured facilities or, with supporting

engineering documentation acceptable to the Sublessor, the Maximum Foreseeable Loss. Such insurance shall either not contain any co-insurance requirements or be written on a stated amount co-insurance basis and shall include, as a minimum, the following:

- i. All Risks coverage;
 - ii. coverage for loss or damage caused by flood, earth movement (including earthquake) and collapse;
 - iii. extra expense coverage;
 - iv. coverage for business interruption;
 - v. off-Subpremises power coverage;
 - vi. coverage for loss resulting from cost of demolition;
 - vii. coverage for the additional costs incurred, in complying with the requirements of any bylaw or statute governing the repair or replacement of any structure, including the cost to demolish and rebuild undamaged parts and debris removal, as if the bylaw or statute pursuant to which the bylaw was passed were applicable to the Sublessor and, in addition, shall cover any additional business interruption loss resulting therefrom;
 - viii. a breach of conditions clause;
 - ix. a fire liberalization clause; and
 - x. coverage, in the event the insurance policy contains an exclusion for faulty workmanship, materials or design, for any resulting damage.
- (c) The Sublessee shall, at no cost to the Sublessor, purchase, provide and maintain, where applicable, "Boiler and Machinery Insurance" of a "comprehensive form" with a limit sufficient to cover the Maximum Foreseeable

Loss caused by an accident to pressure, mechanical, electrical and electronic equipment. These policies shall include, as a minimum, the following coverage:

- i. coverage for property damage;
 - ii. coverage for expediting expenses;
 - iii. extra expense coverage;
 - iv. coverage for loss of rents;
 - v. coverage for business interruption;
 - vi. coverage for losses caused by the interruption of services; and
 - vii. coverage for the additional costs incurred in complying with the requirements of any bylaw or statute governing the repair or replacement of any structure, including the cost to demolish and rebuild undamaged parts and debris removal, as if the bylaw or statute pursuant to which the bylaw was passed were applicable to the Sublessor and, in addition, coverage for any additional business interruption loss resulting therefrom.
- (d) The Sublessee shall, at its expense, purchase, provide and maintain gross rental income insurance to cover loss of the Rent payable by the Sublessee to the Sublessor hereunder for all or part of the Subpremises rendered unusable by an event covered or which ought to be covered by insurance specified herein. All such insurance shall cover losses sustained during a period of not less than twelve (12) months from the date of the event.
- (e) The Sublessee shall ensure that there is property insurance, in an amount not less than Replacement Cost, or, with supporting engineering documentation acceptable to the Sublessor, the Maximum Foreseeable Loss, to cover as a minimum:

- i. all buildings on the Subpremises including New Improvements;
 - ii. all structures and underground systems;
 - iii. all other improvements;
 - iv. all mobile equipment; and
 - v. all tangible personal property located in or on the Subpremises which is owned by the Sublessee or for which the Sublessee is legally liable.
- (f) The Sublessee covenants not to do anything, omit to do anything or permit anything to be done, or omitted to be done which will invalidate, adversely affect or limit either any insurance policy required to be maintained by the Sublessee or any insurance policy which is maintained by the Sublessor pursuant to the Head Lease.
- (g) The Sublessee covenants to ensure that no Occupant does anything, omits to do anything or permits anything to be done or omitted to be done which will invalidate, adversely affect or limit either any insurance policy required to be maintained by the Sublessee or any insurance policy which is maintained by the Sublessor pursuant to the Head Lease.
- (h) Every contract of insurance required to be maintained pursuant to the provisions of this Sublease shall:
- i. be enforceable by any named or additional insured thereunder;
 - ii. be primary and non-contributing with any other insurance available to the Sublessor;
 - iii. provide for no less than thirty (30) Days prior written notice to the Sublessor of any cancellation, including cancellation for non-payment of premium, suspension or adverse material change in the insurance

excepting, however, any coverage in respect of war and allied perils which is subject to automatic and/or seven (7) Days notice of cancellation, in which case notice of any such cancellation shall immediately be given to the Sublessor and such notice shall be deemed to commence from the date such notice is given by the insurers, such notice will not, however, be given at normal expiry date of the insurance or an endorsement;

- iv. include a "severability of interest" clause and a "cross liability clause";
 - v. be written on an occurrence form basis;
 - vi. be written in the name of the Sublessee and the Sublessor as the insureds with loss payable to the Sublessee, the Sublessor, and the Encumbrancer, if any, as their respective interests may appear; and
 - vii. be in a form and with insurers reasonably satisfactory to the Sublessor.
- (i) In addition to the requirements contained in Subsection (h) above, the Sublessee shall cause each policy of property and boiler and machinery insurance to include a waiver of subrogation rights that the insurers may have against the Sublessor and any person who has a right to claim a right of contribution as against the Sublessor.
- (j) For the purposes of this Article 8, "**Replacement Cost**" means:
- i. in the case of real property, the cost of repairing, replacing or reinstating any item of property with new materials of like kind and quality on the same or a similar site without deduction for physical, accounting or any other depreciation and includes, without limitation, additional costs incurred in complying with the requirements of any bylaw or statute governing the repair or replacement of the property as if the bylaw or statute pursuant to which the bylaw was passed were applicable to the Sublessor; and

- ii. in the case of personal property, the cost of replacing any item of property of like kind and quality without deduction for physical, accounting or any other depreciation.
- (k) For the purposes of this Article 8, "**Maximum Foreseeable Loss**" means the worst possible loss, including without limitation property loss and loss of income, that could occur as a result of the insured perils under the most adverse conditions reasonably foreseeable including the failure of all protective measures.
- (l) If the Sublessee is in breach of its obligation to repair, rebuild or restore, the Sublessor, subject to the rights of any Encumbrancer hereunder, will be entitled, but will not be obliged, to effect such restoration, repairing or rebuilding and will be entitled to receive the insurance proceeds in the same manner as the Sublessee would have received same.
- (m) The Sublessee shall furnish the Sublessor with certificates of insurance issued by the Sublessee's insurance company, insurance broker or agency, certifying that all insurance required herein is in force and will also furnish documentary evidence satisfactory to the Sublessor, acting reasonably, that the renewal or continuance of such insurance has taken place prior to the expiry date(s) thereof.
- (n) Where the Sublessor is of the reasonable opinion that any certificates of insurance do not sufficiently describe the insurance, the Sublessee shall, upon the request of the Sublessor, provide such further information or documentation respecting the insurance as the Sublessor may reasonably request, including certified true copies of the insurance policies as evidence that the insurance as required by this Sublease is in force.
- (o) Delivery to and examination by the Sublessor of any certificate of insurance or other evidence of insurance shall in no way relieve the Sublessee of any of its obligations to ensure strict compliance with the provisions of this Article 8, nor relieve the Sublessee of any of its obligations to indemnify the Sublessor as

required by this Sublease, nor in any way shall operate as a waiver by the Sublessor of any of its rights.

- (p) Nothing herein contained shall be construed so as to prevent the Sublessee, at its sole cost and expense, from taking out insurance for greater amounts or against additional perils than may be required under this Sublease. The Sublessee's liabilities and obligations shall not be restricted to any sums mentioned as minimums in any of the insurance clauses contained herein. Furthermore, the unavailability of any insurance required herein shall not reduce or waive any of the Sublessee's obligations to indemnify the Sublessor as required by this Sublease.
- (q) If the Sublessee fails to obtain the insurance required hereunder, the Sublessor may, but shall not be required to, obtain such insurance and shall give the Sublessee notice setting out the amount and dates of payment and all costs and expenses incurred by the Sublessor in connection therewith to the date of such notice. In that event, the Sublessee shall within one month pay such costs and such expenses to the Sublessor.

ARTICLE 9 - SUBLESSEE'S INDEMNITY

- (a) Subject to Section 5.15, the Sublessee covenants and agrees to indemnify and save harmless the Sublessor and Her Majesty from any and all Claims, demands, damages, loss, costs and charges directly or indirectly imposed upon the Sublessor, Her Majesty, or their property in respect of any matter or thing in consequence of or arising out of the breach by the Sublessee of any of the terms of this Sublease or the Original Lease, or arising out of the conduct, management, operation or occupation of the Subpremises by the Sublessee, except to the extent that such Claim, demand, loss, cost or charge arises or results from the gross negligence or wilful misconduct of the Sublessor.
- (b) The obligations of the Sublessee to indemnify and save harmless with respect to liability by reason of any matter arising prior to the expiry or early termination of this Sublease or the Original Lease or prior to the surrender of the Original Lease

shall, notwithstanding any other provisions of this Sublease or any law now or hereafter in force, continue in full force and effect until discharged, whether before or after the end of the Term or any renewal or the period in which the Sublessee is in possession of the Subpremises.

- (c) In any and every event in which the Sublessor or Her Majesty is made a party to any action, suit or proceeding in respect of any Claims to which the Sublessee's obligation to indemnify and hold harmless extends, the Sublessee shall, if so requested by the Sublessor, or Her Majesty, defend such Claims in the name of the Sublessor or Her Majesty and shall pay all reasonable costs of the Sublessor or Her Majesty in connection with such Claims, PROVIDED that the Sublessee may, in any such event, elect to compromise, pay or satisfy any Claims so long as it has kept the Sublessor and Her Majesty indemnified with respect thereto.

ARTICLE 10 - ASSIGNMENT, SUBSUBLEASE, ETC.

- (a) Except for financing purposes which meets all the requirements of Subsection 18.02.01 (a) to (j) of the Head Lease, the Sublessee shall not during the Term or any renewal dispose of the Subpremises or any part thereof by any means, including without limitation, by way of transfer, license, assignment or SubSublease, without the consent in writing of the Sublessor first had and obtained, which consent shall not be unreasonably withheld, provided that such disposition meets all the requirements of Subsection 18.02.01 (a) to (j) of the Head Lease and does not entail any change of use from the use or uses contemplated by Schedule "C". The Sublessee in any of such cases shall remain liable however for all Sublessee's obligations as contained in this Sublease.
- (b) If the Sublessee be a limited company or partnership, any sale or transfer of a controlling interest in the same or any sale or transfer of any shares in the Sublessee, if it is a limited company, resulting in a change in the Control of the Sublessee different from that which exists at the date hereof, shall be deemed to be a disposition of the Subpremises and the consent of the Sublessor to such

disposition shall be required as more particularly described in the immediately preceding paragraph. For the purpose of this Subsection, "**Control**" means:

- i. the right to exercise a majority of the votes which may be put at a meeting of the Sublessee;
 - ii. the right to elect or appoint directly or indirectly a majority of the Sublessee's directors or other persons who have the right to manage and supervise the Sublessee's affairs and business.
- (c) In the event of an assignment of this Sublease, the requirement by the Sublessor for satisfactory financial statements and credit reports, evidence of a satisfactory business history or business competence, payment of reasonable administrative and legal costs relating to the Sublessor's consent to an assignment of this Sublease, and any documents relating thereto, shall be deemed to be reasonable requirements, and a refusal by the Sublessor to consent to a disposition due to deficiencies in any of the above regards shall not constitute an unreasonable withholding of consent.
- (d) The consent of the Sublessor to any disposition of the Subpremises or any part thereof, shall not constitute a waiver of the necessity for consent to any subsequent disposition of the Subpremises or any part thereof.

ARTICLE 11 - ENTRY, ETC.

11.1 ENTRY BY THE SUBLESSOR

Except where the Sublessor intends to terminate this Sublease or where Her Majesty intends to terminate the Head Lease, no entry by or on behalf of the Sublessor or Her Majesty, and no act on the Subpremises by or on behalf of the Sublessor or Her Majesty, shall be deemed to be a forfeiture or termination of this Sublease, and the Sublessee shall permit such entry and any such act and shall ensure that all occupants and transferees permit any such entry and any such act.

SCHEDULE "A"**DESCRIPTION OF PREMISES**

The Premises are that certain parcel of land comprising an area of 2.56 hectares (25,600 m²) and more particularly shown as Area 1 outlined in heavy black ink and contained within that certain Reference Plan to accompany lease of part of Lot A, Plan 38759, Sections 11 & 12, Range 2 East, North Saanich District, certified correct by Michael Claxton, BC Land Surveyor, and dated December 16, 2008, a copy of which is attached to this Schedule.

PLAN VIP

Proposed in the LAND TITLE OFFICE AT
Victoria, B.C.
This Day of _____, 2006.

APPROVED

APPROVED UNDER THE LAND TITLE ACT
This Day of _____, 2006.

Approving Officer
Inspector of North Station

Registered Owner
The Government of Canada
As Represented by the Minister of Agriculture

Authorizing Authority

Subscribed Authority

Witness

Witness

Witness

I, Richard Douglas Clifton, a British Columbia Land Surveyor
in Victoria, in British Columbia, certify that I have prepared
this plan and that the survey and data represented by
this plan were conducted on the _____
_____ 2006.
This plan was completed and checked and the plan
was filed on the 12th day of December 2006
at the office of the Registrar of the
Land Title Office.

B.C.L.S.

Reference Plan To Accompany Lease of

Part of Lot A, Plan 38759,

Sections 11 & 12, Range 2 East,

North Saanich District

For Leasehold Purposes

Lease and Approval of Approving Officer to Expire

On The 30th Day of June, 2036

Prepared Pursuant to Section 99(1) of the Land Title Act

BCGS 998.083



LEGEND

This plan lies within Integrated Survey Area No. 29
The District of North Station
B-1a Surveying and Surveying
Control monuments 7900519 and 7900520 (see No. 29)
All distances are in meters and decimals thereof

This plan shows horizontal ground level situated distances
measured more accurately than the distance indicated
ground-level distances by indicated factor 0.9999999999999999

Ground Control Monument Found

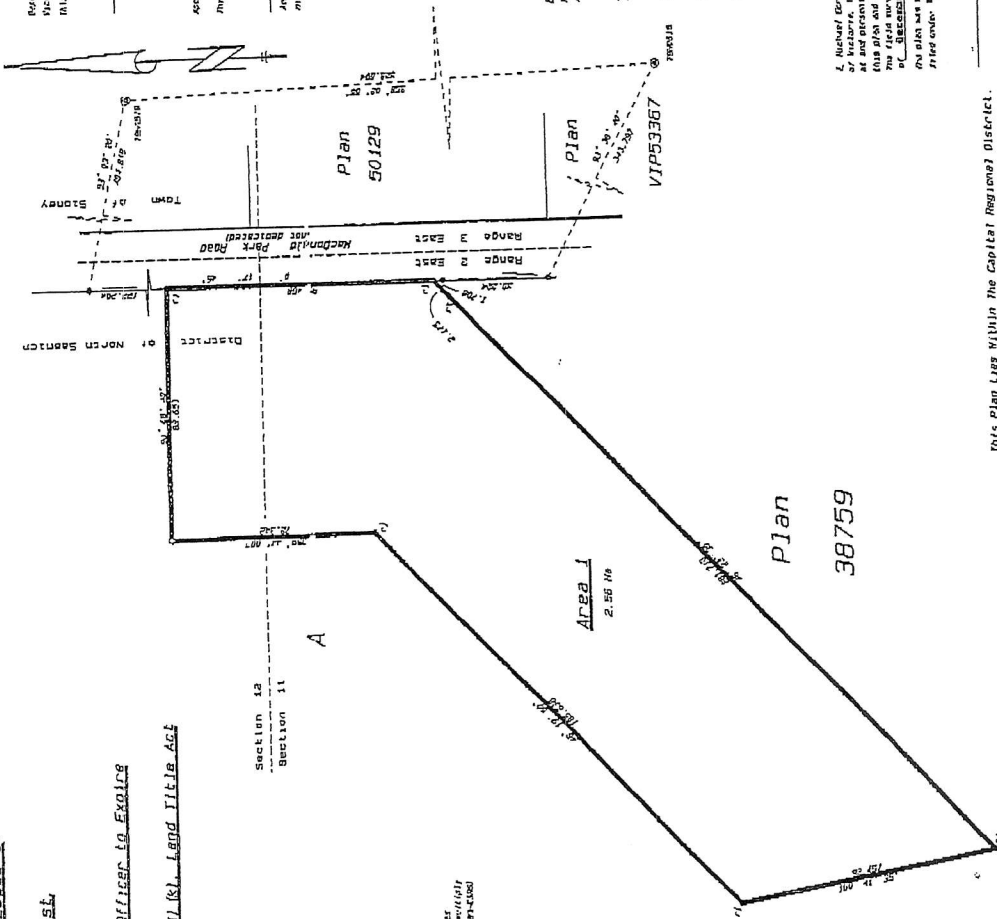
Ground Stationed from that found

Ground Stationed from that found

Set by Ben Acker, BLS in January, 2006

Area of Reference		
Lot	Area	Area Required
A	1	2,56 Ha

WIGMORE CLIFTON
LAND SURVEYING INC.
1111 10th Street, Victoria, B.C.
V8W 2G1
Phone: (250) 383-1001
Fax: (250) 383-1001
E-mail: info@wigmoreclifton.com



This Plan Lies Within The Capital Regional District.

SCHEDULE "B"
TERM OF SUBLEASE

The Term of this Sublease is thirty (30) years, beginning on July 1, 2006 and ending on June 30, 2036 (the "Term").

RENEWAL PROVISIONS

If the Sublessee duly and punctually observes and performs the covenants, agreements, conditions and provisos in this Sublease on the part of the Sublessee to be observed and performed, the Sublessor shall, at the expiration of the Term and any renewal thereof, at the cost of the Sublessee and at the Sublessee's written request delivered to the Sublessor in the manner provided for in this Sublease, not earlier than 365 Days prior to the expiration of the Term and any renewal thereof, grant to the Sublessee a renewal Sublease for a Renewal Term which shall be the lesser of:

- (a) twenty (20) years,
- (b) a period equal to the estimated remaining economic life of the Improvements then in place on the Subpremises, given normal maintenance and repair of such Improvements,
- (c) a period equal to the balance of the Term of the Head Lease, less one (1) Day,

(the "Renewal Term")

upon all of the covenants, agreements, conditions and provisos contained in this Sublease except any further right of renewal and any provisions for Sublessor's work, Sublessee's work, exclusive use, free rent, bonuses, subleasehold Improvements or inducements and except the annual rent to be paid during the Renewal Term. The annual rent for the Renewal Term shall be the then fair market rent for the Subpremises as referred to in Subsection 3 of Schedule "D" and shall be reviewed and adjusted every five (5) years in accordance with Subsection 3 of Schedule "D", during the Renewal Term. If the Sublessor and the Sublessee have not mutually agreed on the amount of annual rent prior to the

commencement of the Renewal Term, then the annual rent shall be decided by arbitration pursuant to Section 14.3.

SCHEDULE "C"
USE OF SUBPREMISES

In addition to the existing improvements on the Subpremises, the Subpremises shall be used for the completion of the two aircraft hangar buildings, and aviation office space required to be constructed on the Subpremises pursuant to this Sublease and Development Permit No. VAA-06-001. Such buildings and Subpremises shall be in accordance with the attached aviation services purpose section of the Sublessor's approved Land Use Plan, and shall be used aviation purposes and for no other purpose or purposes whatsoever.

SCHEDULE "D"
RENT

1. During the initial five (5) year period of this Sublease beginning on July 1, 2006 and ending on June 30, 2011, the Sublessee will pay to the Sublessor Rent monthly in advance on or before the first day of each and every month, as outlined below:

Period	Aviation - non-apron (5,919 m ²) @ \$4.10/m ²	Aviation - a/c storage (19,681 m ²) @ \$3.55/m ²	Total Annual Rent	Total Monthly Rent
2006/07/01 - 2007/06/30	\$24,267.90	\$69,867.55	\$94,135.45 *	\$7,844.62 *
2007/07/01 - 2008/06/30	\$24,267.90	\$69,867.55	\$94,135.45	\$7,844.62 *
2008/07/01 - 2009/06/30	\$24,267.90	\$69,867.55	\$94,135.45	\$7,844.62
2009/07/01 - 2010/06/30	\$24,267.90	\$69,867.55	\$94,135.45	\$7,844.62
2010/07/01 - 2011/06/30	\$24,267.90	\$69,867.55	\$94,135.45	\$7,844.62

2. Should the Sublessor's architect or agent determine that the square metre area of the Subpremises is other than the calculation above noted, the Rent payable will be adjusted accordingly, commencing with the date of such determination, adjusted for a part month if necessary. It is expressly agreed, however, that there shall be no adjustment in favour of either the Sublessor or the Sublessee to reflect any incorrect square metre measurement for any period prior to the aforesaid date of determination.

3. Rent shall be reviewed and adjusted effective July 1, 2011 and thereafter at five (5) year intervals for the balance of the Term of this Sublease, based upon the following principle:

Rent shall be the annual fair market rental value of the Subpremises, for the use or uses contained in Schedule "C", excluding only that part of rental value attributable to the value of any improvements on the Subpremises placed or constructed by or on behalf of the Sublessee.

If the parties cannot agree on the Rent for a period, the matter shall be settled by arbitration as provided in this Sublease.

adjusted for a part month if necessary. It is expressly agreed, however, that there shall be no adjustment in favour of either the Sublessor or the Sublessee to reflect any incorrect square metre measurement for any period prior to the aforesaid date of determination.

3. Rent shall be reviewed and adjusted effective July 1, 2011 and thereafter at five (5) year intervals for the balance of the Term of this Sublease, based upon the following principle:

Rent shall be the annual fair market rental value of the Subpremises, for the use or uses contained in Schedule "C", excluding only that part of rental value attributable to the value of any improvements on the Subpremises placed or constructed by or on behalf of the Sublessee.

If the parties cannot agree on the Rent for a period, the matter shall be settled by arbitration as provided in this Sublease.

SCHEDULE "E"
NEW IMPROVEMENTS

1. The Sublessee agrees to promptly commence and diligently proceed to completion of construction of aviation hangars and offices (the "**New Improvements**") according to the following conditions:
 - (a) the Sublessee will construct the New Improvements at its expense and in accordance with the National Building Code of Canada, the National Fire Code, the BC Building Code and Development Permit No. VAA-06-001 issued to the Sublessee by the Sublessor;
 - (b) the Sublessee will substantially complete the New Improvements by March 31, 2008, subject to extensions of time granted by the Sublessor pursuant to Subsection 1(d) of this Schedule;
 - (c) If the Sublessee:
 - i. from and after the date of commencement of the term of this Sublease proceeded with due diligence to construct the New Improvements in accordance with the provision of this Sublease and is not in default in payment of rent or the performance of obligations of this Sublease, and;
 - ii. has been delayed in constructing the New Improvements by reason of strikes, lockouts, governmental restrictions, Acts of God, unavailability of material and labour and similar causes, all being beyond the control of the Sublessee, except delays caused by lack of finances, and the delays are such as to render it unlikely or uncertain that the New Improvements will be substantially completed by March 31, 2008, in compliance with Subsection 1(b), and

iii. has used all reasonable diligence to overcome such delays and proceeded with the construction of the New Improvements to the extent possible, then the Sublessee may at any time before the date of completion of the New Improvements apply to the Sublessor for and obtain by way of duly executed supplemental agreement to the Sublease, an extension of the time for compliance with Subsection 1(b) by a period not longer than the length of the delay imposed by the causes beyond the Sublessee's control, which will reasonably be required for the Sublessee substantially to complete the New Improvements with reasonable diligence, such application to be accompanied by a statement, signed by the Sublessee certifying:

- (A) the length of time required for the substantial completion of the New Improvements with reasonable diligence;
- (B) the length of the delay imposed by causes beyond the control;
- (C) that these causes were beyond the Sublessee's control; and
- (D) that the delay will be likely to prevent compliance with Subsection 1(b) by the date specified therein notwithstanding exercise of reasonable diligence by the Sublessee, and in such event the Sublessor shall grant to the Sublessee an extension of the time specified in Subsection 1(b), equal to the shorter of the two lengths of time referred to in Subsection 1(c)(iii)(A) or Subsection 1(c)(iii)(B), and shall from time to time grant further extensions of the date for completion if application is made during the currency of any extension already granted and is accompanied by a like certificate of the Sublessee, provided always that in no event shall the Sublessee be

entitled to an extension beyond the date upon which the second year of the Sublease extension expires.

(d) for the purposes of this Sublease, completion of construction of the New Improvements shall be deemed to have been substantially completed when the Sublessor's designated representative has certified that:

- i. all work of a structural nature has been properly completed;
- ii. all building equipment and services, heating and air-conditioning systems and utilities have been completed and are operating properly and are available for use by the Sublessee, and all stairwells and other areas intended for the common use of any party are completed except for work of a decorative or superficial nature;
- iii. the Sublessee is in compliance with the laws referred to in Section 6.1 relating to the construction of the New Improvements and all necessary permits for occupancy have been obtained;
- iv. all areas are clean and all surplus building materials and rubbish have been removed; and
- v. the New Improvements have been completed in all respects in a good and workmanlike manner in accordance with plans and specifications approved by the Sublessor, except for any requirements of those plans which have been waived or varied by the Sublessor in writing and for faults and defects which, in the opinion of the Sublessor's designated representative, acting reasonably, are minor and the correction of which is adequately assured.

2. Before commencing excavation or constructing any New Improvements on the Subpremises the Sublessee shall have:

- (a) submitted to the Sublessor the parts of the plans and specifications approved by the Sublessor that relate to the portion of the construction of the New Improvements which the Sublessee proposes to commence;
- (b) furnished proof of insurance required by Article 8, Subsection (m);
- (c) obtained the approval of the Sublessor and have entered into a construction contract for that part of the construction which is to be commenced;
- (d) obtained from the contractor the indemnity, insurance and performance bonds required by the contract;
- (e) furnished proof of the mortgage, if any, to finance construction of the New Improvements.

The Sublessee shall perform and comply with the following covenants and requirements in the construction of the New Improvements:

- (a) the New Improvements shall be constructed in all respects in accordance with plans and specifications approved by the Sublessor except insofar as any requirements thereof have been waived or varied by the Sublessor in writing;
- (b) all necessary building permits shall be obtained and all laws referred to in Section 6.1 and all legal requirements relating thereto pertaining to the conduct of the construction of the New Improvements shall be complied with, and construction of the New Improvements shall be conducted expeditiously and in a good and workmanlike manner and otherwise in accordance with the provisions of this Sublease;
- (c) the Sublessee, through its architect or engineer, shall properly supervise the construction of the New Improvements;

- (d) any contractor engaged on the construction of the New Improvements shall be required to observe all provisions of its contract as approved by the Sublessor and to furnish and maintain all security, indemnity, insurance and performance bonds required by the contract;
- (e) the Sublessor and its designated representative may require the Sublessee, at its expense, to submit at reasonable intervals, certificates from the Sublessee's architect or engineer of the standing of the construction of the New Improvements, the existence and extent of any faults or defects, the value of the construction of the New Improvements then done and to be done under any contract, the amount owing to any contractor and the amounts paid or retained by the Sublessee on any contract, and the Sublessee shall also, whenever requested by the Sublessor, furnish copies of certificates furnished to it by contractors or by the Sublessee's architect or engineer in connection with construction;
- (f) the Sublessee shall promptly pay all proper accounts for work done or materials furnished under all contracts which it has entered into relating to the construction of the New Improvements but this shall not prevent the Sublessee from retaining any amounts claimed due which the Sublessee's architect or engineer has not certified to be due, or which are properly and reasonably retained to secure the performance of any work or the correction of any defect or which, in the opinion of the Sublessee's architect or engineer acting reasonably, are reasonably retained in anticipation of damages arising from any contractor's default or which are required to be retained under the provisions of the *Builder's Lien Act* of British Columbia;
- (g) the New Improvements shall be substantially completed to the extent required by Subsection 1(b) on or before the expiration of the date therein stipulated as that date may be extended for the delays referred to therein;
- (h) the Sublessee shall effect or cause its contractor or contractors to effect, prior to commencement of construction of the New Improvements and shall

maintain and keep in force until the insurance required under Article 8 has been effected, insurance:

- i. protecting both the Sublessor and the Sublessee (without any rights of cross Claim or subrogation against the Sublessor) against Claims for personal injury, death or property damage or other third party or public liability Claims arising from any accident or occurrence upon, in or about the Subpremises and the lands adjacent thereto and from any cause, including the risks occasioned by the construction of the New Improvements and to an amount of not less than FIVE MILLION DOLLARS (\$5,000,000.00) for any personal injury, death, property or other Claims in respect of any one action or occurrence; and
- ii. protecting both the Sublessor and the Sublessee from loss or damage (without any rights of cross Claim or subrogation against the Sublessor) to the New Improvements and all fixtures, equipment, improvements and building materials on the Subpremises and the lands adjacent thereto from time to time, against fire and other perils from time to time customarily included in the usual extended coverage endorsements upon fire policies applicable to similar properties during construction and effected in British Columbia by prudent owners, and other perils as the Sublessor may reasonably require to be insured against, including earthquakes, to the full insurable value thereof at all times (to be computed upon a replacement cost basis with deduction only of the cost of excavation and foundations and the value of building materials from time to time on the site, but not incorporated in the New Improvements if and to the extent the building materials are at the risk of the contractor or contractors and not at the risk of the Sublessee) and in any event in an amount sufficient to prevent the Sublessor being deemed a co-insurer;

- iii. the proceeds of insurance which may become payable under any policy of insurance referred to in this Section shall be used by the Sublessee to restore, rebuild and repair the New Improvements pursuant to Section 4.2;
 - iv. all the provisions of Article 8 respecting insurance which are of general application apply to the insurance during construction of the New Improvements required by this Subsection.
3. It is agreed that failure by the Sublessee to comply with this Schedule "E" is a fundamental breach of the conditions of this Sublease, and this Sublease will be subject to cancellation without any right of the Sublessee to seek compensation in the event of such failure.

SCHEDULE "F"
ENVIRONMENTAL COMPLIANCE LETTER



Victoria International Airport
#201 - 1640 Electra Blvd.
Sidney, BC V8L 5V4

VICTORIA AIRPORT AUTHORITY

Our File No. 5156-(Company Name)

ORIGINAL

(date)

(Addressee)
(Title)
(Company)
(Address)
(City, Prov, Postal)

Dear (Addressee):

RE: LAND SUBLEASE - YYJL B###
VICTORIA INTERNATIONAL AIRPORT

Section 5.5 - *Investigation and Report* of the above-noted Sublease requires the Sublessee to certify and confirm that they are in compliance with all Environmental Laws and no Adverse Environmental Condition exists on the Subpremises.

To satisfy this requirement, please sign and return the Duplicate Original of this letter within one (1) month from its date, or provide written details of any problems or non-compliance.

Yours truly,

Richard Paquette
President - CEO
Victoria Airport Authority

Enclosure