

11.2 FOR RENT, HOLDING OVER

- (a) The Sublessor shall have the right during the six (6) month period prior to expiration of the Term or any renewal to place "For Rent" signs on or about the exterior of the Subpremises and to enter the Subpremises to show them to prospective sublessees.
- (b) Should the Sublessee remain in possession after the expiration of the Term or any renewal, and the Sublessor accept rent therefore, in the absence of any express agreement in writing to the contrary, the Sublessee shall be deemed to be a monthly Sublessee only. Rent for any overholding month shall be one hundred and twenty percent (120%) of the Rent attributable to the month prior to expiration or earlier termination of the Term or any renewal, plus applicable additional rent.

11.3 PEACEFUL POSSESSION

The Sublessor hereby covenants that upon the Sublessee paying the rents and performing its covenants:

- (a) it may peacefully possess and enjoy the Subpremises for the Term or any renewal hereby granted without any interruption or disturbance from the Sublessor except as otherwise expressly contained in this Sublease;
- (b) not to surrender the Head Lease or do any other act or thing having the effect of prejudicing the Sublessee's rights granted hereunder.

11.4 SALE AND RELETING

The Sublessee covenants and agrees that on the Sublessor becoming entitled to re-enter upon the Subpremises under any of the provisions of this Sublease, the Sublessor, in addition to all other rights, shall have the right to enter the Subpremises as an agent of the Sublessee, either by force or otherwise, without being liable for any prosecution therefore and to relet the Subpremises as the agent of the Sublessee, and to receive the rent therefore, and as agent of the Sublessee to take possession of any goods, chattels, furniture or other property on the Subpremises, and to sell the same at public or private sale without notice and to apply the proceeds of such sale and any rent derived from

reletting the Subpremises, after deducting its costs of conducting such sale and its cost of reletting, on account of the rent owing under this Sublease, and the Sublessee shall be liable to the Sublessor for the deficiency, if any.

11.5 SUBLESSOR'S IMPROVEMENTS

The Sublessor shall have the right from time to time to enter upon the Subpremises for the purposes of repairing, installing and maintaining utility lines and services affecting the Subpremises or other subpremises, whether or not part of the Airport Lands, subject to the Head Lease. In such regard the Sublessor shall exercise all reasonable efforts to keep disturbance and inconvenience at a minimum and no such works shall be permitted so as to materially impair the Sublessee's use of the Subpremises.

ARTICLE 12 - DEFAULT

12.1 COSTS / INTEREST

All expenses, costs and expenditures including, without limitation, an indemnity for solicitor and own client costs and accounts, incurred by the Sublessor as a result of any default by the Sublessee shall forthwith on demand be paid by the Sublessee as additional rent together with interest at the rate referred to in Subsection 12.2(b) on the amount so outstanding.

12.2 DEFAULT

(a) If and whenever:

- i. the Sublessee shall be in default in the payment of any rent, whether hereby expressly reserved or deemed as such, or any part thereof, and such default shall continue for fifteen (15) Days following written notice by the Sublessor requiring the Sublessee to rectify the same;
- ii. the Sublessee shall not observe, perform and keep each and every of the covenants, agreements, stipulations, obligations, conditions and other provisions of this Sublease to be observed, performed and kept by the Sublessee and shall persist in such default, in the case of monetary payments, beyond the fifteen (15) Day period referred to in Subsection

12.2(a)(i.) or, in the case of any other default, after thirty (30) Days following written notice from the Sublessor requiring the Sublessee to remedy that default;

- iii. the Sublessee makes an assignment for the benefit of creditors which was consented to or did not require a consent;
- iv. a receiver or receiver-manager is appointed in respect of any property of the Sublessee or is appointed to control the conduct of the business on or from the Subpremises;
- v. the Sublessee becomes bankrupt or insolvent or takes the benefit of an act now or hereafter in force for bankrupt or insolvent debtors;
- vi. an order is made for the winding-up of the Sublessee;
- vii. the Subpremises, without the written consent of the Sublessor, is used by any other persons than those entitled to use them under the terms of this Sublease;

then the current month's rent and the next ensuing three (3) months' rent immediately will become due and payable as accelerated rent and the Sublessor may re-enter and take possession of the Subpremises as though the Sublessee or the servants of the Sublessee or any other occupant of the Subpremises were holding over after the expiration of the Term and any renewal thereof and this Sublease, at the option of the Sublessor, forthwith will become forfeited and determined. In every one of the cases above mentioned the accelerated rent may be recovered by the Sublessor in the same manner as rent hereby reserved and in arrears and the option will be considered to have been exercised if the Sublessor or its agents give notice to that effect to the Sublessee.

- (b) Any monies owing by the Sublessee to the Sublessor pursuant to this Sublease shall bear interest at the rate of two percent (2%) per month (26.824% per annum) payable and compounded monthly until paid.

- (c) Any monies paid in advance for rent or otherwise may from time to time be applied or reapplied by the Sublessor against any sum then owing or accrued by the Sublessee.
- (d) Sublessor, pursuant to this Sublease shall survive any cancellation, surrender or other termination of this Sublease, and the Sublessee further expressly waives objection to any application by the Sublessor for injunctive relief, and any requirement for the posting by the Sublessor of a bond in connection with any application for such relief.

12.3 DISTRESS

If and when the Sublessee shall be in default in the payment of any rent, whether hereby expressly reserved or deemed as such, or any part thereof, the Sublessor may, after expiration of the fifteen (15) Day period referred to in Subsection 12.2(a)(i), enter upon the Subpremises and seize, remove and sell the Sublessee's goods, chattels and equipment at any place to which the Sublessee or any other person may have removed them, in the same manner as if they had remained and had been distrained upon the Subpremises, all notwithstanding any rule or law or equity to the contrary.

12.4 REMEDIES CUMULATIVE

No reference to or exercise of any specific right or remedy by the Sublessor shall prejudice or preclude the Sublessor from any other remedy, whether allowed at law or in equity or expressly provided for herein. No such remedy shall be exclusive or dependent upon any other such remedy, but the Sublessor may from time to time exercise any one or more of such remedies independently or in combination. Without limiting the generality of the foregoing, the Sublessor shall be entitled to commence and maintain an action against the Sublessee to collect any rent not paid when due, without exercising the option to terminate this Sublease pursuant to Section 12.6.

12.5 SUBLESSOR MAY PERFORM

If the Sublessee shall fail to observe, perform or keep any of the provisions of this Sublease to be observed, performed and kept by the Sublessee, and subject to rectification within the period described in Subsection 12.2(a)(ii.), the Sublessor may, but shall not be obliged to, at its discretion and without prejudice, rectify the default of the

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Sublessee, whether or not performance by the Sublessor on behalf of the Sublessee is otherwise expressly referred to in the applicable Section of this Sublease. For such purpose, the Sublessor may make any payment and/or do or cause to be done such things as may be requisite including, without limiting the generality of the foregoing, entry upon the Subpremises. All expenses incurred and expenditures made by the Sublessor pursuant to this Section plus a sum equal to fifteen percent (15%) therefrom representing the Sublessor's overhead shall be paid to the Sublessor by the Sublessee as additional rent on presentation of an invoice therefore.

12.6 TERMINATION

The Sublessee further covenants and agrees that on the Sublessor becoming entitled to re-enter the Subpremises under any of the provisions of this Sublease, the Sublessor, in addition to all other rights, shall have the right to terminate forthwith this Sublease and the Term and any renewal thereof by giving notice in writing addressed to the Sublessee of its intention to do so, and thereupon rent shall be computed, apportioned and paid in full to the date of such termination of this Sublease, and any other payments for which the Sublessee is liable under this Sublease shall be paid and the Sublessee shall forthwith deliver vacant possession of the Subpremises to the Sublessor and the Sublessor may re-enter and take possession of the same.

ARTICLE 13 - ADDITIONAL RIGHTS OF THE SUBLESSOR , ETC.

13.1 ADDITIONAL RIGHTS OF THE SUBLESSOR

The Sublessor reserves the right to grant licenses, rights of way, easements or privileges to others on, over, under, through or across land forming part of the Subpremises provided, however, that such licenses, rights of way, easements or privileges are not detrimental to the proper conduct of the business or operation of the buildings or improvements located on the Subpremises and related services, will not damage or disrupt permanently the physical facilities of the Sublessee, will not impose any cost upon the Sublessee, and will not weaken, diminish or impair the security of this Sublease.

13.2 LIMITATION OF LIABILITY

Except in the case of willful act or gross negligence by the Sublessor, the Sublessor shall not be responsible for any loss, damage or expense arising from any cause, matter or thing whatsoever, including without limitation, breakdown of any utility or service, flooding or accumulation of snow. In addition to and without limiting the generality of the foregoing limitation of liability, in no event shall the Sublessor be liable for any loss or damages for personal discomfort, injury or illness by reason of the non-performance or partial performance of any of the Sublessor's covenants or for any malfunction of any equipment required for the provision of any service by the Sublessor. Further, the Sublessee expressly acknowledges that the Sublessor shall not be responsible for fire or police protection, and that the Sublessor has limited equipment, capacity and facilities for maintenance of the airport internal access and road system.

13.3 MORTGAGE OF AIRPORT LANDS ETC.

If the Sublessor should grant and mortgage the Airport Lands or a portion thereof, the parties hereto shall, if so requested by the Encumbrancer, enter into an agreement with each other and the Encumbrancer which agreement shall contain, inter alia:

- (a) a covenant by the Sublessor that it will accept payment of rent from the Sublessee only as and when it falls due hereunder and will not accept a surrender of this Sublease nor amend nor vary the terms nor waive performance of the covenants thereof without the written consent of the Encumbrancer first had and obtained;
- (b) a covenant by the Sublessee that it will not prepay any rent reserved hereby and will not surrender this Sublease nor amend nor vary nor assign the same without the written consent of the Encumbrancer, such consent not to be unreasonably withheld by the Encumbrancer first had and obtained, and in the event the Encumbrancer enforces its security on the Airport Lands hereinbefore referred to, the Sublessee will at the request of the Encumbrancer enter into and execute a new Sublease with the Encumbrancer for the unexpired Term or any renewal of this Sublease on the same terms and conditions as are herein contained, except that the rent shall be paid to the Encumbrancer instead of the Sublessor;

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- (c) a covenant by the Encumbrancer that in the event of enforcement of its security on the said Airport Lands it will, subject to the rights of any other parties interested in the said Airport Lands prior to this Sublease and the said mortgage (if any), grant to the Sublessee a sublease for the unexpired Term or any renewal of this Sublease on the same terms and conditions as are herein contained except that the rent to be payable thereunder shall be payable to the Encumbrancer instead of the Sublessor.

This Sublease is subject and subordinate to all mortgages including any deed of trust and mortgage securing bonds and all indentures supplemental thereof which may now or hereafter affect the Airport Lands, and to all renewals, modifications, consolidations, replacements, and extensions thereof. The Sublessee agrees to execute promptly any certificate in confirmation of such subordination as the Sublessor may request and hereby constitutes the Sublessor the agent or attorney of the Sublessee for the purposes of executing any such documents as may be required to register postponements of this Sublease in favour of any such mortgage in order to give effect to the foregoing provisions of this Subsection.

The Sublessee shall, if required by the Sublessor, consent in writing to an assignment hereof to a Encumbrancer or Encumbrancers.

13.4 OWNERSHIP OF IMPROVEMENTS AND FIXTURES

- (a) Except as otherwise contained herein, the Sublessor and the Sublessee agree that all fixed improvements existing at the commencement of the Term or any renewal or which the Sublessee may construct upon the Subpremises from time to time (including the New Improvements), are and shall be fixtures to the lands and are intended to be and become the absolute property of the Sublessor upon the expiration or termination of this Sublease. Provided however, the same shall be deemed as between the Sublessor and Sublessee during the Term or any renewal of this Sublease to be the property of the Sublessee and not the Sublessor, but subject to all applicable provisions of this Sublease such as the obligation to keep all improvements in good condition and repair.

- (b) The provisions of Subsection 13.4(a) shall not be construed to prevent the Sublessee from conferring on approved SubSublessees or occupants on the Subpremises, (including the Sublessee), the right of property in or the right to remove fixtures or improvements which are installed to enhance or facilitate the business of the occupant or which are in the nature of usual sublessees' fixtures and normally removable by sublessors and all of which are not an essential part of any structure or building. The Sublessee shall, however, make good or shall cause occupants to make good any damage to any building, building services or other improvement caused by any removal of any such fixtures.

ARTICLE 14 - GENERAL

14.1 AGENCY

- (a) The Sublessor and Sublessee expressly disclaim any intention to create a partnership, joint venture, or joint enterprise. It is understood, acknowledged and agreed that nothing contained in this Sublease nor any acts of the Sublessor or the Sublessee shall constitute or be deemed to constitute the Sublessor and Sublessee as partners, joint venturers or principal-and-agent in any way or for any purpose, nor shall it create any relationship between the parties hereto other than the relationship of Sublessor and Sublessee. The Sublessee shall not represent or hold itself out to be an agent of the Sublessor. Except as permitted herein, no party hereto shall have any authority to act for or to assume any obligation or responsibility on behalf of the other party hereto.
- (b) The Sublessee acknowledges that it will not assert that a joint venture, partnership or principal-and-agent relationship exists between the Sublessee, the Sublessor, or Her Majesty.
- (c) Any reference to a party includes that party's heirs, executors, administrators, and permitted assigns, and in the case of a corporation, its successors and permitted assigns.

14.2 AMENDMENT

This Sublease may not be modified or amended except by an instrument in writing of equal formality and signed by the parties. Provided always that whenever there is a mortgage or other financial charge registered against the interest of the Sublessee, the Sublessor:

- (a) will not accept a surrender of this Sublease, in whole or in part, without the prior written consent of the Encumbrancer, such consent not to be unreasonably withheld;
- (b) will not agree to any modification or amendment to this Sublease:
 - i. which may adversely affect the Encumbrancer's security interest without the prior written consent of the Encumbrancer; or
 - ii. which does not adversely affect the Encumbrancer's security interest without giving the Encumbrancer seven (7) Days prior written notice.

14.3 ARBITRATION

- (a) In the event of a dispute or question arising with respect to any matter pertaining to this Sublease or the interpretation thereof, either party may refer a dispute to arbitration, in which event the same will be determined by one arbitrator (provided the parties agree on such arbitrator) in accordance with the provisions of the *Commercial Arbitration Act of British Columbia, R.S.B.C. 1996 c.55*, except that all proceedings will take place in Greater Victoria. If the parties do not agree upon an arbitrator within twenty (20) Business Days of notice of arbitration, each party will appoint their own arbitrator, who will then appoint a third arbitrator and the dispute or question referred to arbitration will be determined by three arbitrators in accordance with the provisions of the *Commercial Arbitration Act of British Columbia, R.S.B.C. 1996 c.55*.
- (b) If the Sublessor or the Sublessee refuses or neglects to appoint an arbitrator within ten (10) Days after the other serves a written notice upon that party so refusing or neglecting to make that appointment, the arbitrator first appointed shall, at the

request of the party appointing him or her, proceed to determine the dispute or question as if he or she was a single arbitrator appointed by both the Sublessor and the Sublessee for that purpose. If two arbitrators are so appointed within the time prescribed and they do not, within ten (10) Business Days from the date of appointment of the second arbitrator, agree upon the appointment of the third arbitrator, then upon the application of either the Sublessor or the Sublessee, the third arbitrator shall be appointed by a judge of the Supreme Court of British Columbia. The determination made by the arbitrators or the majority of them or by the single arbitrator, as the case may be, shall be final and binding upon the Sublessor and the Sublessee. The Sublessor and the Sublessee shall each pay one-half of the fees and expenses of the single arbitrator and one-half of the fees and expenses of the arbitrator appointed by it and one-half of the fees and expenses of the third arbitrator, as the case may be.

14.4 ENTIRE AGREEMENT

It is agreed that there have been no representations made by or on behalf of the Sublessor which are not contained or referred to in this Sublease and that this Sublease constitutes the entire agreement between the parties, except with respect to Sublessor's and Sublessee's obligations (if any) which must be in writing and signed by both parties, relating to the construction of Improvements on or with respect to the Subpremises.

14.5 ENUREMENT

The provisions of this Sublease shall enure to the benefit of and be binding upon each of the parties.

14.6 GOVERNING LAW

This Sublease shall in all respects be subject to and interpreted and construed in accordance with the laws in force in the Province of British Columbia, subject always to any paramount or applicable federal laws. Nothing in this Sublease is intended to nor shall be construed as limiting, waiving, or derogating from any Federal Crown prerogative.

14.7 HEAD LEASE MATTERS

- (a) It is acknowledged by the Sublessee that the Sublessor's Head Lease from Her Majesty requires occupants and approved SubSublessees to specifically covenant and agree as follows, and the Sublessee so covenants and agrees that:
- (i) the Subpremises, or any part thereof, shall not be used or occupied for the purpose of constructing or operating any Air Terminal Building;
 - (ii) the Subpremises shall not be used or occupied:
 - for a use that is inconsistent with the use clause in the Head Lease, which requires use of the Lands as a major international airport;
 - for any purpose other than a permitted use or contained in the land use plan approved from time to time by Her Majesty and in the case of "airside", for any purpose other than agriculture, aircraft parking, aircraft servicing or aircraft fuelling, or for any other use permitted under the aforesaid approved land use plan.
- (b) Subject to any rights of non-disturbance granted by Her Majesty to the Sublessor, the Sublessor acknowledges and agrees that upon expiry or in the event of early termination of the Sublessor's Head Lease and re-entry by Her Majesty, then Her Majesty, at her sole discretion, may require the Sublessor to attorn to Her Majesty in which event the Sublessor shall forthwith attorn to Her Majesty as aforesaid.
- (c) The Sublessor hereby irrevocably appoints Her Majesty's duly authorized representative, the Sublessor's attorney, with full power and authority to execute and deliver in the name of the Sublessor, all documents necessary to effect a transfer to Her Majesty of the title to or ownership of any construction or improvement on the Subpremises, to be effective upon expiry or early termination of the Sublessor's Head Lease with Her Majesty, subject to any rights of non-disturbance granted by Her Majesty to the Sublessor.

- (d) The Sublessee agrees that Her Majesty may enter the Subpremises pursuant to and in accordance with Subsection 20.02.01(b) and Subsection 25.02.03 of the Head Lease and the Sublessor shall ensure that all sublessees and transferees permit access to the Subpremises for such purposes.
- (e) No Member of the House of Commons of Canada shall be admitted to any share or part of this Sublease, or to any benefit to arise therefrom.

14.8 HEADINGS

Headings or captions are for convenience only, and are not to be considered a part of this Sublease and do not in any way limit or amplify the terms and provisions of this Sublease.

14.9 JOINT OBLIGATIONS

If the Sublessee is comprised of two or more persons or entities, all covenants, provisos, conditions or agreements shall be construed as being joint as well as several.

14.10 NO IMPLIED OBLIGATIONS

No implied terms or obligations of any kind by either of the parties shall arise from anything in this Sublease, and the express covenants and agreements herein made by the parties are the only covenants and agreements upon which any rights against either of the parties may be founded.

14.11 NOTICES

- (a) Whenever in this Sublease it is required or permitted that notice or demand be given or served by either party to or on the other, such notice or demand will be in writing and will be validly given or sufficiently communicated if personally delivered, or forwarded by mail, or given by facsimile transmission or other means of electronic communication, to the Sublessor or the Sublessee, as appropriate, at their respective addresses:

Sublessor:

VICTORIA AIRPORT AUTHORITY
Victoria International Airport
201 - 1640 Electra Blvd.

Sidney, BC V8L 5V4

Facsimile #: (250) 953-7509

Sublessee:

VFC CORPORATE WINGS AVIATION LTD.
1216 Lavinia Lane
Victoria, BC V8X 5M5

Facsimile #: (250) 655-1135

- (b) Such addresses or facsimile numbers may be changed from time to time by either party giving notice to the other as above provided.
- (c) Notices given hereunder will be deemed to have been received by either party:
 - i. if personally delivered, on the Day that it was delivered;
 - ii. if forwarded by mail, on the earlier of the Day it was received or three Days after it was mailed; and
 - iii. if given by facsimile transmission or other means of electronic communication, 24 hours after it was transmitted.

14.12 PRIORITY; REGISTRATION

- (a) The parties hereto agree that the provisions of the Land Title Act of British Columbia do not apply to this Sublease or the Subpremises and the parties hereto confirm and agree that this Sublease is a valid and effective contract made between the parties hereto.
- (b) The Sublessee may, at the Sublessee's cost, register this Sublease in the Victoria Land Title Office subject to the following conditions:
 - i. all costs associated with any explanatory plan or reference plan or other form of plan that may be required to effect registration of this Sublease in the Victoria Land Title Office shall be paid by the Sublessee who shall also pay all registration costs;

- ii. the Sublessor shall not be required to dedicate any portion of any land owned by the Sublessor for public road purposes;
 - iii. this Sublease will not be registered if the Sublessor does not approve of any terms or conditions imposed by any federal, provincial or municipal authority for the approval of any plan relating to registration of this Sublease.
- (c) Subject to the Sublessor obtaining for the Sublessee a non-disturbance covenant as contemplated by Subsection 14.12(d), the Sublessee agrees that it shall execute and allow to be registered a postponement of any encumbrance it may place against the title to the lands to protect its interest in this Sublease, so as to enable the Sublessor to create, alter, or replace any financial charge, or other encumbrance of any nature.
- (d) If the Sublessor should grant a mortgage of the Airport Lands or the portion thereof occupied by the Sublessee, then the Sublessor shall use reasonable efforts to have any Encumbrancer or other lender to the Sublessor provide the Sublessee with a non-disturbance agreement, which provides that so long as the Sublessee is not in default under the terms of this Sublease, the Sublessee shall be entitled to continue in quiet possession of the Subpremises.
- (e) Within five (5) Business Days of a request by a party from time to time, the other shall, subject to the payment of reasonable professional and administrative charges, execute and deliver a letter confirming the status of this Sublease, including the state of accounts and obligations between the parties.

14.13 PROVISIONS SEPARATELY VALID

The invalidity of any Article, Section or Subsection of a non-material nature shall not affect any other Article, Section or Subsection of this Sublease which shall be construed as if such invalid Article, Section or Subsection were omitted.

14.14 STATUTES

Any reference in this Sublease to all or any part of any statute or regulation will, unless otherwise stated, be a reference to that statute or regulation or the relevant part thereof, as amended, substituted, replaced or re-enacted from time to time.

14.15 SURRENDER

During the last five (5) years of the Term or any renewal, if extensive repairs, alterations or modifications are desired by the Sublessee or are required by lawful authority or otherwise or by this Sublease, and such are not covered by insurance, and the Sublessee deems the cost of the same to be uneconomic having regard to the remaining Term or any renewal of this Sublease, then the Sublessee may by notice to the Sublessor decline to repair or rebuild any improvement and may offer to surrender this Sublease on a date to be within six (6) months of the giving of such notice. On receipt of such notice, the Sublessor may by notice served on the Sublessee within ninety (90) Days after receipt of the Sublessee's notice elect to:

- (a) accept a surrender of this Sublease and the Subpremises "as is", except for the Sublessee's obligations in connection with environmental matters referred to herein; or
- (b) contribute to the cost of the repairs, alterations or modifications to the extent that such costs cannot be fully amortized during the remaining Term or any renewal of this Sublease using generally accepted accounting principles, in which event the Sublessee shall complete such repairs etc. as required by this Sublease, all terms of which shall continue to be in full force and effect, **EXCEPT THAT** in such event, there shall be no right for the Sublessee to renew or extend the Term of this Sublease, and any Article, Section or Subsection or Term to such effect shall be deemed to have been removed and cancelled.

14.16 SURVIVAL OF OBLIGATIONS

For greater clarity and certainty, all obligations of the Sublessee pursuant to this Sublease, which by their nature require all or part of their performance or fulfilment after the expiry or termination of this Sublease, including without limitation the Sublessee's


obligations regarding remediation and repair, shall (whether specifically provided for in this Sublease or not) survive the expiry or termination of this Sublease.

14.17 WAIVER

Any waiver of default, breach or non-observance by the Sublessee of any of its covenants or obligations shall not constitute a waiver, a renunciation or a surrender of the Sublessor's rights hereunder in respect of any subsequent default, breach or non-observance.


EXECUTED by the parties as at the date first above written.

VICTORIA AIRPORT AUTHORITY:



Authorized Signatory

VFC CORPORATE WINGS AVIATION LTD.:



Authorized Signatory

SCHEDULES

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