

This is the 1st Affidavit of Eric Lee in this case and was made on February 6, 2017



No. S-169079
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,

R.S.C. 1982, c. C36, AS AMENDED

AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS WITH RESPECT TO THE COMPANIES LISTED ON SCHEDULE "A" HERETO

AFFIDAVIT

I, Eric Lee, of 1700 - 128 West Pender Street, Vancouver, British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am a director of operations of Argo Ventures Inc. ("**Ventures**"), the parent company of 0921528 B.C. Ltd., ("**Argo**"), a creditor in this matter and as such have personal knowledge of the facts deposed to in this Affidavit, except where stated to be based in information from an informant I identify, in which case, I believe that both the information from the informant and the resulting statement are true.

Leases

2. I have reviewed the Amended and Restated Lease Amendment Agreement attached as Exhibit A to the Affidavit of Cristine Bosma made January 13, 2017 (the "**City Lease**"). Based on the City Lease, and the documents attached to the City Lease, I believe that the City of Delta owns the property legally described as PID 003-538-472, Parcel "B", Sections 29, 30, 31 and 32, Township 3, New Westminster District, Reference Plan 64938 (the "**Lands**") and that the City of Delta leases the Lands to Alpha Aviation Inc. ("**Alpha**").



3. As will be described further below, in 2011, Ventures entered into a purchase agreement with Heli-One Canada Inc. to acquire various assets located on the Lands, including rights to a sub-lease between Alpha and CHC Helicopters International Inc.
4. In the course of the discussions and negotiations for this acquisition, I received a number of documents. One of the documents received in the course of those discussions and negotiations was a sub-lease between Alpha and CHC Helicopters International Inc. dated July 31, 2006 (the “**Alpha Lease**”). Attached and marked as **Exhibit “A”** is a true copy of the Alpha Lease.
5. Based on the Affidavit #1 of Paul King in these proceedings, I believe that CHC Helicopters International Inc. is the predecessor of Heli-One Canada ULC (“**Heli-One**”).
6. Based on the corporate search attached as Exhibit B (page 133) to the Affidavit #1 of Sandra Brown-John, I believe that on October 21, 2014, Heli-One Canada Inc. was continued into British Columbia as “Heli-One Canada ULC”.

The Sale Agreement

7. On June 30, 2011, Ventures and Heli-One Canada Inc. entered into a purchase agreement for the sale of various assets. Attached and marked as **Exhibit “B”** is a true copy of the purchase and sale agreement between Heli-One Canada Inc. and Ventures (the “**Sale Agreement**”).
8. The Sale Agreement was amended a number of times between June 30, 2011 and closing on April 18, 2012. These were minor amendments, primarily to extend the time for closing. None of the amendments changed the property being sold or the purchase price.
9. On April 17, 2012, Ventures assigned its interest in the Sale Agreement to Argo.
10. At all times, Ventures and Argo intended to acquire the assets and the premises pursuant to the Sale Agreement so that the premises could be used for aircraft maintenance and repair (consistent with the limitations on the property’s use under the City Lease and the Alpha Lease). This included the equipment attached to the building for various aircraft maintenance purposes.

11. In 2011, prior to closing of the Sale Agreement, Ventures obtained an appraisal of the facility and premises located at 4300 – 80th Street in Delta BC (the “**Boundary Bay Facility**”). Attached and marked as **Exhibit “C”** is a true copy of the appraisal dated August 26, 2011 (the “**Appraisal**”). Ventures obtained the Appraisal, at least in part, in order to obtain financing for the Sale Agreement.

Closing of the Sale and Leaseback

12. The sale and lease back transaction contemplated by the Sale Agreement closed on April 18, 2012. As required by the Sale Agreement, Argo paid Heli-One \$37 million in exchange for the Property (as that term is defined in the Sale Agreement).
13. On April 17, 2012, Argo and Heli-One Canada Inc. entered into a further sub-lease for the Boundary Bay Facility. Attached and marked as **Exhibit “D”** is a true copy of the sub-lease agreement between Heli-One Canada Inc. and Argo (the “**Heli-One Lease**”).

Insolvency Proceedings

14. In May 2016, Heli-One, and related entities, commenced proceedings (the “**Chapter 11 Proceedings**”) in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “**US Court**”) under Chapter 11 of title 11 of the United States Code (the “**US Code**”). The Chapter 11 Proceedings are ongoing.
15. In October 2016, this Honourable Court made an order recognizing the Chapter 11 Proceedings as “foreign main proceedings”.
16. In late November 2016, Heli-One delivered materials filed in the Chapter 11 Proceedings seeking to reject the Heli-One Lease (the “**Rejection Motion**”).
17. On January 24, 2017, the US Court made an order confirming that the Heli-One Lease is rejected. The US Court also made an order confirming that the respective interests of Heli-One and Argo in property, fixtures, chattels and other items associated with Boundary Bay Facility is to be determined by this Court. Attached and marked as **Exhibit “E”** is a true copy of the order made by the US Court on January 24, 2017.

Departure from the Premises

18. Following delivery of the Rejection Motion in November 2016, representatives of Heli-One began discussions with Argo and Ventures with respect to Heli-One's occupancy and departure from the Boundary Bay Facility.
19. A number of these discussions were on a "without prejudice" basis.
20. No agreement was reached with respect to Heli-One's occupancy of the Boundary Bay Facility (or its departure), except for the January 24, 2017 order that disputes regarding interests in property and assets at the Boundary Bay Facility be determined by this Court.

Removing Property

21. Beginning November 28, 2016, I became concerned that Heli-One was, or was preparing to, remove some of the property acquired by Argo under the Sale Agreement. During a site visit on November 28, 2016, I saw that one of the Paint Booths (defined and described further below) was in the process of being dismantled.
22. Throughout January 2017, based on my discussions with representatives of Heli-One and my visits to the Boundary Bay Facility, I believed that Heli-One had been removing (and continued to remove) some of the property acquired by Argo under the Sale Agreement.
23. On January 31, 2017, Guy Borowski, the Vice President of Operations with Heli-One, called me. During that phone call, Mr. Borowski told me that the Boundary Bay Facility was now empty and that Heli-One had removed all of the items and property that it intended to remove.
24. Despite requests, Heli-One and its representatives have failed or refused to particularize the property that it has removed from the Boundary Bay Facility, other than to provide broad categories and to say that the Boundary Bay Facility has been left "empty". This advice is too vague to allow Argo to know exactly what has been taken.
25. The property described below is not all of the property acquired by Argo under the Sale Agreement, but are examples of property acquired by Argo under the Sale Agreement that Heli-One has removed.

The Paint Booths

26. Part of aircraft repair and maintenance includes a finishing process of applying coatings. Aviation coatings require precise environmental control over temperature and humidity in order to cure properly, and they must meet government safety regulations. Accordingly, the coating is applied in specially designed paint booths. These paint booths are large structures, and must be affixed to the building, including ventilation, temperature control systems, foam spray fire suppression systems and specific electrical equipment.
27. The Boundary Bay Facility had at least four specialized paint booths (the “**Paint Booths**”) that were bolted to the building and the floor with roof penetrations and duct work. The Paint Booths are of different sizes, including large Paint Booths that are built up to the ceiling of the building.
28. When Argo entered into the Sale Agreement in June 2011, and when the Sale Agreement closed in April 2012, the Paint Booths were installed and in use. The Paint Booths were affixed to the building (attached and bolted to both the building and floor and attached through large metal beams) at that time and were part of the “package” of assets that Argo acquired in the 2012 purchase Agreement.
29. On January 23, 2017, I attended at the Boundary Bay Facility for the purpose of a site inspection. At that time, I saw that the Paint Booths had been removed. Argo is still in the process of assessing the damage caused by removal of the Paint Booths.

Engine Test Beds

30. A key component of aircraft maintenance is the ability to remove engines from the aircraft and run diagnostics testing. This process requires the use of engine test beds, which are large pieces of equipment that secure the engine being tested into a fixed position and allow various components of the engine, its inputs, and its outputs, to be safely monitored by computer sensors while the engine is running.
31. Engine test beds require extensive support from electrical, plumbing and ventilation installations, as well as fire prevention, grease collection, cooling towers and drainage systems, to function safely and effectively. Such supporting installations and systems

affix engine test beds to the building, such that their removal would cause extensive damage to the building.

32. The Premises contained sophisticated two engine test beds and one transmission test bed (the “**Engine Test Beds**”) that were attached to the specific electrical, plumbing and ventilation systems on the Premises.
33. When Argo entered into the Sale Agreement in 2011, and when the Sale Agreement closed in April 2012, the Engine Test Beds were installed and in use. The Engine Test Beds are connected to the building by large pipes and ventilation ducting and are connected to its wiring, fire suppression and water cooling systems. The Engine Test Beds were part of the package of assets that Argo acquired under the Sale Agreement.
34. On January 23, 2017, I attended at the Boundary Bay Facility for the purpose of a site inspection. At that time, I saw that all of the Engine Test Beds had been removed. Argo is still in the process of assessing the damage caused by removal of the Engine Test Beds.

Cooling Towers

35. In 2011, when the Sale Agreement was negotiated, and in 2012 when the Sale Agreement closed, the Boundary Bay Facility included two cooling towers located outside the building (the “**Cooling Towers**”). The Cooling Towers were bolted to dedicated concrete pads.
36. On January 23, 2017, I saw that the Cooling Towers had been removed. Only the pipes and steel tower bases that connected the Cooling Towers to the concrete slab remain. Argo is still in the process of assessing the damage caused by removal of the Cooling Towers.

Generator

37. In 2011, when the Sale Agreement was negotiated, and in 2012 when the Sale Agreement closed, the Boundary Bay Facility included a large generator (the “**Generator**”). The Generator was bolted to a dedicated concrete pad, with conduits built into the concrete pad, connecting the Generator to the transmission test cell room of the main building.

38. On January 23, 2017, I saw that the Generator had been removed, but has left exposed pipes to which the Generator had been attached. Argo is still in the process of assessing the damage caused by removal of the Generator.

Cleaning Stations

39. In 2011, when the Sale Agreement was negotiated, and in 2012 when the Sale Agreement closed, the Boundary Bay Facility included a cleaning station (the “**Cleaning Station**”). The Cleaning Station was attached to the floor through large bolts.
40. On February 3, 2017, I saw that the Cleaning Station had been removed. Argo is still in the process of assessing the damage caused by removal of the Cleaning Station.

Other Property

41. Based on my visits to the Boundary Bay Facility on January 23, 2017, February 1, 2017 and February 3, 2017, I believe that Heli-One has removed a number of assets Argo acquired under the Sale Agreement, including those described above. Remaining on the premises are overhead hoists and cranes, Encon evaporators, a Skeans air compressor, Cobra integrated security system and some kitchen equipment. It appears that Heli-One has removed various other equipment and property that had been on the premises in June 2011 and in April 2012.

Damage

42. As noted above, the Paint Booths, Engine Test Beds, Cooling Towers, Generator and Cleaning Station were affixed to the building, including being bolted to the floor and connected to various of the building’s systems. Given the manner of affixation, these items could not be removed without causing damage to the Boundary Bay Facility.
43. Based on what I saw at the Boundary Bay Facility on January 23 and February 1, 2017, I believe that the removal of these assets has caused damage to the Boundary Bay Facility.
44. In particular:
- (a) the Paint Booths have been removed, but associated ductwork venting remains, with redundant sheet metal ducts hanging from the ceiling;

- (b) the Paint Booths were also affixed through roof penetrations that had not, as of February 3, 2017 been professionally roofed over. We must wait until the weather conditions have improved in order to safely inspect the roof and obtain photographs of these penetrations; and
 - (c) following removal of the Engine Test Beds, a counter is broken.
45. Further, the Boundary Bay Facility remains cluttered, with redundant hanging pipes, debris, hanging wires and exposed wires. Argo is in the process of assessing the repairs necessary as a result of the redundant hanging pipes, hanging wires and exposed wires. However, these issues must be addressed before the Boundary Bay Facility can be rented to a new tenant.
46. As noted above, Argo and Ventures have not yet had an opportunity to complete a full assessment of the Boundary Bay Facility. Since many of the assets removed were connected to various systems and affixed to the floor and/or the ceiling, Argo requires a professional assessment of the removal in order to determine the extent of the damage. In particular, Argo will be obtaining inspections from environmental, electrical, mechanical, structural and roofing engineers to confirm any issues that must be addressed as a result of Heli-One removing Argo's property, and to ensure that any such damage is adequately and appropriately addressed.
47. Some of the assessments cannot be completed until the snow melts. In particular, soil samples for the environmental assessment cannot be taken while snow is on the ground, and it is not safe to complete the structural assessment of the roof while it is covered in snow.

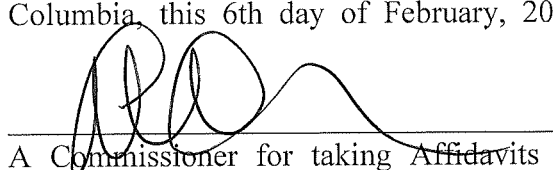
Re-letting the Boundary Bay Facility

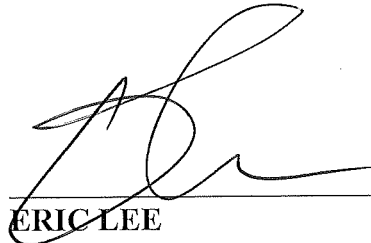
48. As noted above, the Boundary Bay Facility is subject to the City Lease and the Alpha Lease. The City Lease and the Alpha Lease restrict the permitted uses of the Boundary Bay Facility.
49. In order to comply with the Alpha Lease and to lease the Boundary Bay Facility to a new tenant with operations similar to Heli-One, Argo requires the assets Argo acquired under the Sale Agreement, including the Paint Booths, the Engine Test Beds, the Cooling

Towers, the Generator and the Cleaning Station. As a result of these items having been removed, Argo is unable to lease the Boundary Bay Facility to a similar tenant or to properly market it for lease.

50. Argo has significant ongoing expenses in connection with the Boundary Bay Facility. As a result, it must lease the Boundary Bay Facility as quickly as possible to reduce its losses. Under the Lease, Argo was receiving \$263,679.42 per month from Heli-One. Heli-One also paid the insurance and certain maintenance costs associated with the Boundary Bay Facility.
51. Beginning February 1, 2017, Argo will be required to spend a significant amount each month to cover expenses related to the Boundary Bay Facility, including property tax and insurance, in addition to its costs to repay the borrowing connected with the Boundary Bay Facility.
52. The Boundary Bay Facility is difficult and impractical to offer for lease since the Argo Property has been removed and since various issues must be addressed before the Boundary Bay Facility is ready for a new tenant (including the redundant metal pipes, hanging wires, etc. described above).

SWORN BEFORE ME at the City of)
Vancouver, in the Province of British)
Columbia, this 6th day of February, 2017.)


A Commissioner for taking Affidavits for)
British Columbia)


ERIC LEE

LISA C. HIEBERT
Barrister & Solicitor
BORDEN LADNER GERVAIS LLP
1200 Waterfront Centre, 200 Burrard Street
P.O. Box 48600, Vancouver, Canada V7X 1T2
604-632-3425

SCHEDULE "A"
LIST OF COMPANIES

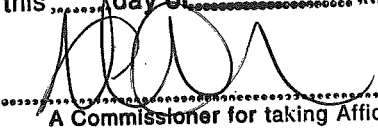
CHC Group Ltd.	CHC Hoofddorp B.V.
6922767 Holding SARL	CHC Leasing (Ireland) Limited
Capital Aviation Services B.V.	CHC Netherlands B.V.
CHC Cayman ABL Borrower Ltd.	CHC Norway Acquisition Co AS
CHC Cayman ABL Holdings Ltd.	Heli-One (Netherlands) B.V.
CHC Cayman Investments I Ltd.	Heli-One (Norway) AS
CHC Den Helder B.V.	Heli-One (U.S.) Inc.
CHC Global Operations (2008) ULC	Heli-One (UK) Limited
CHC Global Operations Canada (2008) ULC	Heli-One Canada ULC
CHC Global Operations International ULC	Heli-One Holdings (UK) Limited
CHC Helicopter (1) S.á.r.l.	Heli-One Leasing (Norway) AS
CHC Helicopter (2) S.á.r.l.	Heli-One Leasing ULC
CHC Helicopter (3) S.á.r.l.	Heli-One USA Inc.
CHC Helicopter (4) S.á.r.l.	Heliworld Leasing Limited
CHC Helicopter (5) S.á.r.l.	Integra Leasing AS
CHC Helicopter Australia Pty Ltd	Lloyd Bass Strait Helicopters Pty. Ltd.
CHC Helicopter Holding S.á.r.l.	Lloyd Helicopter Services Limited
CHC Helicopter S.A.	Lloyd Helicopter Services Pty. Ltd.
CHC Helicopters (Barbados) Limited	Lloyd Helicopters International Pty. Ltd.
CHC Helicopters (Barbados) SRL	Lloyd Helicopters Pty. Ltd.
CHC Holding (UK) Limited	Management Aviation Limited
CHC Holding NL B.V.	

TENANT LAND LEASE SUMMARY

CHC HELICOPTER INTERNATIONAL INC.

Type of Lease	Land Sublease
Lease Reference Date	July 31, 2006
Headlandlord	Corporation of Delta
Sublandlord	Alpha Aviation Inc.
Subtenant	CHC Helicopters International Inc.
Address of Premises	4300 80 th Street, Delta, BC, Boundary Bay Airport
Land Area	9.9 acres
Commencement Date	To be confirmed
Expiry	April 28, 2050
Total Lease Term	44 years
Options to Renew	None
Prepaid Base Rent	<p>\$3,800,000</p> <p>\$700,000 upon signing the Lease (paid)</p> <p>\$2,150,000 on the Commencement Date – which was around the time of receipt of building permit, see 1.1 (k) of the sublease (paid)</p> <p>\$950,000 upon the earlier of one year from receipt of building permit or substantial completion</p>
Additional Rent*	<p>Proportionate share of:</p> <ul style="list-style-type: none"> ▪ Taxes ▪ Operating expenses ▪ Airport maintenance charge ▪ Insurance ▪ Other expenses in accordance with the Lease <p>Additional rent proportionate share shall be limited to 10%</p>
Maintenance of Lands and Building	Subtenant responsibility to maintain facility and lands to a standard of adjacent facilities.

This is Exhibit "A" referred to in the affidavit of ERIC LEE sworn before me at VANCOUVER this 6 day of FEBRUARY A.D. 2007


A Commissioner for taking Affidavits within British Columbia

Vesting Improvements

Upon the expiration of the term the building including all fixtures become the property of the Sublandlord without payment.

Demolish Buildings

At the option of the Sublandlord, by written notice at end of Lease Term, the Subtenant is required to remove all buildings and improvements and make good.

Overholding Tenancy

If the Subtenant remains in possession, after expiring of the term, with written consent of the Sublandlord and Delta then the tenancy will become a month to month tenancy as an overholding the Subtenant. Rent will be equal to monthly instalments of base rent payable for the last month of term. If the Subtenant remains in possession without written consent the Subtenant shall be liable to pay occupational rent on a daily basis equal to twice the total rent paid by the Subtenant during the whole of the term on a per diem basis.

*₁ See estimated Operating Expenses in subsequent pages.

ESTIMATED BUILDING / PROPERTY OPERATING EXPENSES

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Boundary Bay Operational Costs	Fiscal 2009	Fiscal 2010
Telephones	\$ 132,000.00	\$ 138,600.00
Data Connections	\$ 168,000.00	\$ 176,400.00
IT Equipment Maintenance	\$ 57,600.00	\$ 60,480.00
Utilities, gas, power, water, maintenance	\$ 550,000.00	\$ 605,000.00
Alpha maintenance charges	\$ 14,500.00	\$ 15,590.00
Insurance	\$ 96,000.00	\$ 105,600.00
Building Management and Maintenance Salaries	\$ 175,000.00	\$ 180,250.00
Equipment Maintenance	\$ 50,000.00	\$ 55,000.00
Security costs	\$ 3,000.00	\$ 3,150.00
Property Taxes	\$ 500,000.00	\$ 517,500.00
Janitorial	\$ 336,000.00	\$ 342,720.00
Total	\$ 2,082,100.00	\$ 2,200,290.00

EXECUTION COPY
JULY 27, 2006

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SUBLEASE AGREEMENT

ALPHA AVIATION INC.
(The Sublandlord herein)

AND

CHC HELICOPTERS INTERNATIONAL INC.
(The Subtenant herein)

July 31, 2006

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SCHEDULE G	-	CONSTRUCTION REQUIREMENTS
SCHEDULE H	-	AIRPORT ISSUES

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THIS SUBLEASE AGREEMENT dated this 31st day of July, 2006

BETWEEN:

ALPHA AVIATION INC.

(The Sublandlord herein)

OF THE FIRST PART

AND:

CHC HELICOPTERS INTERNATIONAL INC.

(The Subtenant herein)

OF THE SECOND PART

WHEREAS:

- A. Pursuant to the Head Lease a portion of the Boundary Bay Airport was leased to the Sublandlord;
- B. The Sublandlord and the Subtenant wish to enter into a sublease of a portion of the leased lands (the "Lands") defined below, and to permit the construction thereon of certain improvements and to provide for the licencing of adjacent lands for the purpose of access to and egress from the Lands;
- C. The City of Delta has approved this Sublease Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the rents, covenants, provisos and conditions herein reserved and contained, the Sublandlord sublets the Lands (as defined below) to the Subtenant for the Term and subject to the provisions of this Agreement, and the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 DEFINITIONS

In this Agreement the following terms, when capitalized, have the means stated:

- (a) "Additional Rent" means
 - (i) to the extent such are not paid directly by the Subtenant, the Subtenant's proportionate share of Taxes;
 - (ii) the Subtenant's proportionate share of the Operating Expenses;
 - (iii) the Subtenant's proportionate share of the Airport Maintenance Charge;
 - (iv) the Subtenant's proportionate share of the Cost of Insurance; and

- (v) all other sums which may be payable to the Sublandlord hereunder or reimbursable to the Sublandlord hereunder, including, without limitation, all interest and penalties payable by the Subtenant hereunder, whether or not such sums are referred to as Rent or Additional Rent or otherwise,
- (b) "Agreement" means this sublease, including any Schedules and/or attachments hereto annexed, and any supplemental agreements to such Agreement as may be made from time to time;
- (c) "Airport Facilities" means that part of the Boundary Bay Airport used for the purpose of enabling aircraft to land, take off, gain access to the runways and move between the Lands and the runways and includes, without limitation, all runways, taxiways, paved aprons, aviation lights and system, navigation aids, ditches, electrical, plumbing and drainage systems, fields and all other lands, improvements and fixtures used in relation thereto and as shown generally on Schedule A but specifically excluding the Excluded Facilities;
- (d) "Airport Maintenance Charge" means all costs, outlays and expenses incurred by or for or payable by the Sublandlord in operating, insuring, maintaining, repairing, replacing and managing the Airport Facilities, which categories of expenses and the costs thereof at the date of this Agreement are set out in Schedule B and without restricting the generality of the foregoing, shall include:
 - (i) the cost of repairs, maintenance, and such replacements to the Airport Facilities and as are properly chargeable in accordance with generally accepted accounting practice to operating expenses as distinguished from capital replacements or improvements but including the cost of capital replacements where the same are required by any municipal, federal, or provincial government or agency;
 - (ii) depreciation, at rates determined by the Sublandlord, but not to exceed the maximum permitted to the Sublandlord under the provisions of the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c. 1, as amended from time to time, or any legislation substituted therefore, on the equipment, fixtures and machinery employed in operating, maintaining, repairing and replacing the Airport Facilities;
 - (iii) interest calculated at the rate of 2% per annum in excess of the Prime Rate upon the undepreciated or unamortized portion of the costs and expenses of the equipment and machinery employed in operating, maintaining, repairing and replacing the Airport Facilities;
 - (iv) Cost of Insurance which the Sublandlord may reasonably allocate to the Airport Facilities;
 - (v) the cost for gardening and landscaping, grass cutting, signage replacement and maintenance, line repainting, garbage removal, sanitary control, snow removal, and cleaning of the Airport Facilities;

- (vi) the cost of repair and maintenance of the fencing enclosing the Airport Facilities;
- (vii) the cost of repair and maintenance (including bulb replacement) of the lighting system serving the Airport Facilities together with the cost of calibrating the field lighting regulators;
- (viii) the cost of IPU test run-up and of testing, repairing and maintaining the fire hydrants located within the Airport Facilities;
- (ix) that portion of Taxes which the Sublandlord may elect to reasonably allocate to the Airport Facilities;
- (x) sales and excise taxes, value added taxes, and goods and services taxes, net of any tax refunds, on goods and services provided by the Sublandlord to manage, operate, repair, replace, or maintain the Airport Facilities; and
- (xi) the cost of electrical power and other utilities furnished to the Airport Facilities.

but new categories of expenditures not shown on Schedule B shall be expenditures of a nature similar to those expenditures set out in Schedule B.

- (e) "Alterations" means alterations, adjustments, changes, repairs, renewals, restorations, additions, reconstructions, replacements, modifications, improvements, betterments, and installations;
- (f) "Approved Plans and Specifications" means the design and working drawings, plans and specifications for the Buildings prepared by the Subtenant at its cost and as may be approved by the Subtenant and Delta;
- (g) "Base Rent" means the base rent payable by the Subtenant pursuant to and in the manner set out in section 4.2 hereof;
- (h) "Boundary Bay Airport" means the airport located at Delta, British Columbia, which is operated by the Sublandlord and located on the lands legally described as:

PID: 003-528-472

Parcel "B" Sections 29, 30, 31 and 32

Township 3 NWD Reference Plan 64938

- (i) "Buildings" means any and all buildings comprising a maximum of 275,000 square feet to be constructed by the Subtenant upon the Lands, all in accordance with the Approved Plans and Specifications and includes, without limitation, all Leasehold Improvements located thereon, together with all Alterations and additions thereto;
- (j) "Claim" means any claims, losses, suits, proceedings, actions, causes of action, demands, judgments, executions, liabilities and responsibilities for any Damages and for any Injuries;

- (k) "Commencement Date" means the latest of the dates on which:
- (i) the approval by Delta's Approving Officer of the Plan of the Lands is given,
 - (ii) Delta executes a form of consent and non-disturbance in a form acceptable to both parties, and any necessary consents under the Head Lease have been provided to the Subtenant;
 - (iii) the Crown provides assurance on terms acceptable to the Subtenant, acting reasonably, as to the conditional nature of its right to acquire title to the Boundary Bay Airport; and
 - (iv) the Subtenant has received a Building Permit enabling it to construct upon the Lands those improvements which have been previously authorized by the Landlord;
- (l) "Common Areas and Facilities" means those areas and facilities located within Boundary Bay Airport and designated by the Sublandlord as common areas and common facilities from time to time which designations may be changed by the Sublandlord from time to time, which are designated or provided by the Sublandlord for the general use by or for the benefit of the Subtenant in common with the other subtenants, the Sublandlord and other persons permitted by the Sublandlord, including without limitation, the sewer treatment facility which serves the Boundary Bay Airport, street lights and traffic signals, common mechanical, plumbing, electrical and drainage systems, all roadways, driveways, loading areas, landscaped areas, sidewalks and parking areas which are not included within the Lands or which the exclusive right to use has not been granted to other subtenants by way of exclusive easement, licence or other means, but specifically excluding all Airport Facilities and Excluded Facilities;
- (m) "Consultant" means the architect or professional engineer in good standing in British Columbia retained by the Subtenant to ensure that the Buildings are completed in accordance with the Approved Plans and Specifications;
- (n) "Cost" means all expenses, losses, charges and payments relating to an event and including any professional, consultant, and legal fees (on a "solicitor and his own client" basis) of professionals and consultants retained by a party;
- (o) "Cost of Insurance" means the annual cost to the Sublandlord to take out and maintain the insurance coverage required to be maintained by the Sublandlord pursuant to the Head Lease, or such additional insurance coverage as the Sublandlord may reasonably elect to carry;
- (p) "Crown" means Her Majesty the Queen, In Right of Canada, represented by the Minister of Transport;
- (q) "Damage" means any loss, cost or damage sustained by the Subtenant or any Occupant or by any directors, officers, employees, agents, friends, customers, guests or invitees of any of them, including, but not limited to, direct, indirect,

incidental, special, exemplary, consequential or otherwise, loss of profits or revenue, interference with business operations, loss of Occupant, lenders, investors or buyers, inability to use any part of Boundary Bay Airport or the Premises, and Costs;

- (r) "Delta" means the Corporation of Delta and its successors and assigns in interest under the Head Lease;
- (s) "Delta's Non-Disturbance Agreement" has the meaning ascribed to such term in section 16.1 hereof;
- (t) "Excluded Facilities" means any passenger terminal buildings, any hangars and any buildings exclusively occupied by third parties or the Sublandlord;
- (u) "Fixturing Fee" has the meaning ascribed to such term in section 12.3 hereof;
- (v) "Force Majeure" means an event causing a bona fide delay, notwithstanding the commercially reasonable best efforts of the party delayed with respect thereto, in the performance of any obligations under this Agreement arising from causes beyond the reasonable control of such party including strike, lockout, riot, insurrection, war, fire, tempest, Act of God or lack of material and provided further that the lack or shortage of funds shall not constitute such an event;
- (w) "Head Lease" means the lease amendment agreement dated December 1, 2004 made between Delta, as lessor, and the Sublandlord, as lessee whereby a portion of the Boundary Bay Airport was leased to the Sublandlord, as amended by an Amended and Restated Lease Amendment Agreement between Delta and the Sublandlord dated for reference as of the 1st day of December, 2005;
- (x) "Injury" means any personal injury or bodily injury to any person who is a director, officer, agent, friend, customer, guest or invitee of the Subtenant or any Occupant or of any director, officer, or employee of any of them, including death resulting therefrom, and whether the death occurs, before or after the end of the Term of this Agreement or after any period when the Subtenant is using or occupying the Premises;
- (y) "Insurance" means any insurance which the Subtenant is required to obtain and maintain pursuant to this Agreement including, without limiting the generality of the foregoing, that described in Schedule C;
- (z) "Lands" means those lands to be outlined in heavy black ink in the reference plan to accompany the short form of this Sublease, to be prepared by a British Columbia Land Surveyor, a sketch plan of which is attached as Schedule D;
- (aa) "Leasehold Improvements" means and includes all improvements, fixtures, equipment and Alterations from time to time made, constructed, erected, or installed by, for or on behalf of the Subtenant in, on, to, or for the Premises, whether or not easily disconnected or movable;
- (bb) "Management Fees" means the amount paid by the Sublandlord for the supervision and management of the Airport Facilities and the Common Areas and

Facilities of the Boundary Bay Airport, this Agreement, and all other sublease and licence agreements in respect of the Boundary Bay Airport, including amounts paid to third party managers and administrators and will not include amounts paid for management of fuel sales operations;

- (cc) "Occupant" means any person who uses the Lands or the Buildings, or any part thereof;
- (dd) "Operating Expenses" means all costs, outlays and expenses incurred by or for or payable by the Sublandlord in operating, maintaining, repairing, replacing and managing the Common Areas and Facilities, which categories of expenses and the costs thereof, at the date of this Agreement are set out in Schedule E and without restricting the generality of the foregoing, shall include:
 - (i) the cost of repairs, maintenance, and such replacements to the Common Areas and Facilities and as are properly chargeable in accordance with generally accepted accounting practice to operating expenses as distinguished from capital replacements or improvements but including the cost of capital replacements where the same are required by any municipal, federal, or provincial government or agency;
 - (ii) depreciation, at rates determined by the Sublandlord, but not to exceed the maximum permitted to the Sublandlord under the provisions of the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c. 1, as amended from time to time, or any legislation substituted therefore, on the equipment, fixtures and machinery employed in operating, maintaining, repairing, and replacing the Common Areas and Facilities;
 - (iii) interest calculated at the rate of 2% per annum in excess of the Prime Rate upon the undepreciated or unamortized portion of the costs and expenses of the equipment and machinery employed in operating, maintaining, repairing, and replacing the Common Areas and Facilities;
 - (iv) Cost of Insurance which the Sublandlord may reasonably allocate to the Common Areas and Facilities;
 - (v) the expense for gardening and landscaping, line repainting, garbage removal, sanitary control, snow removal, and cleaning of the Common Areas and Facilities;
 - (vi) wages paid for maintenance, security, and operating personnel, including payments for workers' compensation, unemployment insurance, vacation pay, Canada Pension Plan, and other fringe benefits whether statutory or otherwise;
 - (vii) the cost of uniforms for personnel who are involved in the maintenance, security, and operation of the Boundary Bay Airport;
 - (viii) all costs of supplies and equipment required for the administration and management of the Boundary Bay Airport;

- (ix) accounting costs required for the administration and management of the Boundary Bay Airport;
- (x) that portion of Taxes which the Sublandlord may elect to reasonably allocate to the Common Areas and Facilities;
- (xi) sales and excise taxes, value added taxes, and goods and services taxes, net of any tax refunds, on goods and services provided by the Sublandlord to manage, operate, repair, replace, or maintain the Common Areas and Facilities;
- (xii) the cost of electrical power and other utilities furnished to the Common Areas and Facilities; and
- (xiii) Management Fees;

but Operating Expenses shall not include amounts otherwise charged as part of the Airport Maintenance Charges, interest on the Sublandlord's debt, capital retirement of the Sublandlord's debt, costs incurred in leasing or procuring new tenants or base rent payable by the Sublandlord under the Head Lease and new categories of expenditures shall be expenditures of a nature similar to those expenditures set out in Schedule E;

- (ee) "Person" means any individual, company, corporation, partnership, firm, trust, sole proprietorship, government or government agency, authority or entity, however designated or constituted;
- (ff) "Premises" means the Lands, the Buildings, and all structures, improvements, fixtures and appurtenances constructed or located at any time thereon;
- (gg) "Prime Lending Rate" means for any day, the rate of interest per annum established by the Sublandlord's Bank as the interest rate charged by it on the first day of any calendar month for demand loans made in Canada in Canadian currency to its most credit-worthy commercial customers and which is quoted as its "prime rate". The certificate of an officer of the Sublandlord's Bank as to the interest rate so reported by it for any specified day shall be, in the absence of manifest error, conclusive evidence thereof;
- (hh) "Rent" means all Base Rent and Additional Rent payable pursuant to this Agreement;
- (ii) "Rental Year" means each of the consecutive periods of twelve (12) calendar months comprising the Term commencing on the first day of January and ending on the last day of December, except that,
 - (i) the first Rental Year begins on the first day of the Term and ends on the next December 31st and may be a period less than 12 consecutive calendar months; and

- (ii) the last Rental Year begins on January 1st of the year during which the last day of the Term occurs and ends on the last day of the Term, and may be a period less than 12 consecutive calendar months;
- (jj) "Rules and Regulations" means the rules and regulations adopted and promulgated by the Sublandlord from time to time in connection with the Boundary Bay Airport;
- (kk) "Sublandlord" means Alpha Aviation Inc. and includes any of its successors or assigns; in any section of this Agreement that contains a release, hold harmless, indemnity or other exculpatory language in favour of the Sublandlord, the term "Sublandlord" also means any officers, servants, employees, agents or contractors of the Sublandlord and any other Person for whom the Sublandlord may be responsible in law and any Person who has a right of contribution as against the Sublandlord;
- (ll) "Sublandlord's Bank" means the Bank of Nova Scotia, or such other financial institution which may from time to time be designated by the Sublandlord as its principal banker;
- (mm) "Sublandlord's Servicing Obligations" means the provision of those services described in Schedule F;
- (nn) "Subtenant" means and includes, irrespective of gender or number, the party or parties of the second part as above designated or described, and their or any of their executors, administrators, successors or assigns as permitted in accordance with the terms of this Agreement;
- (oo) "Taxes" shall mean all taxes, fees, levies, charges, assessments, rates, duties, and excises which are now or may hereafter be levied, imposed, rated, or assessed upon or with respect to the Boundary Bay Airport, the Lands, the Buildings, the Airport Facilities or the Common Areas and Facilities or any part thereof or any personal property of the Sublandlord used therefor, whether levied, imposed, rated, or assessed by the government of Canada, the government of British Columbia, or any political subdivision, political corporation, district, municipality, city, or other political or public entity, and whether or not now customary or in the contemplation of the parties on the date of this Lease. Without restricting the generality of the foregoing, Taxes shall include all:
 - (i) real property taxes, general and special assessments, and capital taxes;
 - (ii) taxes, fees, levies, charges, assessments, rates, duties, and excises for transit, housing, schools, police, fire, or other governmental services, or for purported benefits to the Lands, the Buildings or the Airport Facilities;
 - (iii) local improvement taxes, service payments in lieu of taxes, and taxes, fees, levies, charges, assessments, rates, duties, and excises, however described, that may be levied, rated, or assessed as a substitute for, or as an addition to, in whole or in part, any property taxes or local improvement taxes; and

- (iv) costs and expenses, including legal and other professional fees and interest and penalties on deferred payments, incurred by the Sublandlord in successfully contesting or appealing any taxes, assessments, rates, levies, duties, excises, charges, or other amounts as aforesaid;
- (pp) "Term" means the period of time described in Article 3 hereof;
- (qq) "Trade Fixtures" means the unattached, moveable chattels and equipment installed prior to or during the Term in, on or which serve any of the Buildings, for the purpose of the Subtenant or an Occupant carrying on its business in such Buildings and which Trade Fixtures and Subtenant or Occupant is permitted to remove only to the extent permitted by the terms of this Agreement, but Trade Fixtures do not include Leasehold Improvements;
- (rr) "Transfer" has the meaning ascribed to such term in section 10.1 hereof;
- (ss) "Transferee" has the meaning ascribed to such term in section 10.1 hereof;
- (tt) "Work" means all work performed or carried out or to be performed or carried out by the Subtenant associated with the construction of the Buildings, the Alterations or Leasehold Improvements, together with all additions thereto; and
- (uu) "Work Permit" means a construction permit issued by the Sublandlord which authorizes the construction or installation of improvements of any nature and kind whatsoever which are to be performed or carried out after the Commencement Date.

1.2 EXTENDED MEANINGS

- (a) The words "hereof", "herein", "hereunder" and similar expressions used in this Agreement relate to the whole of this Agreement, unless the context indicates otherwise.
- (b) Words importing the singular shall include the plural and vice versa and words importing a particular gender shall include all genders.
- (c) The use of the neuter singular pronoun to refer to the Sublandlord or the Subtenant is deemed a proper reference even though the Sublandlord or the Subtenant may be an individual, a partnership, an association, a corporation or a group of two or more individuals, partnerships, associations, or corporations.
- (d) The necessary grammatical changes required to make the provisions of this Agreement apply in the plural sense where there is more than one Sublandlord or Subtenant and to either corporations, associations, partnerships or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.
- (e) In this Agreement, "includes" means "includes, without limitation"; "including" means "including, without limitation"; "without any set-off" means "without any set-off, notice, demand, deduction, alteration, diminution, compensation or abatement whatsoever"; "construct" means "construct or erect"; "construction"

means "construction or erection"; "Subtenant shall not permit" means "Subtenant shall not cause, suffer or permit"; "law" means "law, by-law, regulation, order, decision and rule"; and "Subtenant agrees" or "Subtenant acknowledges" means "Subtenant expressly acknowledges and agrees".

1.3 CONSENT OR APPROVALS

Unless expressly provided in this Agreement to the contrary, whenever a consent or approval is required to be given under this Agreement by one party to the other, the granting of such consent or approval shall not be unreasonably withheld or delayed. Whenever a prerogative right is given under this Agreement to one party over the other the exercise of the right shall be reasonable and the standard of performance of the compelled party shall also be reasonable.

1.4 SCHEDULES

The following Schedules to this Agreement constitute part of this Agreement:

- SCHEDULE A - AIRPORT FACILITIES SKETCH PLAN
- SCHEDULE B - CURRENT AIRPORT MAINTENANCE CHARGES
- SCHEDULE C - INSURANCE
- SCHEDULE D - SKETCH PLAN SHOWING THE LOCATION AND DIMENSION OF THE LANDS
- SCHEDULE E - CURRENT OPERATING EXPENSES
- SCHEDULE F - SUBLANDLORD'S SERVICING OBLIGATIONS
- SCHEDULE G - CONSTRUCTION REQUIREMENTS
- SCHEDULE H - AIRPORT ISSUES

ARTICLE 2 – DEMISE

2.1 GRANT OF LEASE

The Sublandlord hereby subleases the Lands to the Subtenant, and the Subtenant subleases the Lands from the Sublandlord, for the Term subject to the terms and conditions of this Agreement (the "Sublease").

2.2 COLLATERAL RIGHTS

To the extent that the Sublandlord is entitled to grant access rights to the Airport Facilities and the roadways adjacent to the Lands, the Subtenant shall have the right to access and egress the Lands by way of foot, vehicle or aircraft over the Aircraft Facilities, and by way of foot, bicycle or automobile over the existing roadways upon the Boundary Bay Airport.

ARTICLE 3 - TERM

3.1 LENGTH OF TERM

This Agreement shall be for a term commencing on the Commencement Date and ending on April 28, 2050.

3.2 TERMINATION FOR FAILURE TO ACHIEVE CONDITIONS PRECEDENT TO COMMENCEMENT

- (a) The Subtenant may terminate this Sublease by written notice to the Sublandlord given on or after November 1, 2006, if the Commencement Date has not occurred on or before October 31, 2006 and has not occurred at the time of notice of termination.
- (b) The Sublandlord may terminate this Sublease by written notice to the Subtenant given on or after January 1, 2007, if the Commencement Date has not occurred on or before December 31, 2006, provided that upon a termination by the Sublandlord, if the unsatisfied conditions precedent, at the time of termination, include one or more of the consents in subparagraphs k(i) to (iii) of the "Commencement Date" definition, or the failure of Delta to issue a development permit in respect of the improvement of the Lands, in accordance with the description of work shown in Schedule G to this Agreement, then the Sublandlord shall forthwith reimburse the Fixturing Fee previously paid, and the Subtenant's direct expenditures for site preparation (to a maximum of \$3,000,000).

3.3 OVERHOLDING TENANCY

- (a) If the Subtenant remains in possession of the Premises after the end of the Term with the written consent of the Sublandlord and Delta, then:
 - (i) the Subtenant will be considered to be occupying the Premises as a Subtenant on a month to month basis as an overholding Subtenant of the Sublandlord; and
 - (ii) the consideration for such continued possession shall be a monthly rental payable in advance on the first day of each month equal to the monthly installment of Base Rent payable for the last month of the Term.
- (b) If the Subtenant remains in possession of the Premises either after the end of the Term without the written consent of the Sublandlord and Delta or after the expiry or termination of any permitted overholding, then the Subtenant shall be liable to pay to the Sublandlord occupational rent on a daily basis in an amount equal to twice the total Rent paid by the Subtenant during the whole of the Term (including the Base Rent payable pursuant to section 4.2) calculated on a per diem basis.
- (c) The Subtenant shall also be responsible for the payment of any Additional Rent during any period of overholding.
- (d) It is expressly agreed that:
 - (i) the acceptance of any consideration during any overholding period;
 - (ii) the operation of any implied condition; or
 - (iii) any implication of law,

shall not be construed nor shall operate so as to reinstate, continue or extend the Term or otherwise renew this Agreement or operate as a waiver of the right of the Sublandlord to enforce the payment of Rent then due or thereafter falling due, or operate as a waiver of the right of the Sublandlord to recover possession of the Premises. During such overholding period the parties shall be subject to all other covenants and conditions herein contained except as to length of term and consideration.

- (e) Any overholding tenancy implied by subsection 3.2(a) hereof may be terminated upon thirty (30) days written notice by either the Sublandlord or the Subtenant.

ARTICLE 4 – PAYMENT OF RENT

4.1 COVENANT TO PAY

The Subtenant shall pay during the currency of this Agreement to the Sublandlord, in lawful money of Canada, when due, all Rent in accordance with the terms of this Agreement, without any set-off, compensation or deduction whatsoever, on the days and at the times hereinafter specified, which Rent shall include the aggregate of the sums required to be paid by clauses 4.2, 4.3 and 4.4.

4.2 BASE RENT

In respect of the Lands, prepaid Base Rent for the Term by certified cheque or bank draft in the sum of \$3,800,000.00, together with applicable Goods and Services Tax, payable as to:

- (a) \$2,850,000 upon the Commencement Date less the sum of \$700,000 paid by the Subtenant to the Sublandlord on execution of this Agreement, as consideration for the right to access the Lands and perform pre-construction work, prior to the Commencement Date; and
- (b) \$950,000 on the earlier of:
 - (i) one year following the date on which the Subtenant receives a building permit for the Buildings; and
 - (ii) substantial completion of the Buildings in accordance with the Approved Plans and Specifications as certified by the Consultant and substantial completion of the Sublandlord's Servicing Obligations.

4.3 ADDITIONAL RENT

In each Rental Year, the Subtenant shall pay as Additional Rent:

- (a) the Subtenant's proportionate share of Operating Expenses and Airport Maintenance Charge;
- (b) the Subtenant's proportionate share of Cost of Insurance; and
- (c) subject to section 4.4, the Subtenant's proportionate share of Taxes.

4.4 PAYMENT OF TAXES

In the event that the authority responsible for assessing or levying Taxes issues a separate and distinct tax notice in relation to the Lands only, then in such case:

- (a) The Subtenant shall pay or cause to be paid directly to the appropriate taxing authority not less than seven (7) days prior to the date same are due all Taxes relating to or attributable to the Premises, the business carried on therein, or in respect of the use and occupancy thereof;
- (b) the Subtenant shall furnish to the Sublandlord, prior to the date the Taxes are due, official receipts or other proof satisfactory to the Sublandlord, evidencing payment of all Taxes;
- (c) The Subtenant shall pay any business tax, value added tax, multi-stage sales tax, sales tax, goods and services tax or any other tax imposed on any rent receivable by the Sublandlord hereunder by any governmental or other taxing authority having jurisdiction, whether known as business transfer tax, value added tax, goods and services tax, or by any other name; and
- (d) The Subtenant shall deliver to the Sublandlord notice of any appeal or contestation which the Subtenant at the Subtenant's expense, wishes to institute with respect to any Taxes in accordance with section 4.6 below.

4.5 SUBLANDLORD MAY PAY

In the event that the Subtenant becomes responsible for directly paying the Taxes to the applicable authority pursuant to section 4.4, but fails to comply with its obligations to pay such Taxes pursuant to section 4.4, the Sublandlord may, but is not obligated to, and in addition to and not in substitution for any other right or remedy the Sublandlord may have, elect to pay the Taxes on behalf of the Subtenant, and in such event the amount so paid by the Sublandlord on behalf of the Subtenant including all penalties and interest shall immediately become due and payable by the Subtenant to the Sublandlord as Rent, and shall bear interest at the rate set out in section 4.11.

4.6 APPEALS OF ASSESSMENTS

The Subtenant may at its own expense contest any and all assessments of the charges, rates, Taxes and levies referred to above, provided that the Subtenant shall have given notice to the Sublandlord of its intention so to do and subject always to the fulfilment of the following to the satisfaction of the Sublandlord, in its reasonable discretion:

- (a) the Subtenant must demonstrate to the Sublandlord sufficient resources to pay all such charges, rates, Taxes and levies, fines, penalties, interest, costs and amounts that may be assessed or become a charge on the Premises as a result of proceedings taken by the Subtenant from time to time;
- (b) the Subtenant must prosecute such proceedings with diligence;
- (c) in the event the Sublandlord becomes or chooses to become a party to such proceedings, the Subtenant shall indemnify and save harmless the Sublandlord

against all such amounts that might be assessed or become a charge upon the Premises as a result of the proceedings taken by the Subtenant together with all costs, including legal costs on a solicitor-client basis, incurred by the Sublandlord as a party to such proceedings. and

- (d) upon the final determination of such contesting proceedings, the Subtenant will forthwith pay all assessments, charges, rates, Taxes and levies in accordance with its obligations hereunder.

4.7 ADJUSTMENT OF OPERATING EXPENSES AND AIRPORT MAINTENANCE CHARGES

As soon as practical after the expiration of each Lease Year, the Sublandlord will provide to the Subtenant details of the various costs and expenses which comprise Operating Expenses and the Airport Maintenance Charge for the immediately preceding Lease Year and shall determine the Subtenant's proportionate share thereof in accordance with section 4.8 and advise the Subtenant of the contribution to Operating Expenses and the Airport Maintenance Charge which the Subtenant is obligated to pay pursuant to section 4.3(a), and upon such determination being made the Subtenant shall pay the contribution as Additional Rent. In the event that the Subtenant disagrees with the Sublandlord's determination of the Subtenant's proportionate share of Operating Expenses and the Airport Maintenance Charge made in accordance with the foregoing, the Sublandlord and Subtenant shall use *bona fide* efforts to resolve such disagreement, and should such disagreement not be resolved by agreement then the matter shall be referred to and determined by a single arbitrator appointed pursuant to the provisions of the *Commercial Arbitration Act* of British Columbia. Until the dispute is resolved by mutual agreement or arbitration, the Subtenant shall pay such sums as a contribution to the Operating Expenses and the Airport Maintenance Charge as the Sublandlord has determined as being the Subtenant's proportionate share, and once the dispute has been resolved by agreement or arbitration, any adjustment as may be necessary shall be made between the parties.

4.8 CALCULATION OF PROPORTIONATE SHARE

- (a) In determining the Subtenant's proportionate share of Additional Rent payable by the Subtenant pursuant to section 4.3 above, the Sublandlord shall act reasonably, and the Subtenant's proportionate share for the purposes of Operating Expenses, Cost of Insurance and the Airport Maintenance Charge shall be a percentage equal to a fraction having as its numerator the area of the Lands, and having as its denominator the area of all the subleasable land (the "Subleasable Land") from time to time within the Boundary Bay Airport. For the purposes of this section and subsection (b) below, Subleasable Land shall mean all land within the Boundary Bay Airport which the Sublandlord is permitted from time to time by all governmental authorities having jurisdiction to sublet to third parties and shall exclude all portions of the Boundary Bay Airport consisting of Airport Facilities, provided that in no event shall the Subtenant's proportionate share exceed 10%.
- (b) In determining the Subtenant's proportionate share of Taxes, subject to section 4.4, the Sublandlord shall, with reference to the assessed values of the

lands and improvements as determined by the BC Assessment Authority, if available and in any event acting reasonably and consistent with previous practice, and shall make an equitable determination of same taking into account the value of the Lands, in relation to all land within the Boundary Bay Airport, and taking into account the value of the Buildings and other improvements located upon the Lands in relation to the value of all other buildings and improvements located within the Boundary Bay Airport.

- (c) If the Subtenant disagrees with the Sublandlord's determination of the Subtenant's proportionate share of Taxes made in accordance with the foregoing, the Sublandlord and Subtenant shall use *bona fide* efforts to resolve such disagreement, and should such disagreement not be resolved by agreement then the matter shall be referred to and determined by a single arbitrator appointed pursuant to the provisions of the *Commercial Arbitration Act* of British Columbia. Until the dispute is resolved by mutual agreement or arbitration, the Subtenant shall pay such sums as a contribution to the Operating Expenses and the Airport Maintenance Charge as the Sublandlord has determined as being the Subtenant's proportionate share, and once the dispute has been resolved by agreement or arbitration, any adjustment as may be necessary shall be made between the parties.

4.9 PAYMENT OF ADDITIONAL RENT

- (a) At any time during the Term, the Sublandlord may estimate the Additional Rent payable by the Subtenant to the Sublandlord for such period as the Sublandlord may determine, and notify the Subtenant in writing of the estimated amount payable. The amount so estimated shall be payable in equal monthly installments in advance over such period payable on the first day each and every month. As soon as practicable after the expiration of each Rental Year, the Sublandlord shall make a final determination of the Additional Rent and notify the Subtenant and provide the Subtenant at such time with a signed statement by the Sublandlord setting out the Additional Rent and the manner in which same was calculated and confirming that such costs have been calculated with generally accepted accounting principles. The Subtenant may upon reasonable notice during the Sublandlord's usual business hours attend at the offices of the Sublandlord to review and copy at its own expense such records as are reasonably necessary to confirm the Sublandlord's statement. In the event the Subtenant's review indicates errors in the calculation of any portion of the Additional Rent, the Sublandlord and Subtenant will attempt to resolve such discrepancy, but any dispute will be resolved by single party arbitration conducted in accordance with the *Commercial Arbitration Act* (British Columbia). The Sublandlord and Subtenant shall make the appropriate readjustments and payments based upon such statement and the notice to the Subtenant. If any amount is owing by the Subtenant, it shall be paid within thirty (30) days after the Subtenant has received the notice relating thereto. If any amount is owing by the Sublandlord, it shall be paid to the Subtenant within the same time period applicable to the Subtenant's

payment. Neither party may claim a readjustment in respect of Additional Rent based upon any error of estimation, determination or calculation thereof unless claimed in writing prior to the expiration of two (2) years after the end of the Rental Year to which the Additional Rent relates.

- (b) In the event that the Sublandlord does not estimate the Additional Rent payable by the Subtenant in accordance with subsection (a) above, then Additional Rent shall be payable in full 30 days after the Subtenant receives written demand from the Sublandlord for the payment of same.

4.10 INTEREST ON RENT IN DEFAULT

Without waiving any other right of action of the Sublandlord in the event of default of payment of Rent, should the Subtenant be delinquent in making the payments of Rent required hereunder, the Subtenant shall pay, as Additional Rent, interest thereon at a rate per annum, calculated on a per diem basis on the basis of a year of 365 days, equal to the sum of (i) 3% and (ii) the Prime Lending Rate, calculated daily and compounded monthly from the date any such amount is due and payable, until paid. Such rate shall be adjusted monthly during the Term, the effective rate for each month being the rate which is in effect on the first day of that month.

4.11 QUALIFICATIONS AS TO PAYMENTS

No endorsement or statement on any cheque or receipt or use of any letter or statement accompanying or referring to any cheque or payment of any Rent or Additional Rent is deemed an acknowledgement of full payment or an acceptance, accord and satisfaction by the Sublandlord of such endorsement, statement or letter, notwithstanding the terms of the endorsement, statement or letter, and the Sublandlord may accept and cash such cheque or payment and, at the option of the Sublandlord, apply such payment on account of the earliest stipulated Rent or Additional Rent without prejudice to the Sublandlord's right, having so applied such payment, to recover the balance of Rent or Additional Rent or pursue any other right or remedy provided in this Agreement or at law.

4.12 SUBLEASE

It is the intention of the parties that the Rent payable hereunder shall be absolutely net to the Sublandlord and that, except as otherwise herein expressly provided, the Subtenant shall at its expense and to the complete exoneration of the Sublandlord pay or cause to be paid all costs, outlays and expenses of any kind or nature whatsoever relating to or affecting the Premises and in connection with any business carried on therein or thereon; PROVIDED, HOWEVER that except as set out herein, the Subtenant shall not be responsible for the payment of any amounts to Delta in its capacity as landlord under the Head Lease or for the Sublandlord's obligations to the Sublandlord's Bank.

ARTICLE 5 - USE OF LAND AND BUILDINGS

5.1 ACCEPTANCE OF LAND

The Subtenant acknowledges that it has inspected and is familiar with the physical attributes and condition of the Lands at the date hereof, and that the Sublandlord has made no representations or warranties of any kind as to the Lands except those expressly set out in this Agreement, and that other than as specifically expressed herein the Sublandlord is not responsible for any defects in the Lands (either latent or patent) or for the existence of any other circumstance or condition not expressly represented or warranted by the Sublandlord in this Agreement. The Subtenant accepts the Lands in an "as is" condition.

5.2 DESIGN AND CONSTRUCTION OF THE BUILDINGS

In connection with the construction of the Buildings, the Subtenant shall comply with the provisions in Schedule G.

5.3 USE OF THE BUILDINGS

The Subtenant shall use the Buildings solely for the purpose of the repair and maintenance of aircraft, the storage of aircraft and related material and equipment, and related office use, but which specifically excludes the storage of fuel (except as may be necessary and incidental to its repair and maintenance operations) and such other uses as are permitted by the applicable zoning of the Lands, are contemplated by the Master Plan for the Boundary Bay Airport and are approved by the Sublandlord, such approval not to be unreasonably withheld. The Subtenant will not use or permit or suffer the use of the Buildings or any part thereof for any other business or purpose.

ARTICLE 6- CONDUCT OF BUSINESS

6.1 COMPLIANCE WITH LAWS

- (a) The Subtenant shall comply with and ensure that all Occupants comply with all requirements of all laws relating to the Subtenant's use and occupation of the Lands and the Buildings and the operation of any business conducted thereon. The Subtenant shall comply with and ensure that all Occupants comply with all applicable land use and development guidelines as are applicable to the use and occupation of the Lands, the construction of any Buildings and Leasehold Improvements thereon, the occupation of any Buildings, and the operation of any business therefrom. Without restricting the generality of the foregoing, the Subtenant shall in all respects comply with or ensure compliance with all provisions of law applicable to the Lands or the Buildings now or hereafter in force including, without limitation, federal and provincial legislative enactments, zoning and building bylaws, and any other governmental or municipal regulations or agreements which, without limitation, relate to the demolition or construction of Buildings, health and fire regulations, the equipping of and maintenance, operation and use of Buildings and public ways adjacent thereto, the construction,

installation or erection of signage and displays, and to the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the Buildings and Leasehold Improvements or any part thereof.

- (b) The Subtenant shall deliver to the Sublandlord and to Delta a copy of any written notice of non-compliance received by the Subtenant or received by an Occupant (and provided by an Occupant to the Subtenant) with any applicable law, and the Subtenant shall promptly commence to remedy such non-compliance forthwith upon receipt of such notice and thereafter with due diligence, continuously prosecute the remedying of the non-compliance to completion within a reasonable period off time.

6.2 COMPLIANCE BY OCCUPANT

The Subtenant shall ensure that all Occupants observe and comply with all applicable laws now or hereafter in force and do all things necessary to comply with, and to enable compliance by the Subtenant with, this Agreement and the Head Lease excluding those sections described in Section 15.17.

6.3 MAINTENANCE OF LANDS

In addition to and not in substitution for its obligations pursuant to section 8.1 below, at all times during the Term, the Subtenant shall at its expense keep or cause the Lands and all Leasehold Improvements thereon to be kept in a neat and tidy condition and shall maintain the exterior of the Leasehold Improvements to a standard equal to that of adjacent facilities. The Subtenant shall not allow refuse, garbage or other loose or objectionable articles to accumulate in or about the Lands and shall not engage in or allow any activities which would be deemed a nuisance or that may cause annoyance to adjoining occupants or any other users of Boundary Bay Airport. Without restricting the generality of the foregoing, the Subtenant at its own cost and expense shall:

- (a) keep the driveways, walks, sidewalks and curbs forming part of or adjoining to the Lands clean and free of snow and ice;
- (b) keep any flower beds properly cultivated and planted, the lawns and grounds watered, weeded and mowed, and any shrubs and trees properly trimmed and replaced where necessary;
- (c) maintain, repair and replace when necessary the landscaping, paved areas and roadways on the Lands and shall keep the Lands free of debris and neat and tidy at all times, all to the satisfaction of the Sublandlord.

6.4 ACCESS

- (a) The Sublandlord and Delta shall have full and free access (in compliance with applicable security protocols) on reasonable notice or as may be otherwise required under the Head Lease, to any and every part of the Buildings and the Lands for inspection purposes in the presence of the Subtenant, or an Occupant or a representative of the Subtenant or an Occupant to the Buildings and the Lands; it being expressly understood and agreed, however, that in cases of emergency,

the Sublandlord shall at all times and for all purposes have full and free access to the Buildings and the Lands.

- (b) The Sublandlord shall have full and free access during normal business hours on twenty-four (24) hours prior notice, in the presence of the Subtenant or a representative of the Subtenant to any and every part of the Buildings and the Lands for the purpose of showing such premises to interested parties during the last two Rental Years of this Agreement.

6.5 SERVICES AND UTILITIES

- (a) The Subtenant, at its sole cost and expense, shall construct and maintain any improvements on the Lands in such manner that the surface drainage water on the Lands will be discharged into the Sublandlord's drainage system, and plans for the construction of storm drainage services shall be subject to the approval in writing of the Sublandlord, and Delta, prior to installation of such services, for compatibility with the Sublandlord's drainage system.
- (b) The Subtenant, at its sole cost and expense, shall provide complete and proper arrangements for the adequate sanitary handling and disposal away from the Boundary Bay Airport of all trash, garbage and other refuse on or in connection with the Premises and the Subtenant's operations under this Agreement, all to the satisfaction of the Sublandlord.
- (c) The Subtenant, at its sole cost and expense, shall be responsible for making arrangements for connection of its Building to the Sublandlord's system for the handling and disposal of sewage from the Premises, all to the satisfaction of the Sublandlord and of Delta. In the event that Boundary Bay Airport receives service connection to the Greater Vancouver Regional District Sewage System, the Subtenant will pay its proportionate share of the cost of such connections if connection is mandated by Delta (calculated in the same manner as set out in section 4.8 above).
- (d) The Subtenant, at its sole cost and expense, shall be responsible for making arrangements for all services not supplied by the Sublandlord; provided, however, that the plans and specifications for installation thereof must be approved by the Sublandlord, and Delta, and to the extent that the Sublandlord may require, the work performed under the supervision of a designated representative of the Sublandlord.
- (e) The Subtenant shall be responsible for the payment of all utility and service charges, including without limitation charges for electricity, water, sewage, natural gas, telephone, telecommunication and other rates in connection with the Premises and the Subtenant's operations under this Agreement.

6.6 TEMPORARY SUSPENSION OF SERVICES

Notwithstanding anything to the contrary contained in this Agreement, the Sublandlord will not be liable for any temporary suspension, interruption or discontinuance, in whole or in part, of any services or utilities serving the Premises, and the Subtenant shall not

have nor make any claim or demand, nor bring any action or suit or petition against the Sublandlord for any loss, damage, inconvenience or other matters or things arising from the foregoing and howsoever caused, and the Subtenant shall indemnify and hold and save harmless the Sublandlord from and against any claims of any nature whatsoever advanced by any Occupant arising from the foregoing,

6.7 COMPLIANCE WITH LAWS RELATING TO THE ENVIRONMENT

- (a) Without limiting the generality of any other covenants herein, from and after the Commencement Date, the Subtenant shall, at its own cost and expense, comply with, and shall ensure that all Occupants and Transferees comply with the requirements of all municipal, provincial, federal and other governmental authorities, and all applicable laws, rules, regulations and requirements from time to time in force relating to environmental matters, including the manufacture, use, storage, disposal and transportation of any fuel, hydrocarbon products, toxic waste, hazardous products, contaminant or other substance which may now or hereafter be the subject of environmental legislation or regulation or be harmful to plants or animals, including humans (all of which are hereinafter called "Contaminants") and the protection of the environment generally, and shall immediately give written notice to the Sublandlord if the Subtenant has knowledge or has reason to believe of the occurrence of any event in or on the Premises constituting a breach of or an offence thereunder or a breach of this provision and, if the Subtenant shall, either alone or with others, cause the happening of any such event, the Subtenant shall, at its own expense:
 - (i) immediately give the Sublandlord notice to that effect and thereafter give the Sublandlord from time to time written notice of the extent and nature of the Subtenant's compliance with the following provisions of this subsection;
 - (ii) promptly perform any work which will result in conformity and compliance with all applicable laws governing such substance;
 - (iii) if requested by the Sublandlord acting reasonably, obtain a certificate from an independent consultant designated or approved by the Sublandlord verifying the complete and proper compliance with the requirements of any applicable law relating to such substances or, if such is not the case, reporting as to the extent and nature of any failure to comply with the foregoing provisions of this subsection;
 - (iv) promptly cease any activity which causes or permits any substance to be released, spilled, leaked or to flow onto or into the Premises or any adjacent land, air or water or results in any substance being released into the environment; and
 - (v) if requested by the Sublandlord acting reasonably, obtain a certificate from an independent consultant designated or approved by the Sublandlord verifying that any activity referred to in section (iv) above has ceased.

- (b) The Subtenant shall, at its own cost and expense, remedy any damage to the Premises or adjacent land, air or water caused by the spillage or release of any Contaminant upon the Lands by the Subtenant, any Occupant, any Person for whom the Subtenant is responsible in law, or any person claiming through the Subtenant, or which is caused by the lack of performance of any of the Subtenant's obligations under this section, failing which, the Sublandlord may enter upon the Premises and perform such remedial work at the expense of the Subtenant and such expense shall be deemed as Additional Rent.
- (c) Should the Subtenant bring, permit, suffer or create in or on the Lands and the Buildings any Contaminants, or, if the conduct of any business on the Lands and the Buildings causes there to be any Contaminants on the Lands and the Buildings, then notwithstanding any rule of law to be contrary, such Contaminants shall be and remain the sole and exclusive property of the Subtenant.
- (d) The obligations and liabilities of the Subtenant relating to this section shall survive the expiry or early termination of this Agreement.
- (e) In the event that any activities of the Subtenant or other occupant of the Premises pose an environmental risk as determined by the Sublandlord, then, upon notice from the lessor, the Subtenant shall immediately effect and maintain environmental damage liability insurance in an amount and form and with loss payable satisfactory to the Sublandlord and shall submit proof thereof to the Sublandlord.
- (f) The Subtenant and Delta may each enter the Lands and Buildings thereon at any time or times, with as little interference to the conduct of the Subtenant's business as is reasonably possible, to enable the Sublandlord or Delta to comply with any municipal by-law or provincial statute now or in the future applicable thereto whether or not the application of the by-law or statute results from an act or omission of the Sublandlord or Delta or any other person.
- (g) If the Sublandlord in its sole discretion, or Delta in its sole discretion, believes that the Lands and the Building have become contaminated with any Contaminants, the Sublandlord or Delta, in addition to the Sublandlord's other rights under this Agreement, may enter upon and obtain samples from and under the Lands and Buildings for the purpose of analysing the same to determine whether and to what extent the Lands or Buildings have become so contaminated. To the extent that contamination is found and that such contamination was caused by the Subtenant, the Subtenant will reimburse the Sublandlord and/or Delta for the costs of such inspection, sampling and analysis.
- (h) Without limiting the above, the Subtenant will indemnify and save harmless the Sublandlord from and against any and all claims, losses, liabilities, damages, costs and expenses including, without limitation, legal fees and costs on a solicitor and own client basis, arising out of or in any way connected with the use, manufacture, storage, or disposal of Contaminants by the Subtenant, its agents,

contractors, and those for whom the Subtenant is responsible in law on, under or about the Lands and Buildings including, without limitation, the cost of any required or necessary repair, cleanup or detoxification and the preparation of any closure or other required plans in connection with this Agreement. The indemnity obligations of the Subtenant under this section will survive any termination of this Agreement.

6.8 INQUIRIES BY THE SUBLANDLORD, DELTA OR THE CROWN

The Subtenant hereby authorizes the Sublandlord, Delta and the Crown, or any of them, to make inquiries from time to time of any government or governmental agency with respect to the Subtenant's or any Occupant's compliance with the provisions of section 6.1(a), section 6.7 or section 6.12; and the Subtenant covenants and agrees that the Subtenant will from time to time forthwith on demand provide and cause any Occupant to provide to the Sublandlord, Delta and the Crown, or any of them, such written authorization as any or all of the Sublandlord, Delta and the Crown may reasonably require in order to facilitate the obtaining of such information.

6.9 POLICE AND FIRE PROTECTION

The Sublandlord shall not be responsible for providing fire protection to, nor policing of, the Premises.

6.10 FIRE PREVENTION

The Subtenant shall take all reasonable precautions to prevent fire from occurring in or about the Premises.

6.11 SIGNAGE AND DISPLAYS

- (a) The Subtenant shall not construct, erect, place or install any graphics, designs, poster, sign or display of any kind whatsoever on the exterior of the Buildings, in the Buildings if visible from the outside of the Buildings, or on the Lands without first obtaining the written consent of the Sublandlord and, if required, of Delta. The cost of installing, maintaining, changing and removing all such approved signage or displays shall be borne by the Subtenant.
- (b) The Subtenant may advertise, promote and/or display for sale within the confines of the Buildings only goods or services that relate directly to the Subtenant's operations conducted under this Agreement.

6.12 LICENCES, PERMITS, ETC.

The Subtenant shall procure and maintain, at the cost and expense of the Subtenant, such licences, permits or approvals from Federal, Provincial, Municipal or other government authorities, and such private permits as may be necessary to enable the Subtenant to carry on its business from the Premises.

6.13 DANGEROUS GOODS

When required by the Sublandlord, the Subtenant shall advise the Sublandlord of the type and quantity of goods of an explosive, dangerous, inflammable or noxious nature or character stored in or upon the Premises.

6.14 DRAINAGE SYSTEM

The Subtenant shall not do, cause or permit to be done any act or thing in connection with the use of the Premises which may damage, injure or impair the operation of any drainage system, sanitary sewer system or any facility provided for the protection of the general public or the operation of the Boundary Bay Airport.

6.15 DRAINAGE AND DISCHARGE OF MATERIAL

The Subtenant shall not discharge, cause or permit to be discharged or howsoever to pass into the sewer systems, storm drains or surface drainage facilities at the Boundary Bay Airport or elsewhere any deleterious material, noxious, contaminated or poisonous substances, all as determined by the Sublandlord, whose decision shall be final; it being expressly understood and agreed that in the event of a discharge or escape of such deleterious material, noxious, contaminated or poisonous substances in and under the control of the Subtenant, the cost incurred in the clean-up to the satisfaction of the Sublandlord, shall be to the Subtenant's account.

6.16 INTERCEPTORS

If required by any law or regulation or by any Federal, Provincial, Municipal or other government authority, grease, oil and sand interceptors shall be provided by the Subtenant. All interceptors shall be of a type and capacity approved by the Sublandlord and shall be readily accessible for cleaning and inspection. Such interceptors shall be maintained by the Subtenant, at the expense of the Subtenant, in continuous, efficient operation at all times.

6.17 OFFICIAL LANGUAGES

To the extent that the same shall be applicable to the Premises and any business carried on therefrom, the Subtenant shall adhere to the *Official Languages Act*, the regulations made thereunder, and all applicable policies of the Government of Canada, the Province of British Columbia, Delta and the Sublandlord.

6.18 NAVIGATIONAL AND OTHER HAZARDS

- (a) The Subtenant will, during the term of this Agreement, comply, at its own expense, with all regulatory requirements in conjunction with its use of the Lands and Buildings, including without limiting the generality of the foregoing, all directives of Transport Canada and/or other authorities having jurisdiction;
- (b) The Subtenant shall not during the Term of this Agreement or any period when it is in possession of the Lands conduct any operation, make any addition, improvement or other work, or install any facility or equipment, or do anything else which will in any manner cause physical, visual or electronic interference or

hazard to the navigation of any aircraft or violate any safety-related standards, procedures or recommended practices affecting aircraft safety or airport certification.

- (c) Upon receipt of a notice from the Sublandlord of any interference, obstruction, hazard, violation or effect referred to in Section 6.18(a), the Subtenant shall, at its own expense, immediately take all steps necessary to cease any activity causing any interference, obstruction or hazard, to remove any interference, obstruction or hazard contemplated in Section 6.18(a) or to rectify any violation of Section 6.18(a) to the satisfaction of the Sublandlord or as otherwise directed by Delta. Without limiting the generality of the foregoing, such steps may include, but shall not be limited to, discontinuance or modification of operations of the Subtenant and removal, rebuilding or repair of the Leasehold Improvements, facilities or equipment of the Subtenant or any Occupants.
- (d) With respect to any Leasehold Improvement or activity causing any such interference, obstruction or hazard, in the event the Subtenant fails to forthwith remove any such interference, obstruction or hazard, in addition to any right Delta may have pursuant to law, and in addition to any other remedies the Sublandlord may have pursuant to this Agreement, the Sublandlord or Delta may enter the Premises and install, repair or remove the Leasehold Improvement, facility or equipment causing any such interference, obstruction or hazard at the Subtenant's expense. No such entry for such purpose shall be deemed to be a forfeiture or termination of this Agreement and the Subtenant shall permit. The Subtenant shall forthwith reimburse the Sublandlord or Delta, as the case may be, for all expenses and costs it has incurred in entering the Premises and installing, repairing or removing the Leasehold Improvements, facility or equipment causing any such interference, obstruction or hazard.

6.19 CONDITIONS OF AGREEMENT

The Subtenant shall be in strict compliance with all of the terms, conditions and covenants required of it to be performed or observed pursuant to any other agreements between the Sublandlord and the Subtenant.

6.20 AIRPORT ISSUES

The Subtenant and the Sublandlord shall comply with and be bound by the Airport Issues covenants in Schedule H.

ARTICLE 7 - CONSTRUCTION BY SUBTENANT

7.1 APPROVALS PRIOR TO CONSTRUCTION

Prior to the commencement of any Work on the Premises after the Commencement Date, the Subtenant shall have first:

- (a) submitted two original sets of the working drawings and specifications of the Work or work to be undertaken in respect of the Buildings (the "Detail Plans") to

the Sublandlord for the Sublandlord's review and approval and shall have complied with the provisions of section 8.3(a) hereof;

- (b) ensured that the Detail Plans conform with all development guidelines, policies or other restrictions put in place at the time by the Sublandlord, Delta, the Crown in respect of the Boundary Bay Airport or airports generally;
- (c) obtained the Sublandlord's approval of the Detail Plans which approval may be provided on such terms and conditions as may be imposed by Delta or the Sublandlord, acting reasonably, which may include without limitation the posting of bonds;
- (d) provided the Sublandlord with an estimate prepared by an architect providing the estimated cost of the proposed Work;
- (e) obtained all development permits and building permits as may be required by any governmental authority having jurisdiction and obtained any other permits of any other regulatory authority which may be required for the Work;
- (f) furnished proof of the Insurance required by Article 14; and
- (g) obtained a Work Permit from the Sublandlord (which shall not be unreasonably withheld by the Sublandlord) and complied with the conditions, if any, contained therein.

7.2 DUTIES OF SUBTENANT IN CONSTRUCTION

The Subtenant shall perform and comply with the following covenants and requirements in the carrying on after the Commencement Date of any Work on the Premises:

- (a) the Work shall be undertaken in all respects in accordance with the Detail Plans except in so far as any requirements hereof have been waived or varied by the Sublandlord in writing;
- (b) all necessary building permits shall be obtained and all municipal by-laws and legal requirements pertaining to the conduct of the Work shall be complied with;
- (c) the Work shall be conducted expeditiously in a good and workmanlike manner and otherwise in accordance with the provisions of this Agreement;
- (d) the Subtenant, through the Subtenant's architect or other authorized representative, shall properly supervise the Work and shall deliver bi-weekly written reports to the Sublandlord on the status of the Work;
- (e) the Sublandlord and its agents and engineers (acting reasonably) along with Delta shall at all times have the right to inspect the work and to protest to the Subtenant or to its architect or engineer any default or non-compliance with this Agreement or the Work Permit, and the Subtenant shall forthwith deal with the protest and remedy any default or non-compliance;
- (f) the Sublandlord acting reasonably may require the Subtenant at its own expense to submit at reasonable intervals certificates of the Subtenant or its representative

of the standing of the work, the existence and extent of any faults or defects, the value of the work done and to be done under any contract, the amount owing to any contractor and the amounts paid or retained by the Subtenant on any contract, and the Subtenant shall also, whenever requested by the Sublandlord, furnish copies of certificates furnished to it by contractors or by the Subtenant's representative in connection with construction;

- (g) the Subtenant 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 buildings, but this shall not prevent the Subtenant from retaining any amounts claimed due which the Subtenant or its representative 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 Subtenant or its representative are reasonably retained in anticipation of damages arising from any contractor's default, or which are required to be retained under provisions of the *Builders Lien Act* (British Columbia) or similar legislation; and
- (h) the Work shall be substantially completed to the extent required by the Work Permit on or before the expiration of the date therein stipulated, as the date may be extended by the Sublandlord.

ARTICLE 8- LAND, SERVICES AND IMPROVEMENTS

8.1 REPAIR AND MAINTENANCE OF PREMISES

- (a) The Subtenant at its own cost shall throughout the Term maintain and keep or cause to be maintained and kept in a clean and neat condition and in a state of good repair and condition the Premises, and shall promptly make or cause to be made all necessary repairs and replacements, (structural or otherwise) of every nature and kind both inside and outside including all repairs and replacements which a prudent owner would make, in and to the Premises (including the Buildings, structures and Leasehold Improvements now or at any time located on the Lands) including without limitation the roofs, foundations, walls, water, sewer and gas connections, pipes and mains, all heating, ventilation and air-conditioning systems located in or serving the Buildings, all plumbing and electrical systems located in or serving the Buildings, and all other fixtures, machinery, facilities and equipment belonging to, or connected with the Premises or used in their operation, excepting from the standard of repair reasonable wear and tear to the extent only that reasonable wear and tear is not inconsistent with maintenance and with good order and condition of the Premises generally. At all times in connection with such maintenance, repair and replacement and before commencing any work the Subtenant shall comply with the provisions of section 8.3 hereof.
- (b) Without limiting the rights and remedies of the Sublandlord pursuant to Article 11 hereof, but subject always to the provisions of this Agreement governing default, notice of default and curing default, if at any time during the Term of this

Agreement, the Subtenant defaults in its obligation of maintaining, repairing and replacing the Premises in accordance with the requirements of this Agreement, the Sublandlord may give written notice to the Subtenant specifying the respect in which such maintenance, repair or replacement is deficient. If, within fifteen (15) days from the giving of such notice, the default specified in such notice has not been remedied, or, if the nature of such default reasonably requires more than fifteen (15) days to remedy and make right and the Subtenant has not commenced, or, having commenced, is not diligently completing the remedying of such default, the Sublandlord may without notice enter upon the Premises and perform such maintenance, repairs or replacements at the cost and expense of the Subtenant, plus such additional charges as may then be applicable, in accordance with the policies of the Sublandlord for administration and overhead; it being expressly understood and agreed that the Sublandlord shall not be under any obligation to perform any construction, maintenance or repair during the Term of this Agreement.

8.2 DAMAGE TO WORKS OF THE SUBLANDLORD

- (a) During the Term of this Agreement the Subtenant shall not do, suffer or permit to be done any act or thing which may impair, damage or injure any works of the Sublandlord on the Boundary Bay Airport beyond the damage occasioned by reasonable use and ordinary wear and tear.
- (b) If, at any time or times hereafter, any damage or injury should be occasioned to any works of the Sublandlord on the Boundary Bay Airport by reason of or on account of the operations of the Subtenant or any Occupants hereunder or those for whom the Subtenant is responsible at law or any action taken or things done or maintained by virtue thereof, then, and in every such case, the Subtenant shall, at the option of the Sublandlord, within 15 days of written notice thereof from the Sublandlord, repair and restore the same in good, sufficient and workmanlike manner. In the event of failure on the part of the Subtenant to so repair or restore within 15 days of the Sublandlord's notice, or, if the extent of the repair or restoration reasonably requires more than 15 days to complete and make right and the Subtenant has not commenced or, having commenced, is not diligently completing the repair or restoration, provided that in any event the repair or restoration has not been completed within 45 days, the Sublandlord may, at its option, repair or restore such damage or injury in which case the Subtenant shall reimburse the Sublandlord for all costs and expenses connected therewith or incidental thereto to the extent the Subtenant is liable pursuant to this Agreement plus such additional charges as may be applicable in accordance with the policies of the Sublandlord for administration and overhead forthwith upon receipt by the Subtenant or appropriate accounts therefor from the Sublandlord. In the event that either (i) the Sublandlord itself shall undertake such repair or restoration, or (ii) on the failure on the part of the Subtenant to repair or restore such damage or injury in a timely fashion, and in the event the Sublandlord elects not to repair or restore, then the Subtenant shall remain liable to the Sublandlord for the amount of such

damage or injury as determined by the Sublandlord, as set out above, and payment of such amount shall be made by the Subtenant to the Sublandlord forthwith as Additional Rent, upon receipt by the Subtenant of notice thereof from the Sublandlord.

8.3 APPROVAL OF ALTERATIONS AND UTILITY SERVICES

- (a) The Subtenant shall not make any improvements or Alterations to the Premises, or to the utility services connected thereto, including without limitation, telecommunication lines and equipment, sewage systems or connections, electrical and other wiring, without first having obtained the written consent of the Sublandlord and of Delta. Prior to considering as to whether to grant its consent, the Sublandlord may at its sole discretion require the Subtenant to provide it with an estimate prepared by an architect as to the estimated cost of the improvements and Alterations together with plans and specifications in respect of the proposed improvements or Alterations in a form acceptable to the Sublandlord and any consent granted by the Sublandlord pursuant hereto may be subject to reasonable terms and conditions. No improvements or Alterations shall be commenced until the consents required hereto have been obtained and without first having obtained a building permit, if applicable, issued by Delta and a Work Permit. The Subtenant agrees to make the Alterations at the Subtenant's cost, in accordance with the requirements, terms and conditions and the consents granted by the Sublandlord and Delta and specified in the building permit and the Work Permit, and thereafter maintain the said Alterations at the cost of the Subtenant and to the satisfaction of the Sublandlord.
- (b) The Sublandlord and Delta may from time to time enter and view the state of any improvements or Alterations being performed or carried out by the Subtenant.
- (c) Neither the written approval of the Sublandlord nor the inspection of the construction of any work as it progresses shall impose any obligation or responsibility on the Sublandlord and shall not operate as a waiver of any rights of the Sublandlord or as an estoppel against the Sublandlord with respect to any matter.
- (d) At the option of the Sublandlord, the Subtenant will effect or cause to be effected, prior to the commencement of any maintenance, repair, replacement, restoration, construction or other work referred to in this Article 8 and will maintain and keep in force or cause to be maintained and kept in force until the completion thereof, such insurance as the Sublandlord may require in connection with such work including, without limitation, insurance coverage for any contractor performing such work and will provide the Sublandlord with satisfactory proof of such insurance as requested by the Sublandlord. The proceeds of insurance which may become payable under any policy of insurance effected pursuant to the foregoing shall be payable in the manner and to the Persons as provided in Schedule C hereof. All the provisions of Schedule C hereof respecting insurance which are of

general application shall apply to the insurance during construction or progress of any work referred to in this Article 8.

8.4 DRAWINGS PLANS AND SPECIFICATIONS

The Subtenant shall, at the completion of any improvements or Alterations, if requested by the Sublandlord, deliver to the Sublandlord two (2) sets of reproducible "as built" drawings, plans and specifications of the buildings, structures, improvement or Alterations, including electronic copies of such drawings, plans or specifications.

8.5 LIENS

- (a) In connection with all work, installations, Alterations or repairs made by or for the Subtenant in relation to the Premises, the Subtenant shall comply with all the provisions of the *Builders Lien Act* (British Columbia) and the *Workers Compensation Act* (British Columbia) and other statutes from time to time applicable thereto, including any provision requiring and enabling the retention of any sums payable by way of holdbacks, and the Subtenant shall at all times indemnify and save harmless the Sublandlord from and against any costs, claims and demands in respect thereof.
- (b) The Subtenant covenants that it will not permit any construction or builders' liens to be, or to remain registered against the title to the lands comprising the Boundary Bay Airport by reason of work, labour, services, or materials supplied to the Subtenant or anyone claiming an interest through or under the Subtenant, and that it will take all steps necessary to cause any such liens to be discharged within 7 days of receiving notice that any such liens have been registered; the foregoing shall not prevent the Subtenant from contesting any liability to a third party for any claim for lien or the validity of any lien so discharged.

8.6 DAMAGE OR DESTRUCTION

- (a) In the case of damage to or partial or total destruction of the Buildings or any part of them by fire or any other cause whatsoever, the Subtenant shall give the Sublandlord prompt notice thereof and shall promptly and at its own expense proceed to either demolish the Buildings or repair or restore and rebuild the damaged property to the same condition as prevailed immediately prior to the occurrence of the damage with such changes if any as may be requested by the Subtenant and approved by the Sublandlord and Delta, such approval not to be unreasonably withheld by the Sublandlord.
- (b) When the Subtenant is required to demolish any remains of any Buildings or other improvements, and remove any debris resulting therefrom and restore the Lands to a vacant state pursuant to the provisions of subsection 8.1(a) hereof, the Sublandlord shall grant to the Subtenant all such licences and rights of way over the Lands as may be necessary to permit such demolition, removal of such debris and such restoration.

8.7 RENT NOT TO ABATE

In the event of partial or total destruction of the Buildings by fire or any cause whatsoever, Rent shall continue to be paid by the Subtenant without abatement, and such event shall not entitle the Subtenant to terminate this Agreement or to surrender this Agreement in whole or in part.

8.8 VESTING OF IMPROVEMENTS

- (a) The improvements to the Premises which by their nature are determined to be affixed to the Lands including, without limitation, all Buildings, Leasehold Improvements and appurtenances from time to time constructed on the Lands shall as between the Sublandlord and the Subtenant, upon affixation, and except as otherwise specifically provided for herein and in the applicable provisions of the Head Lease, be vested in title to the Sublandlord without any payment or compensation being made therefor and free and clear of (subject to any right of non-disturbance which maybe granted by Delta to the Subtenant) any mortgages, charges, and encumbrances whatsoever. Nevertheless the Sublandlord shall have the option of requiring or compelling the Subtenant upon written notice to demolish and remove any Buildings, structures and improvements constructed on the Lands, and the Subtenant shall be so bound to demolish or remove and shall fill up all excavations made in erecting or removing any Buildings and replace all surface soil and sod and leave the Lands in a neat and tidy condition, all at the cost and expense of the Subtenant and without any right on the part of the Subtenant to seek compensation for any reason whatsoever.
- (b) The Subtenant shall forthwith, on request, execute any documents necessary to transfer title to and ownership of any buildings, structures and Leasehold Improvements to the Sublandlord effective upon the expiry or termination of this Agreement or, subject to the rights of any non-disturbance granted by Delta, to Delta in the case of the expiry or termination of the Head Lease. In the event that the Subtenant is unable or unwilling to execute any documents necessary to transfer title and ownership, as aforesaid, the Subtenant hereby irrevocably appoints the Sublandlord as the Subtenant's attorney with full power and authority to execute and deliver, in the name of the Subtenant, all documents necessary to effect transfer and ownership, as aforesaid.

8.9 OWNERSHIP OF BUILDINGS DURING THE TERM

The Sublandlord and the Subtenant agree that the Buildings and all other fixed improvements and Leasehold Improvements which may be constructed upon the Lands are intended as between the Sublandlord and the Subtenant to be and become the absolute property of the Sublandlord upon affixation, but shall be deemed, as between the Sublandlord and the Subtenant, to be the separate property of the Subtenant and not of the Sublandlord during this Lease, provided that the Buildings, structures and all other improvements, as aforesaid, shall be subject to and governed by all the provisions of this Lease and the applicable provisions of the Head Lease notwithstanding that they are deemed to be the separate property of the Subtenant for the purposes described herein.

All dealings by the Subtenant with the Buildings which in any way affect title thereto shall be made expressly subject to all the provisions of this Lease, and the Subtenant shall not transfer, assign, encumber or otherwise deal with the Buildings, structures and improvements separately from any permitted dealing with the leasehold interest under this Lease, to the intent that no Person shall hold or enjoy any interest in this Lease and the Buildings, structures and improvements acquired from the Subtenant other than as specifically permitted herein.

ARTICLE 9 - LIABILITY, RELEASE AND INDEMNITY

9.1 LIMITATIONS ON SUBLANDLORD'S LIABILITY

The Subtenant acknowledges and agrees that neither the Sublandlord nor Delta will be liable or responsible for any injury to any Person or for the loss of or Damage to any property of the Subtenant or any other Person in respect of any occurrence during the Term of this Agreement or any other period in which the Subtenant is in possession of the Premises, no matter how caused. Without limiting the generality of the foregoing, the Subtenant agrees that neither the Sublandlord nor Delta will be liable or responsible for any Claims which are caused, result from or arise from, or are contributed to be reason of:

- (a) any act or omission by or on behalf of the Sublandlord, acting reasonably, in curing or attempting to cure any default of the Subtenant under this Agreement or in responding to any emergency;
- (b) any act or omission by or on behalf of the Sublandlord in remedying any condition giving rise to a cancellation, threatened cancellation of or reduction in coverage in any insurance required to be maintained by the Subtenant pursuant to this Agreement;
- (c) the removal by or on behalf of the Sublandlord or at the Sublandlord's request of any building or work on the Premises causing any interference, obstruction or hazard which, in any manner, causes physical, visual or electronic interference or hazard to the navigation of aircraft or which violates any safety-related standards, procedures or recommended practices affecting aircraft safety or airport certification; and
- (d) the condition of or any temporary interruption, cessation, unavailability or failure in the supply of any utility, service or system.

9.2 INDEMNITY

- (a) The Subtenant will at all times hereafter indemnify and keep the Sublandlord and Delta indemnified against and from and be responsible for all Claims whatsoever by whomsoever made or brought against the Sublandlord or Delta, and all losses, costs, expenses and liabilities whatsoever suffered or incurred by the Sublandlord or Delta, by reason or arising out of the death or injury of any person or Persons or the damage or destruction of any property while (i) on the Premises or any part or parts thereof whether or not such death or injury or damage or destruction was

caused or contributed to by any act or omission on the part of the Sublandlord, Delta, or each of their respective agents, contractors, servants, employees, subcontractors, invitees, sublessees, occupants or licensees or on the part of Transport Canada or the Sublandlord, Delta, or each of their respective officers, agents, servants or employees or on the part of any other party or on the part of any, some or all of them or by any want or defect in any plan or specification or any construction, repair, maintenance or reconstruction or by any use, possession, operation or occupancy of the Premises or Boundary Bay Airport or any part or parts thereof or otherwise howsoever and notwithstanding that such may give rise in law to an action in negligence or for other tortious liability; and (ii) while about or near the Premises, or Boundary Bay Airport, if such death, injury, damage or destruction is caused or contributed to by any act or omission on the part of the Subtenant, or its agents, contractors, servants, employees, subcontractors, invitees, sublessees, occupants or licensees or, without restricting the generality of the foregoing, any person for whom the Subtenant is, at law, responsible provided that if the Sublandlord or Delta or their agents, contractors, servants, employees, subcontractors, invitees, sublessees, occupants or licensees, or, without restricting the generality of the foregoing any person for whom the Sublandlord or Delta, as the case may be, is at law responsible, contributed to such death, injury, damage or destruction, then the indemnity of the Subtenant shall not extend to the contribution for which the Sublandlord or Delta, as the case may be, is liable.

- (b) The obligations of the Subtenant to indemnify and hold harmless with respect to liability by reason of any matter arising prior to the expiry or early termination of this Agreement shall, notwithstanding any other provisions of this Agreement 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 of this Agreement or the period when the Subtenant is in possession of the Premises.

The Subtenant shall, in any and every event in which the Sublandlord or Delta is made a party to any action, suit or proceeding in respect of a Claim to which the Subtenant's obligation to indemnify and hold the Sublandlord and Delta harmless under any provision of this Agreement extends, if so requested by the Sublandlord or Delta, defend such action, suit or proceeding in the name of the Sublandlord and/or Delta, and shall pay all Costs of the Sublandlord and Delta in connection with such litigation.

ARTICLE 10 - OCCUPANCY, ASSIGNMENT, SUBLETTING AND CHANGE OF CONTROL

10.1 CONSENT REQUIRED

The Subtenant shall at all times remain in possession of and shall not part with possession of all or any part of the Premises and shall not permit (i) any assignment of this Agreement in whole or in part, or (ii) any sub-subletting or licencing of all or any part of the Premises, or (iii) any mortgage, pledge, hypothecation, charge or any other encumbrance of this Agreement or the Premises or any part thereof; or (iv) any

occupation of, or parting with or sharing possession, of all or any part of the Premises by any Person other than, in each case, to a wholly owned subsidiary of the Subtenant (herein called the "Transferee" and any such transaction or occurrence herein collectively called the "Transfer") without the Subtenant obtaining the prior written consent of the Sublandlord and Delta in each instance. The following terms and conditions apply in respect of any Transfer (but this shall not imply consent by the Sublandlord or Delta to a Transfer without the Subtenant first complying with the provisions of the immediately preceding sentence):

- (a) the consent by the Sublandlord to a Transfer, if granted, shall not constitute a waiver of the necessity for the Subtenant to obtain the prior written consent of the Sublandlord to a subsequent Transfer;
- (b) this prohibition against a Transfer is construed so as to include a prohibition against any Transfer by operation of law;
- (c) no Transfer shall take place by reason of a failure by the Sublandlord to reply to a request by the Subtenant for a consent to a Transfer;
- (d) if, and for so long as the Subtenant is and remains, in default under this Agreement and such default is continuing the Sublandlord may, without prejudice to any of its rights under this Agreement, collect Rent from a Transferee and apply the amount collected to the Rent required to be paid pursuant to this Agreement, but no acceptance by the Sublandlord of any payments by a Transferee shall be deemed a waiver of the requirement for the Sublandlord to consent to the Transfer, or the acceptance of the Transferee as Subtenant, or a release of the Subtenant from the further performance by the Subtenant of the covenants or obligations on the part of the Subtenant herein contained;
- (e) any document or consent evidencing any Transfer of this Agreement or any document permitted or consented to by the Subtenant, and any documentation which the Subtenant designates under any provision of this Article 10, shall, if so requested by the Sublandlord, be prepared by the Sublandlord or its solicitors and the cost of all legal and other professional services and expenses incurred by the Sublandlord relating thereto (including the cost of examination, preparation, processing, negotiation, completion and administration thereof, whichever applicable, as the case may be) together with an administration charge designated by the Sublandlord shall be paid in full by the Subtenant to the Sublandlord as Additional Rent on demand, but in any event prior to the Sublandlord executing the document effecting the Transfer;
- (f) any Transfer may be subject to the imposition of any additional conditions which the Sublandlord, acting reasonably, considers advisable ("Special Conditions");
- (g) any consent given by the Sublandlord may be conditional upon the Subtenant obtaining the consent of Delta to the proposed Transfer;
- (h) upon the request of the Sublandlord, the Subtenant at its expense, shall cause the Transferee to execute promptly an agreement which may be prepared by the

Sublandlord at the Subtenant's expense directly with the Sublandlord (i) agreeing to be bound by all of the terms of this Agreement but if the Transfer is a sub-sublease, such sub-sublease shall exclude the last day of the Term, and the Subtenant shall cause such sub-sublease to contain a covenant by the sub-subtenant to the Sublandlord that at the Sublandlord's option all of the Subtenant's right, title and interest in and to the Premises absolutely terminates upon the surrender, release, disclaimer or merger of this Agreement, as if the Transferee had originally executed this Agreement as Subtenant, and (ii) amending this Agreement to incorporate (1) any amendments to this Agreement as contemplated by this Article 10, and (2) any Special Conditions reasonably imposed by the Sublandlord in its consent; and the Subtenant shall be a party to such agreement;

- (i) the Subtenant shall not be released from its obligations under this Agreement for the balance of the Term and the liability of the Subtenant and Transferee for the fulfilment of any obligations of the Subtenant under this Agreement (as this Agreement may be modified by the provisions of this section 10.1) shall be joint and several unless otherwise agreed by the Sublandlord;
- (j) notwithstanding the effective date of any permitted Transfer as between the Subtenant and Transferee, all Rent for the month in which such effective date occurs shall be paid in advance by the Subtenant so that the Sublandlord shall not be required to accept partial payments of Rent for such month from either the Subtenant or any Transferee;
- (k) any Transfer not expressly permitted under this Agreement shall be null and void and of no force or effect;
- (l) the Subtenant agrees that (i) the Sublandlord shall have no liability in connection with any Claims of any kind or nature whatsoever of the Subtenant as a result of the Sublandlord withholding its consent to any Transfer pursuant to and in accordance with this section 10.1, and (ii) the Subtenant's only remedy in respect of the Sublandlord's withholding of consent shall be to bring an application to the court for a declaration that such Transfer should be allowed; and
- (m) upon receipt of the Sublandlord's written consent to any Transfer, the Subtenant shall have a period of thirty (30) days thereafter to complete the Transfer in accordance with the terms and conditions set out in this Article 10, failing which the Sublandlord's consent to the Transfer shall, at the Sublandlord's option and upon notice to the Subtenant, be null and void and of no force or effect.

10.2 NO ADVERTISING OF PREMISES

The Subtenant shall not advertise the whole or any part of the Premises or this Agreement for the purposes of a Transfer and shall not print, publish, post, display or broadcast any notice or advertisement to that effect and shall not permit any broker or other Person to do any of the foregoing, unless the complete text and format of any such notice, advertisement or offer is first approved in writing by the Sublandlord. Without in any

way restricting or limiting the Sublandlord's right to refuse any text or format on other grounds, any text or format proposed by the Subtenant shall not contain any reference to the rental rate of the Premises.

10.3 CORPORATE OWNERSHIP

- (a) If the Subtenant is a corporation, any transfer or issue by sale, assignment, bequest, inheritance, consolidation, subscription, operation of law or other disposition, or liquidation, from time to time of all or any part of the corporate shares of the Subtenant or of any holding or subsidiary corporation of the Subtenant or any corporation which is an associate or affiliate of the Subtenant (as those terms are defined in the *Business Corporations Act* of British Columbia) or any amalgamation or merger, which results, in any change in the present effective voting control of the Subtenant by the Person holding such voting control at the date of execution of this Agreement (or at the date a Transfer of this Agreement to a corporation is permitted) and which does not receive the written consent of the Sublandlord and Delta acting reasonably, in each instance, entitles the Sublandlord to terminate this Agreement upon five (5) days' written notice to the Subtenant. If this Agreement is terminated as aforesaid, the Sublandlord may re-enter and take possession of the Lands and Buildings whereupon the Subtenant's rights and remedies contained in Article 11 hereof shall apply. The Subtenant shall, upon request, immediately make available to the Sublandlord, or its lawful representatives, such of the Subtenant's corporate books, records, registers and documentation for inspection or copying, or both, at all reasonable times, as may be necessary in order to ascertain whether there has been any change in control of the Subtenant corporation.
- (b) This section 10.3 shall not apply to CHC Helicopter Corporation ("CHC"), the ultimate parent corporation of the Subtenant and a public corporation whose shares are listed and traded on the Toronto and New York stock exchanges during the period of time that any of CHC's shares are listed and traded on any recognized stock exchange in Canada or the United States and shall not apply to a change of control occurring upon CHC becoming privately owned.

10.4 DISPOSITION BY SUBLANDLORD

The Sublandlord shall be liable for the performance of its covenants and obligations pursuant to this Agreement only during the period of its operating the Boundary Bay Airport or any part thereof, and in the event of any sale, lease or other disposition by the Sublandlord of the Boundary Bay Airport or that part thereof of which the Lands forms part, or the assignment of this Agreement or any interest of the Sublandlord hereunder, the Sublandlord shall thereupon and without further agreement be relieved of all liability with respect of such covenants and obligations, and the Subtenant shall thereafter look solely to the Sublandlord's successor-in-interest in and to this Agreement. The Subtenant shall immediately upon request, and without charge to the Sublandlord, attorn in writing to such successor-in-interest.

10.5 PAYMENT OF RENT TO AND ATTORNMENT TO DELTA

The Subtenant agrees that in the event of a termination of the Head Lease during the Term of this Agreement and a re-entry by Delta pursuant to the terms of the Head Lease, then, at the option and request of Delta the Subtenant shall attorn to Delta for the unexpired term of this Agreement on the same terms and conditions as contained in this Agreement. In addition, the Subtenant agrees that in the event of a default by the Sublandlord under the Head Lease, and upon notification to the Subtenant by Delta of such default, the Subtenant shall pay Rent due hereunder to Delta if requested by Delta to do so.

10.6 SUBTENANT TO COMPLY WITH OBLIGATIONS

The Subtenant shall observe and perform all of its obligations incurred in respect of any permitted Transfer.

ARTICLE 11- DEFAULT**11.1 RIGHT OF RE-ENTRY**

- (a) If and whenever during the Term hereof:
 - (i) the Subtenant shall be in default in the payment of Rent or amounts collectable hereunder as Rent, whether lawfully demanded or not, and such default shall continue for a period of five (5) days after the Rent has become due and payable; or
 - (ii) the Subtenant fails to perform any other of the terms, covenants or conditions of this Agreement to be observed and performed by it and such default shall continue for a period of fourteen (14) days (or such longer period as may be reasonably necessary to cure such default considering the nature thereof, subject to subsection (iii) below) after notice by the Sublandlord to the Subtenant specifying with reasonable particularity the nature of such default and requiring this same to be remedied; or
 - (iii) if the default set out in the notice given to the Subtenant by the Sublandlord pursuant to the immediately preceding subsection reasonably requires more time to cure than the fourteen (14) day period referred to in that subsection and the Subtenant has not commenced remedying or curing the same within the fourteen (14) day period or has not thereafter proceeded with due diligence to remedy or cure same provided that in any event the default has not been fully cured by the Subtenant within forty-five (45) days after receiving the notice; or
 - (iv) re-entry is permitted under any other terms of this Agreement;

then and in every such case the Sublandlord, in addition to any other rights or remedies it has pursuant to this Agreement or at law, shall have the immediate right of re-entry upon the Premises and it may repossess the Premises and enjoy it as of its former estate, and the Subtenant hereby agrees that the Sublandlord may expel all Occupants and remove all

personal property from the Premises and that such property may at the Sublandlord's option be removed and sold or disposed of by the Sublandlord by public auction or otherwise, and either in bulk or by individual item, all as the Sublandlord in its sole discretion may decide, and the Subtenant agrees that the proceeds of such sale or disposition shall be applied by the Sublandlord in the same manner as set out in section 11.2(b) hereof, insofar as applicable, or may be stored in a public warehouse or elsewhere at the cost and for the account of the Subtenant, all without service of notice by the Sublandlord to the Subtenant thereof or resort by the Sublandlord to legal process and without the Sublandlord being considered guilty of trespass or becoming liable or responsible for any Injury or any loss or damage which may be occasioned thereby, or for any claim for damages. Whenever the Sublandlord shall be entitled to re-enter the Premises it may, at its option and without limiting its other remedies, terminate this Agreement, reserving a right to claim all costs, losses, damages and expenses arising from the Subtenant's breach, including damages for loss of future rent.

11.2 RIGHT TO RELET

- (a) In addition to any other right or remedy the Sublandlord may have in the event that the Sublandlord has the right to re-enter the Premises if it chooses to exercise such right of re-entry, it may do so from time to time without terminating this Agreement, and if it exercises such right of re-entry, it will use commercially reasonable efforts to re-let the Premises at prevailing market rates, if obtainable, and it may make such alterations to the Premises as are necessary in order to relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the Term) and upon such other terms, covenants and conditions as the Sublandlord in its sole discretion considers advisable.
- (b) Upon each such reletting all rent received by the Sublandlord from such reletting shall be applied: firstly, to the payment of any indebtedness other than Rent due hereunder from the Subtenant to the Sublandlord; secondly, to the payment of any costs and expenses of such reletting including, without limitation, brokerage, professional and solicitor's fees (on a solicitor and his own client basis) and the costs of any such alterations; thirdly, to the payment of Rent due and unpaid hereunder; and the residue, of any, shall be held by the Sublandlord and applied in payment of future rent as the same becomes due and payable hereunder. If such Rent received from such reletting during any month is more than to be paid during that month by the Subtenant hereunder, the Sublandlord shall pay any such excess to the Subtenant.
- (c) No such re-entry or taking possession of the Premises by the Sublandlord shall be construed either as a forfeiture of this Agreement or as an election on the Sublandlord's part to terminate this Agreement unless a written notice of such intention is given to the Subtenant. Notwithstanding any such reletting without termination, the Sublandlord may at any time thereafter elect to terminate this Agreement for such previous breach.

- (d) In any of the events referred to in section 11.1 hereof, in addition to any and all other rights or remedies of the Sublandlord, including the rights referred to in this section 11.2 and in section 11.3 hereof, the full amount of the current month's installment of Base Rent and Additional Rent and any other payments required to be made monthly hereunder, together with the next three (3) months' installments of Base Rent and the aggregate of such payments for the next three (3) months, all of which shall be deemed to be accruing due on a day-to-day basis, shall at the option of the Sublandlord immediately become due and shall be paid by the Subtenant to the Sublandlord as accelerated Rent, and the Sublandlord may immediately distrain for it, together with any Rent arrears then unpaid.
- (e) The Subtenant's obligations under section 11.1 and section 11.2 shall survive the expiration or earlier termination of this Agreement.

11.3 EXPENSES

- (a) If any legal proceeding is brought for recovery of possession of the Premises, for the recovery of Rent or any other amount due under this Agreement, or because of the breach of any other terms, covenants or conditions herein contained on the part of the Subtenant to be kept or performed, the Subtenant shall pay to the Sublandlord as Additional Rent, upon demand, all costs and expenses incurred therefor (including without limitation all professional and consultant fees, and all legal fees on a "solicitor and his own client" basis, disbursements and all court costs and expenses of any legal proceeding); and the term "proceeding" shall include, without limitation, any arbitration, administrative, governmental, quasi-governmental or any other mediation proceeding.
- (b) Without limiting the generality of the immediately preceding clause or any other provisions of this Agreement, the Subtenant shall pay to the Sublandlord, as Additional Rent upon demand, all costs and expenses (including without limitation, those fees and disbursements, costs and expenses set out in the bracketed insert in the immediately preceding clause of this section 11.3) which the Sublandlord may incur or pay out by reason of, or in connection with:
 - (i) any proceeding by the Sublandlord to terminate this Agreement or for the recovery of possession of the Premises or for the recovery of Rent;
 - (ii) any other proceeding by the Sublandlord against the Subtenant;
 - (iii) any distress levied by the Sublandlord against the Subtenant's goods, chattels and inventory or any of them on, the Premises for the recovery of Rent;
 - (iv) any default by the Subtenant in the observance or performance of any obligations of the Subtenant under this Agreement whether or not the Sublandlord commences any proceeding against the Subtenant;
 - (v) any proceeding brought by the Subtenant against the Sublandlord (or any officer, agent or employee of the Sublandlord) in which the Subtenant fails to secure a final judgment against the Sublandlord;

- (vi) any amendment, modification or change in any of the terms of this Agreement initiated by the Subtenant and any request or negotiations pertaining thereto, whether or not such amendment, modification or change is finally agreed on;
 - (vii) any renewal, extension, surrender or release of this Agreement initiated by the Subtenant and any request or negotiations pertaining thereto, whether or not such renewal extension, surrender or release becomes effective;
 - (viii) any Transfer of this Agreement and any request of negotiations pertaining thereto, whether or not such Transfer is approved and finally agreed on; and
 - (ix) any alterations of or to the buildings and any request or negotiations pertaining thereto, whether or not such alterations are approved and finally agreed on.
- (c) The Subtenant's obligations under this section 11.3 shall survive the expiration or earlier termination of this Agreement.

11.4 SUBLANDLORD MAY CURE SUBTENANT'S DEFAULT OR PERFORM SUBTENANT'S COVENANTS

- (a) If the Subtenant is in default in the performance of any of its obligations hereunder (other than the payment of Rent required to be paid by the Subtenant pursuant to this Agreement) the Sublandlord may from time to time (but shall not be obligated) after giving such notice as it considers sufficient (or without notice in the case of an emergency) having regard to the circumstances applicable, perform or cause to be performed any of such covenants or obligations, or any part thereof, and for such purpose may do such things as may be required, including without limitation, entering upon the Premises and doing such things upon or in respect of the Premises or any part thereof as the Sublandlord considers requisite or necessary.
- (b) All expenses incurred and expenditures made pursuant to this section 11.4, plus a sum equal to 15% thereof representing the Sublandlord's overhead, shall be paid by the Subtenant to the Sublandlord as Additional Rent upon demand.
- (c) The Sublandlord shall have no liability to the Subtenant or to any other Person for any claims, actions, damages, loss or injury resulting from any such action, entry or performance of any work by the Sublandlord upon the Premises.

11.5 REMEDIES CUMULATIVE

The Sublandlord may, from time to time, resort to any or all of the rights and remedies available to it in the event of any default hereunder by the Subtenant, either by any provision of this Agreement or by law, all of which rights are intended to be cumulative and not alternative. The express provision hereunder as to certain rights and remedies are not to be interpreted as excluding any other or additional rights and remedies available to the Sublandlord by law.

ARTICLE 12 - OBLIGATIONS OF THE SUBLANDLORD

12.1 QUIET ENJOYMENT

The Sublandlord covenants and agrees with the Subtenant throughout the term of this Agreement that upon payment of the Rent hereby reserved at the times and in the manner herein provided and upon the observance and performance of each and every of the covenants, conditions, restrictions and stipulations by the Subtenant to be observed or performed, the Subtenant shall and may peaceably and quietly possess and enjoy the Premises during the term of the Agreement without any interruption from or by the Sublandlord or any other Persons lawfully claiming by, through or under it, save and except as expressly provided in this Agreement. The Sublandlord will perform its obligations under the Head Lease and maintain the Head Lease in good standing.

12.2 SUBLANDLORD'S SERVICING OBLIGATIONS

The Sublandlord will complete the Sublandlord's Servicing Obligations on or before August 1, 2007.

12.3 ACCESS

Upon execution of this Agreement and payment on account of Base Rent of the sum of \$700,000 (the "Fixturing Fee") referred to in subsection 4.2(a), the Sublandlord shall provide the Subtenant with access to the Lands to perform pre-construction work prior to the Commencement Date. Notwithstanding a termination of this Agreement, the Sublandlord shall not be required to repay the Fixturing Fee except if the Sublandlord terminates this Agreement and the conditions of section 3.2(b) apply.

ARTICLE 13 - SURRENDER OF PREMISES

13.1 SURRENDER UPON EXPIRATION OF THE TERM

At the expiration or sooner termination of the Term the Subtenant shall peaceably surrender and yield up to the Sublandlord the Premises (and ownership and title to any Buildings and Leasehold Improvements shall thereupon vest in the Sublandlord free and clear of all encumbrances created by the Subtenant (except to the extent that the Sublandlord has agreed to be bound thereby) together with the Subtenant's possession thereof (subject to the right of the Subtenant and Occupants of the Premises to remove Trade Fixtures) and all the rights of the Subtenant's under the Occupant Agreements and under this Agreement shall thereupon terminate, but the Subtenant shall, notwithstanding such termination, remain liable to the Sublandlord for any loss or damage suffered by the Sublandlord during the Term by reason of any default by the Subtenant. The Sublandlord and the Subtenant will execute such further assurances as may reasonably be required to give effect to the foregoing.

13.2 NOTICE TO REMOVE

The Sublandlord, with written direction from Delta, may within ninety (90) days after the expiry or sooner termination of the Term give notice requiring the Subtenant to demolish

all Buildings, structures and improvements on the Lands and to return the Lands to a vacant state, whereupon the Subtenant shall be obligated to do so diligently and expeditiously.

13.3 LICENCE DURING REMOVAL

Where a notice to remove has been given pursuant to section 13.2 the Sublandlord shall grant to the Subtenant all such licences and rights of way over the Lands as may be necessary to permit demolition of the Buildings and improvements on the Lands.

13.4 ASSIGNMENT OF RIGHT UPON TERMINATION

Upon surrender of the Premises pursuant to the provisions of section 13.1 or upon earlier termination of this Agreement, the Subtenant shall, upon the request of the Sublandlord, assign to the Sublandlord the benefit of all or any (as determined by the Sublandlord) of the Occupant Agreements and other agreements and rights benefiting the Premises or the Subtenant's interest therein. The Subtenant hereby constitutes the Sublandlord its true and lawful attorney fully empowered to execute all documents and take all steps necessary to effectuate the assignments set out in this section 13.4.

ARTICLE 14 - INSURANCE

14.1 GENERAL REQUIREMENTS

The Subtenant covenants and agrees that throughout the Term of this Agreement and any period when it is using the Premises, it shall purchase, provide and maintain, at its expense, or cause to be maintained the Insurance set out in Schedule C attached hereto, subject to reasonable deductibles and the requirements, terms and conditions set out below. The proceeds of all Insurance shall be disbursed and applied as set out in Schedule C hereto.

14.2 POLICIES OF INSURANCE

Each policy of the Insurance shall:

- (a) with respect to liability Insurance, be enforceable by any party named as an insured thereunder and contain a cross liability and severability of interest clause;
- (b) be primary, non-contributing with, and not in excess of any other Insurance available to the Sublandlord;
- (c) specify that the Sublandlord and Delta are named as additional insureds to the extent of the Subtenant's obligations hereunder;
- (d) contain a prohibition against cancellation or material change that reduces or restricts the Insurance except on no less than sixty (60) days' prior written notice to the Sublandlord and to Delta;
- (e) be issued by an insurance carrier licensed to conduct business within British Columbia;
- (f) with respect to property Insurance:

- (i) name the Sublandlord, Delta and if requested by the Sublandlord, the Sublandlord's mortgagee, as a loss payee to the extent of their respective interests;
 - (ii) contain a waiver of any subrogation rights that the insurers may have against either the Sublandlord or Delta and against those for whom either the Sublandlord or Delta are responsible in law to the extent of the Subtenant's obligations hereunder, and
 - (iii) not contain any co-insurance requirements or in the alternative, be written on a stated amount co-insurance only; and
- (g) be in a form and with insurers satisfactory to the Sublandlord, acting reasonably.

14.3 COMPLIANCE WITH POLICES OF INSURANCE

The Subtenant shall not do nor omit to do, nor suffer anything to be done in or about the Lands and Buildings which will in any way invalidate, adversely affect or limit any Insurance.

14.4 SUBLANDLORD'S RIGHT TO REMEDY

If any Insurance policy or any policy of insurance maintained by the Sublandlord shall be cancelled or shall be threatened by the insurer to be cancelled, refused to be renewed or the coverage thereunder reduced in any way by the insurer by reason of act or omission or threatened act or omission of the Subtenant or as a result of the use, occupation, operation or maintenance of the Lands and Buildings or any part thereof by the Subtenant or anyone permitted by the Subtenant to be upon the Lands and Buildings, or if the Subtenant neglects or omits to pay any premiums or other sums or money payable for maintaining Insurance, and if the Subtenant fails to remedy the condition giving rise to cancellation, threatened cancellation or reduction in coverage within 48 hours after notice thereof from the insurer or if the Subtenant is unable or unwilling to purchase, provide or maintain any Insurance required hereunder, the Sublandlord, in addition to any other remedy, may, at its option:

- (a) remedy the condition giving rise to such cancellation, threatened cancellation or reduction in coverage and the Subtenant shall forthwith pay the costs thereof to the Sublandlord as Additional Rent; and
- (b) without assuming any obligation in connection therewith and without prejudice to any other rights and remedies of the Sublandlord, pay such premiums or other amounts or effect such Insurance at the sole cost of the Subtenant, and all outlays and expenses incurred by the Sublandlord shall be immediately paid by the Subtenant to the Sublandlord as Additional Rent.

14.5 PROOF OF INSURANCE

The Subtenant shall, prior to the Commencement Date, deliver to the Sublandlord certificates of insurance reasonably acceptable to the Sublandlord signed by the Subtenant's insurer, agent or broker evidencing the required Insurance and shall provide evidence from time to time that any such policy is in full force and effect during the Term

of this Agreement and any period of time when the Subtenant is using the Premises, and shall provide to the Sublandlord evidence of renewal of such Insurance. Where the Sublandlord is of the reasonable opinion that any such certificates of insurance do not sufficiently describe the Insurance then the Subtenant shall provide such further information respecting the Insurance as the Sublandlord may request, other than for the actual policies of Insurance. Deliver to and examination by the Sublandlord of any certificate of Insurance or other evidence of Insurance in no way shall relieve the Subtenant of any of its obligations to ensure strict compliance with the provisions of this Article 14 nor in respect of its obligations to indemnify as contained in this Agreement, and in no way shall operate as a waiver by the Sublandlord of any of its rights. The Sublandlord acknowledges that the Subtenant may rely on certificates of Insurance or policies of Insurance previously delivered to the Sublandlord in respect of other agreements that may exist between the parties.

ARTICLE 15 - GENERAL

15.1 AGENCY

The parties hereto specifically agree that nothing in this Agreement shall be construed to establish any partnership, joint venture or relationship of agent and principal as between the Sublandlord and the Subtenant herein.

15.2 HEADINGS

Any note appearing as a heading in this Agreement has been so inserted for convenience and reference only and of itself cannot define, limit or expand the scope or meaning of the present Agreement or any of its provisions.

15.3 ENUREMENT

This Agreement and everything herein contained shall enure to the benefit of and be binding upon the successors and permitted assigns of the Subtenant, as the case may be, and nothing herein shall restrict the ability of the Sublandlord to transfer or assign its interests herein.

15.4 PROVISIONS SEPARATELY VALID

If any covenant, obligation, agreement, term or condition of this Agreement or the application thereof to any Person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such covenant, obligation, agreement, term or condition to Persons or circumstances other than those in respect of which it is held invalid or unenforceable, shall not be affected thereby and each covenant, obligation, agreement, term and condition of this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

15.5 WAIVER NEGATED

The waiver or acquiescence by either party or any breach of any covenant, term or condition of this Agreement shall not be deemed to be a waiver of the covenant, term or

condition or any subsequent or other breach of any covenant, term or condition of this Agreement.

15.6 SUBORDINATION AND ATTORNMENT

- (a) This Agreement is and shall be subordinate at all times to any mortgage or mortgages, granted by the Sublandlord or by Delta, or the lien or charge resulting from any other method of financing or refinancing, now or hereafter in force in respect of the Boundary Bay Airport of which the Premises are a part and to all advances made or hereafter to be made upon the security thereof.
- (b) Upon request at any time and from time to time, the Subtenant shall subordinate this Agreement and all of its rights hereunder in such form as the Sublandlord requires to any and all mortgages or the charge or lien resulting from or any instrument of, any financing, refinancing and to all advances made or hereafter to be made upon the security thereof, on receipt of a covenant for non-disturbance from the parties to whom the postponement is granted, in form satisfactory to the Subtenant, acting reasonably and shall, if applicable, postpone any instrument registered by the Subtenant pursuant to section 15.8 hereof, and if requested, the Subtenant shall attorn to the holder thereof and to Delta and any subsequent registered owners of the Boundary Bay Airport or any part thereof.

15.7 CERTIFICATE BY SUBTENANT

Within ten (10) days after any request therefor by the Sublandlord, or upon any sale, assignment, lease or mortgage of the Lands or the Boundary Bay Airport or any part thereof by the Sublandlord, the Subtenant shall in each instance execute and deliver, in a form to be supplied by the Sublandlord, a status statement to the Sublandlord or to any assignee, mortgagee, purchaser or any other Person designated by the Sublandlord stating (if such is the case):

- (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications, that this Agreement is in full force and effect as modified and identifying the modification agreements), and that this Agreement constitutes the whole of the legal relationship between the Sublandlord and the Subtenant;
- (b) whether or not this Agreement is in good standing and whether there are any existing or alleged outstanding claims by either the Sublandlord or the Subtenant under this Agreement with respect to which a notice of default has been served, and specifying the nature and extent thereof;
- (c) whether or not there are any set-offs, defences or counterclaims against enforcement of the obligations to be performed by the Subtenant under this Agreement;
- (d) the State of the Rent account; and
- (e) such other matters relating to this Agreement as may be requested by the Sublandlord acting reasonably.

15.8 REGISTRATION OF AGREEMENT

- (a) The Subtenant may, at its sole cost and expense, on or after the Commencement Date, register a short version of this Agreement against the title to the lands comprising the Boundary Bay Airport, provided that such short form version of this Agreement shall only disclose the parties, the Premises, and the Commencement Date and expiration date of the Term, and provided that the Sublandlord must approve the wording of such short form version of this Agreement, such approval not to be unreasonably withheld. The Sublandlord shall execute the approved short form version of this Agreement. All costs and expenses involved in the preparation approval, execution and registration of any such short form version of this Agreement including any necessary plans shall be the sole responsibility of the Subtenant, and the Subtenant shall provide the Sublandlord with a registered or certified copy of such document containing the details of registration.
- (b) Upon the expiration or earlier termination of this Agreement, the Subtenant shall, at its expense, forthwith remove and discharge such short form version of this Agreement, if any, from the title to the Boundary Bay Airport lands. This obligation shall survive the expiration or earlier termination of this Agreement.

15.9 GOVERNING LAW

This Agreement shall be construed and governed by the laws of the Province of British Columbia and the parties agree to attorn to the jurisdiction of the courts of British Columbia.

15.10 TIME OF THE ESSENCE

Time shall be strictly of the essence of this Agreement.

15.11 APPROVAL OF PLANS, DRAWINGS AND SPECIFICATIONS

It is understood and agreed that, whenever in this Agreement any plan, drawing or specification is, for any purpose of this Agreement, subject to the approval of the Sublandlord, the Sublandlord's review and approval or non-approval of any such plan, drawing or specification is not for any professional, technical or regulatory purpose but is only to protect its interest as lessee of the Boundary Bay Airport and landlord of the Premises. The Sublandlord, in approving or not approving any plan, drawing or specification, is not making any representations nor is the Sublandlord undertaking any responsibility of a planning or of an engineering or architectural nature, the Subtenant hereby assuming all such responsibility, liability and risk. Receipt by the Sublandlord of any plans, drawings or specifications shall not be construed to imply that the Sublandlord has examined or approved or be deemed to have approved any such plan, drawing or specification.

15.12 INSPECTIONS

It is understood and agreed that, whenever for the purpose of this Agreement the Sublandlord may inspect, any such inspection by the Sublandlord is not for any

professional, technical or regulatory purpose but is only to protect its interest as Subtenant of the Boundary Bay Airport and lessor of the Lands. The Sublandlord, by inspecting and taking any subsequent action or by inaction, is not making any representations nor is the Sublandlord undertaking any responsibility of any nature whatsoever, the Subtenant hereby assuming all such responsibility and risk.

15.13 FURTHER ASSURANCES

The parties shall execute such further assurances as may reasonably be required to give effect to any provision of this Agreement.

15.14 ENTIRE AGREEMENT

This Agreement shall be deemed to constitute the entire agreement between the Sublandlord and the Subtenant hereto with respect to the subject matter thereof and shall supersede all previous negotiations, representations and documents in relation hereto made by any party to this Agreement.

15.15 CANADIAN FUNDS

All references to "dollars" herein shall mean "Canadian dollars".

15.16 JOINT VENTURE

The Subtenant agrees that it will not assert that a joint venture, partnership or principal-and-agent relationship exists between the Sublandlord and the Subtenant, or between the Sublandlord and Delta.

15.17 COMPLIANCE WITH HEAD LEASE

The Subtenant acknowledges having read the Head Lease and covenants and agrees with the Sublandlord that throughout the Term the Subtenant shall:

- (a) perform all of the obligations of the Sublandlord as tenant under the Head Lease except for those contained in sections 3.1 to 3.6 inclusive, 4.1(a), 4.1(c), 5.1 to 5.8 inclusive, 5.12, 5.14, 5.15, 5.16, 5.17, 5.18, 7.1, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 9.1, 15.4, 16.5, 17.1, and Schedule V of the Head Lease, and to be bound by the terms of the Head Lease in each case as they relate to the Premises; and
- (b) not to do or omit to do any act in or around the Premises which would cause a breach of the Sublandlord's obligations as tenant under the Head Lease.

ARTICLE 16- NON-DISTURBANCE AGREEMENTS

16.1 APPLICATION TO DELTA

If, either as a condition of this Agreement or at any time during the Term of this Agreement, either the Sublandlord or Subtenant shall require that an agreement be obtained from Delta whereby upon the expiration or early termination of the Head Lease Delta will accept and acknowledge the attornment of the Subtenant and permit the Subtenant to remain in quiet possession of the Premises without interruption from Delta ("Delta's Non-Disturbance Agreement"), and provided that the Subtenant is not then in

default of any of its obligations to be performed under this Agreement, then both the Sublandlord and the Subtenant shall use reasonable commercial efforts (which shall exclude the payment of any sums other than reasonable costs in connection with the preparation of Delta's Non-Disturbance Agreement and exclude the assumption of any additional obligations) to apply for and seek to obtain Delta's Non-Disturbance Agreement.

16.2 INFORMATION TO BE SUPPLIED ON APPLICATION FOR NON-DISTURBANCE AGREEMENT

The Sublandlord and the Subtenant agree to provide to Delta such status statements, information and any other documents which in any way relate to this Agreement and the Premises which Delta may require, including, without limitation such credit, financial and business information relating to the Subtenant as Delta may require, when applying for Delta's Non-Disturbance Agreement.

ARTICLE 17- NOTICES

17.1 NOTICE

- (a) Whenever in this Agreement, it is required or permitted that notice or demand be given or served by either party of this Agreement to or on the other, such notice or demand will be in writing and will be validly given or sufficiently communicated if forwarded by registered mail, priority post mail or sent by facsimile to the parties' respective addresses, as follows:

To the Sublandlord:

Alpha Aviation Inc.
Unit 48 4400 – 72nd Street
Delta, BC V4K 5B3
Facsimile: (604) 946-2131
Email: shansen@alpha-aviation.ca
Attention: President

With a copy to:

Kornfeld Mackoff Silber LLP
Barristers and Solicitors
1100 One Bentall Centre, Box 11
505 Burrard Street
Vancouver, BC V7X 1M5
Attention: Carol Kerfoot
Facsimile No.: 604-683-0570
Email: ckerfoot@kmslawyers.com

To the Subtenant:

CHC Helicopters International Inc.
4740 Agar Drive
Richmond, BC V7B 1A3
Facsimile: 604-279-2499
Email: jcampbell@heli-one.ca
Attention: James Campbell

With a copy to:

CHC Helicopter Corporation
4740 Agar Drive
Richmond, BC V7B1A3
Facsimile: 604-279-2460
Email: mlockyer@chc.ca
Attention: Martin Lockyer, Vice-President, Legal Services and Corporate Secretary

- (b) Such addresses may be changed from time to time by either party giving notice as above provided.
- (c) If any question arises as to whether any notice was or was not communicated by one party to the other, it shall be deemed to have been effectively communicated or given on the day delivered or sent by facsimile, or in the case of being given by mail, on the fifth day after it was mailed.

ARTICLE 18- SPECIAL PROVISIONS

The provisions of the Schedules hereto are incorporated into and form a part of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written:

ALPHA AVIATION INC.

Per: _____

Title: _____

I have authority to bind the Corporation

CHC HELICOPTERS
INTERNATIONAL INC.

Per:

W. J. L.

Title:

President Heli-Can

Per:

H. J. L.

Title:

Vice President & Corporate Secretary

I/We have authority to bind the Corporation

SCHEDULE A
AIRPORT FACILITIES SKETCH PLAN

SCHEDULE B**CURRENT AIRPORT MAINTENANCE CHARGES****1. RUNWAY AND RAMP MAINTENANCE**

- (a) Management fees
- (b) Supplies and equipment required for administration and management
- (c) Accounting costs
- (d) Sweeping and debris removal
 - (i) Salaried labour
 - (ii) Contracted labour
- (e) Runway/taxiway line painting
- (f) Preventative maintenance – runway/taxiway lights
- (g) Electrical infrastructure preventative maintenance
- (h) IPU test/maintenance
- (i) Calibrate field lighting regulators
- (j) Runway/taxiway asphalt patching, repair
 - (i) Vegetation control
 - (ii) Patching and repair
 - (iii) Wildlife control
- (k) Wages for maintenance staff including charges for WCB, EI, CPP and vacation pay
- (l) Uniforms for maintenance staff
- (m) Grass cutting along runway edges, approach lights
- (n) Snow plowing
- (o) Security
- (p) Taxes for runways/taxiway
- (q) Depreciation on equipment, fixtures and machinery employed in operating, maintaining, repairing and replacing common areas and facilities
- (r) Interest (at the Prime Rate plus 2%) upon the undepreciated or unamortized portion of the costs and expenses of the equipment and machinery employed in operating, maintaining, repairing and replacing common areas and facilities.

SCHEDULE C

INSURANCE

1. SUBTENANT'S INSURANCE

The Subtenant shall, at its own expense, from the commencement of the Term until the completion or earlier determination thereof, maintain in full force and effect with an insurance carrier licenced to conduct insurance business in the Province of British Columbia and in the names of the Subtenant, Delta and the Sublandlord (as Insureds) the following insurance:

(a) Buildings and Contents "All Risk" Insurance

- (i) the policy therefor is to be written on an "All Risks" form in the names of the Subtenant, the Sublandlord and Delta with the Sublandlord and Delta listed as the "Loss Payee; and
- (ii) the limit of insurance shall be not less than 100% of the replacement cost new of the Improvements, Buildings (including contents thereof) and equipment located in, on or upon the Lands. The Buildings and contents shall be appraised every five years and the schedule of insured values amended annually. The Subtenant will be solely responsible for any unpaid insurable losses to either the Sublandlord, Delta or the Subtenant, resulting from the enforcement of a Co-insurance and/or Margins Clause; and
- (iii) any deductible amount will be borne by the Subtenant; and
- (iv) cancellation of the policy will be subject to sixty (60) days' written notice of cancellation to be mailed to the Sublandlord and to Delta; and
- (v) the Insurers under this policy are not to be entitled, by subrogation or transfer, to rights in respect of any claim under the Policy against any of the Insureds defined herein.

(b) Automobile Third Party Liability and Accident Benefits Insurance

- (i) on any motor vehicle, trailer or semi-trailer owned or operated by the Subtenant in connection with the Boundary Bay Airport and used on the Lands and obliged by law to carry a licence, (other than a special licence issued in respect of any motor vehicle, trailer or semi-trailer chiefly used or operated off-highways); and
- (ii) providing third party liability insurance with THREE MILLION DOLLARS (\$3,000,000.00) inclusive limit and accident benefits insurance; and
- (iii) any deductible amount will be borne by the Subtenant.

(c) Pressure Vessel/Boiler Machinery Insurance

- (i) on all boilers pressure vessels, air conditioning equipment, miscellaneous mechanical and electrical, and other apparatus and pipes connected thereto owned, operated or used by the Subtenant or by anyone, other than the Sublandlord, on behalf of the Subtenant, in, on, or upon the Lands or Boundary Bay Airport, or relating thereto; and
- (ii) the coverage to be on a Comprehensive basis and subject to Replacement Cost with the policy limit to be no less than THREE MILLION DOLLARS (\$3,000,000.00) or such other amount as may be reasonable, based upon evidence of value provided by the Subtenant of the assets exposed to risk; and
- (iii) any deductible amount will be borne by the Subtenant; and
- (iv) cancellation of the policy will be subject to sixty (60) days' written notice of cancellation to be mailed to the Sublandlord and to Delta; and
- (v) the policy is to be written in the names of the Subtenant and the Sublandlord with loss, if any, payable to the Subtenant and the Sublandlord; and
- (vi) the Insureds under this policy are not to be entitled, by subrogation or transfer, to rights in respect of any claim under the Policy against any of the Insureds defined herein.

(d) Liability and Property Damage Insurance:

- (i) public liability and property damage insurance including personal injury liability, contractual liability, non-owned automobile liability with respect to the Premises and the Subtenant and any other person on the Premises, and by the Subtenant and any other person performing work on behalf of the Subtenant and those for whom the Subtenant and any other person performing work on behalf of the Subtenant and those for whom the Subtenant and any other person performing work on behalf of the Subtenant is in law responsible; and
- (ii) such policies shall be written on a comprehensive basis with inclusive limits of not less than \$5,000,000.00 for bodily injury to any one or more persons, or property damage.

2. GENERAL INSURANCE PROVISIONS

- (a) The insurance coverage required under this Schedule C shall in now way limit the Subtenant's responsibility under the terms of this Agreement and any additional coverage the Subtenant may deem necessary to fulfill its obligations under this Agreement shall be at its own expense.
- (b) The Subtenant shall provide to the Sublandlord and to Delta copies of all policies required hereunder.

- (c) The Subtenant shall provide proof to the Sublandlord that it has complied with the provisions of the *Workers Compensation Act* and that all its assessments thereunder have been paid to date.
- (d) The policies of insurance effected under this Schedule C shall, if the Subtenant shall direct in writing, include the interest of any mortgagee of the Subtenant's leasehold interest.
- (e) Copies of all policies, appraisals and losses are to be forwarded forthwith to the Sublandlord;
- (f) The Sublandlord and Delta, in addition to the Subtenant, shall review all Proofs of Loss for property losses in excess of \$50,000.00.

3. **OTHER INSURANCE**

The Subtenant will at its own cost and expense effect and keep in force such other insurance, and in such amounts, as may from time to time be required by the Sublandlord.

4. **IDENTITY OF INSURERS AND POLICY TERMS**

The terms of the insurance policies required to be effected by the Subtenant under this Schedule C or under any other provisions of this Agreement, and the insurers issuing them, shall be subject to the approval of the Sublandlord.

5. **PAYMENT OF LOSS UNDER ALL RISKS POLICY**

The parties agree as follows:

- (a) where insurance proceeds under any all risks insurance policy become payable in an amount not exceeding FIFTY THOUSAND DOLLARS (\$50,000.00) they shall be paid to the Subtenant, and the cost of the repairs or replacement shall be borne by the Subtenant whether or not it exceeds the insurance proceeds so received;
- (b) should the Subtenant fail to effect repairs or replacements in accordance with subsection 5(a) and its other obligations under this Agreement within a reasonable time, the Sublandlord shall be entitled to effect the repairs or replacement itself, and recover the costs therefor from the Subtenant as Rent;
- (c) when at the time of the occurrence of the damage or the completion of its repair or replacement the Subtenant is in default to the Sublandlord under this Agreement, but the Sublandlord has not elected to forfeit the Agreement, the Sublandlord shall be entitled, out of any insurance monies in its hands, or in the hands of the Sublandlord and any Subtenant's mortgagee jointly, to obtain and retain any monies not paid over for the cost of repair or replacement against the rectification of the Subtenants' default;
- (d) where the insurance proceeds payable exceed FIFTY THOUSAND DOLLARS (\$50,000.00) they shall be paid to a trustee (appointed by the Sublandlord) on behalf of the Sublandlord, Delta, the Subtenant and any mortgagee of the Sublandlord's leasehold interest, work in progress shall be paid for in installments

as progress payments out of the insurance proceeds, and provision shall be made to ensure that no increase in the cost over the amount of the original estimate shall fall on the Sublandlord or the trustee, so that the trustee at all times shall retain in its hands sufficient of the insurance proceeds to pay for the estimated cost of repair or replacement outstanding at the date it makes any progress payment and the Subtenant shall pay and be responsible for any part of the cost of repair or replacement in excess of the insurance proceeds;

- (e) before any contract is entered into by the Subtenant for the carrying out of any repair work pursuant to subsection 5(d) copies of the estimates for any work and the contracts for the completion of the work shall be submitted to the trustee, and it shall distribute such copies to such of the Sublandlord, Delta, the Subtenant and the Sublandlord's mortgagees as shall not be parties to such contracts;
- (f) any progress payments to be made under this Section 5 of this Schedule C by the trustee to the Subtenant shall not be made without the submission of a statement, certified by the architect of the party to whom the payments are to be made, stating the estimated amount required to complete the work of repair or replacement at the date of the certificate, the amount claimed by individual contractors at that date, the amount owing on work already done, and the amount of any payments made at that date for work already done, and verifying the standard and quality of the work already done, and the trustee shall be required to retain in its hands at the date of any payment an amount sufficient to pay the estimated outstanding cost of completion, even though that has the effect that the payment made becomes less than the amount certified to be due;
- (g) in making any payment under this Section 5 of this Schedule C the trustee shall have regard to builders' lien legislation applicable in the Province of British Columbia and shall retain with its control in the manner and for the period specified in such legislation the amount of any hold-back required;
- (h) in case of dispute over the outstanding cost or the filing of any lien arising out of the work of repair or replacement the trustee shall not be under any obligation to make or authorize any progress or lump sum payment until the dispute is settled or the lien discharged as the primary duty of repair and replacement falls on the Subtenant;
- (i) should this Agreement be forfeited, for whatever cause pursuant to the terms hereof, all monies remaining in the trustee's hands shall be payable to the Sublandlord;
- (j) the fees of any trustee appointed hereunder by the Sublandlord shall be paid by the Subtenant or those subrogated to it; and
- (k) subject to subsection (i) of this Section, the proceeds of any insurance shall be utilized for the purpose of repair or replacement of the improvement or improvements damaged or destroyed.

6. **THE SUBLANDLORD'S RIGHT TO INSURE**

If the Subtenant shall default on any of its obligations under this Agreement regarding insurance (including the obligation to submit proof of insurance to the Sublandlord), the Sublandlord may, but shall not be obliged to, place any insurance at the cost and expense of the Subtenant, or pay any arrears of premium, and any expense incurred by the Sublandlord shall be payable as Rent and reimbursed to it by the Subtenant on demand.

SCHEDULE D**SKETCH PLAN SHOWING THE LOCATION AND
DIMENSIONS OF THE LANDS**

SCHEDULE E
CURRENT OPERATING EXPENSES

1. FIELD MAINTENANCE

- (a) Management fees
- (b) Supplies and equipment required for administration and management
- (c) Accounting costs
- (d) Service and repair drainage ditches (labour)
- (e) Maintenance and testing of fire hydrants/water valves
- (f) Grass cutting, gardening and landscaping
- (g) Signage maintenance
- (h) Snow plowing
- (i) 51040 Repair and maintain airport fencing
- (j) Repair and maintain sewage treatment facility
- (k) Tree trimming/vegetation management
- (l) Garbage removal
- (m) Security associated with non-airside common areas
- (n) Cleaning of common areas and facilities
- (o) Common area electrical fees
- (p) Portion of taxes for common areas
- (q) Depreciation on equipment, fixtures and machinery employed in operating, maintaining, repairing and replacing common areas and facilities
- (r) Interest (at the Prime Rate plus 2%) upon the undepreciated or unamortized portion of the costs and expenses of the equipment and machinery employed in operating, maintaining, repairing and replacing common areas and facilities

2. INSURANCE

- (a) General liability insurance for airfield

SCHEDULE F

SUBLANDLORD'S SERVICING OBLIGATIONS

The Sublandlord will do certain work to facilitate the Subtenant obtaining a development permit, building permit and occupancy permit for the Buildings. The details of that work are as follows:

- (a) upgrading of the present domestic water supply which currently will service a 250,000 square foot building with approximately 450 employees so as to provide a fire flow of 5,700 gallons per minute for 40 minutes;
- (b) extension to the northwest boundary of the Lands, of the sanitary sewer line to enable the Subtenant to connect to such line so as to provide adequate service to the Buildings;
- (c) obtaining approval from Delta for a drainage plan to accommodate the improvement of the Lands as proposed by the Subtenant, provided that the Subtenant's improvements shall not render the Lands more than 85% impervious.
- (d) extension to a single point on the boundary of the Lands as determined by the Landlord of an adequate storm sewer line to enable the Subtenant to connect to such line so as to provide service to the Buildings;
- (e) the obtaining of approvals of the Corporation of Delta and the Federal Department of Fisheries and Oceans to a Fish Habitat Compensation Plan;
- (f) extension to the boundary of the Lands from 80th Street of existing three phased electrical service but not including the installation on the Lands of the required electrical substation;
- (g) extension of a gas service line to the northwest corner of the Lands to enable the Subtenant to connect to such line so as to provide service to the Buildings; and
- (h) obtaining the approval of Delta to the closing of the road on the southern boundary of the Buildings to be constructed on the Lands the adding of such road area to the apron so that the Lands, are contiguous to the apron along the entire southern boundary of the Buildings;

SCHEDULE G

CONSTRUCTION REQUIREMENTS

1. PLANS AND SPECIFICATIONS

The Subtenant covenants and agrees with the Sublandlord that:

- (a) the Subtenant, at its sole cost, will undertake, or cause to be undertaken, detailed plans and specifications for the design of the Project prepared by qualified professionals and in accordance with good business practices and in accordance with the development guidelines, policies and other restrictions in effect by the Corporation of Delta, Boundary Bay Airport or airports generally;
- (b) all the detailed plans and specifications for the Project, sealed by the Consultant, will be submitted to the Sublandlord for approval and the following will apply:
 - (i) such plans and specifications will include:
 - (A) complete drawings and specifications pertaining to the construction of the Building;
 - (B) a sketch plan which defines the proposed Building within the Site; a fenced construction area; Site access points; and temporary servicing locations;
 - (C) detailed plans and specifications with respect to the materials to be used in the construction of the Project;
 - (D) detailed plans and specifications with respect to the service connections proposed for the Project;
 - (E) detailed plans and specifications with respect to the mechanical, sprinkler, plumbing, heating and HVAC systems to serve the Project;
 - (F) a survey certificate showing the location of the Site in relation to the boundaries of the Land and in relation to the improvements located upon the Land; and
 - (G) copies of all documents, surveys, plans and specifications which the Subtenant intends to submit to the Corporation of Delta in support of the Subtenant's application for the Development Permit.

provided that:

- (ii) on receipt of such detailed plans and specifications, the Sublandlord will review and provide comments or grant its approval and, if approved by the Sublandlord and the Subtenant, will seek the approval of the Corporation of Delta in its capacity as landlord under the Head Lease;
- (iii) if the Sublandlord or the Corporation of Delta provides comments or requests amendments or changes to the plans and specifications, the

Subtenant will make such changes and amendments to such plans and specifications as are reasonably required by the Sublandlord or the Corporation of Delta, and will re-submit revised plans and specifications to the Sublandlord for review and, once approved by the Sublandlord and the Subtenant, will then re-submit the revised plans and specifications to the Corporation of Delta for approval; and

- (iv) this process will continue until both the Sublandlord and the Corporation of Delta give final approval to such plans and specifications, subject to subsection (c) below;
- (c) in the event that the Corporation of Delta, as a condition of issuing a Development Permit or Building Permit, requires any modifications or amendments to the Approved Plans and Specifications, the Subtenant shall forthwith notify and obtain the Sublandlord's approval of such modifications and amendments, such approval not to be unreasonably withheld, and provided that the approval of the Sublandlord is obtained, such modifications and amendments shall form a part of the Approved Plans and Specifications; and
- (d) the Subtenant will not:
 - (i) commence construction of the Project or any part thereof; or
 - (ii) make any changes, modifications or alterations to the Site or the Land;
 until the Sublandlord has given written confirmation of final approval by the Sublandlord and the Corporation of Delta in its capacity as landlord under the Head Lease of the detailed plans and specifications pursuant to section 1(b), the Subtenant has obtained the Development Permit, the Building Permit and all other necessary approvals, licences and permits for the construction of the Project from all authorities having jurisdiction including, without limitation, the Corporation of Delta.

2. CONSTRUCTION OF PROJECT

The Subtenant, at its cost and without cost to the Sublandlord, shall complete the Project, all in accordance with the Approved Plans and Specifications, the Development Permit and Building Permit and in accordance with any further requirements of the Sublandlord and the following will apply:

- (a) the Subtenant will cause the Project to be completed continuously and diligently and in a good and workmanlike manner and in accordance with:
 - (i) the Approved Plans and Specifications;
 - (ii) the Development Permit and the Building Permit; and
 - (iii) any other provision of this Agreement unless otherwise agreed to by the Sublandlord;
- (b) the Subtenant will complete the Project in accordance with the Approved Plans and Specifications;

- (c) the Subtenant will be responsible for keeping the Sublandlord properly and adequately advised of the progress of construction of the Project, and for providing the Sublandlord periodically, as it may reasonably require, with written progress reports;
- (d) the Subtenant will:
 - (i) comply with all applicable federal, provincial and municipal laws, bylaws, orders and policies and this Agreement will in no way exempt the Subtenant from any obligations created by any laws, bylaws and lawful orders which touch and concern the Site, the construction of the Project and the activities authorized by this Agreement;
 - (ii) obtain all necessary government or quasi-governmental approvals and permits concerning the Project and the construction, installation and warranty work with respect thereto, including, without limitation, the Development Permit and the Building Permit, and including if applicable, all approvals and permits normally required by the Corporation of Delta Engineer for work done on streets in the Corporation of Delta if any (which includes the requirement for obtaining comprehensive general liability insurance and property insurance and providing the Subtenant with evidence of same and providing the appropriate confirmation of professional assurance); and
 - (iii) ensure that all required payments are made with respect to the Project, including without limitation, workers compensation assessments, employment insurance and federal and provincial taxes;
- (e) the Subtenant will give the Sublandlord not less than 7 days' written notice before commencing construction of the Project;
- (f) each party will ensure that any written comments or directions in accordance with this Agreement, including requests for a variation to the Approved Plans and Specifications, given or made by one party will be promptly responded to by the other party;
- (g) during construction of the Project, the Subtenant will no later than 7 days following receipt of same, deliver to the Sublandlord true copies of all inspection reports prepared during the construction of the Project and all such reports will have been accepted by the Consultant, provided, however, that the Subtenant will immediately notify the Sublandlord of the results of any failed inspection;
- (h) all equipment, fixtures, heating and plumbing equipment and all machinery installed in the Building will be of adequate quality and, where applicable, shall be certified and approved by all governmental, quasi-governmental or professional standards, agencies and associations;
- (i) the Sublandlord and the Corporation of Delta and their respective officers, servants and agents will have the right to inspect the Project and the Site at all reasonable times in accordance with applicable safety and security requirements,

and, in furtherance of such right of inspection, the Sublandlord and its officers, servants and agents will have the right to bring upon the Site whomever or whatever they deem necessary for such purpose;

- (j) the Subtenant will pay when due all charges for any gas, electricity, light, heat, power, water and other utilities and services used in or supplied to the Site for construction of the improvements on the Site;
- (k) the Subtenant shall not make application for the Development Permit or the Building Permit until it has delivered copies of such applications to the Sublandlord, and the Sublandlord has approved same, such approval not to be unreasonably withheld, provided that such applications are in accordance with the Approved Plans and Specifications;
- (l) on completion of the Project, the Subtenant will obtain a final inspection and an occupancy permit for the Building from the Corporation of Delta;
- (m) the Sublandlord will provide reasonable assistance to the Subtenant in attempting to obtain all governmental approvals required for the construction of the Project, provided, however, that the Sublandlord shall not be required to do anything which would or could reasonably result in the Sublandlord incurring any cost or liability; and
- (n) the Building will be the absolute property of the Corporation of Delta in its capacity as landlord under the Head Lease, provided that all trade fixtures and furnishings installed in the Building by the Subtenant will be the property of the Subtenant and may be removed by the Subtenant in accordance with the Sublease.

3. **DESIGN RESPONSIBILITY**

Notwithstanding that the Sublandlord or its delegates may:

- (a) require the Subtenant to make changes to the plans, drawings and specifications concerning the Project or any portions thereof;
- (b) inspect the Project, or portions thereof or supervise aspects of construction of the Project; and
- (c) approve or accept the plans, drawings and specifications concerning the Project,

all design and construction responsibility and supervisory responsibility will remain exclusively with the Subtenant and no such responsibility will rest with the Sublandlord or its delegates or the Sublandlord's officers, employees, servants or agents and the Sublandlord and its officials, officers, employees, servants or agents will not be liable to the Subtenant for the safety, adequacy or soundness of the Project by reason of any changes required, inspections made or approvals given with respect to the Project, provided that this exclusion from liability will not apply to any variation made to the Project at the request of the Sublandlord where the Consultant advises the Sublandlord that the safety, adequacy or soundness of the Project will be compromised and the Sublandlord insists on the variation nonetheless. Any approval given by and any inspection carried out by the Sublandlord or its officers, employees, servants or agents

pursuant to this Agreement or concerning the Project will be for the purposes only of ensuring compliance with this Agreement from the point of view of the Sublandlord as contracting party, and no inspection or approval given by the Sublandlord or its officials, officers, employees, servants or agents will relieve the Subtenant from its obligation to comply strictly with the terms of this Agreement nor will the giving of any approval or confirmation of satisfaction constitute a waiver or release by the Sublandlord of any duty or liability owed to the Sublandlord or of any indemnity given by the Subtenant to the Sublandlord, its officials, officers, employees, servants or agents.

4. ROAD AND UTILITY WORK

- (a) Prior to submitting detailed plans and specifications for the Project to the Sublandlord for approval pursuant to section 1(b), the Subtenant will:
 - (i) coordinate and submit to the Sublandlord for approval the designs and specifications of utility companies installing utilities on the Site to ensure that the designs and specifications meet Corporation of Delta and all other applicable standards and that the utilities are installed underground within such lands form the closest existing suitable service point; and
 - (ii) obtain the written approvals (and provide copies of same to the Sublandlord) from the applicable utility companies with respect to such installation of utilities;
- (b) Prior to commencing any work at the Site, the Subtenant will:
 - (i) contact any applicable utility companies or Corporation of Delta officials to identify any underground utility locations located on or adjacent to the Site and the Subtenant will take any appropriate safety measures to ensure that any work does not damage or affect any utilities located on or adjacent to the Site; and
 - (ii) if applicable, request the approval of the Corporation of Delta Engineer for the construction of any off-site road and utility works within Corporation of Delta-owned property, which request will be accompanied by, if required by the Corporation of Delta, a traffic management plan, temporary works plan and construction schedule.

5. AS-BUILT DRAWINGS, ETC.

On completion of the Project, and prior to the issuance of the Acceptance, the Subtenant covenants and agrees that it will, at its own cost, provide the Sublandlord and Delta with:

- (a) as-built drawings for the Project (being a complete set of reproducible mylar "as built" drawings plus drawing files prepared on an autocad computerized drafting system compatible with that used by the Sublandlord and drawn to Sublandlord autocad standards), satisfactory to the Sublandlord, prepared, signed and sealed by the Consultant;
- (b) a plan of survey prepared by a British Columbia Land Surveyor and to the satisfaction of the Sublandlord, showing the final location of the Project;

- (c) 3 sets of operating manuals for all equipment in the Project;
- (d) 2 copies of all warranties concerning the construction, fitting, equipping and finishing of the Project; and
- (e) 4 sets of keys for the Project.

6. ACCEPTANCE OF PROJECT

- (a) In addition to those items to be delivered or completed by the Subtenant pursuant to section 5, prior to the issuance of the Acceptance, the Subtenant will deliver to the Sublandlord the Certificate and copies of all inspection certificates, permits and approvals issued by the Corporation of Delta or any authority having jurisdiction in respect of the Project, including an unconditional occupancy permit issued by the Corporation of Delta to the Sublandlord.
- (b) Following the delivery to the Sublandlord of the Certificate and all permits, consents and approvals referred to in section 6(a) above, the Sublandlord and the Subtenant will inspect the Project.
- (c) Following such inspection and provided that the Project has been constructed in accordance with the Approved Plans and Specifications and the Subtenant has delivered all of the documents referred to in section 6(a) above, subject to section 6(d), the Sublandlord will issue an Acceptance, which may be conditional and may contain a list of deficiencies to be remedied by the Subtenant.
- (d) During the inspection referred to in section 6(b), if certain deficiencies are reasonably identified by the Sublandlord to be of such significance that the Sublandlord is not prepared to issue an Acceptance and, in such event, the Sublandlord may delay the acceptance of the Project until such deficiencies have been rectified or completed as confirmed by a subsequent inspection by the Sublandlord, whereupon such Acceptance will be issued.
- (e) The Subtenant will work diligently to complete any deficiencies by the dates for completion of such deficiencies as agreed to by the parties, acting reasonably, all as set out in the Acceptance.

7. INSURANCE

Prior to the commencement of any work at the Site, the Subtenant will obtain:

- (a) wrap up liability insurance issued in the joint names of the Subtenant, the Sublandlord and the Corporation of Delta protecting all participants, including contractors, subcontractors, their respective employees and agents in all activities pertaining to the Project with limits of not less than FIVE MILLION DOLLARS (\$5,000,000) on an occurrence basis for bodily injury, death and property damage claims including loss of use thereof. This insurance must be maintained continuously throughout the entire term of the Project until final acceptance of the Project by the Sublandlord, and thereafter, in the case of completed operations coverage, for a further period of not less than 2 years, and will contain the following extensions of coverage:

- (i) Broad form Property Damage and Completed Operations;
- (ii) Personal Injury;
- (iii) Blanket Contractual Liability;
- (iv) Cross Liability and Severability of Interest Clause;
- (v) Contingent Employer's Liability;
- (vi) Non-Owned Auto Liability

and where such further risk exists, the following extensions of coverage will be included:

- (vii) Shoring, blasting, excavating, underpinning, demolition, removal, pile driving and grading, as applicable;
 - (viii) Hoist liability; and
 - (ix) Operation of attached machinery;
- (b) all risks course of construction property insurance issued in the joint names of the Subtenant, the Sublandlord and the Corporation of Delta on the Building and other improvements at the Site (including the building materials, equipment and machinery, labour and supplies of any nature belonging to the insured and others, for which the insured may have assumed responsibility), to be used both during and after construction, against fire, earthquake and all other perils from time to time customarily included in the usual all risks builder's form policy to the full replacement cost to cover the building under construction, which insurance will provide that all insurance proceeds will be applied to repairing and restoring any damage to the Building;
- (c) such additional insurance as may be required under the Head Lease;
- (d) all insurance policies will be obtained and issued by insurance companies that are duly licensed or authorized to conduct business in the Province of British Columbia;
- (e) all insurance policies will contain a provision that coverages afforded will not be suspended, voided, reduced or materially altered or changed without the insurance company(s) giving at least 60 days prior written notice by registered mail to the Sublandlord and the Corporation of Delta;
- (f) all the forgoing insurance will be primary and any insurance or self-insurance maintained by the Sublandlord will be in excess of this insurance and will not contribute to it; and
- (g) prior to commencement of the licence, the Subtenant will provide to the Sublandlord evidence of each policy of insurance required to be taken out by the Subtenant accompanied by certified copies of policies signed by the insurers.

8. WARRANTIES

- (a) The Subtenant will ensure that all warranties with respect to the Project, including any equipment purchased for the Project, are issued in favour of the Sublandlord, provided that:
 - (i) the Subtenant will, at its expense and without cost to the Sublandlord, enforce on behalf of the Sublandlord all warranties concerning the construction, fitting, equipping and finishing of the Project; and
 - (ii) the Sublandlord will cooperate with the Subtenant in the enforcement on behalf of the Sublandlord of such warranties;
- (b) The Subtenant will promptly correct, at its expense, any defects or deficiencies in the construction of the Project, including workmanship and materials which appear prior to and during the period of one year from the date of the Certificate, or such longer periods as may be specified for certain products or work. This warranty will apply to defects or deficiencies that arise even if the work is carried out in a good and workmanlike manner. Provided that if, as a result of the failure of the Subtenant to fulfill its obligations under this Agreement, there are any defects in the Project due to professional errors or omissions or defects in the Project which affect the Building to such extent that a significant part of the Building is unfit for the purpose intended, such one-year limitation will not apply and the Sublandlord will be entitled to claim for any losses or damages suffered on or before the date which is five years from the date of the Certificate.

9. BUILDERS LIENS

- (a) The Subtenant will comply with the *Builders Lien Act*, including any provisions requiring or enabling the retention of any sum as a holdback.
- (b) The Subtenant will, at its cost and within 7 days after receipt of notice thereof, procure the discharge of any and all builders liens and other liens (including any certificate of pending litigation or other notation or charge) for labour, services or materials alleged to have been furnished with respect to the Project or the Site, which may be registered against or otherwise affect the Land, by payment or giving security or in such other manner as may be required or permitted by law, provided however that in the event of a bona fide dispute by the Subtenant of the validity or correctness of any claim for any such lien, the Subtenant will not be bound by the foregoing, but will be entitled to defend against the same in any proceedings brought in respect thereof after first either:
 - (i) paying into a court of competent jurisdiction the amount claimed or sufficient security therefor, and such costs as the court may direct; or
 - (ii) providing to the Sublandlord such security for eventual discharge of the lien as is satisfactory to the Sublandlord.

10. **WORKERS COMPENSATION**

The Subtenant comply with all requirements of the *Workers' Compensation Act* and will cause all contractors and others engaged in the construction of the Project carry complete Workers' Compensation Board coverage and to fully comply in all respects with all rules, policies and regulations of the Worker's Compensation Board of British Columbia.

11. **RELEASE AND INDEMNIFICATION**

The Subtenant hereby releases the Sublandlord and the Corporation of Delta and each of their respective Personnel from, and covenants with the Sublandlord and the Corporation of Delta to indemnify and save harmless the Sublandlord and the Corporation of Delta and each of their respective Personnel from, all Losses related to or arising from the Project or the Subtenant's occupation or possession of the Site or the occupation or possession of the Site by any of the Subtenant's Personnel, including all claims, demands, suits and judgments against the Sublandlord or its Personnel:

- (a) by reason of the Sublandlord and its Personnel reviewing, accepting or approving the design, specifications, materials and methods for construction of the Project, inspecting the Project, or performing any work in accordance with the terms of this Agreement or requiring the Subtenant to perform any work pursuant to this Agreement; or
- (b) that arise out of, or would not have been incurred but for this Agreement or the design, construction and installation of the Project.

12. **DAMAGE OR DESTRUCTION**

In the event of damage or destruction of any improvements at the Site, the Subtenant will repair and restore such damage or destruction so long as such be lawful and, if not, the Subtenant will make reasonable efforts to have such repairs or restorations made lawful. If the Subtenant is not successful in having such repairs or restorations made lawful, the insurance monies paid or payable on account of such damage or destruction will be paid or assigned to the Sublandlord, as the case may be. If there is a shortfall between the insurance monies available for such repair and restoration and the cost of such restoration, such shortfall will not relieve the Subtenant of its obligation to complete such repairs or restoration. Further, the Sublandlord is under no obligation to make good such shortfall.

SCHEDULE H

AIRPORT ISSUES

1. CONDUCT OF BUSINESS

The Sublandlord agrees that it will, during the Term, conduct business in a commercially reasonable manner having regard to its responsibility for the overall operations of the Boundary Bay Airport and in particular, the Airport Facilities, provided that the foregoing covenant will not impose any greater liability on the Sublandlord in respect of any Claims that relate to negligence or occupiers liability than the Sublandlord would be subject to in the case of claimants using the Boundary Bay Airport who are members of the public who are not Occupants. The Subtenant acknowledges that the control tower utilized in connection with the Boundary Bay Airport is not located on the site of the Boundary Bay Airport, that it is located on Land which is not controlled by the Sublandlord, but is controlled by NavCan.

2. ACCESS TO AIRPORT FACILITIES

The Subtenant and its employees and invitees and those Occupants properly claiming through the Subtenant will be permitted by the Sublandlord to have the use of the Boundary Bay Airport including the Airport Facilities in common with others entitled thereto, subject to the provisions of this Agreement. The Sublandlord will ensure that the Airport Facilities are located such that the Subtenant is able to access the Airport Facilities directly from the Lands without interruption, along the length of the southern side of the Building, except for such restrictions to access needed for compliance with regulatory requirements related to security and safety. Notwithstanding the foregoing, the Sublandlord, acting reasonably, has the right to restrict for security, or safety, the Subtenant's access to the Boundary Bay Airport. On or before August 1, 2007, the Sublandlord shall eliminate the road currently located along the southern border of the Lands, so that the Lands shall be contiguous with the apron.

3. FEE ABATEMENT

Throughout the Term of the lease the Sublandlord shall waive its usual take off and landing fees which it charges to the general public for the use of Airport Facilities. The foregoing fee waiver shall apply to use by the Subtenant, its wholly owned subsidiaries and by those third parties who claim through the Subtenant as and if approved by the Sublandlord.

4. COMPLIANCE WITH RULES AND REGULATIONS

The Subtenant shall abide by and comply with all Rules and Regulations and directives regarding traffic control, airport security, parking, sanitation and all other regulations and directives relative to the management and operation of the Boundary Bay Airport; provided that such Rules and Regulations shall be reasonable and shall not unduly interfere with the use or occupancy of, or the business carried on from the Premises if such use or occupation is, or such business is being carried on, otherwise in compliance with the provisions of this Agreement.

5. NO LIMITATION ON SUBTENANT'S OBLIGATIONS

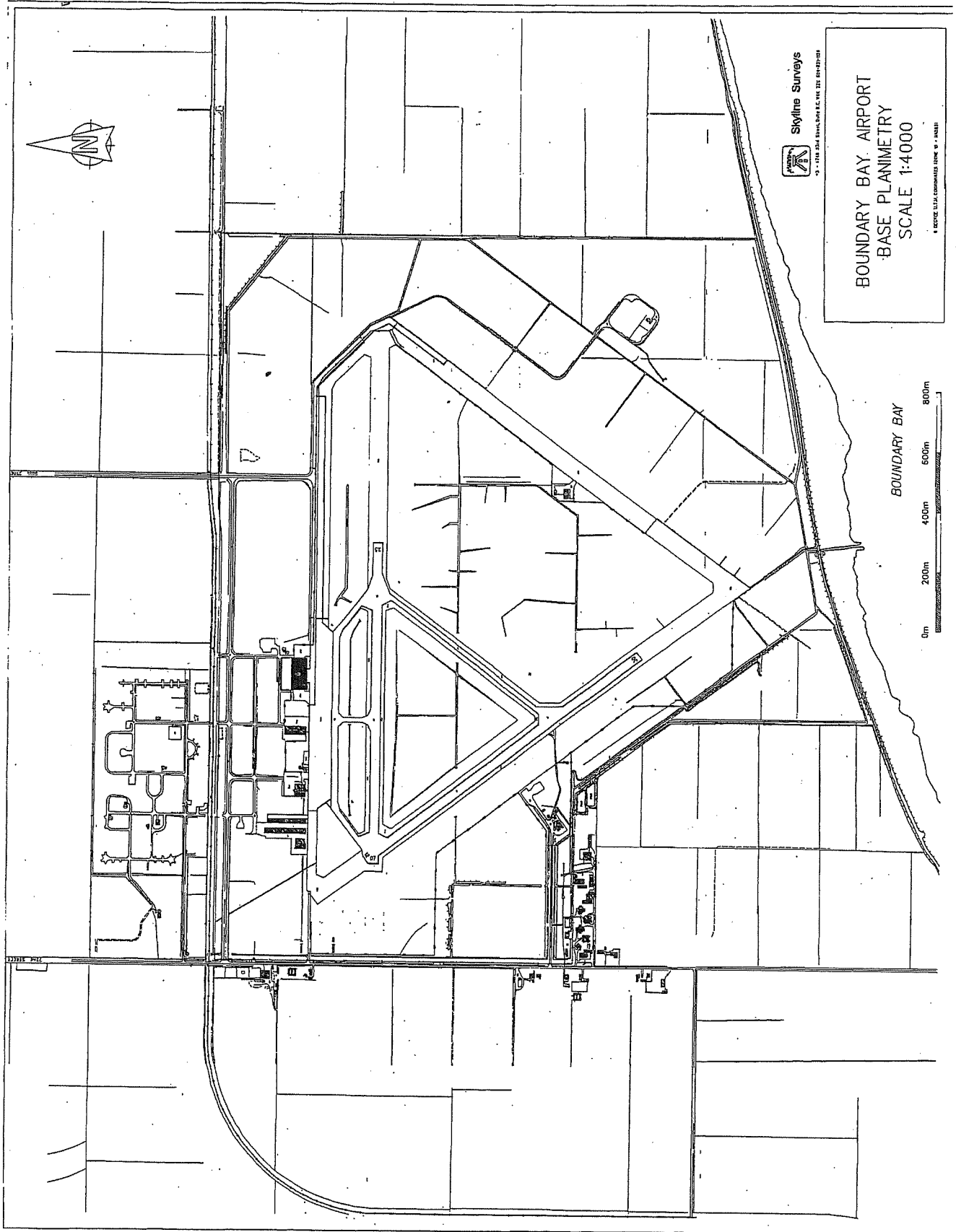
The occurrence of either:

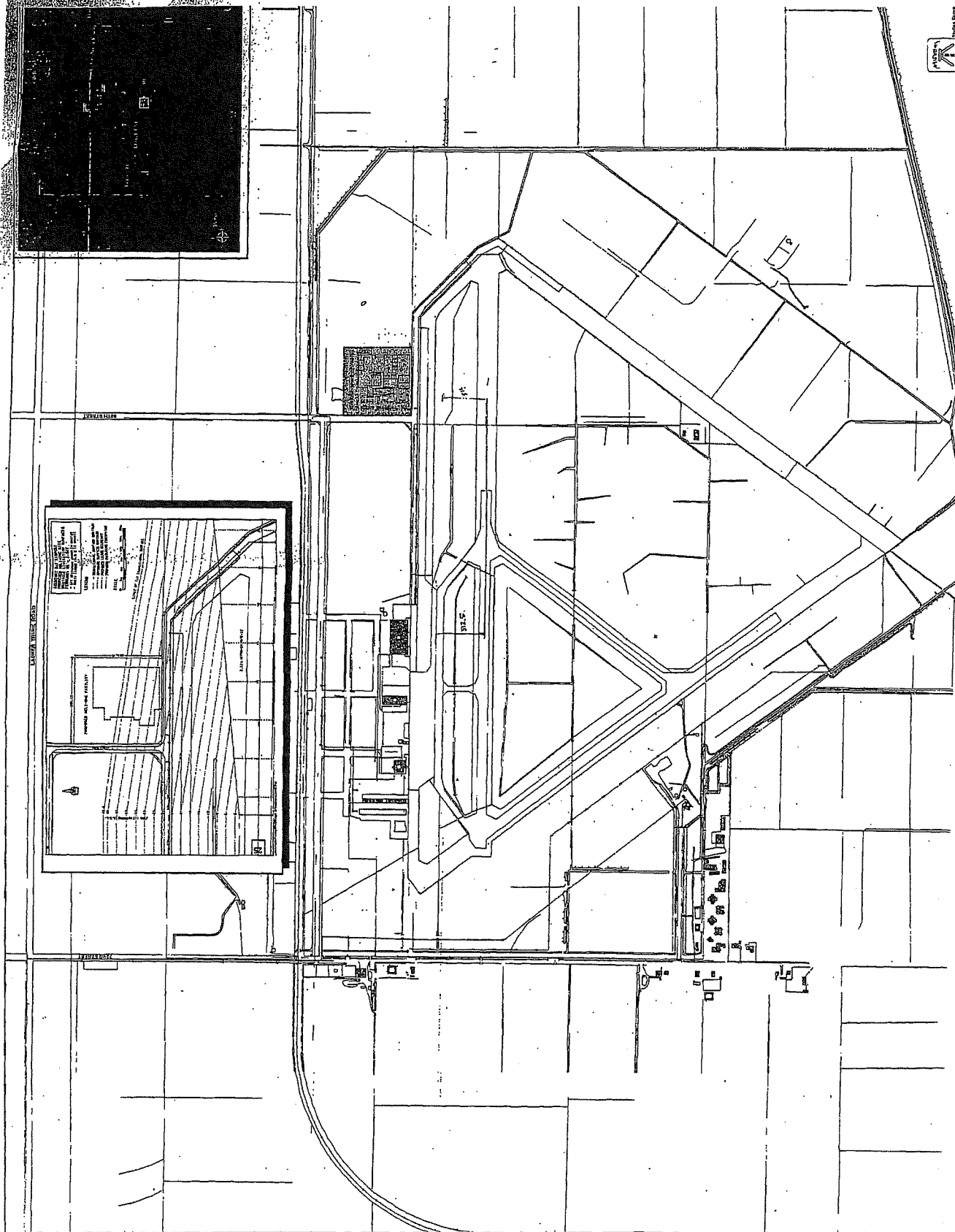
- (a) any damage to or limitations on the availability of the Airport Facilities, howsoever caused, or
- (b) any restrictions on the ability of the Subtenant or any Occupant to use the Airport Facilities, whether imposed by any applicable regulatory authority or by the persons operating the airport (whether the Sublandlord or otherwise),

shall not limit or reduce the obligations of the Subtenant to pay Rent or to abide by its other obligations under this Agreement, and shall not cause the Sublandlord to be in default hereunder, and shall not result in the frustration of this Agreement.


6. FUEL PRICING

During the term of this Agreement and any renewal, the Sublandlord shall make available to the Subtenant and its affiliates for purchase such fuel products as it offers to sale to its other customers at prices no less favourable than those prices offered to Alpha's most preferred customers, from time to time.





LAND LEASE

This is Exhibit " B " referred to in the
affidavit of ERIC LEE
sworn before me at VANCOUVER
this 6 day of FEBRUARY 2017

A Commissioner for taking Affidavits
within British Columbia

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of and dated for reference June 30, 2011,

BETWEEN:

HELL-ONE CANADA INC., a company formed under the laws of the
Canada, having its registered office at 4740 Agar Drive, Richmond, BC,
V7B 1A3

(the "Vendor")

AND:

ARGO VENTURES INC., a company formed under the laws of British
Columbia, having an office at Suite 1700 – 100 West Pender Street,
Vancouver, BC, V6B 1R8,

(the "Purchaser")

WITNESSES THAT WHEREAS:

- A. The Vendor is the beneficial owner of the Property (hereinafter defined), the legal title to which is held by the Nominee (hereinafter defined); and
- B. The Purchaser has agreed to purchase, and the Vendor has agreed to sell, the Property (including legal title to the Property as will be held by the Nominee) on the terms and conditions contained in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and premises contained herein and other good and valuable consideration now paid by each party hereto to the other (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

1. **INTERPRETATION**

1.1 **Definitions** – In this Agreement, the following terms shall, unless otherwise expressly provided herein or unless the context otherwise requires, have the following respective meanings:

- (a) "**Agreement**" means this Agreement and all schedules hereto; and the expression "Article", "section" or "Schedule" followed by a number or letter, respectively, means and refers to the specified Article, section or Schedule of this Agreement;
- (b) "**Assignment of Lease**" means an assignment of the beneficial and legal interest in the Head Lease, transferring all of the Vendor's beneficial right, title and interest in and to the Head Lease and the Nominee's legal right, title and interest in and to the Head Lease to the Purchaser free and clear of all liens, prior claims, charges, encumbrances and legal notations save and except the Permitted Encumbrances;
- (c) "**Buildings**" means all buildings, improvements, structures, fixtures, appurtenances and attachments to the Leasehold Premises, including all systems therein of a mechanical nature and without limiting the generality of the foregoing, all heating, lighting, air-

conditioning, plumbing, electrical, ventilation, drainage, water, elevator and mechanical fixtures and systems (but excluding the trade fixtures which shall be removable under the Head Lease and fixtures and improvements provided pursuant to any service contracts and not owned by the Vendor or the Nominee);

- (d) **"Business Day"** means Monday to Friday inclusive of each week, excluding days that are statutory holidays in British Columbia and days when the LTO in British Columbia is closed for business;
- (e) **"Chattels"** means that equipment, furniture, inventory, appliances, chattels and personal property used for the general operation and management of the Leasehold Premises and the Buildings (other than chattels owned by the Vendor and used in its operation in the Leasehold Premises) shown on Schedule C;
- (f) **"Closing Conditions"** has the meaning set out in section 9.1;
- (g) **"Closing"** means the completion of all transactions contemplated herein to be completed on or before the Closing Date;
- (h) **"Closing Date"** means the first Business Day that is 45 days after the satisfaction, removal or waiver of the last of the Subject Conditions or such other date agreed to in writing by the parties hereto but in any event, on or prior to October 31, 2011;
- (i) **"Closing Deliveries"** means, collectively, the Purchaser's Closing Deliveries and the Vendor's Closing Deliveries;
- (j) **"Contaminants"** means any pollutants, contaminants, underground or aboveground tanks, asbestos materials, urea formaldehyde, deleterious substances, hazardous, corrosive or toxic substances, special waste or waste of any kind, including without limitation any substance the storage, manufacture, disposal, handling, treatment, generation, use, transport, remediation or release into the environment of which is now or hereafter at any time prohibited, controlled, regulated or licensed under Environmental Laws;
- (k) **"CPI Factor"** means the percentage increase of the Consumer Price Index (all items) for British Columbia published by Statistics Canada for the most recent five-year period;
- (l) **"Delivery Material"** has the meaning given to it in section 5.1;
- (m) **"Deposit"** has the meaning set out in section 3.3;
- (n) **"Document Delivery Date"** means the date that is one (1) week prior to the Closing Date, or such other date that is mutually agreed to by the Vendor and the Purchaser;
- (o) **"Environmental Laws"** means any laws, regulations, orders, bylaws, permits, lawful requirements, standards or guidelines of any federal, provincial, regional or municipal governmental authority having jurisdiction over the Property with respect to the environment, environmental protection or occupational health and safety;
- (p) **"First Deposit"** has the meaning set out in section 3.2(a);

- (q) **"Ground Lease"** means that Lease dated for reference as of December 1, 2004 made between The Corporation of Delta, as landlord, and Alpha Aviation Inc., as tenant, and registered in the New Westminster Land Title Office under No. BX316871, as modified by an Amended and Restated Lease Amendment Agreement made between The Corporation of Delta and Alpha Aviation Inc. and registered in the New Westminster Land Title Office under No. BA375642;
- (r) **"Head Lease"** means that sublease dated July 31, 2006 made between the CHC Helicopters International Inc. (predecessor in title to the Nominee), as subtenant, and Alpha Aviation Inc., as sublandlord, a short form of which is registered under No. BA446810;
- (s) **"Leasehold Premises"** means that portion of the Property charged by the Head Lease and excluding all Buildings;
- (t) **"Leases"** means, collectively, the Ground Lease and the Head Lease, and **"Lease"** means any one of them;
- (u) **"LTO"** means the Lower Mainland Land Title Office in New Westminster, BC;
- (v) **"Materially Damaged"** has the meaning set out in section 14.2;
- (w) **"Mutual Subject Conditions"** has the meaning set out in section 4.3;
- (x) **"Nominee"** means CHC Helicopter Holding S.A.R.L.
- (y) **"Option"** has the meaning set out in section 8.1A;
- (z) **"Permitted Encumbrances"** means the charges, encumbrances and legal notations described in Schedule A hereto;
- (aa) **"Property"** means the property situate at 4300 – 80th Street, Delta, BC, and means, collectively, the following
 - (i) the Leasehold Premises;
 - (ii) the Buildings;
 - (iii) the Chattels; and
 - (iv) the Rights;
- (bb) **"Purchase Price"** means the purchase price for the Property as set out in section 3.1;
- (cc) **"Purchaser's Closing Deliveries"** has the meaning set out in section 10.3;
- (dd) **"Purchaser's Solicitors"** means Borden Ladner Gervais LLP (Vancouver office);
- (ee) **"Purchaser's Subject Conditions"** has the meaning set out in section 4.1;
- (ff) **"Purchaser's Subject Removal Date"** means the September 6, 2011;

- (gg) **"Rights"** means all rights of the Vendor in the Leasehold Premises and the Buildings, the Vendor's interest in Service Contracts relating to the Leasehold Premises and the Buildings and all other rights and benefits pertaining to the Leasehold Premises, the Buildings and the Chattels including the legal interests therein as held by the Nominee;
- (hh) **"Sales Tax"** means the goods and services tax payable pursuant to the *Excise Tax Act* (Canada);
- (ii) **"Second Deposit"** has the meaning set out in section 3.2(b);
- (jj) **"Service Contracts"** means all contracts pertaining to the Property entered into by or binding upon the Vendor, and agreements by the Vendor to enter into contracts together with all modifications, extensions, renewals and assignments thereof, relating to the management, servicing, maintenance, repair, cleaning and advertising or the provision of any other goods or services in respect of the Property or the furnishing of supplies or services thereto, including contracts for leasing equipment or chattels;
- (kk) **"Statement of Adjustments"** has the meaning set out in section 10.2(d);
- (ll) **"Subject Conditions"** means, collectively, the Purchaser's Subject Conditions, the Vendor's Subject Condition and the Mutual Subject Conditions;
- (mm) **"Sublease"** means the sub-sublease to be entered into by the Purchaser, as sub-sublandlord, and the Vendor, as sub-subtenant, on the Closing Date in respect of the Leasehold Premises as provided in section 8.1;
- (nn) **"Vendor's Closing Deliveries"** has the meaning set out in section 10.2;
- (oo) **"Vendor's Environmental Reports"** means the environmental reports described in Part 1 of Schedule B hereto;
- (pp) **"Vendor's Geotechnical Reports"** means the geotechnical reports described in Part 2 of Schedule B hereto;
- (qq) **"Vendor's Reports"** means, collectively, the Vendor's Environmental Reports and the Vendor's Geotechnical Reports;
- (rr) **"Vendor's Solicitors"** means Fraser Milner Casgrain LLP (Vancouver office); and
- (ss) **"Vendor's Subject Condition"** has the meaning set out in section 4.2.

1.2 **References** - Wherever the singular or masculine is used in this Agreement, the same shall be deemed to include references to the plural, feminine or body corporate or politic, as the context may require.

1.3 **Construction** - The division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and are not to affect the construction or interpretation of this Agreement.

1.4 **Currency** - All dollar amounts referred to in this Agreement are Canadian dollars.

1.5 Schedules – The schedules attached hereto are hereby incorporated into this Agreement and form a part hereof. All terms defined in this Agreement shall have the same meaning in such schedules. The schedules to this Agreement are as follows:

Schedule A -	Permitted Encumbrances
Schedule B -	Vendor's Reports
Schedule C -	Chattels

2. PURCHASE AND SALE

2.1 Property – The Purchaser hereby agrees to purchase from the Vendor, and the Vendor hereby agrees to sell to the Purchaser, on the terms and conditions herein contained, the Property for the Purchase Price (subject to adjustments as herein provided) on the Closing Date, free and clear of all liens, prior claims, charges, encumbrances and legal notations whatsoever, save and except for the Permitted Encumbrances.

3. PRICE, DEPOSIT AND PAYMENT

3.1 Purchase Price – The purchase price for the Property shall be the sum of \$37,000,000, subject to adjustment as provided in section 13.1 hereof (the "**Purchase Price**").

3.2 Payment of Purchase Price – The Purchaser shall pay the Purchase Price for the Property as follows:

- (a) \$100,000 by way of deposit (the "**First Deposit**") to be paid by the Purchaser to the Vendor's Solicitors, within two Business Days after the execution and delivery of this Agreement by the Vendor and the Purchaser;
- (b) \$900,000 by way of a further deposit (the "**Second Deposit**") to be paid by the Purchaser to the Vendor's Solicitors concurrent with the waiver, removal or satisfaction of the last of the Purchaser's Subject Conditions set forth in section 4.1(a); and
- (c) the balance of the Purchase Price, subject to the adjustments provided for hereunder, shall be paid on the Closing Date as provided herein.

3.3 Deposit – The First and Second Deposits (collectively, the "**Deposit**") shall be held in trust by the Vendor's Solicitors, as if it were a stakeholder pursuant to the *Real Estate Services Act* of British Columbia, and who is hereby authorized and directed by the parties to deposit the same in an interest-bearing trust account. Interest earned on the Deposit shall be for the credit of the Purchaser, unless otherwise stated herein. The Deposit and any interest accrued thereon shall be dealt with as follows:

- (a) if any of the Subject Conditions are not satisfied, removed or waived in the manner and within the respective times provided in this Agreement, then the Deposit together with the accrued interest thereon shall forthwith be returned to the Purchaser; or
- (b) on the Closing Date, the Deposit shall be credited on account of the Purchase Price and the accrued interest will be paid to the Purchaser; or
- (c) if the Purchaser fails to complete the purchase of the Property in accordance with this Agreement after all conditions to the Purchaser's obligation to complete have been

satisfied, removed or waived or if the Purchaser fails to pay any Deposit when required hereunder, then the Deposit together with accrued interest thereon shall be forfeited to the Vendor as liquidated damages as a genuine pre-estimate of its damages in full and final settlement of any claim which the Vendor may have against the Purchaser. The Vendor agrees that it shall in no event be entitled to obtain specific performance of this Agreement; or

- (d) if the Purchaser is not in default of any of its obligations under this Agreement and the Vendor fails to complete the sale of the Property in accordance with this Agreement after all conditions to the Vendor's obligation to complete have been satisfied or waived, then the Deposit together with accrued interest thereon shall be refunded to the Purchaser upon demand by the Purchaser, but without prejudice to any other rights and remedies which the Purchaser may have at law or in equity, provided that any recovery by the Purchaser shall be capped at an amount equal to the amount of the Deposit held by the Vendor's Solicitors at the time the Vendor failed to complete the sale of the Property after all conditions to the Vendor's obligation to complete have been satisfied or waived.

4. **SUBJECT CONDITIONS**

4.1 **Purchaser's Subject Conditions** – The Purchaser's obligation to complete the purchase of the Property pursuant to this Agreement is subject to the Purchaser giving to the Vendor on or before the Purchaser's Subject Removal Date written notice confirming that:

- (a) the Purchaser has reviewed and approved the environmental condition, zoning, title matters, physical condition and geotechnical condition of the Property;
- (b) the Purchaser has reviewed and approved the Delivery Material and Permitted Encumbrances; and
- (c) the Purchaser has obtained satisfactory financing to complete the purchase of the Property,

(collectively the "**Purchaser's Subject Conditions**"). The Purchaser's Subject Conditions are for the sole benefit of the Purchaser and may be unilaterally waived in writing in whole or in part by the Purchaser at any time on or before the stated deadline therefor. If any of the Purchaser's Subject Conditions are not satisfied, removed or waived by the Purchaser by written notice to the Vendor within the time herein limited, then the First Deposit and all accrued interest thereon shall be returned to the Purchaser, this Agreement shall be terminated and each of the parties hereto shall have no further obligations to, nor rights against, the other in respect of this Agreement or the Property, except for any obligations of the Purchaser under section 5.2 hereof.

4.2 **Vendor's Subject Condition** – The Vendor's obligation to complete the sale of the Property is subject to the Vendor giving to the Purchaser, no later than the fifteenth (15th) Business Day following the execution and delivery of this Agreement by the Vendor and the Purchaser, written notice confirming that the Board of Directors of the Vendor has approved the sale of the Property on the terms and conditions contained in this Agreement (the "**Vendor's Subject Condition**"). The Vendor's Subject Condition is for the sole benefit of the Vendor and may be unilaterally waived in writing by the Vendor at any time on or before the stated deadline therefore. If the Vendor's Subject Condition is not satisfied, removed or waived by written notice from the Vendor to the Purchaser within the time herein limited, the First Deposit and all accrued interest thereon shall be returned to the Purchaser, this Agreement shall be

terminated and each of the parties hereto shall have no further obligations to, nor rights against, the other in respect of this Agreement or the Property.

4.3 Mutual Subject Conditions – The Vendor's and the Purchaser's respective obligations to complete the transaction contemplated herein are subject to:

- (a) the Vendor and the Purchaser settling the terms of the Sublease and the Option on or before the fifteenth (15th) Business Day following the execution and delivery of this Agreement by the Vendor and the Purchaser; and
- (b) the Vendor obtaining at its expense the consent of Alpha Aviation Inc. and The Corporation of Delta to the Sublease, the assignment of the Head Lease and the granting of the Option on or before the Purchaser's Subject Removal Date

(together, the "**Mutual Subject Conditions**"). The Mutual Subject Conditions are for the mutual benefit of the Vendor and the Purchaser and may not be unilaterally waived. If the Mutual Subject Conditions are not satisfied within the times herein limited, then the Deposit and all accrued interest thereon shall be returned to the Purchaser, this Agreement shall be terminated and each of the parties hereto shall have no further obligations to, nor rights against, the other in respect of this Agreement or the Property. The Purchaser shall, on request, provide such financial and background information as may be required pursuant to the terms of the Head Lease to obtain the consent to the assignment described herein.

4.4 Non-Refundable Moneys – The Purchaser acknowledges receipt from the Vendor of the amount of \$10 and the Vendor acknowledges that a portion of the First Deposit in the amount of \$10 (in each case the "**Non-Refundable Sum**") represents non-refundable moneys paid by one party hereto to the other in consideration of the other party allowing the first party the benefit of its subject conditions hereunder and agreeing that the other party's execution and delivery of this Agreement are irrevocable prior to the dates herein respectively limited for satisfaction of the Subject Conditions. Notwithstanding anything contained herein to the contrary, the Non-Refundable Sum shall not be refunded to the party paying the same in any circumstances.

5. DELIVERY OF PROJECT DOCUMENTS AND INSPECTION

5.1 Delivery of Project Documents – The Vendor shall at its expense, no later than ten (10) Business Days following the execution and delivery of this Agreement, either deliver to the Purchaser or make readily available to the Purchaser at a location in downtown Vancouver copies of the following (collectively, the "**Delivery Material**"):

- (a) any surveys, survey certificates, real property reports or certificates of location for the Property in the possession of the Vendor;
- (b) the Vendor's Environmental Reports, plus any other environmental reports or studies in the possession of the Vendor made with respect to the Property;
- (c) the Vendor's Geotechnical Reports, plus any other geotechnical or soils reports or studies in the possession of the Vendor made with respect to the Property;
- (d) a set of "as built" architectural, engineering, structural and mechanical plans and specifications for the Buildings, including any renovations, in the possession of the Vendor;

- (e) this year's budget of allocated operating expenses and property taxes;
- (f) all construction, landscaping and similar agreements pertaining to the Property, including without limitation all construction contracts for the construction of the Buildings;
- (g) the Service Contracts; and
- (h) all licences, development permits, building permits, occupancy permits, development agreements, servicing agreements and any other agreements relating to the Leasehold Premises and the Buildings issued by or entered into with any authority having jurisdiction over the Leasehold Premises;
- (i) the insurance policies for the Leasehold Premises; and
- (j) any other document relating to the Property that the Purchaser may reasonably request and that is in the possession or control of the Vendor.

5.2 Access – The Purchaser through its authorized representatives, consultants and agents may perform such reasonable surveys, tests and inspections of the Leasehold Premises as the Purchaser may require to investigate the condition thereof subject to the restrictions, if any, contained in the Head Lease. The Purchaser shall provide 24 hours' prior written notice to the Vendor of any survey, test or inspection of a Leasehold Premises. The Purchaser shall use all reasonable efforts not to unduly interfere with the operations of the Vendor at the Property in carrying out such surveys, tests and inspections. The Purchaser shall indemnify and hold the Vendor harmless from any and all liabilities, actions, costs, damages and liens (including builders' liens) arising from the entry of the Purchaser or its representatives, consultants and agents on the Leasehold Premises prior to the Closing Date, pursuant to this provision. The Purchaser shall repair any damage to the Leasehold Premises arising from such entry. If any of the Subject Conditions are not satisfied, removed or waived and this Agreement is terminated or the sale of the Property by the Vendor to the Purchaser pursuant to this Agreement is not completed, then the Purchaser shall forthwith return to the Vendor all documentation obtained by the Purchaser from the Vendor with respect to the Property.

5.3 Authorization – The Vendor shall promptly at the Purchaser's request execute and deliver authorizations requested by the Purchaser to permit statutory or governmental authorities to release information to the Purchaser concerning the Vendor, the Nominee, the Property and the existence of any liens against the Property. The Vendor further consents to and authorizes the Purchaser and the Purchaser's Solicitors to contact Alpha Aviation Inc. to make inquiries in respect of the Leasehold Premises, the Ground Lease and the Head Lease.

6. REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Vendor– The Vendor hereby represents and warrants to the Purchaser and acknowledges that the Purchaser has relied thereon in entering into this Agreement and in concluding the purchase and sale of the Property, that as of the date hereof and the Closing Date (unless otherwise stated):

- (a) the Vendor is a corporation duly incorporated and validly existing under the laws of Canada and each has been duly extra-provincially registered in British Columbia and is in good standing under the laws of British Columbia with respect to the filing of annual reports;

- (b) the Nominee is a S.A.R.L., a privately held limited liability company (Société à responsabilité limitée) duly formed and validly existing under the laws of Luxembourg and having its registered office at 13-15 Avenue de la Liberté, Luxembourg L-1931 and has been duly extra-provincially registered in British Columbia and is in good standing under the laws of British Columbia with respect to the filing of annual reports;
- (c) each of the Vendor and the Nominee has the power and capacity to own and dispose of the Property, to enter into this Agreement and to carry out its terms, all of which have been, or by the Closing Date shall have been, duly authorized;
- (d) the Vendor is the beneficial owner of and has good and marketable title to the Property, free and clear of all liens, charges, claims, encumbrances and legal notations of every kind and nature save and except the Permitted Encumbrances and those financial charges, if any, to be paid out and discharged by the Vendor's Solicitors on Closing as provided herein;
- (e) on the Closing Date, the Nominee will be the registered owner of the Property, free and clear of all liens, charges, claims, encumbrances and legal notations of every kind and nature save and except the Permitted Encumbrances and those financial charges, if any, to be paid out and discharged by the Vendor's Solicitors on Closing as provided herein;
- (f) neither the Vendor nor the Nominee shall, on the Closing Date, have any indebtedness to any person, firm, corporation or governmental authority which might now or hereafter by operation of law or otherwise constitute a lien, charge or encumbrance on the Property or any part thereof or which could affect the right of the Purchaser to own, occupy and obtain revenue from the Property or any part thereof;
- (g) on the Closing Date, all amounts for labour and materials relating to any work carried out by or on behalf of the Vendor or the Nominee on the Leasehold Premises shall be fully paid for and in connection with such labour and materials, no one shall have the right to file a lien under the *Builders' Lien Act* or any other statute and no lien shall have been claimed in respect of the Leasehold Premises;
- (h) the Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* of Canada and shall, on the Closing Date, deliver a Statutory Declaration to that effect. The Vendor agrees that if such Statutory Declaration is not delivered to the Purchaser and if the Vendor does not, on or before the Closing Date, deliver to the Purchaser a certificate under section 116 of the *Income Tax Act* allowing for the transfer of the Property free of any Purchaser's obligation to pay withholding taxes, the Purchaser shall have the right to withhold money otherwise payable to the Vendor on the Closing Date and if the Vendor does not provide such clearance certificate to the Purchaser by the thirtieth (30th) day following the last day of the month in which the Closing Date occurred, the withheld money or the required portion thereof may, at the option of the Purchaser, be delivered to the Minister of National Revenue;
- (i) to the best of the knowledge of the Vendor's senior legal officer, without independent inquiry, the Property complies with all applicable laws, regulations, bylaws, codes, ordinances and other legal requirements of any governmental authority having jurisdiction over the Property including Environmental Laws (as hereinafter defined), the Buildings may be occupied and operated for their existing uses under all applicable zoning bylaws and the Leasehold Premises is not subject to any outstanding work order

or notice of defect or non-compliance from any federal, provincial or municipal board or official or board of fire underwriters or like authorities;

- (j) neither the Vendor nor the Nominee has entered into any agreement affecting the Property with municipal authorities or any other authority having jurisdiction which has not been disclosed to the Purchaser in writing;
- (k) there are no claims, actions, proceedings or investigations, pending or to the best of the knowledge of the Vendor's senior legal officer, without independent inquiry, threatened that would interfere with the use and enjoyment of the Property or the occupancy or use of all or any part of the Property by the Vendor and the Nominee or any tenant thereof or which could affect the Purchaser's right to own, occupy and take revenue from the Property or with respect to the Vendor, if decided adversely could materially affect the ability of the Vendor or the Nominee to comply with its obligations hereunder or relates to the presence of Contaminants in, on or from the Leasehold Premises;

(l) Leases:

- (i) the Vendor has delivered to the Purchaser a true and complete copy of all documents evidencing the Ground Lease and the Head Lease (including all modifications, renewals, assignments, subleases and agreements to lease in respect thereof), the Leases constitute the whole of the lease agreement with respect to the Leasehold Premises and there are no other leases, agreements to lease, tenancy arrangements or licences, or modifications, renewals, assignments or subleases thereof, written or oral, relating to the use or occupation of the Property;
- (ii) there are no leases, agreements to lease, tenancy arrangements or licences, or modifications, renewals, assignments or subleases thereof, written or oral, relating to the use or occupation of the Property other than the Leases;
- (iii) neither the Head Lease nor the rent payable thereunder has previously been assigned or otherwise encumbered (other than by way of security that will be discharged at closing as provided herein) and the Vendor and the Nominee has or shall, on the Closing Date, have good right, full power and absolute authority to assign its interest as tenant and subtenant under the Lease as contemplated in this Agreement;
- (iv) the rent and other payments payable under the Head Lease are up to date and save as otherwise indicated in the Head Lease, disclosed pursuant to section 5.1(a) hereof and adjusted on the Closing Date, there is no prepaid rent, security deposit or damage deposit;
- (v) the Head Lease is valid, subsisting and enforceable in accordance with its terms and there has been no waiver or release of any of the obligations of any tenants thereunder;
- (vi) neither the Vendor nor the Nominee is in default under the Head Lease and no notice has been received by the Vendor or the Nominee, or their agents, alleging default by the Vendor or the Nominee in the performance of its obligations as tenant or subtenant pursuant to the Head Lease or alleging any defect in the

condition or state of repair or state of completion of its demised premises, which notice has not been complied with by the Vendor and the Nominee;

- (vii) there is no default by the landlord under the Head Lease of which the Vendor or the Nominee is aware, and there is no default by the landlord or the tenant under the Ground Lease of which the Vendor or the Nominee is aware; and
- (viii) all construction work in respect of the Leasehold Premises has been completed in full, all amounts to be paid in connection therewith have been paid in full (subject to holdbacks permitted under the *Builders Lien Act*) and neither the Vendor nor the Nominee has pursued and claim, remedy or other rectification in respect of a construction deficiency relating to the Buildings;
- (m) all municipal taxes, local improvement taxes, rates, levies and assessments whatsoever due and owing with respect to the Leasehold Premises have been, or shall at the closing be, paid in full, there is no pending appeal or other proceedings in existence in respect of any such taxes, rates, levies and assessments and neither the Vendor nor the Nominee has any present or future obligation to construct or provide, or to pay any amount to any person in connection with, off-site roads, services, utilities or similar services in connection with the Leasehold Premises;
- (n) neither the Vendor nor the Nominee has entered into any agreement with municipal authorities or any other authority having jurisdiction which would have the result of making the Leasehold Premises subject to any sewer charges, local improvement rates or charges of a similar nature other than is currently assessed and neither the Vendor nor the Nominee has received notice that any such rates or charges shall be, or are proposed to be, levied against the Leasehold Premises;
- (o) all books and records relating to the operation of the Property have been disclosed and supplied to the Purchaser pursuant to section 5.1 hereof and the same have been prepared in accordance with generally accepted accounting principles consistently applied;
- (p) the Buildings (including all heating, lighting, air-conditioning, plumbing, electrical, ventilation, drainage, water, elevator and other mechanical systems):
 - (i) have been constructed in a good and workmanlike manner and, in the reasonable opinion of the Vendor, are structurally sound; and
 - (ii) are fully operational and without defect, reasonable wear and tear excepted;
- (q) all Buildings are wholly within the boundaries of the Leasehold Premises and do not infringe on any easement or right of way area affecting the Leasehold Premises and there are no improvements on any adjoining lands, whether public or private, that encroach on the Leasehold Premises;
- (r) neither the Leasehold Premises nor the Buildings nor any part thereof have been expropriated or condemned, nor has the Vendor or the Nominee received any notice of any proposed expropriation or condemnation;
- (s) except as disclosed in the Vendor's Environmental Reports or in compliance with Environmental Laws, neither the Vendor nor the Nominee has used or permitted the

Leasehold Premises to be used, and has no knowledge of the Leasehold Premises being used, for the storage, manufacture, disposal, treatment, generation, transport, remediation or release into the environment, including by way of discharge, emission, spill, leakage or otherwise, of any Contaminants or for waste disposal or landfill purposes;

(t) Service Contracts:

- (i) there are no contracts or agreements to contract relating to the management, servicing, maintenance, repair, cleaning, advertising or the provision of other goods and services in respect of the Property other than the Service Contracts; and
- (ii) the Service Contracts set forth the whole of the agreements between the Vendor and/or the Nominee and the other parties thereto and are in full force and effect, unamended and in good standing;
- (u) the Chattels are in good working condition and repair, and shall, as of the Closing Date, be free and clear of all liens, charges, security interests and other encumbrances;
- (v) the Vendor or the Nominee possesses and on the Closing Date shall assign to the Purchaser all necessary licences and permits to operate the Leasehold Premises and the Buildings as presently operated and all terms and conditions of such licences and permits have been duly complied with and all such licences and permits are in good standing; and
- (w) neither the Vendor nor the Nominee is a party to and is not bound by any collective bargaining agreements or any agreements with a trade union by which the Purchaser shall be bound by virtue of acquiring the Property.

6.2 Survival of Representations and Warranties – The representations and warranties contained in section 6.1 shall survive the Closing Date and shall continue in full force and effect for the benefit of the Purchaser for a period of 18 months only from the Closing Date. Thereafter the Vendor shall have no further liability with respect to the representations and warranties unless the Purchaser has instituted proceedings against the Vendor with respect to any such representations and warranties prior to the expiry of the said 18 months, in which event the Vendor shall continue to be liable to the Purchaser with respect to such proceedings until the final determination thereof.

6.3 Representations and Warranties of the Purchaser – The Purchaser hereby represents and warrants to the Vendor and acknowledges that the Vendor has relied thereon in entering into this Agreement and in concluding the purchase and sale of the Property that as of the date hereof and the Closing Date (unless otherwise stated):

- (a) the Purchaser has the corporate power and capacity to purchase the Property, to enter into this Agreement and to carry out its terms, all of which has been, or by the Closing Date shall have been, duly authorized; and
- (b) the Purchaser is a corporation duly incorporated and validly existing under the laws of British Columbia and in good standing with respect to the filing of annual reports required to maintain its corporate existence.

6.4 Survival of Representations and Warranties – The representations and warranties contained in section 6.3 shall survive the Closing Date and shall continue in full force and effect for the

benefit of the Purchaser for a period of 18 months only from the Closing Date. Thereafter the Purchaser shall have no further liability with respect to the representations and warranties unless the Vendor has instituted proceedings against the Purchaser with respect to any such representations and warranties prior to the expiry of the said 18 months, in which event the Purchaser shall continue to be liable to the Vendor with respect to such proceedings until the final determination thereof.

7. **MAINTENANCE OF PROPERTY PRIOR TO CLOSING**

7.1 **Maintenance of Property Prior to Closing** – The Vendor covenants and agrees as follows:

- (a) to continue to operate and maintain the Property until the Closing Date as would a prudent owner of property of comparable age, condition, location and use; and
- (b) to maintain insurance coverage in respect of the Property in full force and effect up to and including the Closing Date in such amounts and on such terms as would a prudent owner; and
- (c) the Vendor shall be responsible for all Service Contracts up to the Closing Date and thereafter in accordance with the terms of the Sublease, provided that the Purchaser, acting reasonably, is satisfied, with respect to each Service Contract, with the service provider, the quality of the service provided and the scope of work therein contemplated.

7.2 **New Leases and Service Contracts** - Following the waiver, removal or satisfaction of the Subject Conditions, the Vendor shall not make, amend or renew any maintenance contract or other commitment or agreement with respect to the Property or the operation, maintenance and management thereof, the term of which would be binding on the Purchaser, without the prior written consent of the Purchaser except as necessary to comply with the Vendor's obligations in Section 7.1. Prior to the waiver or satisfaction of the Subject Conditions, the Vendor shall give written notice to the Purchaser of all material changes to any material contracts relating to the Property.

7.3 **Survival of Covenants** - The covenants and agreements contained in sections 7.1 and 7.2 shall survive the Closing Date and shall continue in full force and effect for the benefit of the Purchaser thereafter, notwithstanding any independent inquiry or investigation by the Purchaser.

7.4 **Environmental Indemnity** – The Vendor hereby agrees, at its sole cost and expense, to indemnify, protect, hold harmless and defend the Purchaser and its successors and assigns and their respective directors, officers, agents, attorneys and employees (collectively the "Indemnitees" and individually an "Indemnatee") from and against all claims, demands, damages, losses, liabilities, obligations, penalties, fines, actions, causes of action, judgments, suits, proceedings, costs, disbursements and expenses (including, without limitation, fees, disbursements and reasonable lawyers' costs, environmental consultants and experts), and other damages of any kind or of any nature whatsoever (collectively "Losses") which may at any time be imposed upon, incurred or suffered by or asserted in good faith or awarded against any Indemnatee directly or indirectly relating to or arising from the presence of Contaminants on the Leasehold Premises or the migration of Contaminants from the Leasehold Premises to adjacent or nearby lands but excluding the migration of Contaminants onto the Property from adjacent or nearby lands. The provisions of the foregoing indemnity shall survive the Closing Date. The terms of this section 7.4 may be incorporated at the Purchaser's request into the Assignment of Lease. This Environmental Indemnity shall not apply to any Losses caused by any Indemnatee's own misconduct or gross negligence.

8. SUBLEASE

8.1 Sublease – On the Closing Date the Purchaser shall sub-sublease the Leasehold Premises to the Vendor for an initial term of 23 years, with one option to renew of 10 years and a second option to renew for the lesser of 10 years and the balance of the term under the Lease (less one day). The Sublease for the Property shall be in the form settled between the parties. 6922767 Holding S.a.r.l., a limited liability company duly formed and validly existing under the laws of Luxembourg and affiliated with the Vendor, will guarantee the Vendor's obligations under the Sublease. The basic rent for the initial term of the sublease shall be as set out in Schedule D hereto and the basic rent for the respective renewal terms shall be negotiated by the Sublease parties in accordance with the terms of the Sublease. The Lease shall be a triple net lease and all of the Purchaser's expenditures for rent and other recoverable expenses in respect of the Head Lease shall be passed along to the Vendor as additional rent in the Sublease. The Vendor, as subtenant, will be responsible for attending to all repairs and replacements (excluding structural and roof repairs and replacements). The Vendor will have the right to sublet all or any part of the Leasehold Premises on commercially reasonable terms to be settled between the parties subject always to compliance with the Sublease and the Head Lease. The Vendor will pay two percent (2.0%) of the Basic Rent as a management fee (inclusive of any third party management fees) in addition to all additional rent.

8A OPTION TO PURCHASE

8.1A Option to Purchase – On the Closing Date, the Purchaser will grant to the Vendor an option to purchase (the “**Option**”) the Property which Option shall be registered against title to evidence the Vendor's interest in the Property and the Head Lease. The Option shall be in the form settled between the parties. The Option will provide for the following:

- (a) if exercised at any time during the first five years of the term of the Sublease (the “**Option 1 Period**”), the purchase price for the Property shall be \$46,400,000;
- (b) subject to Section 8.1A(e), if exercised at any time after the first five years until the end of the last day of the tenth year of the term of the Sublease (the “**Option 2 Period**”), the purchase price for the Property shall be \$47,900,000;
- (c) if, as a result of the exercise of the Option by the Vendor and the closing of the purchase and sale of the Property thereby, the Purchaser is required to pay a prepayment penalty pursuant to its then-existing financing arrangements, the Vendor will, at the Vendor's option, either assume such financing, if permitted under such financing arrangements, such that no prepayment penalty will be payable or indemnify the Purchaser against any prepayment penalty or other costs, fees, or charges resulting from the termination of such financing arrangements;
- (d) in addition to the obligation of the Vendor under Section 8.1A(c), if the Vendor:
 - (i) exercises the Option during the last six months of the Option 1 Period; or
 - (ii) exercises the Option during the last six months of the Option 2 Period,

and the Purchaser incurs any cost, loss or expense related to the refinancing of the Property (either by renewal or replacement of the Purchaser's then-existing financing) during the last six months of the Option 1 Period plus such additional days, if any, after the Option 1 Period up to and including the closing date for the purchase of the Property

by the Vendor pursuant to the Option (in the case of an exercise of the Option contemplated in Section 8.1A(d)(i)) or the Option 2 Period plus such additional days, if any, after the Option 2 Period up to and including the closing date for the purchase of the Property by the Vendor pursuant to the Option (in the case of an exercise of the Option contemplated in Section 8.1(d)(ii)), then the Vendor will pay to the Purchaser, no later on the closing of the Vendor's purchase of the Property, an amount equal to any such costs on the closing of the purchase and sale of the Property pursuant to the Option and the Vendor shall indemnify and hold the Purchaser harmless in respect of any such costs, losses or expenses;

- (e) the Vendor will not be entitled to exercise the Option during the first six months of the Option 2 Period;
- (f) if the closing of the purchase and sale of the Property pursuant to the Option occurs at any time after the expiry of the Option 1 Period, then, for a period of 18 months after such closing, the Vendor shall not re-sell, transfer, convey or assign all or any portion of the Property, and shall not effect same by share transfer;
- (g) an assignment of the Head Lease to the Vendor in connection with the exercise of the Option and the completion of the purchase and sale of the Property; and
- (h) the Option will expire after the last day of the tenth year of the term of the Sublease.

9. CLOSING CONDITIONS

9.1 Closing Conditions – The Purchaser's obligation to complete the purchase of the Property is subject to and conditional upon the occurrence of the following conditions (collectively the "Closing Conditions") on or before the Closing Date:

- (a) the representations and warranties of the Vendor contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date; and
- (b) all of the covenants and agreements of the Vendor to be observed and performed, and all of the documents to be delivered by the Vendor, on or before the Closing Date pursuant to the terms of this Agreement shall have been duly observed, performed and delivered.

9.2 Removal of Closing Conditions – Each of the Closing Conditions is for the sole benefit of the Purchaser and only the Purchaser may waive, in whole or in part, any or all of the Closing Conditions by giving written notice of waiver to the Vendor on or before the Closing Date, provided however, notwithstanding any other provision of this Agreement, no waiver of the Closing Conditions in whole or in part shall in any way prejudice or limit the right and remedy of the Purchaser to recover damages from the Vendor in respect of any inaccuracy in any representations or warranties of the Vendor or in respect of any breach or non-performance of any covenants or agreements of the Vendor contained in this Agreement. If any of the Closing Conditions shall not have been satisfied, removed or waived by the Purchaser on or before the Closing Date, the Purchaser shall have the right to terminate this Agreement by written notice to the Vendor and the Deposit, together with interest thereon, shall be returned forthwith to the Purchaser, all without prejudice to the rights and remedies which the Purchaser may have at law or in equity.

10. CLOSING DATE AND PROCEDURE

10.1 Closing Date – The closing of the sale and purchase of the Property as herein contemplated shall take place at the offices of the Purchaser's Solicitors, in Vancouver, British Columbia at 9:00 a.m. (Vancouver, B.C. time) on the Closing Date.

10.2 Vendor's Closing Deliveries – No later than the Document Delivery Date, the Vendor shall deliver to the Purchaser's Solicitors, properly executed and in registrable form where applicable, the following (collectively, the "**Vendor's Closing Deliveries**"), which shall (other than the discharges referenced in section 10.2(g)) be prepared by the Purchaser's Solicitors in form and substance approved by the Purchaser's Solicitors and the Vendor's Solicitors, each acting reasonably, and provided to the Vendor's Solicitors for the Vendor's execution no less than three (3) Business Days before the Document Delivery Date:

- (a) the Assignment of Lease and all required consents thereto;
- (b) a direction to the Nominee directing the Nominee to transfer legal title to the Property to the Purchaser;
- (c) the Sublease;
- (d) the Option and all required consents thereto;
- (e) a statement of adjustments for the sale of the Property (the "**Statement of Adjustments**");
- (f) an assignment of all of the Vendor's rights under any and all warranties, guarantees, indemnities and contractual obligations which entitle the Vendor to any rights against a contractor or supplier engaged in the construction, repair, maintenance, renovation or modification of the Buildings or any part thereof insofar as such rights can be assigned, including without limitation all holdback funds, letters of credit construction contingencies and other amounts on account of the construction of the Buildings;
- (g) to the extent assignable, an assignment of all permits and licences as may be necessary for the Purchaser to hold the beneficial and legal title to the Leasehold Premises and the Buildings and, to the extent not assignable, the Vendor will hold such of the permits and licences which are not assignable in trust for the benefit of the Purchaser and the Vendor agrees to take such steps as are reasonably requested by the Purchaser to give effect to the true intent and meaning of this Agreement and to better assign such permits and licences to the Purchaser;
- (h) discharges in registrable form of all liens, prior claims, charges and encumbrances not constituting Permitted Encumbrances, or undertakings from the solicitors for the Vendor, satisfactory to the Purchaser's Solicitors, acting reasonably, to discharge such liens, charges and encumbrances within a reasonable time after the Closing Date;
- (i) a certified copy of the resolution of the directors of the Vendor approving this transaction;
- (j) a certificate of an officer of the Vendor dated as of the Closing Date, certifying on behalf of the Vendor (but without personal liability to the officer so certifying) that all

representations and warranties of them set forth in this Agreement are true and correct in all material respects and that their covenants and agreements to be observed and performed, and the documents to be delivered by them, on or before the Closing Date pursuant to the terms of this Agreement have been duly observed, performed and delivered in all material respects;

- (k) a statutory declaration of a senior officer of the Vendor that the Vendor is not a non-resident of Canada for the purpose of the *Income Tax Act*; and
- (l) opinion letters from the solicitors for the Vendor, in form and substance satisfactory to the Purchaser's Solicitors, acting reasonably, dated the Closing Date, to the effect that:
 - (i) the Vendor is duly incorporated and validly existing under the laws of Canada;
 - (ii) the Vendor has all necessary corporate power and capacity to enter into this Agreement and to carry out its obligations hereunder;
 - (iii) the execution and delivery of this Agreement and the consummation of the transaction contemplated in this Agreement have been duly authorized by all necessary corporate action on the part of the Vendor; and
 - (iv) this Agreement and the closing documents have been duly executed and delivered by the Vendor;
- (m) an undertaking to readjust pursuant to section 13.1; and
- (n) such other documents as the Purchaser may reasonably require to document the sale and purchase herein.

10.3 Purchaser's Closing Documents – On or before the Document Delivery Date, the Purchaser shall duly execute and deliver to the Purchaser's Solicitors the following (collectively, the "Purchaser's Closing Deliveries"):

- (a) the Assignment of Lease;
- (b) the Sublease for the Leasehold Premises;
- (c) the Option;
- (d) the Statement of Adjustments;
- (e) a certificate satisfactory to the Vendor's Solicitors, acting reasonably, and sufficient to relieve the Vendor from any obligation to collect and remit any Sales Tax with respect to the sale of the Property to the Purchaser;
- (f) a certified copy of the resolution of the board of directors of the Purchaser approving this transaction;
- (g) an opinion of the Purchaser's Solicitors, in form and substance satisfactory to the Vendor's Solicitors, acting reasonably, dated the Closing Date, to the effect that:

- (i) the Purchaser is duly incorporated and validly existing under the laws of the Province of British Columbia;
 - (ii) the Purchaser has all necessary power and capacity to enter into this Agreement and to carry out its obligations hereunder;
 - (iii) the execution and delivery of this Agreement and the consummation of the transaction contemplated in this Agreement have been duly authorized by all necessary action on the part of the Purchaser; and
 - (iv) this Agreement and the closing documents have been duly executed and delivered by the Purchaser;
- (h) an undertaking to readjust pursuant to section 13.1; and
- (i) such other documents as the Vendor may reasonably require to document the sale and purchase herein,

and the Purchaser shall deliver, and shall cause its mortgagee, if any, to deliver, to the Purchaser's Solicitors in trust an amount equal to the adjusted Purchase Price evidenced by the Statement of Adjustments less the Deposit.

10.4 Completion of Closing – Registration of all the requisite documents in the LTO and all matters of payment and delivery of documents by each party to the other shall be deemed to be concurrent requirements of closing so that the Closing shall not be completed hereunder until everything has been paid, delivered and registered.

10.5 Closing Procedure – The Vendor and the Purchaser shall deliver the Closing Deliveries to the Purchaser's Solicitors who shall hold the Closing Deliveries in accordance with this section 10.5, the Purchaser and the Purchaser's Solicitors in respect of the release of the Closing Deliveries to facilitate the Closing. Following receipt by the Purchaser's Solicitors of the Closing Deliveries, the Purchaser shall, on the Closing Date, cause the Purchaser's Solicitors to file the Assignment of Lease in the LTO, together with any security documents applicable to mortgage financing arranged by the Purchaser in connection with the purchase of the Property. If there is such mortgage financing, the Purchaser's Solicitors shall not deposit the Assignment of Lease for registration in the LTO until the Purchaser's Solicitors are satisfied that all conditions for funding have been met except for lodging the security documents for registration and verification that they constitute charges on the Property (subject only to the Permitted Encumbrances, any charges or encumbrances created by the Purchaser and any charges or encumbrances to be discharged by the Vendor's Solicitors on appropriate and usual undertakings). On the Closing Date, upon receipt by the Purchaser's Solicitors of confirmation that titles to the Property will be in the normal course issued to the Purchaser subject only to the Permitted Encumbrances, other charges granted by the Purchaser on the Closing Date and those charges which do not constitute Permitted Encumbrances and are to be discharged by the Vendor's Solicitors pursuant to undertakings as contemplated herein, the Purchaser shall cause the Purchaser's Solicitors to deliver to the Vendor's Solicitors' trust account by bank wire, an amount equal to the adjusted Purchase Price evidenced by the Statement of Adjustments less the Deposit and concurrently therewith the Deposit shall be released to the Vendor, with the interest accrued thereon paid to the Purchaser, and the Closing Deliveries shall be released to the parties.

11. COSTS AND TAXES

11.1 Registration Fees and Transfer Taxes – The fees for the registration of the Assignment of Lease in the LTO and any property transfer tax payable in respect of the registration of the Assignment of Lease shall be paid solely by the Purchaser. The Vendor shall pay the fees for the registration of the Sublease (and all property transfer tax payable in respect thereof).

11.2 Cost to Clear Title – The cost of obtaining and registering any documents required to clear title to the Property of any charges, prior claims, liens or encumbrances not constituting Permitted Encumbrances shall be borne solely by the Vendor.

11.3 Sales Tax – The Purchaser is responsible for any Sales Tax in respect of this purchase and sale transaction. The Purchaser agrees to deliver to the Vendor at the time of delivery of the balance of the Purchase Price a sum equal to the applicable Sales Tax rate applied to the Purchase Price and the Vendor agrees to remit the same to the Receiver General for Canada in accordance with the *Excise Tax Act* (Canada). The Vendor shall waive the foregoing if the Purchaser has, on or before the Closing Date, provided the Vendor with a certificate certifying that the Purchaser is a registrant under the *Excise Tax Act* under a stated registration number and that the Purchaser shall account for Sales Tax in respect of the purchase and sale transaction in accordance with the *Excise Tax Act*. In such event, the Purchaser shall be responsible to account for Sales Tax in respect of the purchase and sale transaction in accordance with the *Excise Tax Act*.

12. POSSESSION

12.1 Possession – The Purchaser shall be entitled on the Closing Date to have possession of the Property, subject to the Permitted Encumbrances and Sublease, following payment of the balance of the Purchase Price in accordance with the terms of this Agreement.

13. ADJUSTMENTS

13.1 Conveyancing Adjustments – All adjustments relating to the Property, both incoming and outgoing, including without limitation, property taxes, local improvement charges, utilities and all other matters customarily the subject of adjustment on the sale of a similar commercial undertaking, shall be adjusted and pro-rated between the Vendor and the Purchaser as at the Closing Date so that the Vendor shall bear and pay all expenses and receive all income related to the Property which have accrued in respect of any time prior to the Closing Date and the Purchaser shall bear and pay all expenses and receive all income related to the Property which accrue in respect of any time from and including the Closing Date. The parties agree to, and shall execute and deliver an undertaking on the Closing Date, to make any final adjustments with respect to the foregoing matters set forth in this section which could not be finally adjusted on the Closing Date, with such further adjustment to be made within 180 days after the Closing Date.

14. RISK

14.1 Risk – The Property shall be at the risk of the Vendor until the transaction herein contemplated has completed in accordance with the terms hereof and thereafter at the risk of the Purchaser.

14.2 Damage or Expropriation Before Closing – If before the completion of the Closing, the Property is expropriated or Materially Damaged (as hereinafter defined), the Purchaser may, within 14 days after having received notice of such event, elect in writing:

- (a) not to complete the purchase contemplated herein in which case this Agreement shall be terminated and each of the parties hereto shall have no further obligations to, nor rights against, the other in respect of the Property under this Agreement; or
- (b) to complete the purchase contemplated herein in which case completion shall be on the following terms and conditions insofar as they are applicable:
 - (i) in the case of expropriation, all expropriation proceeds or compensation shall be assigned and shall be payable to the Purchaser; or
 - (ii) in the case of Material Damage, the representations and warranties herein contained shall be limited to exclude the effect of such damage and the benefit of any existing insurance policies and all payments made pursuant thereto shall be assigned and shall be payable to the Purchaser.

The Purchaser shall have 14 days after having received notice that the Property has been expropriated or Materially Damaged, to make the election even if the event occurs within 14 days of the Closing Date, and if the Purchaser elects as permitted herein, the Closing Date herein for that Property and the other Property shall thereafter be the Closing Date as otherwise provided in this Agreement or the Business Day next following the day which is 10 days after such election, whichever is the later. "Materially Damaged" or any variation thereof means damage to the Leasehold Premises which will cost in excess of \$500,000 to repair as determined by an independent, reputable architect mutually appointed by the Purchaser and Vendor.

15. MISCELLANEOUS

15.1 Tender – Any tender of documents or money may be made upon the party being tendered or upon its solicitors and money shall be tendered by certified solicitor's cheque, bank draft or bank wire.

15.2 Time of Essence – Time is of the essence of this Agreement, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors who are hereby expressly appointed in this regard.

15.3 Notices – Any notice to be given under this Agreement shall be in writing and shall be validly given if delivered, transmitted by facsimile or mailed in Canada by prepaid registered post to the parties as follows:

- | | |
|------------------------------|---------------------------------|
| (a) to the Purchaser at: | with a copy to: |
| Argo Ventures Inc. | Borden Ladner Gervais LLP |
| #1700-100 West Pender Street | 1200-200 Burrard Street |
| Vancouver, BC V6B 1R8 | Vancouver, BC V7X 1T2 |
| <u>Attention: Jason Hong</u> | <u>Attention: Mark V. Lewis</u> |
| Fax No.: 604-602-0898 | Fax No. 604-622-5843 |

(b) to the Vendor at:

Heli-One Canada Inc.
4740 Agar Drive
Richmond, BC V7B 1A3

Attention: John Hanbury

Fax No.: 604-232-8341

with a copy to:

Fraser Milner Casgrain LLP
20th Floor, 250 Howe Street
Vancouver, BC V6C 3R8

Attention: John Third

Fax No.: 604-683-5214

or to such other address or facsimile number as a party may advise the other by written notice hereunder. Any notice addressed and provided as aforesaid shall be deemed to have been given on the day of delivery or transmission by facsimile if a Business Day and if not a Business Day, then on the next Business Day or if mailed, on the fourth Business Day following the posting thereof, provided that if there is a postal strike, dispute or slowdown, notices shall only be effective if delivered or transmitted by facsimile.

15.4 Entire Agreement – This Agreement constitutes the entire agreement between the parties pertaining to the sale and purchase of the Property and supersedes all prior agreements, negotiations and discussions, whether oral or written, of the Vendor and the Purchaser and there are no agreements, covenants, representations or warranties, express, implied, statutory, collateral or otherwise, save as set forth herein. This Agreement shall not be amended except in a written instrument executed by both the Vendor and the Purchaser or their respective solicitors on behalf of the Vendor and the Purchaser and stated to be an amendment to this Agreement.

15.5 Site Profile – The Purchaser hereby waives any requirement for the Vendor or the Nominee to provide a site profile for the Property under the *Environmental Management Act* of British Columbia or any regulation thereunder.

15.6 Survival – Each of the Vendor and the Purchaser hereby covenants and agrees that all representations, warranties, covenants, agreements and indemnities of the Vendor or the Purchaser, respectively, set forth in this Agreement or in any document delivered in connection with the sale and purchase of the Property shall survive the closing of the sale and purchase of the Property, subject to the 18 months limitation with respect to the Vendor's and Purchaser's representations and warranties as set out in sections 6.2 and 6.4, respectively.

15.7 Assignment – Subject to the satisfaction of the Mutual Subject Condition, the Purchaser may assign all or any of its rights, titles or interests in this Agreement without the consent of the Vendor, provided that any such assignment shall not be to any person or entity (or to any person or entity with an affiliate) with business operations in the aviation industry or direct or indirect investments in the aviation industry which may conflict with the operations and interests of the Vendor unless the Purchaser has obtained the Vendor's prior written consent. As a condition of any such assignment, an assignee shall covenant and agree in writing with the Vendor to assume the assigned obligations and covenants of the Purchaser under this Agreement, whereupon the Vendor shall have the right to enforce this Agreement as if the assignee were the Purchaser, but without limiting the rights and remedies of the Vendor against the Purchaser, who shall not be released from its obligations hereunder as a result of such assignment.

15.8 Commission – Each of the Purchaser and the Vendor warrants to the other that it has not utilized the services of any real estate agent or salesperson in connection with the purchase or sale of the Property to whom any fees, commission or compensation would be payable, other than Cushman &

Wakefield Lepage, to whom the Vendor shall pay a commission in accordance with its agreement with Cushman & Wakefield Lepage and the Bank of Montreal.

15.9 Costs and Expenses – Each of the parties shall bear their own costs, expenses and legal fees incurred or to be incurred in negotiating and preparing this Agreement and otherwise in connection with this transaction except as otherwise provided for herein.

15.10 Severability – If any term or condition of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder of this Agreement and the application of that term or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and condition of this Agreement shall be valid and enforced to the fullest extent permitted by law.

15.11 Governing Law – This Agreement shall be exclusively governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. The Vendor and the Purchaser agree to submit to the exclusive jurisdiction and the courts of the Province of British Columbia with respect to any dispute relating to this Agreement or the purchase and sale transaction contemplated herein and to appoint respective agents for the receipt and service of process in British Columbia.

15.12 Binding Effect – This Agreement shall enure to the benefit of and be binding upon the Vendor and its successors and permitted assigns and the Purchaser and its heirs, executors, administrators, successors and permitted assigns.

15.13 Execution by Facsimile – This Agreement may be executed by the parties and transmitted by facsimile and if so executed and transmitted, this Agreement shall be for all purposes as effective as if the parties had delivered an executed original Agreement.

15.14 Counterparts – This Agreement may be executed in one or more counterparts, each of which shall constitute an original and together shall constitute one and the same Agreement.

IN WITNESS WHEREOF the Purchaser and the Vendor have executed this Agreement as of the day and year first above written.

ARGO VENTURES INC.

Per: _____
Authorized Signatory

HELL-ONE CANADA INC.

Per: _____
Authorized Signatory

SCHEDULE A**PERMITTED ENCUMBRANCES**

NIL

SCHEDULE B**VENDOR'S REPORTS****PART I – VENDOR'S ENVIRONMENTAL REPORTS**

1. Stage 1 and Limited Stage 2 Preliminary Site Investigation – Boundary Bay Airport, Final Report prepared by Dillon Consulting dated November 8, 2004.

PART II – VENDOR'S GEOTECHNICAL REPORTS

1. Geotechnical Report dated March 17, 2006 prepared by GeoPacific Consultants Ltd. for N.D.

SCHEDULE C**CHATELS**

Chattels located at the Leasehold Premises include the following:

1. Overhead hoists and cranes
2. Encon evaporators
3. Skeans air compressor
4. Cobra integrated security system