

CITY OF SURREY

BY-LAW NO. 13545

A by-law to authorize the leasing of certain lands and premises by the City of Surrey from 7218 KG Financial Inc., Inc. No. 492825.
.....

WHEREAS, pursuant to Section 532. (1) of the Municipal Act R.S.B.C. 1996 Chapter 323, as amended the City Council may, by by-law, acquire, hold and use property, in or out of the city, for a city hall, and for workshops, storage sheds, yards and other buildings, structures or premises required for city purposes;

AND WHEREAS pursuant to Section 452. (1) of the said "Municipal Act," where there is provision in the Municipal Act to acquire real property and related personal property, the City Council may, by by-law, enter into a lease or other agreement for that purpose;

AND WHEREAS the lands and premises hereinafter described are the property of the 7218 KG FINANCIAL INC., INC. NO. 492825 and the City of Surrey deems it advisable to lease the same for Corporate purposes;

NOW, THEREFORE, the Council of the City of Surrey, in open meeting assembled, ENACTS AS FOLLOWS:

1. The Council of the City of Surrey is hereby authorized to lease from:

7218 KG FINANCIAL INC., Inc. No. 492825, having an office at
7731 Alderbridge Way, in the City of Richmond, Province of
British Columbia, V3X 3A2

for a term of Ten (10) Years commencing on the Thirtieth (30th) day of May, 1999, and ending on the Twenty-Ninth (29th) day of May, 2009; and yielding and paying therefor during the term hereof the Base Rent based on an annual rate of \$14.50 per square foot of the Area of the Demised Premises, in an amount of \$184,904.00 for each Lease Year by equal consecutive monthly installments of \$15,408.67 paid in advance on the first (1) day of each and every month commencing on the Commencement Date until and including

the expiry of five (5) Lease Years; and Base Rent based on an annual rate of \$16.50 per square foot of the Area of the Demised Premises, in an amount of \$210,408.00 for each Lease Year by equal consecutive monthly installments of \$17,534.00 paid in advance on the first (1) day of each and every month commencing on the first (1) day of the sixth (6) Lease Year until and including the last day of the tenth (10) Lease Year, with a provision for a renewal for a further Five (5) years under the terms and conditions set out in the Indenture;

ALL AND SINGULAR that certain parcel or tract of lands and premises, situate lying and being in the City of Surrey, in the Province of British Columbia and being more particularly known and described as:

Parcel Identifier: 011-189-274

Those premises located at Parcel "E" (Explanatory Plan 12064) Lot 4 Except: Parcel "One" (Bylaw Plan 62739); Section 21 Township 2 New Westminster District Plan 6210 known as 7242 King George Highway, Surrey, B.C. having an area of approximately 12,752 square feet, as shown outlined in bold on the plan attached as Schedule "A" to the Lease Agreement.

2. The Mayor and Clerk are hereby authorized to execute the said lease on behalf of the City of Surrey, in the form attached hereto and forming Schedule "A" to this By-law.
3. This By-law shall be cited for all purposes as "RCMP Newton Community Policing Station Land Leasing By-law, 1998, No. 13545."

READ A FIRST AND SECOND TIME on the 14th day of September, 1998.

PASSED THIRD READING on the 28th day of September, A.D., 1998.

RECONSIDERED AND FINALLY ADOPTED, signed by the Mayor and Clerk, and sealed with the Corporate Seal on the 5th day of October, A.D., 1998.

_____ MAYOR

_____ CLERK



SURREY
CITY OF PARKS

LEASE

BETWEEN

7218 KG FINANCIAL INC.

AND

CITY OF SURREY



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LEASE

Dated for reference the _____ day of _____, 1998.

BETWEEN:

7218 KG FINANCIAL INC., Inc. No. 492825
7731 Alderbridge Way
Richmond, B.C. V6X 1Z9

(hereinafter called the "Landlord")

OF THE FIRST PART

AND:

CITY OF SURREY
14245 - 56 Avenue
Surrey, B.C. V3X 3A2

(hereinafter called the "Tenant")

OF THE SECOND PART

IN CONSIDERATION of one (\$1.00) dollar and other good and valuable consideration paid by each of the parties to each other (the receipt and sufficiency of which is hereby acknowledged by both of the parties) the parties agree as follows:

1. DEMISE

1.1 WITNESSETH that, in consideration of the rent, covenants and agreements herein reserved and contained on the part of the Tenant to be paid, observed and performed, the Landlord does hereby demise and lease unto the Tenant on the terms and conditions herein contained, those premises located at 7242 King George Highway, Surrey, B.C. having an area of approximately 12,752 square feet, as shown outlined in bold on the plan attached as Schedule "A" hereto, which premises are hereinafter referred to as the "Demised Premises".

2. DEFINITIONS

2.1 The parties hereto agree that for the purpose of this Lease, the words set out in this paragraph shall have the meaning herein ascribed to them:

"Area of the Demised Premises"

means the area of the Demised Premises, which area is determined by the Landlord's surveyor and measured from:

- (a) the exterior face of all exterior walls, doors and windows;
- (b) the exterior face of all interior walls, doors and windows separating the Demised Premises from any common areas;
- (c) the centre line of all interior walls separating the Demised Premises from adjoining premises; and

includes all interior space, whether or not occupied by projections, structures, stairs, elevators, escalators, columns, whether structural or non-structural, and where a store front entrance or rear exit is recessed from the demising line the area of such recess shall for all purposes be a part of the Demised Premises.

"Base Rent"

means the rent set forth in paragraph 4.1.

"Building"

means all buildings and attached improvements built upon the Development, from time to time.

"Commencement Date"

means the date upon which the Term commences and shall be the earlier of:

- (a) forty-five (45) days after the Possession Date (as defined herein); or
- (b) the date on which the Tenant Improvements have been substantially completed.

"Common Area" or "Common Areas"

shall include the common entrances, corridors, passageways, pedestrian malls, truck ways, walls, parking areas, driveways, walkways, flowerbeds, lawn, ramps and other areas and facilities in the Development provided and designated from time to time by the Landlord as common area for the use or benefit, in whole or in part, of the Landlord, its other tenants and the Tenant, and their respective invitees, licensees, customers, servants and employees.

"Cost of Common Area"

shall be the total cost of operating and maintaining the Common Area and including, without restricting the generality of the foregoing, the cost of the operating, lighting, removal of snow, fire protection system maintenance and testing, electricity costs, garbage collection costs and sewer and water costs, salaries and wages (including employee benefits and workers' compensation assessments) and amounts paid to independent contractors for any service in connection with the maintenance or operation of the Common Area, policing, insurance which the Landlord is required or elects to obtain, maintenance of parking areas and any business taxes in respect of the Common Areas.

"Demised Premises"

shall have the meaning ascribed to it in paragraph 1.1.

"Development"

means those certain lands and premises and improvements thereon, being that certain parcel or tract of land, situate in the City of Surrey and more particularly known and described as:

Parcel Identifier: 011-189-274
Parcel "E" (Explanatory Plan 12064) Lot 4
Except: Parcel "One" (Bylaw Plan 62739);
Section 21 Township 2 New Westminster District Plan 6210

"Effective Date"

shall have the meaning ascribed to in paragraph 3.2.

"Environmental Laws"

means any laws relating, in whole or in part, to the protection and enhancement of the environment, occupational safety, product liability, public health, public safety and the transportation of dangerous goods.

"Event of Default"

shall have the meaning ascribed to it in paragraph 9.1.

"Hazardous Substances"

means those substances, pollutants, wastes and special wastes which at any time during the Term are hazardous, toxic or a threat to public health or to the environment whether or not defined as such under any applicable Environmental Laws including, without limitation, any radioactive materials, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls (PCB's) or bio-medical waste.

"Inducement"

shall have the meaning ascribed to it in paragraph 10.8.

"Insurable Hazard"

means fire and other perils for which insurance is available and which a reasonably prudent owner of property in the area in which the Development is located would insure against.

"Landlord"

means 7218 KG Financial Inc.

"Landlord's Work"

means the work to be performed by the Landlord in accordance with Part I of Schedule "B".

"Laws"

means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and by-laws whether domestic, foreign or international any judgments, orders, writs, injunction, decisions, rulings, decrees and awards of any governmental body, and any policies, voluntary restraints, practices or guidelines of any governmental body including, without limitation, any principles of common law and equity.

"Lease Year"

shall be a twelve (12) month period commencing on the Commencement Date where the Commencement Date coincides with the first day of a month or, if this is not the case, on the first day of the month immediately following the Commencement Date and thereafter from year to year; PROVIDED THAT where a Lease Year does not coincide with the Commencement Date or termination of this Lease or any renewal hereof, any Rent shall be apportioned for such shorter period.

"Possession Date"

means the date on which the Landlord delivers possession of the Demised Premises to the Tenant with the Landlord's Work substantially completed, as certified by the Landlord's architect. The estimated Possession Date will be on or before May 30, 1999. If the Landlord is delayed in delivering possession of the Demised Premises to the Tenant, the Possession Date shall be postponed for the period equivalent to such delay, and the Commencement Date shall be postponed accordingly.

"Pro Rata Share" or "Tenant's Pro Rata Share"

as applied to any amount shall be that portion of the amount as bears the same ratio to the whole of the amount as the Area of the Demised Premises bears to the total area of the Building, and for the purpose of this clause the total area of the Building is to be comprised of all main floor area, plus all second floor office areas.

"Real Property Taxes"

means all taxes, rates and assessments, whether general or specially levied or assessed for municipal, school, general or any other purposes by any lawful government authority payable by the Landlord in respect of the Development and improvements thereon and shall include any other taxes payable by the Landlord which in the future are levied in lieu of or in addition to such taxes, rates and assessments the whole as finally determined for each calendar year as a result of assessment, appeal or judicial review, and shall include any legal fees, or appraisers fees incurred by the Landlord in respect of such final determination.

"Rent"

means, collectively, the Base Rent and any amounts deemed to be " additional rent" under this Lease.

"Tenant"

means City of Surrey.

"Tenant Improvements"

means the improvements and work to be performed by the Tenant in accordance with Part 2 of Schedule "B".

"Tenant's Property"

means all personal property, business and trade fixtures, cabinet work, machinery and equipment not affixed to the Demised Premises, furniture and moveable partitions owned or installed by the Tenant or at the expense of the Tenant in the Demised Premises.

"Tenant's Taxes"

means all taxes, licenses, rates, duties and assessments imposed or levied by a federal, provincial, municipal or other government authority for any period during the Term, or any renewal thereof, relating to or in respect of the Tenant's Property, or relating to or in respect of improvements to the Demised Premises, built, made or installed by the Tenant or at the Tenant's request, whether any such taxes are payable by law by the Tenant, or by the Landlord, and whether such taxes are included by the taxing authority in the taxes, rates and assessments imposed or levied or with respect to the Development, including Real Property Taxes.

"Term"

shall have the meaning ascribed to it in paragraph 3.1.

2.2 The name of the Development shall be "Plaza 72" or such other name as the Landlord may from time to time designate to identify the Development.

3. TERM

3.1 The Term of this Lease will be for ten (10) years commencing on the Commencement Date (the "Term").

3.2 Provided that the Tenant has duly and punctually paid the Rent and observed and performed all of the Tenant's obligations under this Lease, the Tenant shall have the right to terminate this Lease on the last day of the fifth Lease Year of the Term (the "Effective Date"). This right of termination may be exercised by the Tenant only by written notice to the Landlord given not earlier than twelve months nor later than nine months prior to the Effective Date. The Tenant shall pay to the Landlord concurrently with the notice of termination, a termination fee in the amount of \$160,000.00 plus applicable goods and service tax. If this right of termination is duly exercised by the Tenant, all Rent shall be payable up to and including the Effective Date and the Term shall expire on the Effective Date. For greater certainty,

it is understood and agreed that this right of termination shall only apply to the Tenant and shall no longer apply if this Lease is assigned by the Tenant.

4. ANNUAL BASE RENT AND OTHER PAYMENTS BY THE TENANT

4.1 The Tenant shall pay to the Landlord Base Rent as follows:

- (a) Base Rent based on an annual rate of \$14.50 per square foot of the Area of the Demised Premises, in an amount of \$184,904.00 for each Lease Year by equal consecutive monthly installments of \$15,408.67 paid in advance on the first (1) day of each and every month commencing on the Commencement Date until and including the expiry of five (5) Lease Years; and
- (b) Base Rent based on an annual rate of \$16.50 per square foot of the Area of the Demised Premises, in an amount of \$210,408.00 for each Lease Year by equal consecutive monthly installments of \$17,534.00 paid in advance on the first (1) day of each and every month commencing on the first (1) day of the sixth (6) Lease Year until and including the last day of the tenth (10) Lease Year.

4.2 Payment of Rent

All payments of any nature made pursuant to this Lease shall be in lawful money of Canada at such place as the Landlord may in writing designate from time to time, and shall be paid without prior demand therefor and without any set-off, abatement, compensation or deduction of whatsoever nature or for whatsoever reason, and shall be applied in such manner as the Landlord may see fit in respect to the Tenant's obligations to the Landlord hereunder. Upon the request of the Landlord from time to time throughout the Term and any renewals thereof, the Tenant shall forthwith provide to the Landlord for a period to be determined by the Landlord either:

- (a) post-dated cheques; or
- (b) such documents as are necessary to establish a pre-authorized debit payment system in amounts necessary to pay the Base Rent and the estimated amount of additional rent.

4.3 Apportionment for Partial Period

All Rent reserved herein shall be deemed to accrue from day to day. If any payment, repayment or adjustment of Rent under this Lease is required to be made by the Tenant in respect of any period and this Lease commences or terminates on other than the beginning or end of such period, such Rent will be adjusted on an appropriate pro-rata and per diem basis for that portion of the period during which the Lease is in effect. Notwithstanding the generality of the foregoing, where the Commencement Date is not the first day of a calendar month, the Base Rent for the period from the Commencement Date to but not including the first day of the next ensuing calendar month shall be prorated on a per diem basis and paid on the first day of the next month.

4.4 Additional Rent

Whenever, under the terms of this Lease, any sum of money is required to be paid by the Tenant, in addition to that designated as "additional rent" or provision is not made in the paragraph covering such payment for the collection of the said amount as "additional rent", such amount shall nevertheless, if not paid when due, be deemed "additional rent" and collectable as such with the next installment of Rent falling due hereunder, but nothing herein contained shall be deemed to suspend or delay the payment of any sum at the time such sum becomes due and payable hereunder, or limit any other remedy of the Landlord.

4.5 Real Property Taxes and Cost of Common Area

The Tenant shall pay to the Landlord as additional rent the Tenant's Pro Rata Share of Real Property Taxes and of the Cost of Common Area in every Lease Year during the Term or any renewal thereof as and when prescribed by the Landlord within twenty-five (25) days of the date of receipt by the Tenant of the statements set out in paragraphs 4.8 and 4.9. The Landlord agrees that after the first Lease Year, the amount payable by the Tenant for the Tenant's Pro Rata Share of Cost of Common Area (excluding insurance costs, electricity costs, garbage collection costs and sewer and water costs) shall not in any Lease Year be increased by more than six (6%) percent over the amount payable for the Tenant's Pro Rata Share of the Cost of Common Area (excluding the same items) in the preceding Lease Year. For greater certainty, it is understood and agreed that the 6% limit on increases will not apply to insurance costs, electricity costs, garbage collection costs, sewer and water costs and taxes, and the Tenant will pay the Tenant's Pro Rata Share of such items based on actual cost. The Landlord shall charge the Tenant an annual management fee of five (5%) percent of the Base Rent for the management of the project.

4.6 The Landlord shall estimate the annual amount of the Tenant's Pro Rata Share of the Cost of Common Area and the Tenant shall pay to the Landlord with the monthly payments of Base Rent an installment based on 1/12 of such amount as and when required by the Landlord, in order to ensure that the Landlord has sufficient funds on hand to pay the estimated amount of the Cost of Common Area when such amounts next become due and payable.

4.7 The Landlord shall estimate the annual amount of the Tenant's Pro Rata Share of Real Property Taxes and the Tenant shall pay to the Landlord with the monthly payments of Base Rent an installment based on 1/12 of such amount as and when required by the Landlord in order to ensure that the Landlord has sufficient funds on hand to pay the estimated amount of Real Property Taxes when such amounts next become due and payable.

4.8 In respect of any calendar year, the Landlord, after any tax bill is received by it in respect of the Real Property Taxes, shall compute the Tenant's Pro Rata Share thereof and submit to the Tenant a statement in writing showing in reasonable detail the calculation of the Tenant's Pro Rata Share of Real Property Taxes and the parties shall make an appropriate adjustment to reflect the difference between the Tenant's Pro Rata Share of Real Property Taxes and the installments paid by the Tenant, if any.

4.9 On an annual basis, the Landlord shall compute the Tenant's Pro Rata Share of the Cost of Common Areas for the foregoing year and submit to the Tenant a statement showing the calculations used in coming to such amount and the parties shall make an appropriate adjustment to reflect the difference between the Tenant's Pro Rata Share of the Cost of Common Area and the installments paid by the Tenant, if any.

4.10 Taxes on Improvements

The Tenant shall pay as they become due, or on written demand of the Landlord, any and all Tenant's Taxes which are levied during the Term or any renewal thereof, PROVIDED that if the Landlord shall receive any notice of such a levy of taxes it shall forthwith furnish the same to the Tenant, AND PROVIDED FURTHER that the Tenant upon indemnifying the Landlord to the Landlord's reasonable satisfaction, shall have the right at its own expense to appeal any such tax levy.

4.11 Utility Rates

The Tenant shall pay as they become due all water, gas, electricity, cablevision, fuel, heat and air-conditioning charges together with all other utility charges in respect of the Demised Premises:

- (a) where such charges are separately billed for the Demised Premises by the supplier of such services, to such supplier by the due date; and
- (b) where such charges are billed by the Landlord, to the Landlord within twenty-five (25) days of receiving a statement therefore, which statement will be for the Tenant's Pro Rata Share of such charge.

Where utility charges are to be paid pursuant to subparagraph (b) above, either the Landlord or the Tenant may elect, by providing written notice to the other, to obtain a consumption survey conducted by a Professional Engineer with respect to such charges, in which case the results of such survey will govern the allocation of such charges to the Tenant. Regardless of whether such election is made by the Landlord or the Tenant, the Landlord shall be responsible for retaining and directing the Professional Engineer for the purpose of conducting the consumption survey and the Tenant shall be responsible for and shall pay all fees, expenses, costs and disbursements for such consumption survey. The Landlord shall have the right to cut off or discontinue without notice any such service wherever and during any time for which accounts for the same or rent are not paid by the Tenant to the Landlord when due; PROVIDED THAT nothing herein shall limit any other remedy of the Landlord.

4.12 Accounts

All accounts submitted by the Landlord for which the Tenant is responsible under this Lease, other than those for which a particular due date is set forth under this Lease, shall be due and payable twenty-five (25) days after delivery of the same to the Tenant.

4.13 Intent of Lease

This Lease shall be absolutely net to the Landlord such that the Tenant shall pay for its own account, and without any variation, set-off or deduction all costs, expenses, rates, taxes and charges in any way relating to the Demised Premises and the business of the Tenant as well as the Tenant's Pro Rata Share of the Cost of Common Area and Real Property Taxes.

4.14 Business Transfer Tax

The Tenant shall pay to the federal, provincial or municipal authority imposing the same, all service, business transfer, transaction value, ad valorem, sales or other taxes by whatever name called, if any are assessed upon or as a direct result of the payment of Rent hereunder as often as such taxes become due and whether or not such taxes are applicable on the date of the execution of this Lease or become applicable thereafter. In the event that such taxes are by statute, by-law or regulation imposed upon or payable by the Landlord as recipient of the Rent, the Tenant shall reimburse the Landlord for the full amount of such taxes within thirty (30) days of such taxes becoming due.

4.15 Goods and Services Tax

The Tenant shall pay, in addition, to the other amounts payable hereunder, any multi-stage sales, sales, use, consumption, value-added or other similar taxes imposed by a federal, provincial or local government upon the Landlord or the Tenant on or in respect of this Lease, the payments made by the Tenant for the goods and services provided by the Landlord hereunder including, without limitation, the rental of the Demised Premises or administrative services provided to the Tenant. In addition, the Tenant shall also reimburse and/or indemnify the Landlord for the Tenant's Pro Rata Share of amounts paid by the Landlord on account of such taxes in respect of any goods and services acquired by the Landlord for the purpose of this Lease. Amounts payable by the Tenant under this clause from time to time shall be paid when the Rent under this Lease is payable. If required, the Landlord agrees, at the request and cost of the Tenant, to prepare and execute any requisite forms necessary to establish that the Tenant has paid to the Landlord the amounts payable under this clause and that the Landlord has remitted such amount to the appropriate taxing authority.

5. COVENANTS OF TENANT

5.1 The Tenant covenants and agrees with the Landlord as follows:

- (a) to pay the Base Rent as provided herein;
- (b) to pay as they become due all payments and additional rent other than the Base Rent provided herein;
- (c) to repair and maintain the Demised Premises, excluding any repairs required as a result of deficiencies in the construction of the Demised Premises, provided that the Tenant will not be responsible for reasonable wear and tear or damage by fire, lightning, tempest, impact of aircraft, acts of God, structural defects in the Building or explosions unless such damage is caused by the negligence of the Tenant, its agents, employees, invitees or licensees. The Landlord's warranty shall exclude any work completed by the Tenant within the Premises or any of the Landlord's work that the Tenant has altered;
- (d) that the Landlord may enter and view state of repair of the Demised Premises and that the Tenant will repair according to notice subject to the exception aforesaid;
- (e) to leave the Demised Premises in good repair, subject to reasonable wear and tear;
- (f) not to assign, mortgage or encumber this Lease or sublet or grant a licence in respect of or suffer or permit the Demised Premises or any part thereof to be used by others without the prior written

consent of the Landlord, such consent not to be unreasonably withheld. It is understood that such consent to the assignment or subletting or occupying of the Demised Premises will be considered only if the proposed use is consistent with the nature of the Development as determined by the Landlord and would not conflict with any restrictive covenants or exclusive use covenants granted to other tenants of the Development, and further provided that the Tenant shall be liable for the Landlord's reasonable costs including, without limitation, actual legal costs, incurred in connection with the Tenant's request for consent;

- (g) not to encumber, charge, mortgage or grant a security interest with respect to any Tenant's Property, inventory, equipment, chattels or other goods located within the Demised Premises without the prior written consent of the Landlord, such consent not to be unreasonably withheld;
- (h) the Tenant will not store or permit to be stored upon the Demised Premises anything of a dangerous, inflammable or explosive nature described as to which the Landlord shall be the sole judge;
- (i) not to do or permit to be done in or about the Development anything which may injure the Common Area or like areas in the Development or be a nuisance to any other tenants of the Landlord in the Development;
- (j) to comply with all Laws relating in any way to the use and occupation of the Demised Premises;
- (k) to occupy the Demised Premises throughout the Term and operate and conduct the business upon the whole of the Demised Premises in an up-to-date, high class and reputable manner befitting the Development;
- (l) to not divert business to another location;
- (m) to install and maintain at all times in the Demised Premises first class Tenant's Property adequate and appropriate for the business of the Tenant thereon;
- (n) to not do or omit or permit to be done or omitted upon the Demised Premises anything which shall cause the rate of insurance upon the building of which the Demised Premises are part or any part thereof or any other building in the Development to be increased;
- (o) to keep the Demised Premises in a clean, tidy, and wholesome condition and upon the expiration of the Term or any renewal thereof to leave the Demised Premises in such condition;
- (p) to keep well-painted and decorated at all times the interior of the Demised Premises in a manner consistent with a first class office space, unless written consent to do otherwise is given by the Landlord, which consent may be arbitrarily withheld;
- (q) to not at any time use any advertising which the Landlord or other tenants may reasonably consider objectionable;
- (r) to at all times maintain all show windows in the Demised Premises in a neat and clean condition, and to keep the display windows, signs and exterior lights in the Demised Premises well lighted during the hours designated by the Landlord;

- (s) not to install any exterior signs, interior window signs, door signs, advertising media, window or door lettering or placards in, on, or on the outside of the Demised Premises or the Building or in, on or in the vicinity of the Development without the Landlord's prior written approval, such approval not to be unreasonably withheld. In addition:
 - (i) the Landlord shall provide a sign band for the Demised Premises. The Tenant is responsible for all artwork, the type and style of which artwork, shall first be approved by the Landlord, such approval not be unreasonably withheld. The Tenant shall pay to the Landlord as additional rent Five Dollars (\$5.00) per linear foot of sign band for each month, plus G.S.T.
 - (ii) Alternatively, the Tenant at its option, may choose to purchase from the Landlord sign panels for the Demised Premises on or before the Commencement Date at a cost to be mutually agreed upon, plus G.S.T., which cost shall be payable by the Tenant on or before 25 days after Commencement Date. At the termination of the Lease, the sign panels become the property of the Landlord.
 - (iii) The Tenant shall be responsible for the maintenance of the signage throughout the Term and any renewal thereof. If the Tenant fails to maintain the signage, the Landlord shall be entitled to affect such maintenance as is required, and any amount so expended shall be payable by the Tenant as additional rent upon demand being made therefore.
- (t) to furnish, within twenty-five (25) days of demand in writing from the Landlord, to the Landlord the current license number of all motor vehicles owned, used or brought upon the Demised Premises by the Tenant, its employees, servants or agents or anyone on its behalf;
- (u) in connection with its advertising in relation to the business carried on in the Demised Premises, to use and promote the name of the Development, in a manner from time to time approved by the Landlord;
- (v) to not use the name of the Development in regard to any business other than the business of the Tenant upon the Demised Premises;
- (w) to not grant any concessions, licenses or permission to any third party to sell or take orders for merchandise or services in the Demised Premises without the prior written approval of the Landlord;
- (x) to obey and to cause its agents, servants and employees to obey all reasonable rules and regulations attached as Schedule "C", as amended by the Landlord from time to time;
- (y) if the Landlord supplies any equipment, installation or machinery in connection with the heating ventilation or air-conditioning of the Demised Premises, for the exclusive use of the Tenant, the Tenant shall carry out at its own cost and expense such reasonable maintenance and repair program as a reasonable and prudent owner would be willing to incur and carry out;
- (z) to carry out all other covenants and agreements by it herein contained;

- (aa) not to use or occupy the Demised Premises or any part thereof for any purpose other than the business of a general office and community police station for the Royal Canadian Mounted Police;
- (bb) not to use or permit or suffer the use of all or any part of the Demised Premises to generate, manufacture, refine, treat, transport, store, handle, dispose of, transfer, produce or process any Hazardous Substances, except in strict compliance with Environmental Laws and only if the Tenant has received the prior written consent of the Landlord, which consent may be unreasonably and arbitrarily withheld; and
- (cc) if requested by the Landlord or any governmental body, the Tenant shall, at its own expense remove from the Demised Premises any Hazardous Substances which are present as a result of the Tenant's actions which are or have been located, stored or incorporated in or on any part of the Demised Premises. This obligation shall survive the expiration or other termination of this Lease.

6. GRANT OF RIGHTS BY TENANT

6.1 Without restricting the rights of the Landlord and the obligations of the Tenant provided elsewhere herein, the Tenant hereby grants to the Landlord the following rights with respect to the Demised Premises in addition to all other rights arising out of this Lease or otherwise incidental to the Landlord's title and any interference by or on behalf of the Tenant with any such rights shall be deemed a breach of a covenant on the part of the Tenant herein, namely:

- (a) the right to inspect or to authorize in writing an agent to inspect the Demised Premises at all reasonable times;
- (b) the right at any time within one hundred and eighty (180) days prior to the expiration of the Term hereby granted or any renewal thereof to enter upon the Demised Premises at all reasonable times for the purpose of offering the same for rent and exhibiting the same to prospective tenants, and to place and keep upon the windows and doors of the Demised Premises a sign for rent;
- (c) the right to install, maintain, replace, repair and service or cause to be installed, maintained, replaced, repaired and serviced, wires, ducts, pipes, conduits or other installations in, under or through the Demised Premises for or in connection with the supply of any service or utility to the Demised Premises or to other parts of the Development; PROVIDED that the Landlord will use its best efforts not to interfere with or disrupt the Tenant's business, but should any disruption or interference occur, the Landlord shall not be responsible for any damages caused thereby;
- (d) the right to make any repairs at the expense of the Tenant for which the Tenant is responsible under subparagraph 5.1(c) if the Tenant fails to do so within a reasonable time, and the right at the Landlord's option to remedy any breach or covenant on the part of the Tenant to repair and maintain at the expense of the Tenant of which the Tenant is responsible without in any manner affecting the Tenant's obligations and covenants under this Lease. Nothing in this subparagraph contained shall be deemed or construed to impose upon the Landlord any obligation, responsibility or liability whatsoever for the care, maintenance and repair of the building or any part thereof, except as otherwise in this Lease specifically provided;

- (e) in the event of an emergency, the Landlord shall have the right to enter into the Demised Premises, without notice to the Tenant, to effect such repairs as may be necessary to protect the Demised Premises or the Development; and
- (f) the right to close or remove any passways, doors or other connections between the Demised Premises and other premises within the Development, whether existing at the commencement of the Term or at any time thereafter.

7. COVENANTS OF THE LANDLORD

7.1 The Landlord covenants with the Tenant as follows:

- (a) for quiet enjoyment of the Demised Premises; and
- (b) to provide and maintain in good condition the Common Areas.

8. GRANT OF RIGHTS BY LANDLORD

- 8.1 The Tenant shall have the right to use the common roadways, walkways and parking areas of the Development, in common with the Landlord and other tenants and their respective invitees, licensees, customers, servants and employees, subject to such reasonable rules and regulations as the Landlord may establish and subject to exclusive rights granted to other tenants.
- 8.2 Notwithstanding paragraph 8.1 the Tenant agrees that the Landlord may add to the Building or add other improvements upon or adjacent to the Common Areas from time to time, or vary the same without the consent of the Tenant, or add or remove lands and improvements to or from the Development; PROVIDED always that at all times during the Term or any renewal hereof, the Tenant has reasonable ingress and egress to and from the Demised Premises over parts of the Common Areas.
- 8.3 The Tenant shall have the right to use in common with all other tenants of the Development all non-designated parking stalls on the Development while abiding by the rules and regulations for the Development which may change from time to time. The Tenant shall also have forty-one (41) designated parking stalls for its own use which shall be located directly adjacent to the north and west portions of the Building. These stalls shall be the only employee parking available for the Tenant during the term of the Lease.

9. RIGHTS AND REMEDIES OF THE LANDLORD

9.1 Event of Default

The Tenant shall be in default hereof upon the occurrence of any of the following:

- (a) if any Rent to be paid by the Tenant or any part thereof is in arrears or is unpaid after any of the days on which such Rent is required to be paid;
- (b) thirty (30) days after notice in writing to the Tenant that it is in default or breach of any other covenant or agreement herein contained, if after the expiry of such period such default or breach has not been rectified to the satisfaction of the Landlord; or
- (c) notwithstanding subparagraph 9.1(b), immediately upon notice being given to the Tenant, whether verbal or in writing, that it is in default of a covenant or agreement herein contained, where such default or breach is determined by the Landlord (in its sole and absolute discretion) to constitute an emergency or to be dangerous, hazardous or a threat to public safety or health; (any of which are referred to herein as an "Event of Default").

9.2 Interest on Monies Remaining Unpaid

All monies payable to the Landlord by the Tenant pursuant to this Agreement and remaining unpaid, shall bear interest at the rate of twelve (12%) percent per annum, from the date of default to the date of payment.

9.3 Re-entry

Upon the occurrence of an Event of Default, it shall be lawful for the Landlord at any time thereafter without notice to re-enter the Demised Premises and the same to have again, repossess and enjoy the Demised Premises as its former estate, anything herein contained to the contrary notwithstanding; and no acceptance of Rent subsequent to any default or breach and no condoning, excusing or overlooking by the Landlord on previous occasions of any default, breach or Event of Default similar to that for which re-entry is made shall be taken to operate as a waiver of this condition or in any way to defeat or affect the rights of the Landlord hereunder, unless so expressly stated by the Landlord in writing.

9.4 Bankruptcy

If the Tenant or any indemnitor or guarantor of this Lease or any other person occupying the Demised Premises or any part thereof becomes bankrupt or insolvent or takes the benefit of any statute now or hereafter in force for bankrupt or insolvent debtors or files any proposal or notice of intention to file a proposal or makes any assignment for the benefit of creditors or any arrangement or compromise, then the current month's Rent together with the Rent accruing for the next three months shall immediately become due and payable and the Term hereof or any renewal thereof shall at the option of the Landlord become forfeited and void and the Landlord may immediately re-enter and repossess the Demised Premises. Neither this Lease nor any interest therein nor any estate hereby created shall pass to or enure to the benefit of any Trustee in bankruptcy or any receiver or any assignee for the benefit of creditors or otherwise by operation of law.

9.5 Distress

Whensoever the Landlord shall be entitled to levy distress against the goods and chattels of the Tenant it may use such force as it may deem necessary for that purpose and for gaining admittance to the Demised Premises without being liable in any action in respect thereof, or for any loss or damage occasioned thereby and the Tenant hereby expressly releases the Landlord from all actions, proceedings, claims or

demands whatsoever for or on account of, or in respect of any such forcible entry or any loss or damage sustained by the Tenant in connection therewith. The Tenant hereby waives and renounces the benefit of any present or future statute limiting or eliminating the Landlord's right of distress. The Tenant further agrees that if it leaves the Demised Premises, leaving any Rent unpaid, the Landlord, in addition to any remedy otherwise provided by law, may follow, seize and sell such goods and property of the Tenant at any place to which the Tenant or any other person may have removed them, in the same manner as if such goods and property had remained upon the Demised Premises.

9.6 Non-waiver

The waiver by the Landlord of any default or breach of any covenants or agreement herein or any Event of Default by the Tenant must be in writing and shall not be construed as, or constitute a waiver of any further or other breach of the same or any other covenant or condition, and the consent or approval of the Landlord to or of any act by the Tenant requiring the Landlord's consent or approval must be in writing and shall not be deemed to waive or render unnecessary the Landlord's consent or approval to any subsequent act similar or otherwise by the Tenant.

9.7 Landlord's Right to Perform

If the Tenant fails to perform any of its covenants or agreements herein contained, whether or not such failure constitutes an Event of Default, the Landlord may from time to time use its discretion and without prior notice to the Tenant perform, cause to be performed or enforced any of such covenants or agreements or any part thereof and for such purpose may do such things as may be requisite and may enter upon the Demised Premises, and all expenses incurred and expenditures made by or on behalf of the Landlord including the Landlord's legal fees and disbursements on a solicitor/client basis and an administrative fee of fifteen (15%) percent of such expenses shall be forthwith paid by the Tenant to the Landlord, and if the Tenant fails to pay the same the Landlord may add the same to the Rent and recover the same by all remedies available to the Landlord for the recovery of Rent in arrears; PROVIDED that if the Landlord commences or completes either the performance, the causing to be performed or enforced of any of such covenants or agreements or any part thereof, the Landlord shall not be obliged to complete such performance or causing to be performed or be later obliged to act in like fashion.

9.8 Remedies Cumulative

Notwithstanding any statute or law to the contrary, all rights and remedies of the Landlord contained in this Lease shall be cumulative not alternative and the exercise by the Landlord of any and all rights and remedies set forth in this Lease shall be without prejudice to all other rights, remedies and recourses by the Landlord, including claims for all losses and damages sustained by the Landlord by reason of or arising from any default or breach by the Tenant under this Lease or otherwise and the Tenant agrees to indemnify and save harmless the Landlord from and against all damages, losses, expenses and costs sustained or incurred by the Landlord by reason of or, arising from any such default or breach.

10. ADDITIONS AND IMPROVEMENTS TO DEMISED PREMISES

10.1 The Landlord shall deliver the Demised Premises to the Tenant on the Possession Date for the performance of the Tenant Improvements, with the Landlord's Work substantially completed, as certified by the Landlord's architect. The Landlord's Work shall be substantially completed in a good and

workmanlike manner in accordance with all applicable laws. The Tenant shall deliver to the Landlord for approval, plans and specifications describing the proposed Tenant Improvements. The Landlord's consent for such Tenant Improvements shall not be unreasonably withheld. The Landlord shall, within seven (7) days after receipt of the plans and specifications for the Tenant Improvements, provide its written consent, or notice of rejection complete with reasons, for such plans and specifications. The Tenant shall, at its own cost and expense complete the Tenant Improvements in a good and workmanlike manner in accordance with all applicable laws. Notwithstanding the foregoing, the Tenant shall make no alterations, installations, removals, additions or improvements in or about the Demised Premises without the Landlord's prior written consent (which consent, or notice of rejection complete with reasons, is to be provided within seven (7) days after receipt of request and details from the Tenant), and such alterations, installations, removals, additions or improvements include, but are not limited to, the following:

- (a) erecting, installing or placing any signs or advertising on the exterior of the Demised Premises;
- (b) installing plumbing, fixtures, shades, awnings, exterior lighting, decorations, printing or any exterior erections, installations or construction of any kind in or about the Demised Premises;
- (c) installing or permitting to be installed in the Demised Premises any special locks or safes or similar security devices; and
- (d) installing or permitting to be installed in the Demised Premises any apparatus for illumination, air-conditioning, cooling, heating, refrigeration or ventilation.

10.2 Where the Landlord consents to any alterations, installations, removals, additions or improvements pursuant to paragraph 10.1, the Tenant shall:

- (a) carry out such alterations, installations, removals, additions or improvements at its own expense and at such time and in such manner as the Landlord may approve;
- (b) carry out such alterations, installations, removals, additions or improvements in accordance with all applicable laws and, in particular, shall:
 - (i) not commence any such alterations, installations, removals, additions or improvements prior to obtaining all licenses, permits or other approvals required by applicable laws; and
 - (ii) promptly arrange for any final inspections, licenses, permits or approvals required by applicable laws to be obtained prior to the use of such alterations, installations, removals, additions or improvements.

10.3 If the Tenant commences any alterations, installations, removals, additions or improvements in contravention of paragraph 10.2, the Tenant shall upon the request of the Landlord and at the Tenant's expense, immediately restore the Demised Premises to their previous condition, failing which the Landlord may, at its option, without notice to the Tenant and without any liability on the Landlord's part, enter the Demised Premises and restore the Demised Premises to its previous condition at the Tenant's expense plus an administration charge of fifteen (15%) percent of the cost of such restoration, which administration charge shall be paid by the Tenant to the Landlord as additional rent upon demand. The Tenant agrees that such restoration by the Landlord does not constitute a re-entry or a breach of any covenant for quiet enjoyment contained in this Lease.

- 10.4 The Tenant shall not suffer or permit any builder's liens to be filed against the interest of the Landlord in the Development by reason of work, labour, services or materials supplied or claimed to have been supplied to the Tenant and, if a claim of builder's lien is filed against the Development whatsoever, the Tenant shall cause the same to be discharged forthwith upon the Tenant having knowledge of any such filing, and upon failure to do so by the Tenant, then the Landlord, in addition to any right or remedy, may, but shall not be obliged to, discharge the same by paying the amount claimed to be due or by procuring a discharge of such liens by deposit in court and in such event the Landlord shall be entitled, if it so elects, to expedite the prosecution of any action for the enforcement of such lien by the lien claimant and to pay the amount of the judgment, if any, in favour of the lien claimant with interest, cost and allowance and all expenses incurred and expenditures made by or on behalf of the Landlord in conjunction therewith, together with all disbursements and costs of such proceedings on a solicitor/client basis, shall be forthwith paid by the Tenant to the Landlord and if the Tenant fails to pay same, the Landlord may add the same to the Rent for the recovery of Rent in arrears. The Tenant shall in good faith proceed to contest the same by appropriate proceedings, after first having given notice in writing to the Landlord of its intention to so contest the validity of the lien claim, and after, at the option of the Landlord, paying into court sufficient security to enable the lien to be discharged in respect of the Development or after furnishing a surety bond of company satisfactory to the Landlord in an amount sufficient to pay such contested lien claim with all interest thereon and court costs and expenses including reasonable solicitors fees, which may at such time be allowable by law, or which might be incurred in connection therewith.
- 10.5 During the Term the Tenant's Property shall remain the property of the Tenant and may be removed by the Tenant. The Tenant, at its expense, shall repair any damage to the Demised Premises caused by any such removal.
- 10.6 Upon the expiration or termination of this Lease the Landlord may elect to require the Tenant to remove all or any of the Tenant's Property and Tenant Improvements, in which event such removal shall be done at the Tenant's expense and the Tenant shall at its expense, repair any damage to the Demised Premises caused by such removal.
- 10.7 Regardless of whether the Landlord makes an election under paragraph 10.6, if the Tenant does not remove any of the Tenant's Property prior to the expiration or termination of the Term, the Tenant's Property not removed shall, if the Landlord elects, be deemed to become the Landlord's property without compensation to the Tenant and the Landlord may remove the same at the expense of the Tenant. The cost of such removal and the repair of any damage to the Demised Premises caused by such removal will be paid by the Tenant forthwith to the Landlord on written demand. The Landlord will not be responsible for any loss or damage to such property because of such removal.
- 10.8 The Landlord shall pay the Tenant, as a contribution towards the cost of the Tenant's Improvements installed by the Tenant in the Demised Premises the sum equal to \$255,040.00 exclusive of G.S.T. (the "Inducement") provided that the Tenant is not in default of this Lease. The Inducement shall be payable to the Landlord's B.C. solicitor, "In Trust" within three (3) working days after the Lease is fully executed by both parties. Interest on the Inducement shall accrue to the benefit of the Landlord. Such contribution shall be released to the Tenant forthwith after the completion of the latest of the following:
- (a) the Commencement Date;

- (b) the Landlord having received satisfactory evidence that all Tenant Improvements have been installed and paid for by the Tenant together with a statutory declaration that no liens have been or are able to be filed with respect to the Tenant's Improvements; and
- (c) the Tenant being in possession of the Demised Premises.

The Tenant agrees that the Landlord may deduct any amounts owing by the Tenant to the Landlord from the Inducement, provided the Tenant has been advised of such outstanding amounts and the same are not paid by the Tenant within twenty-five (25) days of being so advised. If the Lease is terminated prior to the Possession Date, the Inducement together with interest payable shall be repaid forthwith to the Landlord.

11. LANDLORD'S PROTECTION AGAINST CLAIMS

11.1 The Landlord shall not be liable and the Tenant hereby covenants and agrees to indemnify and save harmless the Landlord from all costs, expenses, liabilities, claims and demands of any and every nature whatsoever by the Tenant or those for whom the Tenant is at law responsible or any other person located on the Demised Premises arising out of the following:

- (a) loss of or damage to any property of the Tenant or any other person located on the Demised Premises from time to time in any way occurring;
- (b) damage or injury, including injury resulting in death to persons or property in any way occurring;
- (c) latent defects in the Demised Premises caused or created by the Tenant herein, or any third party acting for and on behalf of the Tenant, including the Tenant's servants, employees, contractors and material suppliers;
- (d) any business carried on in the Demised Premises either by the Tenant, any sub-tenant or otherwise.

11.2 Landlord Unable to Perform

Whenever and to the extent that the Landlord, having made all reasonable efforts, shall be unable to fulfill or shall be delayed or restricted in the fulfillment of any obligation hereunder in respect of the supply or provision of any service or utility or the doing of any of the work or the making of any repairs by reason of being unable to obtain the material, goods, equipment, service, utility or labour required to enable it to fulfill such obligation or by reason of any strike or lockout or any statute, law or order-in-council or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any administrator, controller or board of any government department or officer or other authority or by reason of any other cause beyond its control, whether of the foregoing character or not, the Landlord shall be relieved from the fulfillment of such obligation and the Tenant shall not be entitled to compensation for any loss, inconvenience, nuisance or discomfort thereby occasioned.

12. INSURANCE

12.1 Tenant's Insurance

The Tenant shall, at the Tenant's sole expense, during the whole of the Term and during such other time as Tenant occupies the Demised Premises, take out and maintain the following insurance:

- (a) comprehensive general liability including non-owned automobile liability insurance against claims for bodily injury, including death and property damage or loss arising out of the use or occupation of the Demised Premises, or the Tenant's business on or about the Demised Premises, such insurance shall be in the joint name of the Tenant and the Landlord so as to indemnify and protect both the Tenant and the Landlord and shall contain a "cross liability" or "severability of interests" clause so that the Landlord and the Tenant may be insured in the same manner and to the same extent as if individual policies had been issued to each, and shall be for the amount of not less than \$5,000,000 combined single limit or such other amount as may be reasonably required by the Landlord from time to time, and such comprehensive general liability insurance shall, for the Tenant's benefit only, include contractual liability insurance in a form and of a nature broad enough to insure the obligations imposed upon the Tenant under the terms of this Lease;
- (b) all risks insurance upon its merchandise, stock-in-trade, furniture and fixtures and upon all other property in the Demised Premises owned by the Tenant or for which the Tenant is legally liable, including business interruption and insurance upon all glass and plate glass in the Demised Premises, including the storefront, against breakage and damage from any cause, all in an amount equal to the full replacement value thereof, which amount in the event of a dispute shall be determined by the decision of the Landlord;
- (c) boiler and machinery insurance on such boilers and pressure vessels as may be installed by, or under the exclusive control of, the Tenant in the Demised Premises; and
- (d) such other insurance in such amounts and upon such terms as the Landlord may reasonable determine from time to time.

The policies of insurance referred to above shall be in such form and with such companies as the Landlord may reasonable approve and shall contain the following:

- (e) provisions that the Landlord is protected notwithstanding any act, neglect or misrepresentation of the Tenant which might otherwise result in the avoidance of a claim under such policies and that such policies shall not be affected or invalidated by any act, omission or negligence of any third party which is not within the knowledge or control of the Landlord;
- (f) provisions that such policies and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by the Landlord and that any coverage carried by the Landlord shall be excess coverage;
- (g) all property and boiler insurance referred to above shall include the Landlord and the Tenant as named insureds as their respective interests may appear, and shall provide for waivers of the

insurer's rights of subrogation as against the Landlord and those for whom the Landlord is in law responsible; and

- (h) provisions that such policies shall not be cancelled or lapsed without the insurer providing the Landlord thirty (30) days written notice stating when such cancellation shall be effective.

12.2 Landlord's Insurance

The Landlord shall maintain at its expense, subject to the Tenant's obligation to pay the Tenant's Pro Rata Share of the Cost of Common Area, such insurance on the Development as would a prudent owner of property in the area in which the Development is located. The Tenant shall have no insurable interest in the Landlord's insurance and no right to receive any proceeds of such insurance. Policies for such insurance shall waive, to the extent reasonably available from the Landlord's insurers' any right of subrogation against the Tenant.

12.3 Increase in Insurance Premium

The Tenant agrees that it will not keep, use, sell or offer for sale in or upon the Demised Premises anything which is prohibited by the form of fire insurance policy in force from time to time covering the Development. In the event that the Tenant's occupancy of, conduct of business in, or sale of any merchandise from, or on the Demised Premises, or the Tenant's Improvements, or any activity carried on or permitted to be carried on by the Tenant whether or not the Landlord has consented to same, causes any increase in premiums for the insurance carried from time to time by the Landlord for the Development, the Tenant shall pay any such increase in premiums as additional rent within twenty-five (25) days after bills for such additional premiums shall be rendered by the Landlord. In determining whether increased premiums are a result of the Tenant's use or occupancy of the Demised Premises, a schedule issued by the organization making the insurance rate on the Development showing the various components of such rates shall be conclusive evidence of the several items and charges which make up such rates.

12.4 Cancellation of Insurance

If any insurance policy upon the Demised Premises, or any part thereof, shall be cancelled or shall be threatened by the insurer to be cancelled, or the coverage thereunder reduced in any way by the insurer by reason of the use and occupation of the Demised Premises or any part thereof by the Tenant or by any assignee or sub-tenant of the Tenant, or by anyone permitted by the Tenant to be upon the Demised Premises, and if the Tenant fails to remedy the condition giving rise to cancellation or reduction of coverage within twenty-five (25) days after notice thereof by the Landlord, the Landlord may remedy the condition giving rise to such cancellation, threatened cancellation or reduction, and the Tenant shall forthwith pay the cost thereof to the Landlord which cost may be collected by the Landlord as additional rent.

12.5 Limitation of Landlord's Liability

The Tenant agrees that:

- (a) the Landlord shall not be liable for any bodily injury or death of, or loss or damage to any property belonging to the Tenant or its employees, invitees, or licensees or any other person in,

on or about the Development unless resulting from the gross negligence of the Landlord, but in no event shall the Landlord be liable:

- (i) for any damage other than insured damage which is caused by steam, water, rain or snow which may leak into, issue or flow from any part of the Building or from the pipes or plumbing works thereof or from any other place or quarter or for any damage caused by or attributable to the condition or arrangement of any electric or other wiring or for any damage caused by anything done or omitted by any other tenant;
 - (ii) for any act or omission (including theft, malfeasance or negligence) on the part of any agent, contractor or person from time to time employed by it to perform janitor services, security services, supervision or any other work in or about the Demised Premises or the Building; or
 - (iii) for loss or damage, however caused, to money, securities, negotiable instruments, papers or other valuables of the Tenant; and
- (b) the Landlord shall have no responsibility or liability for the failure to supply interior climate control or elevator service when prevented from doing so by strikes, the necessity of repairs, any order or regulation of any body having jurisdiction, the failure of the supply of any utility required for the operation thereof or any other cause beyond the Landlord's reasonable control.

13. DESTRUCTION OR DAMAGE TO DEMISED PREMISES AND EXPROPRIATION

13.1 Substantial Destruction

In the event of damage or destruction of the Demised Premises, or of any other portion of the Development, whether or not the Demised Premises be affected thereby, to the extent that, in the reasonable opinion of the Landlord's architect:

- (a) the cost of repair, restoration or reconstruction exceed fifty (50%) percent of the replacement cost (excluding foundation and excavation costs) of such damaged or destroyed portions of the Demised Premises; or
- (b) the repair, restoration or reconstruction cannot with the exercise of reasonable diligence, be completed to enable such portions of the Demised Premises to re-open for business within twelve (12) months of the date of such damage or destruction, then the Landlord may, within sixty (60) days after such damage or destruction, and on giving thirty (30) days written notice to the Tenant, declare this Lease terminated forthwith and in such event, the Term shall be deemed to have expired and the Tenant shall deliver up possession of the Demised Premises accordingly. Rent shall be apportioned and shall be payable up to the date of termination stated in such notice, and the Tenant shall be entitled to be repaid by the Landlord any Rent paid in advance and unearned or an appropriate portion thereof.

13.2 Architect's Certificate

The certificate of the Landlord's architect certifying that damage or destruction has occurred to the extent set forth in paragraph 13.1, shall be binding and conclusive upon the Tenant for the purpose thereof.

13.3 Rebuilding

If this Lease is not terminated pursuant to paragraph 13.1, and such damage or destruction to the Demised Premises is caused by an insurable hazard, the Landlord shall, to the extent that proceeds of insurance are available, cause damage or destruction to be repaired, restored or reconstructed.

13.4 Expropriation

- (a) if, during the Term, title is taken to the whole or any part of the Development (whether or not such part includes the Demised Premises) by any competent authority under the power of eminent domain or by expropriation, which taking, in the reasonable opinion of the Landlord, does not leave a sufficient remainder to constitute an economically viable development, the Landlord may at its option, terminate this Lease on the date that possession is taken by or on behalf of such authority. Upon such termination, the Tenant shall immediately deliver up possession of the Demised Premises, Rent shall be payable up to date of such termination, and the Tenant shall be entitled to be repaid by the Landlord any Rent paid in advance and unearned or an appropriate portion thereof; and
- (b) in the event of a taking as set out under subparagraph 13.4(a), the Tenant shall have no claim upon the Landlord for the value of its property or the unexpired portion of the Term, but the parties hereto shall each be entitled to separately advance their claim for compensation for the loss of their respective interests and to receive and retain such compensation as may be awarded to each respectively. If an award of compensation made to the Landlord specifically includes an award for the Tenant, the Landlord will account therefor to the Tenant.

14. SALE, FINANCING AND SUBORDINATION

14.1 Sale of Development

The Tenant agrees that the Landlord may assign its interest in this Lease, and in the event of a conveyance, assignment or other divesting by the Landlord of its interests in this Lease, the Tenant shall, from time to time upon request by the Landlord, promptly execute, acknowledge and deliver to the Landlord within ten (10) days of such request, a statement in writing, addressed to the person, firm or corporation acquiring the said interest and stating that the Tenant shall attorn and shall pay all future Rent to such person, firm or corporation or its nominee. Upon such conveyance, assignment or other divestiture, the Landlord shall be released from further obligations under this Lease to the extent that such obligations are assumed by the Landlord's assignee or successor in title.

14.2 Subordination

Upon the request of the Landlord in writing, the Tenant shall forthwith make this Lease subject and subordinate to all mortgages, debentures or trust deeds which now or hereafter during the Term hereof

shall be of record in the Land Title Office as a "mortgage" against the Development and to all advances made or to be made thereunder, and shall execute promptly from time to time any assurances, including a registered form of this subordination; PROVIDED that subordination to any such mortgage, debenture or trust deed shall be on terms whereby the Tenant is entitled to remain in possession of the Demised Premises while not in default of any of the provisions of this Lease.

14.3 Assignment of Rents

The Landlord may assign all Rent and other payments payable by the Tenant to the Landlord hereunder to any lender, or the Trustee for any lender, financing the Development. Upon notice of such assignment being forwarded to the Tenant, the Tenant shall, within ten (10) business days of receipt of such notice, sign and return to the lender an acknowledgment of the assignment in such reasonable form as the lender may require.

14.4 Attornment

In the event of foreclosure proceedings or the exercise of the power of sale contained in any mortgage, debenture or trust deed made by the Landlord upon the security of the Development, the Tenant shall attorn to the mortgagee, to the debenture-holder or trustee or to the purchaser upon any such foreclosure or sale and recognize such person as the Landlord under this Lease.

14.5 Estoppel Certificate

Whenever requested by the Landlord or any purchaser, mortgagee or trustee of the Development, the Tenant shall within ten (10) days of the request execute and deliver an estoppel certificate to any proposed purchaser, mortgagee, trustee, assignee or lessee, or to the Landlord, certifying (if such be the case):

- (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and identifying the modification agreements) or if this Lease is not in full force and effect, the estoppel certificate shall so state;
- (b) the Commencement Date;
- (c) the date to which Rent has been paid under this Lease;
- (d) whether or not there is any existing default by the Tenant in payment of any Rent and whether or not there is any other existing or alleged default by either party under this Lease and if there is any such default, specifying the nature and extent thereof;
- (e) whether there are any set-offs, defenses or counterclaims against enforcement of the obligations to be performed by the Tenant under this Lease;
- (f) with reasonable particularity, details respecting the Tenant's and any indemnifier's financial standing and corporate organization; and
- (g) any other reasonable request relating to the Lease. If the Tenant fails to deliver any such estoppel certificate within the time specified above, the Tenant shall be deemed to have acknowledged

that this Lease is in full force and effect, without modification except as may be represented by the Landlord and that there are no uncured defaults in the Landlord's performance.

15. MISCELLANEOUS PROVISIONS

15.1 No Agency or Partnership

Nothing herein contained shall be construed as creating the relationship of principal and agent or of partners or of joint venturers between the parties hereto, their only relationship being that of Landlord and Tenant.

15.2 Over-Holding

If the Tenant continues to occupy the Demised Premises with or without the consent of the Landlord after the expiration of this Lease or any renewal thereof without any further written agreement, the Tenant shall be a monthly tenant at a monthly rental equivalent to:

- (a) 100% of the average of the Base Rent payable hereunder for the twelve (12) months preceding the expiration of the Term or any renewal thereof, exclusive of the months for which no Base Rent was payable, if any; and
- (b) additional rent payable pursuant to the terms of this Lease and shall comply with all of the terms and conditions of this Lease, except those relating to length of tenancy and paragraph 15.2.

15.3 Control of Corporation

If the Tenant is a corporation, other than a corporation the shares of which are listed on any recognized stock exchange, effective control of the corporation shall not be changed directly or indirectly by a sale, encumbrance or other disposition of shares or otherwise howsoever, without first obtaining the written consent of the Landlord; PROVIDED that the Landlord's consent not shall be required for any sale or other disposition of shares by the present shareholders to and between themselves or in the event of any transmission of shares on death or by operation of law and, provided further that the Landlord's consent shall not be unreasonably withheld.

15.4 Notices

Any notice required or contemplated by any provision of this Lease shall be given in writing enclosed in a sealed envelope addressed, in the case of the notice to the Landlord, to the Landlord at:

Attention: _____

or at such other address as the Landlord may from time to time notify the Tenant as hereinbefore provided, and in the case of the Notice to the Tenant at:

City of Surrey
14245 - 56th Avenue
Surrey, British Columbia
V3X-3A2
Attention: Scott Thompson

and mailed, registered and postage prepaid or delivered personally or by courier. The time of giving of such notice shall be conclusively deemed to be the fifth business day after the date of such mailing. Such notice, if delivered personally or by courier, shall be conclusively deemed to have been given and received at the time of such delivery. If in this Lease two (2) or more persons are named as Tenant, such notice shall also be sufficiently given if and when the same shall be delivered personally to any one (1) of such persons, provided that either party may, by notice to the other, from time to time, designate another address in Canada to which notice is mailed more than five (5) days thereafter shall be addressed.

15.5 Right of First Refusal to Landlord

Notwithstanding and without prejudice to any other provision herein, if the Tenant shall be desirous of subletting or assigning all or a portion of the Demised Premises, the Tenant prior to so doing, shall give a right of first refusal to the Landlord to re-acquire the same on the same terms and conditions and for the same cost as the Tenant is desirous of subletting or assigning the same to any party, which offer shall be made to the Landlord in writing and open for acceptance by the Landlord for a period of thirty (30) days from receipt of such notice, to be accepted in writing, and in lieu of such acceptance, subject to the provisions of subparagraph 5.1(f) the Tenant may assign or sublet the same on the same terms and conditions as offered to the Landlord within a period of three (3) months of the date of such offer to the Landlord either expiring or being declined on the same terms and conditions and after the period of three (3) months if such assignment or subletting is not completed, the provision hereof required the offer to be made to the Landlord shall again apply.

15.6 Whole of Agreement

The Tenant agrees that the Demised Premises are leased by the Tenant without any representations or warranties other than as contained in this Lease, and that no representative or agent of the Landlord is or shall be authorized or permitted to make any representations with reference hereto or to vary or modify this Lease in any way, except in writing wider seal, and that this Lease contains all of the agreements and conditions made between the parties hereto.

15.7 Time

Time shall be of the essence of this Lease.

15.8 Waiver or Set-off

Without limiting the generality of anything hereinbefore contained, the Tenant waives and renounces any and all existing and future claims, set-offs and compensation against any Rent or other amounts due hereunder and agrees to pay all Rent and other amounts regardless of any claim, set-off or compensation which may be asserted by the Tenant or on its behalf.

15.9 Provincial Laws

This Lease shall be construed in accordance with the laws of the Province of British Columbia.

15.10 Effect of Headings

The paragraph headings or sub-headings used throughout this Lease are inserted for convenience of reference only and are not otherwise to be relied upon or considered in the interpretation hereof.

15.11 Interpretation of Words

Wherever the singular or the masculine is used in this Lease, the same shall be deemed to include the plural or the feminine or the body politic or corporate, where the context or the parties so require.

15.12 Binding Agreement

This Lease shall be binding upon and enure to the benefit of the Parties hereto and their respective heirs, executors, administrators, successors and assigns.

15.13 Registration

The Tenant may, at its own expense, register in the Land Title Office a short form of this Lease setting out only the parties, a description of the Demised Premises and the Development, the Term and any options to renew. The short form lease shall be executed by the Landlord, subject to the Landlord's reasonable approval. In the event of any inconsistency between the short form lease and this Lease, the terms of this Lease shall prevail.

15.14 Force Majeure

If the Landlord or the Tenant is delayed in the performance of its obligation save for payment of Rent or other monies required to be paid under the terms of this Lease by labour disputes, strikes, lock-outs, fire, unusual delay by common carriers, or unavoidable casualties or, without limit to any of the foregoing, by any cause of any kind whatsoever beyond the control of the Landlord or the Tenant respectively, then the times for performance of the obligation affected by such delay shall be extended by a time period equal to the length of such delay.

16. SPECIAL CONDITIONS

16.1 Special Conditions

The special conditions attached hereto as Schedule "B" are incorporated herein.

CITY OF SURREY

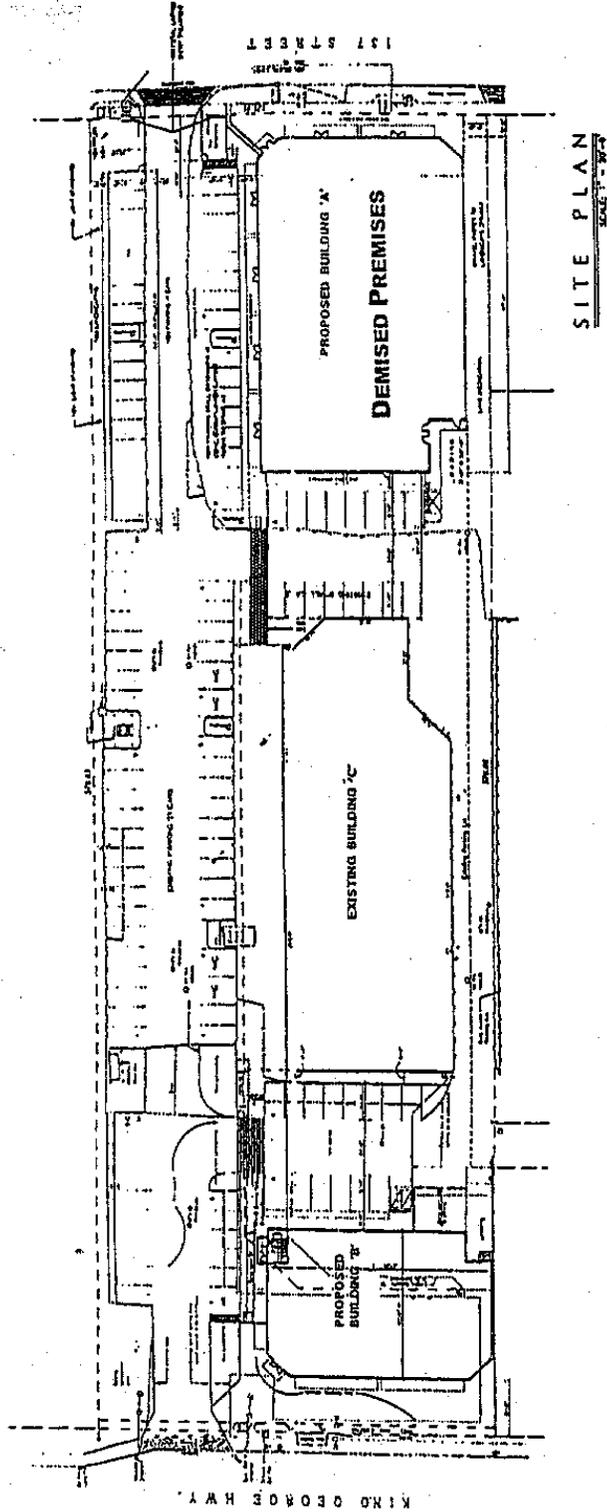
by its authorized signatories

7218 KG FINANCIAL INC.

by its authorized signatories

SCHEDULE "A"

PLAN



A1

SCHEDULE "B"

SPECIAL CONDITIONS

1. Option to Renew

Provided the Tenant has not been in breach of any of the terms or covenants of this Lease, the Landlord will, upon advice of the Tenant in writing delivered to the Landlord no earlier than twelve (12) months and no later than nine (9) months before the expiration of the Term or the first renewal term, as the case may be, grant to the Tenant a renewal of lease of the Demised Premises for one (1) further term of five (5) years each at the fair market rental rate for the Demised Premises. If the Landlord and the Tenant fail to agree upon such rental rate, the rent will be determined by arbitration by a single arbitrator, in accordance with the *Commercial Arbitration Act* (British Columbia, as amended, with the costs of such arbitration to be shared equally by the Landlord and the Tenant.

Notwithstanding the foregoing, in no event will the Base Rent be less than that set forth in this Lease for the last month of the Term or the first renewal term, as the case may be. Such renewal of lease will contain all the covenants, provisos, conditions and agreements contained in this Lease, save and except for the rental rate and this renewal covenant. The Landlord will have the right to relocate the Tenant within the Development at anytime during the renewal period by giving the Tenant three (3) months prior written notice of its intention to do so. In the event the Landlord exercises its right to relocate the Tenant, the Landlord will reimburse the Tenant for the monies the Tenant has spent on the Tenant Improvements and moving costs.

2. Landlord's Work and Tenant's Improvements

Landlord's Work (Part 1)

The Landlord shall complete the following work of its own cost consistent with all City and Building Codes. All electrical, plumbing and HVAC services supplied to the Demised Premises shall be consistent with the requirements of an office area of this size.

The Demised Premises shall be delivered to the Tenant ready for the Tenant to complete its work as follows:

1. Exposed concrete floors prepared for the Tenant to apply its flooring.
2. Drywall demising walls taped, sanded and primed.
3. Rough-ins for male and female washrooms as per code, at a location to be designated by the Tenant;
4. Electrical services to one central panel at a location to be mutually agreed upon by the parties.
5. Access and egress to the Demised Premises.
6. All hearing, ventilation and air-conditioning units shall be mounted and stubbed into the Demised Premises ready for the Tenant's hook-up and distribution.

Tenant Improvements (Part 2)

The Tenant shall complete at its sole cost and expense the work outlined in the plans and specifications to be prepared by the Tenant and approved by the Landlord.

All plans and specifications are to be prepared with sufficient details as to permit the Landlord to make an informed decision on the work to be performed by the Tenant. Landlord's approval of the plans and specifications is essential prior to the commencement of any work by the Tenant.

3. *Tenant's Expansion*

The Tenant may during the first 24 months of the Term request from the Landlord to build an additional 5,000 sq. ft. \pm of building area adjoining the Demised Premises on the ground floor. The request must be made in writing and shall be an unconditional commitment from the Tenant. The same rental rate and lease term, shall apply to the Tenant's expansion area save and except that the Tenant Improvement allowance shall be \$20.00 per sq. ft. of rental area. The Landlord shall use its commercial best efforts to complete the building as diligently as possible upon the lease being modified by both parties. Should the Tenant exercise its option to expand, the Tenant shall not have the right to terminate this Lease under Article 3.2 of the Lease.

SCHEDULE "C"

RULES AND REGULATIONS

1. Nuisance

The Tenant shall not perform any acts or carry on any practice which may injure the Common Area and any common facilities or be a nuisance to any other tenants of premises situated in the Development.

2. Refuse/Odours

- (a) the Tenant shall keep the Demised Premises free of waste, rubbish and debris at all times and provide proper receptacles in the Demised Premises for waste and rubbish;
- (b) the Tenant shall keep all trash, rubbish, waste material and other garbage within the Demised Premises or in approved and designated containers outside the Demised Premises;
- (c) the Tenant shall not burn any garbage in or about the Demised Premises or anywhere within the confines of the Development;
- (d) if the Tenant's garbage is of a deteriorating nature, creating offensive odours, the Tenant shall utilize and maintain at its cost and expense refrigerated facilities for the storage of such garbage as required by the Landlord.
- (e) if the Landlord considers it necessary or otherwise consents in writing to the placing of the Tenant's garbage outside the Demised Premises, such garbage shall be placed by the Tenant in containers approved by the Landlord but provided at the Tenant's expense and kept at a location designated by the Landlord; and
- (f) the Tenant shall not cause or permit any unusual or objectionable odours to be produced upon or emanate from the Demised Premises.

3. Overloading, Suspension

- (a) the Tenant shall not overload any floor of the Demised Premises in excess of one hundred (100) pounds per square foot or as determined by the Landlord; and
- (b) the Tenant shall not hang or suspend from any wall or ceiling or roof, or any other part of the Development, any equipment, fixtures, signs or displays which are not first authorized by the Landlord.

4. Electrical Equipment and Store Fixtures

- (a) the Tenant shall, at its sole cost and expense, install and maintain all necessary lighting fixtures, electrical equipment, wiring, and store fixtures therefore; and
- (b) if the Tenant requires any electrical equipment which might overload the electrical facilities in the Demised Premises, the Tenant shall submit to the Landlord plans and specifications for works required to install and supply additional electrical facilities or equipment to prevent such overloading, and shall obtain the Landlord's written approval to perform such works, which works shall meet all the applicable regulations or requirements of any government or other competent authority, the Association of Insurance Underwriters and the Landlord's insurers, all at the sole cost and expense of the Tenant.

5. Plumbing

No plumbing facilities shall be used for any purpose other than that for which they were designed, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from a violation of this provision by the Tenant or by any person for whom the Tenant is responsible shall be borne by the Tenant.

6. Glass

The Tenant shall replace with glass of the same quality any broken glass in exterior or interior windows and doors in or upon the Demised Premises.

7. HVAC Operation

- (a) the Tenant shall operate or permit to be operated its own heating, ventilating or air-conditioning equipment in such manner that there will be no direct or indirect appropriation of heating or cooling from other portions of the Development (except to the extent that such appropriation may be unavoidable); and
- (b) the Tenant shall not leave open any doors or windows to the exterior of the Development which would adversely affect the performance of any heating ventilating or air-conditioning equipment in the Development.

8. Signs, Advertising, Display Windows

- (a) the Tenant shall not keep or display any merchandise on or otherwise obstruct the sidewalks, aisles, windows, doors or other areas that reflect or admit light or air into any part of the Building or other areas adjacent to the Demised Premises;
- (b) the Tenant shall not erect or install any exterior signs or interior window or door signs or advertising media or window or door lettering or placards without the prior written consent of the Landlord;
- (c) the Tenant shall not use any advertising media that the Landlord shall deem objectionable to it or to other tenants of the Development such as, without limitation, loudspeakers, phonographs, televisions, public address systems, sound amplifiers, radios, broadcasts or telecasts within the Development in a manner capable of being heard or seen outside the Demised Premises;
- (d) the Tenant shall not install any exterior lighting, exterior decorations or build any aerial or mast, or make any change to the storefront of the Demised Premises, without the prior written consent of the Landlord. Any installation requiring the Landlord's consent which has not received such consent shall be subject to immediate removal without notice at the Tenant's cost;
- (e) the Tenant shall indemnify and save harmless the Landlord from all claims, demands, loss or damage to any person or property arising out of any sign, mast, aerial or other installation, notwithstanding any consent by the Landlord thereto;
- (f) the Tenant shall keep all display windows neatly dressed and together without any other windows, storefronts, and lighted signs in, upon or affixed to the Demised Premises, illuminated until 10:00 o'clock in the evening local time each day, or to such other times as required by the Landlord;
- (g) the Tenant shall, in connection with its advertising in relation to the address of the business carried on in the Development, use and promote such name as the Landlord may from time to time designate and in using such name in any advertisement, sign, poster, printing or other writing the Tenant will print, write or designate such name in a manner to be determined from time to time by the Landlord and in no other manner. The Tenant shall not use such name in regard to any business other than the business of the Tenant upon the Demised Premises. The Tenant agrees that the Tenant will not carry on or permit to be carried on any business in the Demised Premises under a name other than the name of the Tenant without the prior written consent of the Landlord; and
- (h) in the event that a Tenant desires to use the Common Area and any common facilities for special events all Tenants shall cooperate fully in each and every such venture, provided that no special event shall be held without the prior written approval of the Landlord.

9. Hours of Operation

From and after the Commencement Date, the Tenant may open and keep the Demised Premises open for business on days as a standard RCMP station may adopt.

10. No Solicitation

- (a) the Tenant and the Tenant's employees and agents, shall not solicit business in the parking areas for the Development or other Common Areas and shall not distribute any handbills and advertising matter therein and each Tenant shall cooperate to prevent the same; and
- (b) the Tenant shall not grant any concessions, licenses or permits to any person, firm or corporation to sell or take orders for merchandise or services in the Demised Premises without the prior written approval of the Landlord.

11. Parking

- (a) if requested, the Tenant shall furnish the Landlord with provincial automobile license numbers of all motor vehicles of the Tenant and its employees within five (5) days after taking possession of the Demised Premises and shall thereafter notify the Landlord of any changes or additions to such numbers within twenty-five (25) days after occurrence;
- (b) should the Tenant, its employees, suppliers and other persons not customers having business with the Tenant park vehicles in areas and at times not allocated for that purpose, the Landlord may remove such vehicles and the Tenant will save harmless the Landlord from any and all damages arising therefrom and the Tenant will pay the costs of such removal; and
- (c) the Landlord may designate a portion of the parking areas for the Development for use by tenants and employees of the Development and, in the event the tenant and/or employees park their vehicles in portions of the parking areas for the Development which have not been so designated the Landlord may charge the Tenant ten dollars (\$10.00) per vehicle for each day or portion thereof that such violation occurs, or the Landlord may have each violating vehicle towed away at the owner's expense.

12. Delivery

- (a) the Tenant shall receive, ship, take delivery of, and allow and require suppliers and other to deliver or take delivery of, merchandise, supplies, fixtures, equipment, furnishings and materials only through the appropriate service and delivery facilities designated by the Landlord, at such times as the Landlord may

reasonably specify and in accordance with the reasonable directives and further rules and regulations of the Landlord;

- (b) the Tenant shall inform suppliers of such times and rules and regulations respecting delivery so as to accommodate the ease of delivery to and from the Development; and
- (c) the Tenant shall remove all such merchandise and other delivered items from the loading area or other Common Areas immediately upon such delivery or pay such costs as may be determined by the Landlord for any hourly, daily or weekly temporary storage permitted by the Landlord.

13. Pests

Should the Demised Premises become infested with rodents, vermin or the like, the Tenant shall forthwith remedy the same and shall use, at the Tenant's cost, such pest extermination contractor as the Landlord may direct and at such intervals as the Landlord may require as being necessary by reason of the conditions in the Demised Premises. No Tenant shall, at any time while within the Development, feed or leave foodstuffs for any birds or other animals.

14. Noise

No Tenant shall make, or permit to be made, any unseemly or disturbing noises or disturb or interfere with occupants of the Building or any neighbouring buildings or those having business with them in any way. The Tenant shall keep all mechanical apparatus in the Demised Premises free of vibration and noise which may be transmitted beyond the Demised Premises.

15. Notice of Accident, Defects

The Tenant shall give immediate notice to the Landlord in case of fire or accident in the Demised Premises or of defects therein or to any fixtures or equipment thereon.

16. Emergency Contacts

The Tenant shall provide the Landlord with the names, addresses and telephone numbers of a authorized employee of the Tenant who may be contacted by the Landlord in the event of an emergency relative to the Demised Premises. Initially and until further notice from the Tenant the authorized employee of the Tenant is:

Attention: Scott Thompson

7452- 132nd Street.
Surrey, B.C.
V3W 4M7
Phone: (604) 501-5522

17. *Permits, Licenses*

The Tenant alone shall be responsible for obtaining, from the appropriate governmental authority or other regulatory body having jurisdiction, whatever permits, licenses or approvals as may be necessary for the operation of its business.

18. *Tenant's Work*

Any work to be performed at the Demised Premises by the Tenant or its contractors shall be first approved and then made strictly in accordance with the rules and regulations of the Landlord from time to time in respect of work by tenants within the Development. No Tenant shall mark, paint, drill into, or in any way deface any part of the Demised Premises or the Building. No boring, cutting, or stringing or wires shall be permitted, except with the prior written consent of the Landlord. No Tenant shall lay any floor covering, so that the same shall be attached to the floor of the Demised Premises without the prior consent of the Landlord.

19. *Further Rules and Regulations*

For the general benefit and welfare of the Development and the tenants therein, the Landlord may amend these rules and regulations, by alteration or addition, and such amended rules and regulations shall be binding on the Tenant.

The Landlord is not responsible to the Tenant for the non-observance or violation of these rules and regulations by other tenants.