



STAFF REPORT

DATE: October 23, 2020

FILE: 0550-04 Board

TO: Chair and Directors
Regional Board

FROM: Dave Leitch
Chief Administrative Officer

RE: BYLAW NO. 410 – CORPORATE OFFICE LEASE RENEWAL

PURPOSE/PROBLEM

To consider first 3 readings of Bylaw No. 410 which would authorize the Strathcona Regional District to enter into an agreement for renewal of the MNP LLP leasehold covering the second floor of the Regional District's corporate office in Campbell River.

EXECUTIVE SUMMARY

At its October 21, 2020 meeting the Board directed the preparation of a bylaw that would authorize the Regional District to renew the lease for the 2nd floor of its corporate office building. Based on that direction the attached bylaw has been prepared. The renewal would grant a leasehold covering the period June 1, 2021 to May 31, 2024 and would be renewable, at the tenant's option, for a further 3-year period.

Since the granting of a leasehold over Regional District property assets would be considered a disposition of public property, the Regional District is required under the *Local Government Act* to publicly advertise its intention to do so before executing the agreement. It is recommended that such public notification take place following third reading in accordance with the attached schedule.

RECOMMENDATIONS

1. THAT the report from the Chief Administrative Officer be received.
2. THAT Bylaw No. 410, being a bylaw to authorize renewal of a lease agreement for a portion of the Regional District's corporate office, be now introduced and read a first time.
3. THAT the rules be suspended and Bylaw No. 410 be given second and third readings.
4. THAT Bylaw No. 410 be returned to the Board for consideration of adoption following the public notification process.

Respectfully:

A handwritten signature in black ink, appearing to read "Dave Leitch", is written over a horizontal line.

Dave Leitch
Chief Administrative Officer

Schedule	Action
November 4, 2020	Regional Board gives first 3 readings to Bylaw No. 410, being Corporate Office Lease Agreement Authorization Bylaw 2020.
November 11, 2020	First publication of property disposition notice for Bylaw No. 410.
November 18, 2020	Second publication of property disposition notice for Bylaw No. 410.
November 27, 2020	Deadline for filing responses regarding Bylaw No. 410 with Regional District.
December 4, 2020	If no major issues Regional Board reconsiders and adopts Bylaw No. 410.
December 7, 2020	Lease renewal agreement executed by Regional District.
December 21, 2020	Lease renewal agreement executed by MNP LLP and Space Leasing Ltd.
June 1, 2021	Lease renewal becomes effective.

Prepared by: Tom Yates, Corporate Services Manager

Attachments: Bylaw No. 410



BYLAW NO. 410

A BYLAW TO AUTHORIZE RENEWAL OF A LEASE AGREEMENT FOR A PORTION OF THE REGIONAL DISTRICT'S CORPORATE OFFICE

WHEREAS the Regional District purchased its corporate office building in 2017 subject to pre-existing lease tenancies;

AND WHEREAS a portion of the Regional District's corporate office has been leased since June 1, 2006 to Myers Norris Penny LLP (now known as MNP LLP);

AND WHEREAS the lessee has requested that the lease be renewed for a period of 3 years with an option to renew the lease for an additional 3 year period;

AND WHEREAS the requirements of the *Local Government Act* with respect to the disposition of Regional District property have been met;

NOW THEREFORE the Board of Directors of the Strathcona Regional District, in open meeting assembled, enacts as follows:

Renewal Agreement Authorized

1. The Strathcona Regional District is hereby authorized to enter into a renewal agreement with MNP LLP and Space Leasing Ltd. concerning a lease of property legally described as Strata Lot 4 of District Lot 69, Sayward District, Strata Plan VIS3099 located at 990 Cedar Street in Campbell River, British Columbia.

Form and Substance

2. The lease renewal agreement referenced in Section 1 shall substantially comply in form and substance with that shown in Schedule 'A', attached to and forming part of this bylaw.

Pre-Existing Lease

3. For clarity, the pre-existing lease to which the renewal agreement applies is attached as Schedule 'B' to this bylaw.

Authority to Execute

- 4. The Chair and Corporate Officer shall have full authority to execute the lease renewal agreement following the coming into effect of this bylaw.

Effective Date

- 5. This bylaw shall take effect on the date of adoption.

Citation

- 6. This bylaw may be cited for all purposes as Bylaw No. 401, being Corporate Office Lease Renewal Agreement Authorization Bylaw 2020.

READ A FIRST TIME ON THE DAY OF , 2020

READ A SECOND TIME ON THE DAY OF , 2020

READ A THIRD TIME ON THE DAY OF , 2020

NOTICE OF DISPOSITION PUBLISHED ON THE AND DAYS OF , 2020

RECONSIDERED, FINALLY PASSED AND ADOPTED ON THE DAY OF , 2020

Chair

Corporate Officer

SCHEDULE A

THIRD (3rd) LEASE RENEWAL AGREEMENT

This lease renewal agreement is made on day of , 2020

Between: Landlord
Strathcona Regional District

And: Tenant
MNP LLP

And: Renewal Tenant
Space Leasing Ltd.

Regarding: Leased Premises
PID: 018-645-747
Strata Lot 4, District Lot 69, Sayward District, Strata Plan VIS3099
together with an interest in the common property in proportion to the
unit entitlement of the Strata Lot. Totalling 4,990.488 square feet.

Whereas:

- This Lease Renewal Agreement is an amendment to the Lease executed by the authorized signatories of the Landlord and Tenant on June 13th, 2006 and June 19th, 2006 respectively, and having an effective date of June 1st, 2006 (as may have been amended, the "Lease").
- The Landlord continues be the lawful registered owner of the Lands.
- The current Lease Renewal Agreement ends May 31, 2021.
- The Parties intend to renew the existing Lease Renewal Agreement at the Leased Premises.
- The Landlord agrees that the Tenant is in good standing under all terms and conditions under the Lease and is not under any form of Default.
- The Landlord and Tenant agree that the Landlord shall pay the Municipal Taxes directly and shall collect from the Tenant's proportionate share of the Municipal Taxes as per Section 7 of the Lease
- The Landlord agrees that the Tenant is permitted to transfer the Lease within its corporate control and governance.

Now Therefore:

The Lease shall be amended as follows with this Third Lease Renewal Agreement (the "Lease Renewal"). All other terms and conditions of the Lease shall remain unchanged and in full force.

1. Term

The Term of the Lease Renewal shall be a further **Three (3) years**, commencing on **June 1, 2021** and expiring on **May 31, 2024**.

2. Rent

The Renewal Tenant shall pay the Rent plus any applicable Sales Taxes (the "Rent") as provided in the Lease Renewal starting June 1, 2021, and monthly thereafter no later than the first day of each month, with final payment being May 1, 2024.

PSF / ANNUM	MONTHLY	ANNUALY
\$10.53	\$4,379.15	\$52,549.80

3. Transfer

As of the commencement date of this Lease Renewal, the Tenant hereby transfers and assigns all its obligations and rights under the Lease to its wholly owned subsidiary, the Renewal Tenant, and the Renewal Tenant hereby assumes the same. The Landlord hereby waives and releases the Tenant from all such obligations arising under the Lease and any renewals.

4. Fourth (4th) Lease Renewal

The Landlord agrees to grant to the Renewal Tenant a further right to Renew the Lease at the expiry of the First Lease Renewal Agreement for **up to an additional Three (3) year Term** (the "Fourth Lease Renewal") under the same conditions as set out in the Lease. The Renewal Tenant shall notify the Landlord of its intent to renew the Lease **not less than six (6) months** before the expiry of this Lease Renewal.

Agreed:

The Parties accept and agree to the terms of this Lease Renewal and are authorized to act on their behalf.

LANDLORD: Strathcona Regional District

Per (signed) _____ Date _____

Name (print) _____ Title _____

Per (signed) _____ Date _____

Name (print) _____ Title _____

I / we have authority to bind the Company

TENANT: MNP LLP

Per (signed) _____ Date _____

Name (print) _____ Title _____

I / we have authority to bind the Company

RENEWAL TENANT: SPACE LEASING LTD.

Per (signed) _____ Date _____

Name (print) _____ Title _____

I / we have authority to bind the Company

SCHEDULE B

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TERMS OF INSTRUMENT - PART 2

WHEREAS the Lessor is the registered owner of ALL AND SINGULAR that certain parcel or tract of land, premises, improvements and buildings situate, lying and being, in the District of Campbell River, in the Province of British Columbia, being more particularly known and described as:

PID: 018-645-747
Strata Lot 4, District Lot 69, Sayward District, Strata Plan VIS3099
together with an interest in the common property in proportion to the
unit entitlement of the Strata Lot as shown on Form 1

(the "Leased Premises")

WITNESSETH that in consideration of the rents, covenants and agreements hereinafter contained on the part of the Lessee to be paid, observed and performed:

1. The Lessor hereby demises and leases unto the Lessee the Leased Premises, measuring 4,992 square feet, together with the right in common with other Lessees, their customers and persons having business with the said Lessee, to use the common hallways, handicapped washrooms, janitor rooms and roof deck areas located in the building of which the Leased Premises forms a part ("Building");
2. TERM: TO HAVE AND TO HOLD the Leased Premises for and during the term of **Five (5) years** from the **1st day of June, 2006** until the **31st day of May, 2011**, to be occupied continuously during the whole of the said term.
3. RENT: YIELDING AND PAYING THEREFOR in lawful money of Canada unto the Lessor at Campbell River, British Columbia (or at such agent or agents, at such place or places as the Lessor shall designate from time to time in writing), a minimum rental over the term of **\$262,080.00** plus Goods and Services Tax, payable in equal consecutive monthly instalments of **\$4,368.00** plus Goods and Services Tax each, commencing the **1st day of June, 2006**.

All payments to be payable on the **1st** day of each month in advance and without deduction.

4. ADDITIONAL MONTHLY PAYMENTS:
 - (a) "**Common areas**" means pedestrian sidewalks, hallways, corridors, stairways and ramps, electrical, telephone, meter, mechanical and janitor rooms, handicapped washrooms all of which are located in the Building including the deck area located on roof of Building, but excluding the roof systems, supporting structures, columns, beams and outside walls of

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the Building;

- (b) "**Common facilities**" means the electrical, plumbing, drainage, mechanical (including elevator) and security systems servicing the whole of the Building and shall include the cost of heat pump repairs and maintenance servicing all of the leased premises in the Building.
- (c) "**Insurable Hazard**" means fire and such other perils for which insurance is available and which in the opinion of the Lessor acting in a commercially reasonable manner should be protected by insurance.
- (d) "**Common Area Maintenance Cost**" means the total, without duplication, of the expenses incurred by the Lessor for operating, maintaining, repairing and replacing the Common facilities and the Common Areas of the Building and shall, without limiting the generality of the foregoing include the aggregate of:
 - (i) the cost of repairs, maintenance and such replacements to the Common Areas and the Common facilities as are properly chargeable in accordance with generally accepted accounting practice to operating expenses, as distinguished from capital replacements or improvements;
 - (ii) all premiums paid by the Lessor for insurance against Insurable Hazards in respect of the Building;
 - (iii) the expense for gardening, landscaping and the removal of snow around and adjacent to the Building;
 - (iv) the cost of electrical power furnished to the Common Areas and Common Facilities;
- (e) The Lessee shall pay to the Lessor by monthly instalments as additional rent for each lease year or part thereof a sum equal to 36.70% of the Common Area Maintenance Cost.
- (f) The Lessor shall keep a record of Common Area Maintenance Cost and deliver a copy to the Lessee at the end of each calendar year. The additional rent referred to in this paragraph shall be paid by monthly instalments in an amount estimated by the Lessor on the basis of the last available statement of Common Area Maintenance Costs and the Lessor shall notify the Lessee in writing of such amount prior to the payment date for such rent. If in any calendar year the Lessee's share of such costs exceeds the amount already paid, the Lessee shall, upon demand in writing by the Lessor and upon the Lessor

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providing a statement providing in reasonable detail the excess costs, pay the amount of such deficiency. If in any calendar year the amount paid by the Lessee exceeds the Lessee's share, such excess shall be credited by the Lessor as an advance payment for the next calendar year and the Lessor shall advise the Lessee in writing of such excess and credit. If this Lease shall commence other than on the 1st day of January and terminate or otherwise be determined other than on the 31st day of December, the amounts payable by the Lessee in accordance with this paragraph shall be apportioned accordingly.

5. PAY RENT, BUSINESS TAX AND UTILITIES: The Lessee covenants and agrees with the Lessor to pay rent, all business and equipment taxes and licence fees from time to time levied against or payable in respect of the occupancy of the Leased Premises by the Lessee, and all or any sublessee, concessionaires and licensees of the Leased Premises, and also to pay all rates and charges for heating, water, gas, electric light and/or power, sewer and telephone supplied to or used on the Leased Premises, including the cost of replacing filters for the heat pumps serving the Leased Premises.
6. RIGHT TO INSTALL SERVICES: Subject to the provisions of paragraph 27, the Lessor and any person authorized by the Lessor, shall have the right to install, maintain and/or repair pipes, wires, ducts or other installations in, under or through the Leased Premises for or in connection with the supply of any services to the Leased Premises or to the Building and other tenants located there. Such services shall include, without limiting the generality of the foregoing, heat, water, gas, electric light and/or power, ventilation, sewer and telephone.
7. TAXES:
 - (a) "**Municipal Taxes**" means the aggregate of all taxes, local improvements, or similar rates, duties, assessments and/or charges, municipal realty taxes, water taxes, school taxes, or any other taxes rates, duties, assessments both general or special, or any rate, duty, assessment, charge or tax levied, charged or assessed in lieu thereof, levied or imposed upon or in respect of the Building by any Taxing Authority, together with all costs and expenses (including legal and other professional fees and interest and penalties on deferred payments) incurred by the Lessor, in good faith contesting or appealing any such taxes, levies, rates or assessments or charges levied in lieu thereof, including business taxes (if any) charged on the Common Areas.
 - (b) "**Taxing Authority**" means any duly constituted governmental authority whether federal, provincial, municipal or otherwise legally empowered to impose taxes, rates, assessments or charges on, upon or in respect of the said Building.
 - (c) The Lessee will, upon demand, pay to the Lessor as additional rent a sum equal to 36.70% of the Municipal Taxes levied on the Building in each year, provided that the

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Lessor delivers to the Lessee a statement containing particulars of the taxes levied and the Lessee's share of such taxes. If this Lease shall commence other than on the 1st day of January and terminate or otherwise be determined other than on the 31st day of December, the amounts payable by the Lessee in accordance with this paragraph shall be apportioned accordingly. The additional rent referred to in this paragraph shall be paid by monthly instalments in an amount estimated by the Lessor on the basis of the last available statement of Municipal Taxes and the Lessor shall notify the Lessee in writing of such amount prior to the payment date for such rent.

- (d) The Lessee will, in addition, pay any tax, assessment, rate or charge that may be levied, assessed or charged on the rent payable hereunder by any taxing authority including but not limited to a multi-stage tax, value-added tax, business transfer tax, federal sales or goods and services tax and any increase or increases in such tax.

3. REPAIRS: The Lessee covenants with the Lessor to repair the Leased Premises, reasonable wear and tear and damage by fire, lightning, tempest, earthquakes, riots, floods, explosions, war, vibrations and other Acts of God or damage due to inherent defects in the roof supporting structure or exterior walls of the Building only excepted, and the Lessor may enter and view the state of repair, and the Lessee will repair according to notice in writing. If the Lessee neglects to repair after being so notified, the Lessor may enter upon the Leased Premises and make such repairs and may recover the costs thereof as rent from the Lessee. The Lessee shall replace any broken or cracked plate-glass on the Leased Premises which occurred during the term or any renewal thereof.

9. SURRENDER OF PREMISES AND TENANT'S FIXTURES:

- (a) At the expiration of the term hereby granted or any renewal thereof, the Lessee shall surrender the Leased Premises in a clean condition and in good and substantial repair, reasonable wear and tear and damage by fire, lightning, tempest, earthquakes, riots, floods, war, explosions, vibrations and other Acts of God or damage due to inherent defects in the roof, floor systems or exterior walls of the Leased Premises only, excepted, and shall surrender all keys for the Leased Premises to the Lessor.
- (b) The Lessor agrees that the Lessee may install in or upon the Leased Premises such lighting, wall shelving, wall cupboards, work stations, portable partitions and other movable business fixtures as it may require for its business therein and the same shall remain the property of the Lessee, and the Lessee, not being in default, shall have the right to remove the same during or forthwith after the term hereby granted or any renewal thereof and shall repair any damage caused thereby. Subject to the foregoing, the Lessee shall not make structural alterations or additions to the Leased Premises, nor install any plumbing, piping, wiring or heating apparatus therein without the prior written consent of

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the Lessor. If the Lessee, with the consent aforesaid, makes any such structural alterations, additions or installations upon the Leased Premises, such alterations, additions or adjustments shall be and remain the property of the Lessor and shall not be removed by the Lessee during or after the term hereby granted or any renewal thereof.

10. ASSIGNMENT OR SUB-LETTING: The Lessee covenants with the Lessor that:

(a) In this section:

“Control” and its grammatical variations mean, in reference to a person, having directly (or indirectly through one or more successively controlled other persons) the ultimate ability to exercise or to control and direct the exercise of sufficient voting power to elect a majority of the person’s board of directors or equivalent governing body.

“Permitted Transferee” means any of the following:

(i) a person which is directly or indirectly controlled by all or any of the constituent partners of the Lessee, including but not limited to the following:

MNP Management Co., Meyers Norris Penny Limited, Meyers Norris Penny Management Services Ltd., MNP Tax & Business Services Inc., Tamarack Group Ltd., 101040565 Saskatchewan Ltd./Operating as Prairie West Accounting, Space Holdings Ltd., Heritage Computer Services Ltd. and C-A Holdings Ltd.

(ii) any person succeeding to all or substantially all of the Lessee’s business and practice, whether by merger, sale of assets, dissolution or otherwise;

(iii) a person in which the Lessee has invested time, management or capital, but only in relation to not more than 1,000 square feet of the Rentable Area of the Leased Premises.

(b) The Lessee may assign its interest or sublease all or any portion of the Leased Premises to a Permitted Transferee, without the Lessor’s consent, provided however that the Lessee shall not be relieved of its obligations under the Lease in respect of any assignment or subletting hereunder.

(c) Except as otherwise provided herein:

(i) the rights of the Lessee under this Lease shall not be transferred, assigned, sold or mortgaged and the Lessee shall not sublet the whole or any part of the Leased Premises nor grant any concession or licence within or with respect to the Leased

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Premises to any party nor permit any business to be operated from within the Leased Premises by any concessionaire or licensee without, in any case, first obtaining the prior written consent of the Lessor, which consent shall not be unreasonably or arbitrarily withheld PROVIDED HOWEVER, the Lessor may refuse to give its consent to an assignment or subletting of the Leased Premises if the proposed assignee's or sub-tenant's use of the Leased Premises would be either directly or indirectly in competition with the business of any other Tenant occupying the Building or any part of it. Notwithstanding any such consent being given by the Lessor and such transfer, assignment, sale or subleasing being effected, the original Lessee hereunder shall remain bound to the Lessor for the fulfilment of all of its obligations hereunder; and

- (ii) if the Lessee is a private corporation or is not a reporting corporation and if by the sale or other disposition of its securities, the control or the beneficial ownership of such corporation is changed at any time after the execution of this Lease or during the term, the Lessor may, cancel this Lease and the term hereby granted upon the giving of sixty (60) days notice to the Lessee of its intention to cancel and this Lease and the term granted shall thereupon be cancelled.

11. USE AND CONDUCT OF BUSINESS:

- (a) The Leased Premises shall not be used for any purpose other than as an Accountants office subject however to the provisions of paragraph 10 hereof. The Lessee shall use its best efforts to retain the Leased Premises as a "smoke-free" area.
- (b) The Lessee covenants that it will carry on and conduct all business on the Leased Premises in such a manner as to comply with, and shall not do anything upon the Leased Premises in contravention of any applicable Statute, By-Law, rule and regulation of any Federal, Provincial, Municipal or other competent authority for the time being in force, including all environmental laws and regulations and that the Lessee will not use, exercise or carry on, or permit or suffer to be used, exercised or carried on, in or upon the Leased Premises, or any part thereof, any noxious, noisy or offensive art, trade, business, occupation, activity or calling, or keep, sell, use, handle or dispose of any merchandise, goods or things which the Lessor, acting reasonably, may, for any reason, deem objectionable, or by which the Leased Premises or any building thereon shall be injuriously affected, and no act, matter or thing whatsoever shall, at any time during the said term or any renewal thereof, which is or may be to the annoyance, nuisance, grievance, damage or disturbance of the occupiers of the adjoining premises.
- (c) The Lessee shall observe, obey and conform to, and cause all others under the Lessee's control, to obey and conform to, all rules and regulations from time to time made by the

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Lessor for the good conduct and management of the Building and for the maintenance of good relations with the public.

- (d) No animals of any kind shall be kept or permitted on the Leased Premises at any time.
12. SIGNS: No sign(s) or advertising material may be erected or displayed without the prior written consent of the Lessor. The Lessor hereby agrees to continue to permit all existing exterior signage (if any) and any signage which displays the name of the Lessee in or about the Leased Premises.
13. ABUSE OF PLUMBING, WALLS, ETC.: Sinks, toilets and urinals shall not be used for any other purpose other than that for which they were constructed and the cost of repairing any breakage, stoppages or damage resulting from the Lessee's misuse shall be borne by the Lessee. The Lessee shall not, without the prior written approval of the Lessor, nor shall its employees or agents, save as provided in paragraphs 9 or 12, mark, drill, or in any way deface any walls, ceilings, partitions, floors, wood, stone or ironwork.
14. PERSONAL OR CONSEQUENTIAL INJURY:
- (a) The Lessor shall not be liable nor responsible in any way for any personal, consequential, direct or indirect injury of any nature whatsoever that may be suffered or sustained by the Lessee or any employee, agent, invitee or licensee of the Lessee, or any person who may be upon the Leased Premises or for any loss of or damage or injury to any property of the Lessee or of any of its employees, agents, invitees or licensees or to any other person while such property is on the Leased Premises, and, in particular, but without limiting the generality of the foregoing, the Lessor shall not be liable for any damage of any nature whatsoever to any such property caused by lack of adequate drainage or snow or ice removal, interruptions of any public utility or service, or by leaks of steam, water, rain or snow from any part of the Premises or for any damage caused by anything done or omitted by any Lessee and the Lessee shall not be entitled to any abatement of rent in respect thereto, and the Lessee shall indemnify the Lessor against all loss, costs, claims or demands in respect thereto.
- (b) This paragraph shall not relieve the Lessor from any responsibility or liability for injury or damage aforesaid which is caused by the negligence of the Lessor, its agents or employees. The Lessee shall be entitled to an abatement of rent in respect of any such condition, failure or interruption of service caused by the negligence of the Lessor, its agents or employees.
- (c) The Lessee covenants with the Lessor that it will take out, and keep in force during the Term, insurance upon all glass and plate glass in the Leased Premises, and standard fire
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insurance with extended coverage or additional perils supplemental contract, including sprinkler leakages (if applicable) on the stock-in-trade, furniture, fixtures, improvements and all other contents of the Leased Premises to the full insurable value thereof, and public liability in an amount of not less than \$2,000,000.00, with insurers acceptable to the Lessor. Each such policy shall name the Lessor as an additional insured as its interest may appear. The cost or premium for each and every such policy shall be paid by the Lessee. The Lessee shall obtain from the insurers under such policies, undertakings to notify the Lessor in writing, at least ten days prior to any cancellation thereof. The Lessee agrees to provide the Lessor with written evidence of the existence of insurance policies described herein upon the demand of the Lessor.

15. INDEMNITY BY LESSEE: The Lessee will indemnify the Lessor against all fines, suits, claims, demands and actions of any kind or nature for which the Lessor becomes liable by reason directly or indirectly of any breach, violations or non-performance by the Lessee of any covenant, term or provision hereof, or by reason of any injury occasioned to or suffered by any person or persons, or any property by reason of any act, neglect or default on the part of the Lessee or any of the Lessee's employees or by reason of any other matter or thing of any nature whatsoever during the occupation by the Lessee of the Leased Premises, unless such injury shall be caused by the negligence of the Lessor, its agents or employees.
16. ACCESS FOR RE-LETTING: The Lessor may during the Sixty (60) days immediately preceding the expiry or termination of the term hereby granted or any renewal thereof, and upon providing not less than 2 days prior notice, enter and show the Leased Premises at all reasonable hours for the purpose of offering the same for lease.
17. INSURANCE NOT TO BE AFFECTED: The Lessee will not use or allow the Leased Premises to be used, for any purpose by which insurance rates on the Building, including the Leased Premises, shall be materially increased or adversely affected or impaired.
18. QUIET ENJOYMENT: The Lessor covenants with the Lessee for quiet enjoyment.
19. LESSOR TO MAINTAIN: The Lessor covenants with the Lessee to repair and maintain the roof, exterior walls, supporting structure of the Building and generally to keep, repair and maintain the Building as a first class property.
20. OPTION TO RENEW:

The Lessee, not being in default hereof, shall be entitled to a renewal hereof for a further term of **five (5) years** (the "Renewal") on the same terms and conditions as are contained in this lease, except this clause for renewal and the rental hereinbefore provided but the rent payable under such renewal shall be at a rate mutually agreed upon by the parties hereto and if agreement is not

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reached prior to **three (3) months** before the commencement of the renewal term, the rent shall be fixed by a single agreed arbitrator, or failing such agreement, by three (3) arbitrators acting pursuant to the provisions of the *Commercial Arbitration Act* of British Columbia but in no event shall the minimum rent for such renewal term be set at a rate less than the rent being charged for the previous five year term granted herein. In the event that the Lessee shall exercise this right of renewal, it shall be a condition precedent to the exercise of such right that the Lessee deliver to the Lessor a notice in writing no later than **ninety (90) days** prior to the expiration of the term hereof indicating its intention so to renew.

21. WARRANTIES AND CONDITIONS: The entire agreement between the parties hereto is set forth herein and the Lessee acknowledges that it has examined the Leased Premises and that no representations, warranties or conditions have been made other than those expressed or implied herein, and that no agreement collateral hereto shall be binding upon the Lessor unless it be made in writing and signed by the Lessor.

22. NOTICES: Any notice hereunder by the Lessee shall be in writing and sufficiently given if delivered or mailed to Lessor at:

990 Cedar Ltd.
#101 - 990 Cedar Street
Campbell River, British Columbia
V9W 7Z8

or such other place as the Lessor may designate in writing from time to time, and any notice herein provided or permitted to be given by the Lessor to the Lessee shall be in writing and sufficiently given if delivered or mailed to the Lessee at:

Meyers Norris Penny LLP
#201 - 990 Cedar Street
Campbell River, British Columbia
V9W 7Z8

and also to:

Meyers Norris Penny LLP
715 - 5th Avenue, SW #700
Calgary, Alberta
T2P 2X6
Attention: Executive VP of Operations
Fax: (403) 444-0198

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Any such notice given as aforesaid shall be conclusively deemed to have been given on the day on which such notice is delivered, or the next business day following the day on which such notice is mailed, as the case may be. Notice shall be deemed to include any requests, statements or other communications referred to in this lease.

23. NON-PAYMENT OF RENT, BANKRUPTCY, ETC.:

- (a) If:
- (i) the rents hereby reserved or any part thereof are not, even without formal demand being made therefor, duly paid on the day appointed for payment thereof;
 - (ii) there is default or breach or non-performance of any of the material covenants or material agreements herein on the part of the Lessee;
 - (iii) the Leased Premises are vacant or unoccupied for thirty (30) consecutive days;
 - (iv) the term hereof is seized or taken in execution or attachment;
 - (v) the Lessee makes an assignment for the benefit of creditors or becomes bankrupt or insolvent and takes the benefit of any Act that may be in force for bankrupt or insolvent debtors:

then the current rent together with three (3) months' additional rent (or if there is less than 3 months remaining in the term or any renewal term, then rent for the balance of such term or renewal term, shall immediately become due and payable and the said term shall, at the option of the Lessor, be immediately terminated and the Lessor may at any time thereafter, without due process of law, enter upon the Leased Premises or any part thereof, in the name of the whole, and again have, repossess and enjoy the Leased Premises as of the Lessor's former estate therein, and in that event, the Lessor may require the Lessee or any person or persons occupying the Leased Premises to vacate and allow the Lessor to regain possession without prejudice to any remedies available to the Lessor hereunder.

- (b) Notwithstanding any notice or suit, the Lessor may receive and collect any rent due and the payment of said rent shall not waive or affect any such notice or suit.
- (c) The Lessee shall pay to the Lessor all expenses incurred by the Lessor relating to its recovery of possession or rent and relating to all loss, costs, claims or demands which result from any breach of this Lease by the Lessee, which expenses shall include legal costs, as between a solicitor and his own client.

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- (d) The Lessee shall pay interest on all overdue rent or other charges payable hereunder at the rate of 12% per annum, but, however, if the Lessee fails to pay the percentage of Municipal Taxes pursuant to clause 7(c) hereof when demanded by the Lessor, and as a result a penalty becomes payable by the Lessor, the Lessor shall pay as additional rent a sum equal to 36.70% of the said penalty.
24. DESTRUCTION BY FIRE: If the Leased Premises are destroyed by fire, lightning, tempest, riots, floods, explosions, vibrations or war, or are partially destroyed by any such cause, then the Lessor may rebuild or make the Leased Premises fit for the purpose of the Lessee's business, in which case the rent hereby reserved or a proportionate part thereof, according to the nature and extent of the destruction, shall abate and all or any remedies for recovery of the said rent or such proportionate part thereof, shall be suspended until the Leased Premises shall have been rebuilt or made fit for the purposes of the Lessee. Instead of rebuilding, the Lessor may, within sixty (60) days after such destruction, forthwith terminate this Lease on notice in writing to the Lessee and the Lessor may thereupon recover the rent due and accruing due up to the time the Leased Premises so became unfit.
25. EXEMPTION RE DISTRESS: To the extent permitted by law, the Lessee hereby waives and renounces all claims to the benefit of any statutory provisions now or hereafter in force in favour of the Lessee, granting exemption from distress, and agrees that, notwithstanding any such provision, all the Lessee's goods and chattels situated in the Leased Premises may be seized and sold, or such part thereof as may be necessary for payments of rent hereby reserved, including accelerated rent, if any, or for taxes and costs, as would in the absence of such statute, be subject to distress.
26. OVERHOLDING: If the Lessee continues to occupy the Leased Premises with the consent of the Lessor after the expiration of this Lease, without any further written agreement, the Lessee shall be a monthly tenant, at a monthly rental equal to the monthly rental or the percentage rent, if applicable, whichever shall be the greater under the Lease or the last renewal thereof and otherwise on the terms and conditions set out herein.
27. REPAIRS BY LANDLORD: When necessary by reason of accident or other cause or in order to make any repairs or alterations or improvements in or relating to the Leased Premises or to other portions of the Building, the Lessor shall be entitled to cause such reasonable and temporary obstruction of the Building, including the Leased Premises as may be reasonably necessary and to interrupt or suspend supply to the Leased Premises of gas, electricity, water and other services, where necessary, and until said repairs, alterations or improvements have been completed. There shall be no abatement in rent because of any such obstruction, interruption or suspension PROVIDED THAT such repairs, alterations or improvements are made as expeditiously as is reasonably possible. Nothing in this paragraph shall be construed so as to impose upon the Lessor any duty to repair, unless the same is specifically set forth elsewhere in

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this Lease.

28. ASSIGNMENT BY LESSOR: In the event of assignment by the Lessor of this Lease and to the extent that the assignee of the Lessor has assumed the covenants and obligations of the Lessor, the Lessor shall, without further agreement, be entitled to be released, freed and relieved from all liability under such covenants and obligations and the Lessee shall accordingly execute all such necessary releases. The Lessee shall from time to time, at the request of the Lessor, certify or acknowledge to any mortgagee or assignee, or proposed mortgagee or assignee, as to the status and validity of this Lease and the state of accounts between the Lessor and the Lessee.
29. NO AGENCY OR PARTNERSHIP CREATED: Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rent nor any other provision contained herein, nor any acts of the parties herein shall be deemed to create any relationship between the parties other than the relationship of Lessor and Lessee.
30. LANDLORD'S RIGHT TO PERFORM: If the Lessee fails to perform any of the covenants or obligations of or imposed upon the Lessee by the provisions of this Lease and fails to remedy such default within ten (10) days of receipt of notice from the Lessor, or if such default is not capable of being remedied within ten(10) days, and the Lessee fail to commence to remedy the default within such ten(10) day period, the Lessor may from time to time without detracting from any other right conferred by this Lease, perform or cause to be performed, any of such covenants or obligations, or any part thereof and for such purpose may do such things as may be requisite, including, without limiting the generality of the foregoing, entering upon the Leased Premises and doing such things upon, or in respect of the Leased Premises or any part thereof as the Lessor may consider requisite, necessary or advisable. All expenses incurred and expenditures made by or on behalf of the Lessor under this paragraph, shall be forthwith paid by the Lessee, and if the Lessee fails to pay the same, the Lessor may add the same to the rent and recover the same by all remedies available to the Lessor for the recovery of rent in arrears.
31. LEASE POSTPONED TO MORTGAGES: This Lease is subject to all mortgage or deeds of trust which now or at any time hereafter affect the Building in whole or part and whether or not any such mortgages or deeds of trust are blanket mortgages or deeds of trust affecting other premises as well. This Lease shall also be subject to all supplemental deeds of trust, renewals, modifications, consolidations, replacements and extensions of any of such mortgage or deed of trust. In confirmation of such subordination, the Lessee shall, upon request by the Lessor, promptly execute any instruments, certificates or instruments of postponement which may from time to time be required to give effect thereto in which the Lessee will agree with the Mortgagee that if the Mortgagee becomes a Mortgagee in possession or takes action to realize its security, the Lessee will attorn to the Mortgagee as a tenant upon all terms of this Lease and the Lessor

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shall, at the request of the Lessee, obtain from the holder of every mortgage having priority to this Lease, an agreement satisfactory to the Lessee (acting reasonably) whereby any such holder shall agree with the Lessee that, notwithstanding any default under such mortgage by the mortgagor or any foreclosure of the interest of the mortgagor or the enforcement by the holder of any rights or remedies under such mortgage, this Lease shall continue in full force and effect and the Lessee shall be permitted to remain in quiet possession of the Leased Premises throughout the term of this Lease and any renewal thereof so long as the Lessee is not in default (beyond any period given to cure such default) in the performance or observance of any of the covenants, terms, conditions, provisos and agreements contained herein on its part to be performed or observed.

32. PROPERTY LAW ACT NOT TO APPLY: The parties hereto agree that the Property Law Act, R.S.B.C. 1979, Chapter 340, shall have no application to this Lease, insofar as it requires the Lessor to deliver this Lease in registerable form under the *Land Title Act*.
33. EXPROPRIATION: If the whole or any part of the Leased Premises shall be taken by any public authority by expropriation or under the power of eminent domain, the term hereby granted shall thereupon cease insofar as such expropriation or power covers the Leased Premises so taken, from the day possession shall be taken and the Lessee shall be liable only for rent in respect of the Lease Premises so taken up, to the day of the taking thereof, and if less than the whole be so taken, the Lessor may, at its option, cancel and terminate this Lease with respect to the remainder of the Leased Premises, but notice of such cancellation must be given to the Lessee with thirty (30) days after notice of such taking has been received by the Lessor, but if the Lessor shall not elect to cancel this Lease, the Lessee shall remain in possession of the remainder of the Leased Premises and the rent thereof shall be reduced proportionately, according to the remaining floor space. All compensation or damages awarded in respect of such taking of the Leased Premises and any diminution in value of the remainder thereof, shall be the property of the Lessor.
34. INTERPRETATION: Words importing the singular number only shall include the plural and words importing persons shall include firms and corporations. Unless the context otherwise requires, the words "Lessor" and "Lessee" shall be construed to include their respective successors and permitted assigns, and if any of the Lessor or the Lessee is not a corporation, shall include heirs, executors and administrators. The capitalized sub-headings are for reference only, and shall not affect the interpretation thereof. If any clauses or parts of a clause shall be held by a competent Court to be invalid or unenforceable, such clause or clauses shall to such extent be severed.
35. ELECTRONIC PRE-AUTHORIZED PAYMENTS: The Lessee shall arrange to make all payments due the Lessor under the terms of this Lease, or any renewal thereof, by way of a pre-authorized electronic debiting of a bank account designated by the Lessee for the electronic

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crediting to a bank account designated by the Lessor.

36. RIGHT OF FIRST REFUSAL: Notwithstanding anything herein contained, the Lessor agrees that at any time during the term of this lease or any renewal thereof, it will forthwith notify the Lessee in writing if any additional leasehold premises forming part of the Building becomes available for rent. The Lessee shall have a period of **ten (10) days** from the receipt of such written notice within which to notify the Lessor in writing of its intention to take such additional leasehold premises and if the Lessee so notifies the Lessor, then the Lessor shall prepare a Lease for such additional leasehold premises at a rental mutually agreed to between the Lessor and Lessee herein, for a term to run concurrent with the term herein granted and upon the same terms and conditions as are contained herein, except for the Painting Allowance and the rental rate. If the parties fail to agree on the rental for the additional leasehold premises within **ten (10) days** of the Lessor receiving the Lessee's notice herein, such matter shall be referred to arbitration as provided for herein.
37. PAINING ALLOWANCE: On execution of this Lease, the Lessor will provide to the Lessee a cheque in the sum of **\$650.00 plus Goods and Services Tax**, which will be applied by the Lessee towards the cost of painting the Leased Premises.
38. COMPETITION CLAUSE: The Lessor covenants with the Lessee that at no time during the term of this lease shall it allow or permit the Building or any part thereof to be leased or occupied by any tenant, business, businesses or undertaking that would either directly or indirectly be in competition with the Lessee's business or undertaking.

END OF DOCUMENT