

# Memo



**Date:** January 18, 2011  
**File:** 1140-50  
**To:** City Manager  
**From:** Manager, Property Management  
**Subject:** Lease Renewal - Rutland Health Unit (155 Gray Road)

Report Prepared by: T. Abrahamson, Property Officer

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## **Recommendation:**

THAT Council approve the City entering into one (1) five (5) year term lease renewal with the Province of British Columbia Minister of Citizen's Services for the Rutland Health Unit, with no further right of renewal, in the form attached to the Report of the Manager, Property Management, dated January 18, 2011;

AND FURTHER THAT the Mayor and Clerk be authorized to execute all documents associated with the Lease Agreement.

## **Purpose:**

To enter into a 5-year lease renewal with the Province of British Columbia for the existing Rutland Health Unit.

## **Background:**

The City purchased the southeast corner of Gray Road in 1974 for a future park site. The building on the property has been occupied by the Rutland Health Unit since 1990 and is operated by the Province of British Columbia, Minister of Citizens' Services as represented by BLJC Workplace Solutions Inc. (formerly BC Building Corporation).

The lease was renewed in 1995, 2000 and 2005. The 2010 renewal lease is based on the same terms and conditions of the previous lease with the exception that the tenant is now responsible for all capital, maintenance and operating costs in consideration of no increase to the base rental rate. The tenant has requested upgrades to the building and grounds, however, uncertainties surrounding the length of tenancy do not justify expending large sums on this building. In lieu of any capital outlay to this ageing building, staff recommend that the current lease rate of \$8.75/sq.ft. be maintained for the renewal term.

The proposed lease renewal contains an early termination provision which allows both the landlord and tenant to terminate the lease with six (6) months notice providing flexibility to both parties. The proposed lease renewal meets with the City's commercial leasing practice and does not contradict any legal or statutory requirements.

A handwritten signature in black ink, appearing to be a stylized 'A' or 'T'.

**Financial/Budgetary Considerations:**

This lease renewal is for one (1) five (5) year term commencing July 1<sup>st</sup>, 2010, at a rate of \$53,768.76 per annum (\$268,843.80 per term) plus HST.

**Internal Circulation:**

Manager, Parks & Public Places  
Manager, Risk Management

**Legal/Statutory Authority:**

Section 26(3) of the Community Charter

**Legal/Statutory Procedural Requirements:**

Disposition must be published in a weekly newspaper for two (2) consecutive weeks and posted on the public notice posting place

**Considerations not applicable to this report:**

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

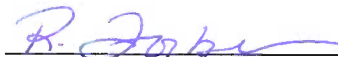
External Agency/Public Comments:

Community & Media Relations Comments:

Alternate Recommendation:

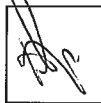
In light of the above, the Property Management branch of the Real Estate & Building Services department request Council's support of this lease agreement.

Submitted by:



Ron Forbes, Manager  
Property Management

Approved for inclusion:



Doug Gilchrist, Director, Real Estate & Building Services

cc: K. Grayston, Director, Financial Services  
T. Barton, Manager, Parks & Public Places  
L. Kayfish, Manager, Risk Management



**INDENTURE OF LEASE**

**Lease No. L381**

**BETWEEN**

City of Kelowna  
1435 Water Street  
Kelowna, British Columbia V1Y 1J4

**OF THE FIRST PART**  
(Landlord)

**AND**



HER MAJESTY THE QUEEN IN RIGHT OF THE  
PROVINCE OF BRITISH COLUMBIA, as  
represented by the Minister of Citizens' Services

**OF THE SECOND PART**  
(Tenant)

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**LEASE**

**THIS LEASE** dated for reference \_\_\_\_\_, 201\_\_

**BETWEEN**

City of Kelowna  
1435 Water Street  
Kelowna, British Columbia V1Y 1J4

**OF THE FIRST PART**

**AND**



HER MAJESTY THE QUEEN IN RIGHT OF  
THE PROVINCE OF BRITISH COLUMBIA, as  
represented by the Minister of Citizens' Services

(the "Tenant")

**OF THE SECOND PART**

**WHEREAS:**

- A. The Landlord is the registered owner of the Land (as defined in Schedule B) upon which the Building (as defined in Schedule B) is or will be situated.
- B. The Landlord has agreed to lease a portion of the Building upon the terms and conditions hereinafter set forth.

Therefore, in consideration of the rents, covenants, agreements and conditions contained herein, the parties agree as follows:



**ARTICLE 1**  
**BASIC TERMS, SCHEDULES AND DEFINITIONS**

**1.1 BASIC TERMS**

- (a) Landlord: City of Kelowna  
Address of Landlord: 1435 Water Street  
Kelowna, British Columbia  
V1Y 1J4  
Address for Service (if different than that set out immediately above):  
Facsimile No.: 250-862-3312
- (b) Tenant: HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, as represented by the Minister of Citizens' Services  
Address of Tenant: 3350 Douglas Street  
Victoria, British Columbia  
V8Z 3L1  
Facsimile No.: 250 952-8288
- (c) Land: Lot 2, Section 23, Township 26, ODYD, Plan 13886  
Municipal Address: 155 Gray Rd.  
Rutland, British Columbia  
Total Rentable Area: Approximately 9,612 square feet
- (d) Premises: That portion of the Building shown outlined in red or in heavy black on Schedule A and located on the Main and Basement floors of the Building
- (e) Rentable Area of Premises: Approximately 9,612 square feet of which 6,145 square feet of office space is located on the Main floor of the Building, and 3,467 square feet of office space is located on the Basement floor of the Building.
- (f) Term: Five (5) years and such additional days as are required in order for the Term to end on the last day of the month in which the fifth (5th) anniversary of the Commencement Date occurs.
- (g) Commencement Date: The 1<sup>st</sup> day of July, 2010.
- (h) Annual Base Rent:

Type of Space	Term In Years	\$ per square foot of Rentable Area per annum	Annual Payment	Monthly Payment
office	1 through 5	\$0.00	\$0.00	\$0.00
office	1 through 5	\$8.75	\$53,768.75	\$4,480.73

(i) Rent Commencement Date: July 1<sup>st</sup>, 2010

(j) Base Year (Taxes): - DELETED

(k) Base Year (Operating Costs): - DELETED

(l) Tenant's Share of Operating Costs for first Term Year: - DELETED

(m) Renewal Terms: - DELETED

(n) Parking:

# of Designated Stalls	15	Price Per Stall Per Month	\$0.00
# of Disabled Stalls	1	Price Per Stall Per Month	\$0.00
# of Random Stalls		Price Per Stall Per Month	
# of Secured Stalls		Price Per Stall Per Month	

(o) Landlord's Designated Payee: City of Kelowna

Address of Payee: 1435 Water Street  
Kelowna, British Columbia V1Y 1J4  
Ron Forbes

(p) Landlord's Property Management Representative:

Telephone No.: 250-469-8669

Tenant's Property Management Representative: BLJC Workplace Solutions Inc.

Telephone No.: 1-877-222-3112

The foregoing Basic Terms are approved by the parties. Each reference in this Lease to any of the Basic Terms will be construed to include the provisions set forth above as well as all of the additional terms and conditions of the applicable sections of this Lease where such Basic Terms are more fully set forth.

## 1.2 **SCHEDULES**

All Schedules to this Lease are incorporated into and form an integral part of this Lease and are as follows:

<b>SCHEDULE</b>	<b>CLAUSE</b>
Schedule A Floor Plans of the Premises	1.1(d)
Schedule B Definitions	1.3
Schedule C Landlord & Tenant Services Responsibility	4.2 and 5.13
Schedule D Base Building Shell	Schedule B (Definition of "Base Building Shell")
Schedule E Certificate	10.3
Schedule F Option to Renew	13.1
Schedule G Tenant Improvements	Schedule B (Definition of "Tenant Improvements")
Schedule H Additional Provisions	13.9
Schedule I Environmental Disclosure	13.5
Schedule J Janitorial Service	Schedule B (Definition of "Janitorial Services")
Schedule K Landlord's Services	5.2 and 5.13

## 1.3 **DEFINITIONS**

In this Lease, the words, phrases and expressions set forth in Schedule B are used with the meanings defined therein.

## **ARTICLE 2 PREMISES**

### 2.1 **PREMISES**

The Landlord hereby demises and leases to the Tenant, and the Tenant hereby leases from the Landlord, the Premises.

**2.2 ACCEPTANCE OF PREMISES - DELETED**

**ARTICLE 3  
TERM**

**3.1 TERM**

The Term of this Lease will be for the period set out in subclause 1.1(f), beginning on the Commencement Date, and any renewals thereof in accordance with clause 13.1 and Schedule F.

**ARTICLE 4  
RENT**

**4.1 RENT**

The Tenant will yield and pay for the Premises to the Landlord, at the office of the Landlord's Designated Payee set out in subclause 1.1(o), or to such other person and at such other place as the Landlord may direct in writing, during the Term in lawful money of Canada, on the days and at the times hereinafter specified, Rent which will include the aggregate of the sums specified in subclauses (a) and (b) below:

(a) Annual Base Rent

Annual Base Rent in the amount per annum set out in subclause 1.1(h) for each respective Term Year, subject to the adjustment provisions of subclause 4.2(e); and

(b) Additional Rent

The aggregate of the following:

- (i) its share of Taxes payable pursuant to subclause 4.2(b) (if any);
- (ii) its share of Operating Costs payable pursuant to subclause 4.2(c) (if any); and
- (iii) such other amounts, charges, costs and expenses as are required to be paid by the Tenant to the Landlord pursuant to this Lease in addition to Annual Base Rent.

**4.2 PAYMENT OF RENT**

The Rent provided for in this Article 4 will be paid by the Tenant as follows:

(a) Annual Base Rent

The Annual Base Rent will be paid in equal consecutive monthly instalments in advance on the first day of each and every month during the Term, commencing on the Rent Commencement Date, as set out in subclause 1.1(h). Notwithstanding the prior sentence, where the Rent Commencement Date is not the first day of a calendar month, the Annual Base Rent for the period from the Rent Commencement Date to the first day of the next ensuing calendar month

will be pro-rated on a per diem basis and paid on the Rent Commencement Date and the first regular instalment of the Annual Base Rent will be paid on the first day of the first full calendar month of the Term.

(b) Taxes

The Landlord and the Tenant agree that, while the Landlord is not currently obligated to pay Taxes (and, accordingly, the Tenant is not currently obligated to pay any share of Taxes under this Lease), the Tenant will be liable to pay for a share of Taxes (in accordance with Article 4 of this Lease and Schedule C of this Lease) in respect of the relevant portion of the Term if Taxes are ever levied against the Property during the Term.

(c) Operating Costs

*Operating Costs included in Annual Base Rent*

In accordance with Column (B) of Schedule C, the Annual Base Rent throughout the Term is totally inclusive of ~~all~~ **those** Operating Costs **listed in Column (B)** and the Tenant will bear no liability for Operating Costs or any escalation thereof during the Term.

(d) Operating Costs Reconciliation

- DELETED

(e) Basis of Determining Rent

The Tenant acknowledges that the Annual Base Rent is calculated on the basis of the Rentable Area of the Premises being as set out in subclause 1.1(e) and at the rate set out in subclause 1.1(h) for each square foot of Rentable Area of the Premises. The Tenant and the Landlord agree that the Annual Base Rent and the Additional Rent will be adjusted in the event that the Rentable Area of the Premises is found to be different from the Rentable Area of the Premises stated above. The Rentable Area of the Premises and the Total Rentable Area will be determined by the Landlord's architect or surveyor. At the request of the Tenant, the Landlord will cause such a determination to be made.

Notwithstanding the above,

- (i) in no event will the Tenant be responsible for Annual Base Rent determined on the basis of the Rentable Area of the Premises being greater than that shown in subclause 1.1(e) unless the Landlord has delivered to the Tenant, on or before the end of the first Term Year, satisfactory proof that the Rentable Area of the Premises is greater than shown in subclause 1.1(e) and
- (ii) if the actual Rentable Area of the Premises is more than 105% of the estimated Rentable Area of the Premises shown in subclause 1.1(e), then for the purposes of calculating the Annual Base Rent, the Rentable Area of the Premises will be deemed to be 105% of the estimated Rentable Area of the Premises shown in subclause 1.1(e).

(f) Proportionate Share

The Landlord will make the initial determination of the Proportionate Share (Operating Costs) and Proportionate Share (Taxes) and any subsequent determinations which may be required as a result of change of circumstances. The Landlord will, at the Tenant's request, provide the Tenant with all working papers and information relating to such determination. In the event the Tenant disagrees with such determination by the Landlord, the Tenant may at its option have the disputed proportionate share determined by Arbitration. The determination of the Arbitration will apply and be effective from the Commencement Date or any later relevant date. The cost of Arbitration will be borne by the party deemed to have lost the Arbitration as determined by the arbitrator.

Notwithstanding the above, if the actual Rentable Area of the Premises is more than 105% of the estimated Rentable Area of the Premises shown in subclause 1.1(e) or if the actual Total Rentable Area is less than 95% of the estimated Total Rentable Area shown in subclause 1.1(c), then for the purposes of calculating the share of Taxes or Operating Costs payable by the Tenant under this Lease (if any), the Rentable Area of the Premises will be deemed to be the lesser of the actual Rentable Area of the Premises or 105% of the estimated Rentable Area of the Premises shown in subclause 1.1(e) and the Total Rentable Area will be deemed to be the greater of the actual Total Rentable Area or 95% of the estimated Total Rentable Area shown in subclause 1.1(c).

**4.3 RENT FOR IRREGULAR PERIODS**

All Rent reserved herein will be deemed to accrue from day to day, and if for any reason it will become necessary to calculate Rent for irregular periods of less than one year or one month an appropriate pro-rata adjustment will be made on a daily basis in order to compute Rent for such irregular period.

**4.4 SET-OFF**

Without restricting any right of set-off given or implied by law, the Tenant may set-off against the Rent or against any other sums payable hereunder to the Landlord; any amount payable by the Landlord to the Tenant hereunder, and, without restricting the generality of the foregoing, the Tenant may, when making payment of Rent or of any other sum, withhold an amount which is equal to any amount which is then payable to the Tenant by the Landlord under this Lease or which, by virtue of the right of set-off, may be retained by the Tenant.

**4.5 RECORDS**

During the Term of this Lease, and for a period of not less than **TWENTY-FOUR (24)** months after the expiration or sooner determination of the said Term:

- (a) the Landlord will maintain full and detailed records of expenses and costs incurred for the Building and the Land together with proper records of all tender calls, quotations, contracts, correspondence, invoices, receipts and vouchers relating thereto; and



- (b) at all reasonable times and from time to time the Landlord will make all such records available to the Tenant, or to persons acting on its behalf, for inspection and for the purpose of making copies thereof (at the Landlord's cost) and taking extracts therefrom and will furnish to such persons any and all information which they may require from time to time in connection therewith.

The Tenant will have the right, at its cost, to require, on reasonable notice to the Landlord, the Landlord's books and records of Operating Costs and Taxes during the period referred to above to be audited and, in connection with any such audit, the Tenant will pay for the reasonable cost of making any necessary copies of the Landlord's books and records. In the event that any such audit discloses that the Landlord has overstated the amount payable by the Tenant on account of Taxes and/or Operating Costs for the period in question, then the Landlord will forthwith after notice from the Tenant reimburse the Tenant for any overpayment which has been made by the Tenant and, if any such audit discloses that the Landlord has overstated by five percent (5%) or more the amount payable by the Tenant on account of Taxes and/or Operating Costs for the period in question, the Landlord will also forthwith after notice from the Tenant pay the cost of the audit (or reimburse the Tenant for such cost).

This right will survive the expiry of the Term or sooner termination of this Lease.

#### **4.6 ESTOPPEL**

If, within **TWELVE (12)** calendar months of conclusion of each yearly period commencing on an anniversary of the Base Year or of each Term Year, as applicable, the Landlord has not delivered to the Tenant a Certified Statement with respect to any additional Operating Costs payable by the Tenant in respect of such yearly period or Term Year or delivered to the Tenant such information as is required under subclause 4.2(b) in respect to any amount payable by the Tenant on account of Taxes, then the Landlord will be estopped from demanding reimbursement for or payment therefore, as applicable, and, in connection therewith, the Landlord waives recourse to any remedies otherwise available to it for the recovery of said amounts.

#### **4.7 APPEAL OF PAYMENT OF TAXES**

The Landlord may appeal any assessment of the Taxes payable by it to the extent permitted by law and may make any related payment under protest and may, if permitted by law, post security acceptable to the applicable governmental authorities in lieu of all or any part of such payment. In addition, the Tenant will have the right to require the Landlord to appeal any assessment of the Taxes payable by the Landlord or may carry out any such appeal itself (either in its own name or on behalf of and in the name of the Landlord). The costs of appeal (whether incurred by the Landlord or the Tenant) will be included in Operating Costs if the appeal is for the benefit of the Building as a whole and, if not, the costs of appeal will be apportioned equitably between the rentable premises in the Building benefiting from the reduction, if any, provided such reduction is equal to or greater than the costs of appeal. If the costs of appeal are greater than the reduction the excess will be borne by the party who requested the appeal.

### **ARTICLE 5 LANDLORD'S GENERAL COVENANTS**

The Landlord covenants with the Tenant as follows:



## **5.1 QUIET ENJOYMENT**

The Tenant will and may peaceably possess and enjoy the Premises for the Term hereby granted, without any interruption or disturbance from the Landlord or its assigns, or any other person or persons lawfully claiming by, from, through or under the Landlord.

## **5.2 INTERIOR CLIMATE CONTROL - DELETED**

## **5.3 ELEVATORS - DELETED**

## **5.4 ENTRANCES, LOBBIES AND OTHER COMMON AREAS**

The Landlord will permit the Tenant and its subtenants and licensees and its and their respective employees to have the use, seven days of each and every week and twenty-four hours of each day, in common with others entitled thereto of the common entrances, lobbies, stairways and corridors of the Building giving access to the Premises and to all parking facilities in the Building.

## **5.5 WASHROOMS - DELETED**

## **5.6 JANITORIAL SERVICE FOR PREMISES - DELETED**

## **5.7 MAINTENANCE OF COMMON AREAS - DELETED**

## **5.8 BUILDING DIRECTORY -DELETED**

## **5.9 COMPLY WITH LAWS**

- (a) The Landlord will comply at all times during the Term hereof with all laws, statutes, bylaws, ordinances, regulations or other lawful requirements of any governmental authority having jurisdiction which are in respect of the Land and the Building, ~~and the Landlord warrants and covenants that the Premises comply as of the date of this Lease and will comply at all times during the Term with all such laws, statutes, bylaws, ordinances, regulations and other lawful requirements.~~
- (b) The Tenant will comply at all times during the Term hereof with all laws, statutes, bylaws, ordinances, regulation or other lawful requirements of any governmental authority having jurisdiction which are in respect to the use of the Premises.

## **5.10 USE AND STATE OF PREMISES**

The Tenant may use the Premises for its own purposes or to provide accommodation for agencies of the Provincial Government, Provincial Crown Corporations, ministries or agencies of the Federal Government, municipalities, regional districts and other similarly publicly funded bodies and their agents or agencies, corporate or otherwise, and subject to the prior written consent of the Landlord (not to be unreasonably withheld), for private sector tenants, and the Landlord warrants and covenants that the Premises are zoned for such purposes, ~~and will be free from any offensive or objectionable odours, vermin or noise.~~

## 5.11 ACCESS

The Tenant and its subtenants and licensees and its and their respective employees, customers, agents and invitees will have the right in common with other occupants of the Building to pass, repass and utilize all Common Areas and the Tenant's Designated Parking Areas for purposes of ingress, egress and full enjoyment of the Premises, Parking Areas and other facilities in use by the Tenant. The Premises and Common Areas are to be accessible to the Tenant and its subtenants and licensees **SEVEN (7)** days of each and every week during Normal Business Hours and, at all other hours, through the Landlord's security system via keys or electronic access control cards throughout the Term, twenty-four (24) hours per day.

## 5.12 TAXES

The Landlord will promptly pay all Taxes (and, in any event, on or before the date when due) levied against the Land and the Building, together with all fuel, utility and other charges of any nature whatsoever for which the Landlord is responsible.

## 5.13 LANDLORD'S SERVICES - DELETED

## 5.14 ADDITIONAL SERVICES / CHANGE IN PROVISION OF SERVICES - DELETED

## 5.15 ADDITIONAL UTILITIES - DELETED

## 5.16 PARKING

The Landlord agrees to make available to the Tenant, for use by it and its subtenants and licensees and its and their respective employees, customers, agents and invitees, the number of random parking stalls and the number of secured parking stalls indicated in subclause 1.1(n), at the applicable monthly rate set out in subclause 1.1(n). Such parking stalls must be accessible and available for use **SEVEN (7)** days of each and every week and **TWENTY-FOUR (24)** hours per day.

## 5.17 COPIES OF DRAWINGS - DELETED

# ARTICLE 6 REPAIR, DAMAGE AND DESTRUCTION

## 6.1 LANDLORD'S REPAIRS - DELETED

## 6.2 TENANT'S REPAIRS

The Tenant covenants with the Landlord that:

- (a) it will not overload any floors; and
- (b) on reasonable advance notice to the Tenant, the Landlord may enter the Premises at any reasonable time for the purposes of inspecting the Premises and making necessary repairs.

The Tenant will not be responsible for the cost of repairs to or replacement of Tenant Improvements or the Building where said repairs or replacement are caused by the negligence or wilful misconduct of the Landlord, its employees, invitees, contractors or

those for whom in law the Landlord is responsible or for original or latent defects in the design, construction or equipment in the Tenant Improvements for which the Landlord was responsible for the construction and/or installation.

~~Notwithstanding the foregoing provisions of this clause 6.2, subject to Schedule C, the task of repairing, maintaining and operating the HVAC systems and other Building standard equipment, mechanical, plumbing, electrical and/or utility systems within or serving the Premises will be the responsibility and cost of the Landlord (except the Tenant will pay Operating Costs for those costs defined as Operating Costs herein); and the Tenant will not be liable for costs incurred as a result of inherent defects in the design, construction or equipment of Tenant Improvements constructed by the Landlord or for those whom in law the Landlord is responsible.~~

### 6.3 NOTIFICATION OF DEFECTS

The Tenant will promptly give the Landlord notice of any accident, defect or damage within the Building, Premises, systems or services for which the Landlord has an obligation under this Lease and which have come to the Tenant's attention.

### 6.4 REPAIR IN THE EVENT OF DAMAGE

If the Building is damaged by fire or any other hazard such that the Premises are rendered untenable or such that access to the Premises is prevented or materially interfered with (either access by elevators or by stairways or corridors), then if such damage is capable of repair within **NINETY (90)** days of the happening of the occurrence, the Landlord will, within **THIRTY (30)** days of the occurrence of the damage, initiate all necessary repairs and forthwith allow an abatement of the Rent and other payments required by this Lease which recognizes the nature and extent of the damage, or inconvenience, until such time as the Premises have been rebuilt and the Tenant is able to occupy and use the Premises in accordance with all applicable laws and until convenient access to the Premises is restored. If the Landlord does not initiate the restoration of the Premises or access within the said **THIRTY (30)** days, or having commenced the restoration, does not proceed to complete it with reasonable dispatch, then the Tenant may at any time give the Landlord **FOURTEEN (14)** days prior written notice of the termination of this Lease. If the damage is severe enough to preclude the reoccupation of the Premises by the Tenant or to prevent or materially interfere with access to the Premises for a period in excess of **NINETY (90)** days, either party may, within **THIRTY (30)** days of the occurrence of the damage, serve notice upon the other of the immediate termination of this Lease and the Tenant will surrender the Premises to the Landlord as soon as reasonably practical. In the event of any termination under this clause, the Tenant will surrender the Premises in their then current condition and will be under no obligation to comply with clause 11.4. In the event of any dispute with respect to any matter related to the foregoing provision (including the extent of any abatement of Rent), such matter will be determined by **the Landlord in its sole discretion, acting reasonably.** ~~a professional architect agreed upon by the Tenant and the Landlord or, if the Tenant and the Landlord are not able to agree on such an architect within **THIRTY (30)** days of the occurrence of the damage, then either the Tenant or the Landlord will be entitled to request the President of the Architectural Institute of British Columbia to select a professional architect to arbitrate the dispute, and the determination of any such architect (whether appointed by the Tenant and the Landlord or by the President of the Architectural Institute of British Columbia) will be final and binding on the Tenant and the Landlord.~~

## **6.5 TENANT NOTIFICATION - DELETED**

~~The Landlord acknowledges that the Tenant, or the Tenant's property management representative (identified in sub clause 1.1(p)), may contact the Landlord from time to time to advise the Landlord as to the need for it to take action pursuant to its repair, maintenance or service obligations hereunder. In any such case, the Landlord agrees that upon completion of the obligation in question, it will provide confirmation of same to the Tenant's property management representative, such confirmation to be given either in writing pursuant to clause 12.1 or by telephone, facsimile or email to the Tenant's representative referred to in sub clause 1.1(p), that the Landlord has completed such work.~~

## **ARTICLE 7 LICENSES, ASSIGNMENTS AND SUBLETTINGS**

### **7.1 LICENSES, FRANCHISES AND CONCESSIONS**

The Tenant will not suffer or permit any part of the Premises to be used or occupied by any persons other than the Tenant and any subtenants and licensees permitted under clause 7.2, and the employees of the Tenant and of any such permitted subtenants and licensees, or suffer or permit any part of the Premises to be used or occupied by any franchisee or concessionaire, or suffer or permit any persons to be upon the Premises other than the Tenant, such permitted subtenants and licensees and its and their respective employees, customers and others having lawful business with them.

### **7.2 ASSIGNMENT AND SUBLETTING**

The Tenant will not assign this Lease (either in whole or in part) without the prior written consent of the Landlord, which consent the Landlord agrees that it will not unreasonably or arbitrarily withhold or delay or grant subject to conditions. ~~If the Landlord has not responded to any request from the Tenant for such consent within THIRTY (30) days of receipt of such request, the Landlord will be deemed to have consented to the request.~~

The Landlord covenants and agrees that the Tenant may sublet or licence the Premises, either in whole or in part, without the consent of the Landlord, to agencies of the Provincial Government, Provincial Crown Corporations, ministries or agencies of the Federal Government, municipalities, regional districts and other similar publicly funded bodies and their agents or agencies and subject to the prior written consent of the Landlord (not to be unreasonably withheld), to private sector tenants for the purposes contemplated in clause 5.10. The Tenant may not otherwise sublet or licence the Premises without the prior written consent of the Landlord. Notwithstanding any such sublease or licence being effected, the Tenant will remain bound to the Landlord for the fulfilment of all the terms, covenants, conditions and agreements herein contained.

## **ARTICLE 8 FIXTURES AND IMPROVEMENTS**

### **8.1 INSTALLATION OF FIXTURES AND IMPROVEMENTS**

Subject to the prior written consent of the Landlord (not to be unreasonably withheld), the Tenant will be entitled, at its expense, to make or permit any subtenant or licensee to make such alterations, additions, replacements and improvements to the Premises



(including the Tenant Improvements in the Premises) as will better adapt the Premises for the purposes for which the Premises are permitted to be used under this Lease. Throughout the Term, subject to the prior written consent of the Landlord (not to be unreasonably withheld), the Tenant and its subtenants and licensees will be entitled to remove and dispose of any Tenant Improvements located in the Premises. In carrying out any work under this clause 8.1, the Tenant will carry out or cause to be carried out such work in a good and workmanlike manner and in accordance with all applicable laws. The Tenant's request for any approval of the Landlord hereunder will be in writing and accompanied by a reasonably detailed description of the contemplated work and, where appropriate, plans, working drawings, and specifications thereof. The Landlord agrees to promptly review any such material prepared by or on behalf of the Tenant. If the Landlord has not responded to any such request from the Tenant within **TEN (10)** days of receipt of such request, the Landlord will be deemed to have consented to the request. The Tenant shall provide the Landlord with copies of any building permits required in connection with any work under this clause 8.1.

## **8.2 TENANT IMPROVEMENTS**

~~All Tenant Improvements in or upon the Premises will be the Landlord's responsibility for repair under clause 6.1.~~ At the option of the Tenant, the Tenant may remove, or may permit the removal of, any or all of the Tenant Improvements from the Premises at the expiration or sooner termination of the Term or may leave and surrender any or all of the Tenant Improvements with the Premises at the expiration or sooner termination of this Lease. For greater certainty, all tenant or trade fixtures and all furniture, equipment and other personal property of the Tenant and its subtenants and licensees will remain at all times the property of the Tenant and its subtenants and licensees and may be removed from time to time during the Term of this Lease regardless of who has paid for such tenant or trade fixtures, furniture, equipment and other personal property.

## **ARTICLE 9 INSURANCE AND LIABILITY**

### **9.1 LANDLORD'S INSURANCE**

The Landlord will, without limiting its obligations or liabilities herein and at its own expense, provide and maintain the following insurances with insurers licensed in British Columbia or Canada and in forms and amounts acceptable to the Tenant:

- (a) "all risks" property insurance, including earthquake coverage if such coverage is available at a cost that a prudent owner would pay therefore, and coverage for sprinkler leakage and other water damage, on the Building (including the Tenant Improvements\*) in an amount that is not less than the full replacement cost of the Building, together with boiler and machinery insurance (which will include loss of use and loss or damage caused by rupture of steam pipes) in respect of all boilers and other pressure vessels within or forming part of the Building, in such amounts and with such deductibles as are normally effected by reasonably prudent owners of properties similar to the Building (for the purposes of this paragraph, replacement cost will be determined by the Landlord acting reasonably at the time the insurance is initially obtained and will thereafter be determined by the Landlord at least once every 12 months, and the Landlord will promptly notify the Tenant in writing of each such determination, it being the intention of the parties that in the event of any damage or destruction to the

Building, sufficient insurance funds will be available to repair or rebuild the Building, including increased costs due to the then applicable Building Codes and authorities having jurisdiction. Each and every policy of property insurance maintained by the Landlord will provide for a waiver of the insurer's right of subrogation against the Tenant and its subtenants and licensees and those for whom each of the Tenant and its subtenants and licensees is or are responsible in law; and

- (b) Commercial General Liability in an amount not less than \$3,000,000 inclusive per occurrence insuring against bodily injury, personal injury, property damage and liability assumed under contract. The Tenant is to be an additional insured under this insurance and this insurance will be endorsed to provide the Tenant with 30 days advance written notice of cancellation or material change. This insurance must include a cross liability and severability of interest clauses.

All the foregoing insurance will be primary and not require the sharing of any loss by any insurer of the Tenant. The Landlord will provide the Tenant with evidence of all required insurance prior to the commencement of the services, and from time to time as requested by the Tenant, in the form of a completed Province of British Columbia Certificate of Insurance. When requested by the Tenant, the Landlord will provide certified copies of required insurance policies.

**\* Tenant Improvements with a value of more than \$50,000 will be considered to be insured by the Landlord only after the Landlord has confirmed in writing to the Tenant the Tenant Improvements have been added to the Landlord's policy of insurance.**

## **9.2 LIMITATION OF TENANT'S LIABILITY**

The Landlord releases and discharges the Tenant from any and all actions, causes of action, claims, damages, demands, expenses and liabilities in respect of any damage that is Insured Damage.

## **9.3 MUTUAL INDEMNITY**

Except as otherwise provided in this Lease, the Landlord and Tenant will indemnify each other against all claims, actions, causes of action, loss, damage, expense and costs, whatsoever, made by any person arising out of or resulting directly or indirectly and whether by reason of negligence or otherwise, from the performance, default of performance or remedying of any default by any party hereto of its covenants and obligations under this Lease.

## **9.4 TENANT NOT TO AFFECT INSURANCE**

The Tenant will not do or permit anything to be done which causes the Landlord's cost of insuring the Building to increase. Any increase in insurance costs to the Landlord resulting from a breach of this covenant will be borne by the Tenant.

## **9.5 LANDLORD TO ENSURE OTHER TENANTS WILL NOT AFFECT INSURANCE**

The Landlord will ensure that any and all tenants in the Building during the Term hereof will be bound by a covenant identical in its effect to that contained in clause 9.4. In the

absence of such covenant, the Landlord will indemnify the Tenant from any increase in the cost of insuring the Building.

## **ARTICLE 10**

### **SUBORDINATION, ATTORNMENT AND REGISTRATION**

#### **10.1 SALE OR FINANCING OF BUILDING**

The rights of the Landlord under this Lease may be mortgaged, charged, transferred or assigned to a purchaser or purchasers, or to a mortgagee or trustee for bond holders, and in the event of a sale or of default by the Landlord under any mortgage, trust deed or trust indenture and the purchaser, mortgagee or trustee, as the case may be, duly entering into possession of the Building or the Premises, the Tenant agrees to attorn to and become the tenant of such purchaser or purchasers, mortgagee or trustee under the terms of this Lease so long as any such purchaser executes and delivers to the Tenant an agreement whereunder such purchaser agrees to be bound by all of the obligations of the "Landlord" under this Lease. Prior to the Landlord mortgaging or otherwise charging the Land and the Building or its interest in this Lease to any mortgagee or trustee, the Landlord will cause any such mortgagee or trustee to execute and deliver to the Tenant a non-disturbance agreement in a form acceptable to the Tenant, acting reasonably, pursuant to which such mortgagee or trustee will agree that the Tenant's occupation and possession of the Premises and its use of the Land and the Building as permitted under this Lease will not be disturbed.

#### **10.2 SUBORDINATION AND ATTORNMENT**

If required by any mortgagee or the holder of any trust deed or trust indenture, this Lease and all rights of the Tenant hereunder will be subject and subordinate to all mortgages, trust deeds or trust indentures now or hereafter existing which may now or hereafter affect the Land and the Building and to all renewals, modifications, consolidations, replacements and extensions thereof. The Tenant agrees to execute and deliver promptly whenever requested by the Landlord or by such mortgagee an instrument of subordination or attornment, as the case may be, as may be required of it, so long as any mortgagee or trustee executes and delivers to the Tenant a non-disturbance agreement in the form contemplated in clause 10.1.

#### **10.3 ESTOPPEL CERTIFICATE**

Whenever requested by the Landlord or any purchaser or mortgagee of the Land and the Building, the Tenant will within ten (10) days of the request execute and deliver an estoppel certificate substantially in the form attached hereto as Schedule E, completed to reflect the status of the Lease.

## **ARTICLE 11**

### **TENANT'S DEFAULT, REMEDIES OF LANDLORD AND SURRENDER**

#### **11.1 RIGHT OF RE-ENTRY ON DEFAULT**

Provided and it is expressly agreed that if and whenever the Rent hereby reserved or other moneys payable by the Tenant or any part thereof, whether lawfully demanded or not, are unpaid and the Tenant will have failed to pay such Rent or other moneys within **FIFTEEN (15)** days after the Landlord has given to the Tenant written notice requiring



such payment; or if the Tenant will materially breach or fail to observe and perform in a material way any of the covenants, agreements, provisos, conditions, rules, or regulations and other obligations on the part of the Tenant to be kept, observed or performed hereunder and such breach or failure continues for **THIRTY (30)** days after the Landlord has given the Tenant written notice thereof (or, if any such breach or failure reasonably requires a longer period of time to remedy, if such breach or failure has not been remedied within such longer period); then and in every such case it will be lawful for the Landlord thereafter to enter into and upon the Premises or any part thereof in the name of the whole and the same to have again, repossess and enjoy as of its former estate, anything in this Lease to the contrary notwithstanding.

#### **11.2 REMEDIES CUMULATIVE**

The Landlord may from time to time resort to any or all of the rights and remedies available to it in the event of any default hereunder by the Tenant under any provision of this Lease, all of which rights and remedies are intended to be cumulative and not alternative.

#### **11.3 WAIVER OF DISTRESS**

The Landlord waives its right of distress to any property of the Tenant or its permitted subtenants.

#### **11.4 SURRENDER ON TERMINATION**

The Tenant will surrender the Premises at the expiration or sooner termination of the Term in good repair (together with such Tenant Improvements and chattels as the Tenant may elect to leave) to the Landlord, reasonable wear and tear, damage from fire, storm, tempest and other casualty, removal of Tenant Improvements and chattels only excepted, and the Tenant will not be liable to pay compensation or to make any other payment to the Landlord in respect of restoration or repair of the Premises except for any damages caused by the removal of Tenant Improvements.

#### **11.5 SAVING**

Notwithstanding anything contained in this Lease to the contrary, the Landlord will not be entitled to and will not exercise any of its rights or remedies against the Tenant by reason of any default or breach of any covenant or agreement of this Lease unless and until the Landlord will first have given to the Tenant written notice of such default, stating the nature thereof, and giving the Tenant reasonable time as agreed to between the Landlord and the Tenant within which to cure the default or breach. In no event will the Landlord be entitled to exercise any such rights and remedies except those specifically set out in this Lease.

### **ARTICLE 12 MISCELLANEOUS**

#### **12.1 NOTICES**

Any notices required or permitted to be given pursuant to the terms of this Lease will be in writing and must be delivered personally or by courier or sent by facsimile. If delivered personally or by courier or sent by facsimile, the notice will be deemed to be

given on the date of delivery or the date of the facsimile, provided such notice has been delivered to or sent by facsimile to the respective address or facsimile number in subclause 1.1(a) or 1.1(b), as the case may be. Either party may change the details outlined in subclause 1.1(a) or 1.1(b), as the case may be, by serving notice on the other party outlining the amendments required in subclause 1.1(a) or 1.1(b), as the case may be.

## **12.2 OVERHOLDING**

If the Tenant will continue to occupy the Premises after the expiration of this Lease without any further written agreement and without objection by the Landlord, the Tenant will be a monthly tenant at a monthly base rent equal to the monthly instalment of Annual Base Rent payable by the Tenant during the last month of the Term and (except as to length of tenancy) on and subject to the provisions and conditions herein set out. Any such monthly tenancy may be terminated by either party on the last day of any calendar month by delivery of not less than one full month's prior written notice of termination to the other party.

## **12.3 FORCE MAJEURE**

Notwithstanding anything to the contrary contained in this Lease, if either party hereto is bona fide delayed or hindered in or prevented from the performance of any term, covenant or act required hereunder by reason of strikes; labour troubles; inability to procure materials or services; power failure; restrictive governmental laws or regulations; riots; insurrection; sabotage; rebellion; war; act of God; or other reason whether of a like nature or not which is not the fault of the party delayed in performing work or doing acts required to be done hereunder, nor due to that party's failure or inability to make payment, then performance of such term, covenant or act is excused for the period of the delay and the party delayed will be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay. The provisions of this clause will operate to excuse the Tenant during any one of the incidents contemplated herein from the payment of Rent, or any other payments required by this Lease, to the extent that the Premises remain unusable for the permitted use during the period of Force Majeure. The foregoing Force Majeure will not restrict the Tenant from exercising its rights under clause 6.4, in those instances where the Tenant is able, with its own forces or contractors, to remedy a situation which would otherwise constitute a default so as to mitigate loss.

## **12.4 EXTRANEIOUS AGREEMENTS**

The Tenant acknowledges that there are no covenants, representations, warranties, agreements or conditions expressed or implied relating to this Lease or the Premises save as expressly set out in this Lease or in any offer to lease or other agreement executed by the parties in connection with the Premises. In the event of any conflict or contradiction between the terms of any such offer to lease or other agreement and the terms of this Lease, the terms of this Lease will govern and prevail. This Lease may not be modified except by an agreement in writing executed by the Landlord and the Tenant.

## **12.5 TIME OF ESSENCE**

Time will be of the essence of this Lease.

## **12.6 SUCCESSORS AND ASSIGNS**

This Lease and everything herein contained will enure to the benefit of and be binding upon the successors and assigns of the Landlord and its heirs, executors and administrators and the successors and permitted assigns of the Tenant. If the Landlord is comprised of more than one person or entity, then each such person and entity is jointly and severally bound by the representations, warranties, agreements and covenants of the Landlord herein and any notice given or deemed to have been given at any time to any such person or entity will be deemed to have been given at the same time to each other such person and entity.

## **12.7 WAIVER**

No condoning, excusing or overlooking by the Landlord or Tenant of any default, breach or non-observance by the Tenant or the Landlord at any time or times in respect of any covenant, proviso or condition herein contained will operate as a waiver of the Landlord's or the Tenant's rights hereunder in respect of any continuing or subsequent default, breach or non-observance or so as to defeat or affect in any way the rights of the Landlord or the Tenant herein in respect of any such continuing or subsequent default or breach, no acceptance of rent by the Landlord subsequent to a default by the Tenant will operate as a waiver by the Landlord, and no waiver will be inferred from or implied by anything done or omitted by the Landlord or the Tenant save only express waiver in writing.

## **12.8 GOVERNING LAW AND SEVERABILITY**

This Lease will be governed by and construed in accordance with the laws in force in the Province of British Columbia. The Landlord and the Tenant agree that all the provisions of this Lease are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate section hereof. If any provision or provisions of this Lease are illegal or not enforceable, it or they will be considered separate and severable from this Lease and its remaining provisions will remain in force and be binding upon the parties as though the said provision or provisions had never been included.

## **12.9 CAPTIONS**

The captions appearing in this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease or of any provision thereof.

## **12.10 EXPROPRIATION**

If during the Term the Premises or the Land, or any part thereof, is acquired or condemned by expropriation for any public or quasi-public use, then the Landlord and the Tenant may separately claim, receive and retain awards of compensation for the loss of their respective interests, but neither the Landlord nor the Tenant will have any claim against the other in respect of such loss or the unexpired Term.

## **12.11 ARBITRATION**

If any dispute arises between the parties hereto other than with respect of those matters referred to in clause 6.4 or with respect to the payment of Annual Base Rent during any Renewal Term, then the matter will be determined by binding Arbitration.

## **ARTICLE 13 SPECIAL PROVISIONS**

### **13.1 OPTION(S) TO RENEW - DELETED**

### **13.2 REDUCTION IN SPACE - DELETED**

### **13.3 GOODS AND SERVICES TAX CERTIFICATION CLAUSE - DELETED**

### **13.4 ENTRY BY LANDLORD**

The Landlord acknowledges and agrees that certain of the operations of the Tenant and its subtenants are sensitive in nature and, accordingly, that the Tenant will be entitled to secure access to certain portions of the Premises, as designated from time to time by the Tenant. The Landlord agrees that, notwithstanding any other provision of this Lease, neither the Landlord nor any person acting on its behalf will be entitled to enter any such portions of the Premises except on 48 hours' prior written notice and in the company of an authorized representative of the Tenant and of any affected subtenant or appropriate security personnel or except in cases of bona fide emergencies which require that the Landlord have access to such portions of the Premises.

### **13.5 ENVIRONMENTAL SAFETY AND FUNGAL GROWTH - DELETED**

### **13.6 TERMINATION - DELETED**

### **13.7 TENANT'S RIGHT TO PERFORM - DELETED**

### **13.8 DIRECTION AS TO EMERGENCY**

In case of emergency, each of the Landlord and the Tenant designate the respective person, as indicated in subclause 1.1(p), as its representative.

### **13.9 SCHEDULES AND ADDITIONAL PROVISIONS**

All Schedules to this Lease (including those provisions (if any) which are set out in Schedule H hereto) form part of this Lease and constitute agreements between the Landlord and the Tenant with the same effect as if they had been included in the main body of this Lease.

IN WITNESS WHEREOF the duly authorized signatories of the Tenant and the Landlord have executed this Lease as of the date set out above.

**LANDLORD:**

**City of Kelowna:**

By: \_\_\_\_\_  
Sign, Print Name and Title  
I have the authority to bind the Landlord

By: \_\_\_\_\_  
Sign, Print Name and Title  
I have the authority to bind the Landlord

**TENANT:**

**HER MAJESTY THE QUEEN IN RIGHT OF  
THE PROVINCE OF BRITISH COLUMBIA,  
by the Minister of Citizens' Services  
or the Minister's authorized representative:**

\_\_\_\_\_  
*John Marsh*

**SCHEDULE A**

**FLOOR PLANS OF THE PREMISES**

Not available.



## SCHEDULE B

### DEFINITIONS

In this Lease the following expressions will have the following meanings:

**"Additional Rent"** means all sums of money to be paid by the Tenant, whether to the Landlord or otherwise under this Lease, except for Annual Base Rent;

**"Additional Services"** means the services and supervision supplied by the Landlord and referred to in clause 5.14 or in any other provision hereof as Additional Services; any other services which from time to time the Landlord supplies to the Tenant and which are additional to other services that the Landlord has agreed to supply under this Lease and to like provisions of other leases of the Building; the provision of labour and supervision in connection with the moving of any furniture or equipment of the Tenant; the making of any repairs or alterations for the Tenant; and the provision to the Tenant or the Premises of maintenance or other services not normally furnished to tenants or other leasable premises generally; and "Additional Service" means any such service;

**"Arbitration"** means arbitration by a single arbitrator if the Landlord and the Tenant can agree on one and otherwise by three arbitrators, one arbitrator to be appointed by the Landlord, one arbitrator to be appointed by the Tenant, and the third arbitrator (who will be the Chairman) to be appointed by the two arbitrators so appointed by the Landlord and the Tenant, and in the case of three arbitrators, the matter to be determined will be determined by the majority of the three arbitrators, and such arbitration will otherwise be subject to the provisions of the Commercial Arbitration Act, R.S.B.C. 1996, c.55 (or its successor legislation);

**"Annual Base Rent"** means the annual rent set out in subclause 1.1(h) and payable by the Tenant as set forth in subclause 4.1(a), subject to subclause 4.2(e);

**"Base Building Shell"** will have the meaning ascribed thereto in Schedule D to this Lease;

**"Base Year"** means, for the purpose of determining Base Year (Operating Costs) or for any other purposes related to the payment by the Tenant of a share of Operating Costs, the period of **TWELVE (12)** months commencing on the later of the Commencement Date or the date that the Building has achieved an occupancy rate of at least **EIGHTY FIVE (85%)** percent of the Total Rentable Area and means, for the purpose of determining Base Year (Taxes) or for any other purposes related to the payment by the Tenant of a share of Taxes, the later of the Commencement Date or the date in the taxation year following the Commencement Date on which the Taxes levied and assessed against the Land and the Building are so levied and assessed on the basis that the Building is fully completed for the whole of such year, without any rebate or concession.

**"Base Year (Operating Costs)"** means the Operating Costs, as hereinafter defined, incurred or that would have been incurred had the Landlord maintained the Land and the Building to the same standard as a prudent Landlord in the market of the Building for the same class of building in the market, during the Base Year.

Furthermore, where any one service included in Operating Costs is performed in the Base Year under any form of warranty at no charge to the Landlord, the usual cost paid by a prudent Landlord in the market of the Building for the same class of building in the market for such service will be ascertained and included in the Base Year (Operating Costs).



Notwithstanding the preceding definition, the parties agree that the Base Year for the purposes of this definition will be the period shown in subclause 1.1(k), if any, and that the Base Year (Operating Costs) will be the amount determined pursuant to subclause 1.1(k), if such subclause has been completed;

**"Base Year (Taxes)"** means the Taxes assessed against the Land and the Building during the Base Year. Notwithstanding the preceding definition, the parties agree that the Base Year for the purposes of this definition will be the period shown in subclause 1.1(j), if any, and that the Base Year (Taxes) will be the amount determined pursuant to subclause 1.1(j), if such subclause has been completed;

**"Basic Terms"** means those terms set out in clause 1.1, some of which are more particularly defined in this Schedule B;

**"Building"** means the building and other improvements located on the Land on the Commencement Date and having the municipal address referred to in subclause 1.1(c), and any addition, restoration or replacement thereof, of which the Premises forms a part;

**"Building Code"** means the BC Building Code, as amended from time to time, and the rules and regulations of all other regulatory bodies having jurisdiction;

**"Certified Statement"** means a statement, certified to be correct by a financial officer of the Landlord or by an accredited accountant, substantiating the Operating Costs for a Term Year or any other relevant fiscal period and the portion thereof which is payable by or refundable to the Tenant in accordance with the terms of this Lease and stating that all costs included within the Operating Costs referred to in such statement are "Operating Costs" as defined in this Lease and fairly represent all Operating Costs incurred by the Landlord for such Term Year or other relevant fiscal period and (if applicable) that the portion shown payable by the Tenant is properly chargeable to the Tenant under the terms of this Lease;

**"Commencement Date"** means the date the Term commences as set forth in subclause 1.1(g);

**"Common Areas"** means those areas, facilities, improvements, installations and equipment in or around the Land and the Building that are provided for the benefit or use of more than one tenant or component of the Building including but not limited to, entrances, lobbies, elevators, stairways, access and service corridors, malls, courts and walkways (both open and enclosed), public areas and facilities, public sidewalks (to the extent maintained for the benefit of the Building), public washrooms, indoor and outdoor landscaped areas, mailrooms, electrical, telephone, communication rooms on which the Landlord is not earning income, meter, valve, mechanical, storage room, delivery facilities, package or passenger pick-up areas, waste disposal or recycling facilities, and driveways, laneways and ramps, all as may be altered, expanded, reduced, reconstructed or relocated from time to time subject to the Tenant's consent (such consent not to be unreasonably withheld, delayed or conditioned) and excluding the Parking Areas;

**"Cost of Additional Services"** will mean in the case of Additional Services provided by the Landlord the Landlord's total direct costs of providing such Additional Services, which will not exceed the cost of obtaining such services from independent contractors; and in the case of Additional Services provided by independent contractors the Landlord's total direct costs of providing Additional Services to the Tenant including the cost of all labour (including salaries, wages, and fringe benefits) and materials and other direct expenses incurred;

**"Environmental Laws"** means all existing and future federal, provincial, and municipal legislation (and regulations passed pursuant thereto), all existing and future bylaws, notices, orders, rules, protocols, policies, directions, and guidelines of all governmental authorities and all present and future principles of common law and equity relating to environment, health, safety matters or conditions, Hazardous Substances, pollution, or protection of the environment;

**"Hazardous Substances"** means, without limitation, any substance, waste, liquid, gaseous or solid matter, fuel, micro-organism, sound, vibration, ray, heat, odour, radiation, energy vector, plasma, organic or inorganic matter which is deemed to be, alone or in any combination, hazardous, hazardous waste, toxic, a pollutant, a deleterious substance, a contaminant, or a source of pollution under any Environmental Laws (including, without limitation, asbestos and any material containing asbestos);

**"HVAC"** means all interior climate control (including heating, ventilating and air conditioning) systems, installations, equipment and facilities in or servicing the Building;

**"Insured Damage"** means that part of any damage occurring to any portion of the Building (including the Premises) by any peril against which the Landlord is responsible for insuring under this Lease;

**"Janitorial Services"** means those janitorial services to be supplied by the Landlord as set out in Schedule J hereto;

**"Land"** means that land described in subclause 1.1(c);

**"Landlord"** means the person executing this Lease and includes its successors and assigns;

**"Minor Elevator Maintenance"** means routine periodic inspections and minor service carried out by qualified elevator service technicians (all other replacement, maintenance and/or repair of elevator components in the Building will be the responsibility of the Landlord and are defined as **"Major Elevator Maintenance"**);

**"Minor HVAC Maintenance"** means:

- air filter replacement
- belt replacement
- coupling replacement and repair
- linkage repair
- lubrication of fans, pumps and linkages
- routine periodic inspections carried out by qualified HVAC service technicians

(all other replacement, maintenance and/or repair of HVAC components in the Building will be the responsibility of the Landlord and are defined as **"Major HVAC Maintenance"**);

**"Normal Business Hours"** means the hours from 7:00 a.m. to 6:00 p.m. Monday to Friday, inclusive, of each week, statutory holidays excepted;

**"Operating Costs"** means the direct, substantiated cost to the Landlord of ordinary non-capital expenditures incurred in connection with the operation and maintenance of the Land and the Building as itemized in column (B) of Schedule C and the cost of services provided by the Landlord but paid for by the Tenant as itemized in column (C) of Schedule C. Operating Costs may include, without duplication and only if applicable and appropriate, the following:

- (a) the amount paid (including wages and statutory fringe benefits) to the employees and/or contractors directly employed in the operation, maintenance and repair of the Land and the Building (excluding officers, clerical, secretarial, and accounting staff of the Landlord) which may be reasonably allocated to permitted Operating Costs;
- (b) Minor HVAC Maintenance and Minor Elevator Maintenance costs;
- (c) water and sewer charges (if not included in Taxes);
- (d) electric power charges not otherwise chargeable to tenants, save and except for power factor surcharges;
- (e) fuel for heating, cooling and hot water;
- (f) snow and garbage removal;
- (g) maintenance of the Common Areas;
- (h) sweeping, cleaning and washing of the Parking Area and line painting of the Parking Area, not to include any surface or structural repair;
- (i) cleaning and janitorial expenses including window cleaning, washroom cleaning and cleaning supplies;
- (j) costs incurred by the Landlord for supplies and materials used by its employees and/or contractors in connection with the maintenance of the interior of the Building and the Common Area;
- (k) light fixture maintenance (including ballast), fluorescent tube and light bulb replacement;
- (l) insurance required by clause 9.1 of this Lease to be placed, maintained and paid for by the Landlord;
- (m) the amortized cost of any improvements, equipment, fixtures or otherwise which will reduce or limit increases in Operating Costs provided that the Tenant has first approved in writing the expenditure and agreed with the amortization period and rate, such approval not to be unreasonably withheld, delayed or conditioned; and
- (n) the amortized cost of the redecoration and refurbishment of the Common Areas provided that the Tenant has first approved in writing the expenditure and agreed with the amortization period and rate, such approval not to be unreasonably withheld, delayed or conditioned;

and will exclude costs for:

- (i) upgrading any item of the Building both exterior and interior (other than that approved in (m) and (n) above);
- (ii) items which are for the sole benefit of one particular rentable area or group of occupants, other than the Tenant;
- (iii) repairs, alterations or improvements made to the Premises or the Tenant Improvements or to any other tenant areas or tenant improvements on the Land;
- (iv) Parking Area maintenance, surface or structural repair other than that permitted in (h) above;
- (v) structural and roof maintenance and repairs of the Building including plate glass replacement;
- (vi) Major HVAC Maintenance, Major Elevator Maintenance and other major maintenance projects including replacements of major components;
- (vii) correcting any defects in or any inadequacies of the initial design of the Building or of the construction of the Building or for repairs covered by warranty;
- (viii) penalties and interest assessed on late or deficient payments by the Landlord;
- (ix) repair or replacement of any item or any other costs incurred as a result of vandalism or of the negligence of the Landlord or its employees, customers, agents or invitees;
- (x) the ownership, management or operation of a garage or Parking Area which does not supply free parking to the Tenant and its invitees;
- (xi) capital items (which will be deemed to be any item having an expected useful life in excess of three years). If a capital item is leased by the Landlord, rather than purchased, the decision by the Landlord to lease the item in question will not serve to increase the Tenant's share of operating costs beyond that which would have applied had the item in question been purchased. Capital expenditures and costs associated with base building upgrades and major maintenance and replacement of essential building systems and/or components without which the Tenant cannot operate reasonably in the Premises, will be borne by the Landlord and will not be passed on to the Tenant in the form of operating costs;
- (xii) any sales tax, goods and services tax, value added tax or any similar tax ("Sales Tax") paid or payable by the Landlord on the purchase of goods and services included in operating costs which may be available to and claimed by the Landlord as a credit in determining the Landlord's net tax liability or refund on account of Sales Tax but only to the extent the Sales Tax is included in the operating costs;
- (xiii) any management fees;
- (xiv) any cost or expense which the Landlord is reimbursed by any person (other than tenants of the Building paying their respective shares of Operating Costs) including (1) the cost of work or services performed for any tenant (including the Tenant) at such tenant's cost; (2) any cost which the Landlord is entitled to be



reimbursed by insurance; (3) any cost which the Landlord is entitled to be reimbursed by a warranty or guarantee from any supplier, manufacturer or other person; (4) increased insurance costs attributable to or Taxes levied specifically against any rentable premises in the Building; (5) the cost to repair damage caused by or to rectify a default of any other tenant of the Building;

- (xv) the cost of work or services performed for any tenant of the Building to a materially greater extent or in a materially more favourable manner than furnished to the Tenant under this Lease;
- (xvi) any fee, cost or commission incurred to procure or attempting to procure other tenants including brokerage commissions, space planners' fees, finders' fees, lawyers' fees, lease take-over costs, advertising, marketing and promotion costs, entertainment costs and travel expenses, and the cost of tenant improvements or renovation work for tenants or removing tenant improvements;
- (xvii) the wages of any employees of the Landlord (except any who devote substantially all of their time to the operation of the Building), the Landlord's general overhead attributable to the activities of the Landlord's officers and executives, including their remuneration, and all of the Landlord's costs which are not specifically costs of operating the Building (including, without limitation, accounting and legal matters, costs of defending any lawsuits with any mortgagee, costs of selling, syndicating, financing, mortgaging or hypothecating the Land and the Building and costs of any disputes between the Landlord and its employees or between the Landlord and any managers of the Building);
- (xviii) lawyers' fees, accounting fees and expenditures incurred in connection with negotiations, disputes and claims of other tenants or occupants of the Land or with other third parties; and
- (xix) any cost of acquiring sculptures, paintings and other objects of art.

Amounts normally charged to depreciation, payment of rent by the Landlord under a ground lease or any other underlying lease, interest on debt or capital retirement of debt (whether pursuant to a mortgage of the Land and the Building or otherwise), taxes levied or assessed against the Landlord personally or on account of its interest in the Land and the Building or any part thereof, or on account of its ownership of capital employed in the Land and the Building, as the case may be (including, without limitation, income taxes, wealth taxes, large corporation taxes and capital taxes), bad debts (including unpaid rent) or reserves for bad debts or unpaid rents and all Landlord oriented costs, such as management, advertising, legal, accounting, leasing costs including rental agent fees, tenant allowances, improvements or inducements will not be included in calculating Operating Costs.

In no event will "Operating Costs" include any increases thereto resulting from or related to additions or improvements made to the Land by persons other than the Tenant unless such additions or improvements were requested and approved by the Tenant.

For greater certainty, the Tenant will not be responsible for any operating costs which are not specifically contemplated in the above definition;

**"Parking Area" or "Parking Areas"** means all parking facilities located within the Building or below grade levels of the Building or otherwise on the Land for the purpose of parking, and

which may be, subject to the Tenant's consent (such consent not to be unreasonably withheld, delayed or conditioned), altered, reduced or extended from time to time, including, without limitation, all entrances and exits, access ramps and any delivery passages located therein;

**"Premises"** means that portion of the Building located on those floor(s) set out in subclause 1.1(d), containing the approximate aggregate number of square feet of Rentable Area which is set out in subclause 1.1(e) and having the location and configuration shown outlined in **red** or in **heavy black** on the plans attached as or referred to in Schedule A, as such Premises may be reduced in size from time to time pursuant to clause 13.2;

**"Proportionate Share (Operating Costs)"** means a fraction, the numerator of which is the Rentable Area of the Premises and the denominator of which is the Total Rentable Area.

However, in the event that the Building is subject to multiple-purpose tenancies (for example, both retail and office tenancies) or contains underground parking, due weight and consideration will be given to the use being made and benefits derived or being derived by the Tenant in relation to other users of the utilities and services (including the Landlord and other tenants and occupants) in determining the Proportionate Share (Operating Costs) to be used for the purposes of this Lease.

In the case of separately metered utilities which are for the sole use of a particular tenant, such tenant (including the Tenant) will pay 100% of the costs recorded by such meter and such costs will not be included in Operating Costs;

**"Proportionate Share (Taxes)"** means a fraction, the numerator of which is the Rentable Area of the Premises and the denominator of which is the Total Rentable Area. In the event that the Building contains both office and retail premises, the Proportionate Share (Taxes) will be determined on the basis of the Rentable Area of the Premises and the Rentable Area of all rentable premises located in the office component of the Building (instead of the Total Rentable Area) and on the basis of the Taxes allocated to the office component of the Building or, if Taxes are not separately allocated between the office and the retail components, then on the basis of the share of the Taxes which should properly be allocated to the office component based on the assessment provided by the British Columbia Assessment Authority or its successor in legislation, of the office and the retail components);

**"Rent"** means and includes the Annual Base Rent and the Additional Rent;

**"Rent Commencement Date"** means the date on which the Tenant's obligation to pay Annual Base Rent pursuant to subclause 4.2(a) commences, as set forth in subclause 1.1(i);

**"Rentable Area"**, whether in the case of a whole building, whole floor of the Building or in the case of premises comprising part of a floor of the Building, will be determined by the Landlord's architect or land surveyor on a multiple tenancy basis according to the American National Standard Method for Measuring Floor Areas in Office Buildings ANSI/BOMA Z65.1-1980 (Reaffirmed 1989), as published by the Building Owners and Managers Association International and in effect as at the Commencement Date; however, notwithstanding the foregoing, the Premises and the Building will not be measured utilizing "Gross Building Area", nor will balconies or enclosed courtyards be included in the Rentable Area;

**"Taxes"** means all taxes, rates, duties, levies, and assessments whatsoever, whether municipal, parliamentary, or otherwise, which are levied, imposed or assessed against or in respect of the Building and the Land (excluding the Parking Areas), or which are from time to time levied,

imposed or assessed in the future in addition or in lieu thereof, including those levied, imposed or assessed for education, schools and local improvements, but excludes taxes and license fees in respect of any business carried on by tenants and occupants of the Building, taxes upon the income of the Landlord and any capital or corporation capital taxes levied against the Landlord. In no event will "Taxes" include any increases thereto resulting from or related to additions or improvements made to the Land or the Building by persons other than the Tenant unless such additions or improvements were requested and approved by the Tenant;

**"Tenant Improvements"** means all improvements, fixtures, installations, alterations and additions from time to time made, erected or installed to or in the Premises, in addition to or beyond the Base Building Shell, including all partitions however affixed, millwork, internal stairways, doors, hardware, light fixtures, carpeting and other applied floor finishes and HVAC and other building services not forming part of the Base Building Shell to be done by and at the cost of either of the parties hereto and as may be more clearly set out in Schedule G, but not including tenant trade fixtures or any furniture, equipment or other personal property of the Tenant or its subtenants or licensees;

**"Term"** means the initial term of this Lease set forth in subclause 1.1(f) and any renewal or extension thereof and any period of permitted overholding;

**"Term Year"** means, in the case of the first Term Year, the period beginning on the Commencement Date and terminating **TWELVE (12)** months from the last day of the calendar month in which the Commencement Date occurs (except that if the Commencement Date occurs on the first day of a calendar month, the first Term Year will terminate on the day prior to the first anniversary of the Commencement Date) and, in the case of each subsequent Term Year, means each 12-month period after the first Term Year; and

**"Total Rentable Area"** means the total Rentable Area of all areas in the Building which are rented or available for rent, determined in accordance with the definition of "Rentable Area". The calculation of the Total Rentable Area will be adjusted from time to time to give effect to any structural change in the Building (subject, however, to subclause 4.2(f)).



## SCHEDULE C

### LANDLORD & TENANT SERVICES RESPONSIBILITY

(A) ITEM	(B) To Be Provided by Landlord, Cost Included in Annual Base Rent	(C) To Be Provided by Landlord, Cost Borne by Tenant	(D) To Be Provided by Tenant, Cost Borne by Tenant	(E) Does Not Apply
<b>CLEANING – Common Area</b>				
Janitorial Service and Supplies				X
Window Cleaning Interior				X
Window Cleaning Exterior				X
<b>CLEANING – Premises</b>				
Janitorial Service and Supplies			X	
Window Cleaning Interior			X	
Window Cleaning Exterior			X	
<b>GROUND</b>				
Maintenance of Common Area			X	
Snow Removal			X	
Redecoration and Refurbishment of Common Area			X	
<b>HVAC</b>				
Minor HVAC Repairs			X	
<b>ELEVATOR</b>				
Minor Elevator Repairs				X
<b>ELECTRICAL</b>				
Lamp and Tube Replacement-Premises			X	
Lamp and Tube Replacement-Common Areas				X
<b>NON-ENERGY UTILITIES</b>				
Garbage Removal			X	
Water and Sewage			X	
Recycling Program			X	
<b>FUELS</b>				
Heating and Cooling – Premises			X	
Heating and Cooling – Common Areas				X
<b>ELECTRICITY</b>				
Electricity- Premises			X	
Electricity – Common Area				X
<b>PARKING</b>				
Parking Rent	X			
<b>INSURANCE</b>				
Fire and Extended Coverage Perils P.L. and P.D.	X			
Tenant Improvements	X			
<b>TAXES</b>				
Taxes				X
<b>TENANT IMPROVEMENTS</b>				
Tenant Improvements (Schedule G)				X
Maintenance of Tenant Improvements			X	
<b>SECURITY SYSTEMS</b>				
Building Systems – Equipment and Monitoring			X	
Premises – Equipment and Monitoring			X	
<b>FIRE AND SAFETY</b>				
Building			X	
Premises			X	

**SCHEDULE D**

**BASE BUILDING SHELL - DELETED**

**SCHEDULE E**

**CERTIFICATE**

**TO:**

\_\_\_\_\_  
(the "Purchaser")

**FROM:**

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF  
BRITISH COLUMBIA, as represented by the Minister of Citizens' Services  
(the "Tenant")

**REGARDING:**

\_\_\_\_\_  
(the "Premises")

1. The Tenant leased the Premises from the Landlord under a lease dated:  
\_\_\_\_\_ (the "Lease").
2. The term of the Lease is \_\_\_\_\_ (the "Term").
3. The rent payable over the Term is \$ \_\_\_\_\_, made by way of:  
\_\_\_\_\_ monthly payments of \$ \_\_\_\_\_.
4. The Lease has been validly authorized, executed and delivered by the Tenant.
5. To the knowledge of the Tenant, no litigation or governmental or municipal proceeding has been commenced against the Tenant with respect to the Premises.

Dated at Victoria, B.C. this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, by the  
Minister of Citizens' Services or the Minister's authorized representative.

\_\_\_\_\_

**SCHEDULE F**  
**OPTION TO RENEW**

Not applicable.

**SCHEDULE G**

**TENANT IMPROVEMENTS**

Not applicable.

## SCHEDULE H

### ADDITIONAL PROVISIONS

#### TERMINATION:

Notwithstanding any other provision of this Lease, **both** the Tenant **and the Landlord shall** will have the right, on not less than SIX (6) months' prior written notice to **the other** the Landlord, to terminate this Lease **at any time**. For greater certainty, if **either party** the Tenant exercises this right to terminate, the Tenant will have no obligation to pay Rent after the early termination date and any amounts which have been paid by the Tenant to the Landlord on account of Rent will be adjusted between the parties as soon as possible after the early termination date.



**SCHEDULE I**

**ENVIRONMENTAL DISCLOSURE**

See clause 13.5 - Environmental Safety.

**SCHEDULE J**

**JANITORIAL SERVICE - DELETED**

**SCHEDULE K**

**LANDLORD'S SERVICES - DELETED**